

Faroe Islands – Deepwater Possibilities:

Framtíðin liggur inni á landgrunninum

Í mun til onnur strandalond er framtíðin við oljuleiting í Føroyum ikki at fara longur út á størri dýpi men heldur at finna loysnir til at kunna leita í longur inni á landsgrunninum, sum í dag er fjaldur av basalti segði Herálvur Joensen, aðalstjóri í Oljumálaráðnum á ráðstevnu í London nú um dagarnar. Vit prenta brot úr fyrilestri hansara.

Herálvur Joensen, aðalstjóri í Oljumálaráðnum

Despite this being a conference on deepwater opportunities, challenges and technology it must be said at the outset that the main challenge of petroleum exploration in the Faroe Islands is not one of bathymetry but one of geology. Geology and proximity to the West of Shetland oil fields have dictated the location of the first exploration wells on Faroese territory. In opposition to many other coastal states the future of Faroese petroleum exploration is not to get into ever-deeper waters, but rather to find a solution to exploring the geologically challenging part of the Faroe Shelf. In other words the main challenge is a gradual transfer of activity from the existing licenses in the southeast to the shallower and basalt covered parts of the Faroe Platform itself.

Results from the first 2 years of exploration

Two years have passed since the first Faroese licenses were awarded and a major part of the commitments has been performed already, notably 3 of the 8 firm wells were drilled in 2001. This year no well has been drilled in Faroese territory, but next year Agip will drill its commitment well, and other operators are planning to drill in 2004.

Looking at the results from the 3 exploration wells, it may be appropriate to take a glance at the point of departure, when the licenses were awarded in the summer of 2000.

The reason that these wells could be drilled in 2001 was that the targets were relatively clearly identified, based on existing data, and that additional seismic data was considered unlikely to make any big difference in the decision process.

In other words, the only real way forward was to drill these prospects.

The main point of departure was quite naturally the experience from West of Shetland, where oil in large quantities has been discovered in certain geological formations, notably Paleocene sections. One of the experiences the industry has made West of Shetland is to identify certain seismic responses and characteristics connected to these hydrocarbon accumulations.

Utilising this experience was very natural and perhaps the only thinkable way of planning the first phase of exploration drilling in



the Faroese area. But it was soon to become clear that although geology does not stop at international boundaries, stepping across the Faroe-Shetland Channel is a step into the partially unknown.

Broadly speaking, the first well encountered only traces of hydrocarbons; the second well demonstrated the presence of both oil and gas, although in non-commercial quantities in that particular location, whereas the third well drilled by Amerada Hess on the Marjun prospect contained significant volumes of hydrocarbons, both light oil and gas.

In a more detailed view, the results have demonstrated that none of the main targets turned out the way it was predicted. Clearly, the promising seismic signatures proved to be related to other geological factors than hydrocarbon accumulations, and it was only after drilling deeper into the geological section than originally planned that oil and gas was discovered.

Implications for the future

Concluding from only 3 wells is dangerous but at least the 3 wells have provided large volumes of new and useful information, which will have to be investigated in detail in order to increase the understanding of the geology and hydrocarbon potential. And some lessons have been learned.

For instance that relying too heavily on analogies from West of Shetland has its pitfalls. There is a need to approach exploration in the Faroes with an open mind in order not to preclude opportunities from ever being discovered, and this also implies that there is a need to look both shallow and deep. West of Shetland will remain a valuable experience for exploration in the Faroes but this experience must be applied properly, because the Faroe Shelf is not just a mere extension of the West of Shetland area.

One critical element when enhancing the geological understanding of a new area is the question of openness and data exchange. To a certain degree this also has happened in the Faroese region. The Faroese authorities appreciate that companies have to safeguard their competitive position but have on a number of occasions stressed the importance of sharing as much knowledge as possible. It is our firm belief that in the long run everyone will benefit from sharing data and knowledge as it optimises the chances of future success.

Future opportunities The Faroe Platform

When speaking of future opportunities in the Faroese region it has been stated several times already that such opportunities are partially dependent upon exploration taking place on the Faroe Platform itself. Already with existing speculative seismic data major structures can be imaged beneath the basalts in certain parts of the Faroe Shelf. Hopefully, the work performed within the 9-year licenses and the SIN-DRI project can assist in maturing these structures into well-defined and de-risked prospects. The major part of the Faroe Shelf is covered with volcanic material and it is of paramount importance for Faroese authorities that the potential beneath the basalt is vigorously pursued.

The Faroe Bank Channel

When the area on offer in the first licensing round was selected, oil companies nominated blocks to be included. The nomination took place in 1996 and a few oil companies showed interest in the Faroe Bank Channel area. Although that interest seems to be much more moderate now, the Faroe Bank Channel area remains a possible candidate for future rounds.

The northern part of the Faroe-Shetland Channel

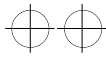
The oil industry also nominated blocks further north than those included in the area on offer in the first li-

censing round. In addition to blocks adjacent to existing licenses the blocks northwards of the area on offer in the first round still appears to be attractive to the industry.

The Hatton-Rockall area

In the longer term some deep water areas to the southwest are likely candidates for future Faroese licensing rounds. This is to some extent dependent upon the outcome of the overlapping claims to the Hatton-Rockall Plateau, where UK, Ireland, Iceland and the Faroe Islands all have designated large areas beyond the normal 200 nm limit. The claims are legally justified in article 76 of the United Nations Convention on the Law of the Sea and will eventually be examined by the Commission on the Limits of the Continental Shelf, which has been established under the Convention.

