

StatoilHydro spending millions on the Faroe area

StatoilHydro is not walking in small shoes when it comes to oil exploration in the Faroes. Even if the company has been the operating company for two dry wells, they are prepared to spend D.kr. 300 million on seismic surveys in two other Faroe licenses. The company is also making its presence felt in Greenland

STATOIL

Hilmar Simonsen

It is hardly an understatement to say that the Norwegian StatoilHydro is the most active oil company in Faroe territory. StatoilHydro has been the pioneer in several areas in the Faroes and was the first operating company to drill in the Faroes. This was the "Longan" prospect drilling 2001. StatoilHydro was also the first operator to drill through Faroe basalt; this was the "Brugdu" drilling in 2006.

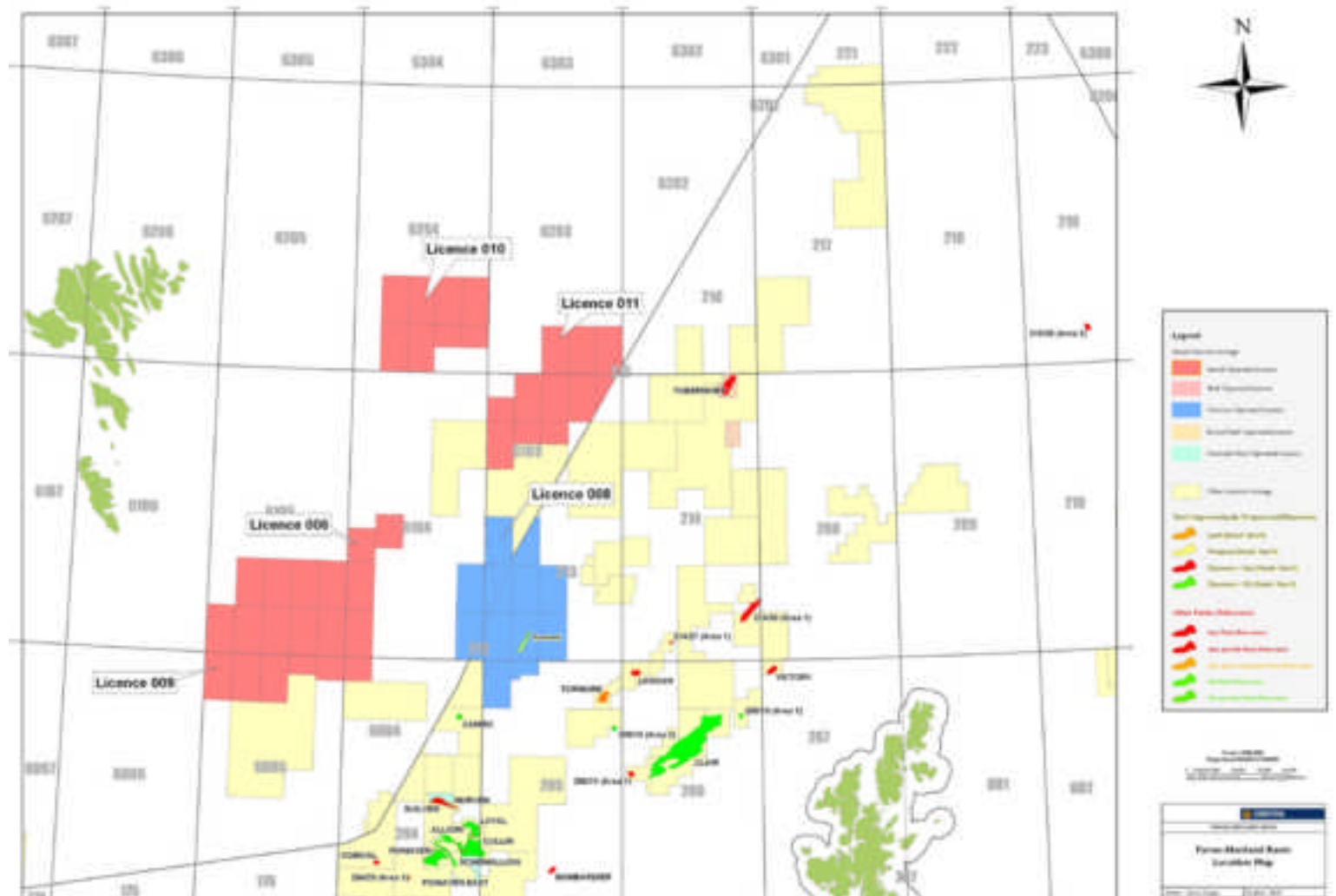
It has to be said that the company has been very active since the first bidding round in 2000. Sosialurin has asked Mr Rúni M. Hansen, the StatoilHydro CEO in the Faroes, what we can expect now third Faroe round is pending:

- It is too early to say yet, if we will participate in a third round. We are in the process of looking closer at the area. A decision will likely be taken just before the application deadline on the 3rd of November. As it stands it could go both ways, says Mr Hansen.

Q: What are your intentions in the Faroe area, according to existing agreements?

A - We are very active in Faroe territory. We are the operating company in four licenses and are a partner, with a 30% stake in a fifth license. Just one of these licenses stems from the first bidding round in 2000 - the so-called "Brugdu" area, where we drilled a well in 2006. The other four licenses were awarded to us in the second round in 2005. We have so to speak complied with all of our commitments in these licenses. We have also extended the odd license awarded in the second round. This is license no. 11, where we are currently shooting 3D seismic and we will thereafter proceed to shoot seismic in license no. 9. So we are engaged in much activity in the Faroe area this summer, says Mr Hansen.

He makes no secret of the fact that StatoilHydro has spent large amounts of money in the company's exploration of the Faroe area. He will not however disclose how large the actual amount is, but that we are taking of hundreds of millions there can



Map quotations:

Overview of licenses in Faroe territory, where StatoilHydro is either the operating company (licenses no's. 6, 9, 10 and 11) or is a participant (license no. 8). The map also shows some of the discoveries on the UK side of the border

be little doubt.

Estimates Sosialurin has conducted show that just the seismic on license no. 11 costs app. D.kr. 200 million and if license no. 9 is taken into account another D.kr. 100 can be added. These are just the amounts used on seismic on both licenses. This means that the amounts involved for the two drilling projects, the Longan in 2001 and Brugdan in 2006, are not included.

No problem to drill through basalt

The two above-mentioned drillings did not encounter hydrocarbons in commercial quantities. There is no concealing that particularly the result from Brugdan was a huge disappointment, as people had very high hopes for exactly this well. Therefore, I ask StatoilHydro Faroe CEO, what impact this negative result will have upon

future StatoilHydro activities in the Faroes?

- The Brugdan drilling was the very first so-called basalt drilling in the Faroes. Approximately 90 % of the Faroe area is covered by basalt, so if we are to continue to work in the Faroes, it will be necessary to resolve the "basalt problem". The great challenge with basalt can be divided into two separate parts. The first is to "see" properly through the basalt with seismic data and the second is to drill through the basalt. As the operating company in several Faroe licenses, we have been forced to accept these challenges very seriously, if are to have any hope of making a profit. We can say the Brugdu drilling was a large step in the right direction. Extensive preparations had been done as the conditions were quite unknown