Water depths on the slopes of the Rockall Plateau approaches 3000 metres.



Hópuppsagnir í hetlendsku oljuvinnuni



Hóast nógv olja kemur frá feltunum vestan fyri Hetland, so verður kapaciteturin á oljuterminálinum Sullom Voe ikki troyttur, og tí koma uppsagnirnar

Umleið 225 fólk eru í vandi fyri at verða uppsøgd á Sullom Voe oljuterminálinum í Hetlandi, nú BP staðfestir, at ov lítið av olju fer gjøgnum terminalin. Partur av oljuni kemur annars frá feltunum við føroyska markið

HÓPUPPSAGNIR Í HETLENSKU OLJUVINNUNI

By Bruce McMichael

Over 225 jobs are to be lost at the Sullom Voe oil terminal in Shetland Island as its operator, BP blaming falling levels of oil flowing through the site, seeks radical ways to make the facility economic. Around 375 staff will remain on site, which is now expected to operate beyond 2015.

Trades union officials have been consulted about the proposed changes and a community liaison group comprising workers representatives, BP officials, local councillors and Shetland Enterprise is being put together to help manage the effect of the change on the overall Shetland economy.

The struggling Shetland economy, where there is

1.5% unemployment, will suffer.

Commenting on the proposed job losses, Ann Black, Deputy Chief Executive of Shetland Enterprise, told Sosialurin: “We are obviously very concerned at the potential impact of the proposed job losses, these are highly skilled, well paid jobs.

“Shetland Enterprise intends to work very closely with BP and other agencies to minimise the impact and retain the skilled workforce in the local economy.”

Warnings of the decision were made last month when the energy supermajor said it planned to restructure the facility in the face of declining North Sea production. Also under threat are the terminal’s gas plant and secondary oil processing equipment, both of which face decommissioning

BP staff account for around 300 staff, with about 75 directly affected by this round of job losses.

BP staff and contractors are being offered voluntary redundancy. Decisions will be finalised by next March.

Hundreds of contractors work at the facility, and their number will be cut by 50% to around 150. Many more contractors are employed on a project basis, but with no major civil

engineering work planned high numbers of contractors are unlikely to be seen again on the island until the plant is finally decommissioned.

BP is hoping cutting jobs are reorganising work practises will breathe new life into the terminal, which had originally been expected to close in the late 1990s. Built in the 1970s, it was originally designed to operate until 1997. However, a with the Shetland Islands Council, including compromise over rent payments, staved off threatened closure.

Paul Dymond, Sullom Voe general manager, said: “the (changes are) all about ensuring that the terminal’s core business remains competitive. The current size and scale of the organisation and the facilities are mismatched to the volumes of hydrocarbons we are now processing. Streamlining the operations is critical if we are to create a successful and sustainable future.”

Some 26 companies have interests in the terminal, including Shell, ExxonMobil and Kerr-McGee, which receives production through the Brent and Ninian pipeline systems.



Nýtt útbjóðingarumfar í 2004

Á ráðstevnu í London mikudagin í farnu viku avdúkaði Herálvur Joensen, aðalstjóri í Oljumálaráðnum nakað av framtíðar ætlanunum hjá føroyskum oljumyndugleikum. Landsstýrismaðurin hevur sett út í kortið eitt nýtt útbjóðingarumfar, sum kann gerast veruleiki longu í 2004. Á ráðstevnuni segði Herálvur Joensen m.a.:

Towards a second licensing round

The next Faroese licensing round certainly is not going to be dependent upon the outcome of the parcelling

out of the Hatton-Rockall Plateau.

It is always an issue of timing when deciding upon the launch of a licensing round. With large parts of the Faroe Shelf being extremely difficult to explore due to the problem of sub-basalt imaging and basalt drilling, the Faroese case is not only subjected to the normal ups and downs of the international oil industry. Prior to any licensing round a careful assessment of the maturity of a region with respect to exploration has to be performed in order to obtain an informed and realistic

opinion on possible work commitments in future licenses.

This being said the Minister of Petroleum has told the administration to start planning for a second licensing round. Acting upon this message it is likely that the Ministry of Petroleum will consult with the industry next spring in order to assess the interest for an upcoming round. If the consultations indicate a level of interest, the next step is likely to be some sort of nominations later in the year.

When planning for a licensing round it must be re-

membered that a licensing round in the Faroe Islands cannot be initiated at the discretion of the Minister. It is a special feature of the Faroese licensing regime that Parliament has to approve the area on offer as well as the general terms and conditions of the licenses. Therefore, the time span from the moment work commences on a licensing round and to the point when the round is launched, is likely to be longer in the Faroes than in neighbouring countries.

Conclusion

In conclusion it must be said that the first 3 wells drilled in Faroese territory have lead to a variety of results. Disappointments and high hopes have been going hand in hand. The Marjun discovery made by Amerada and its partners in the Faroe Partnership apparently deserves closer attention, although the appraisal well drilled in UK sector this summer did not warrant a drill stem test of the hydrocarbons found. Furthermore, the Agip well to be drilled next summer will give further information as to

the potential of the lower tertiary formations.

In future licensing rounds some deepwater areas are likely to be included but it must be reiterated that the full potential of the Faroe Shelf is only released as and when exploration wells are drilled on the Faroe Platform itself.

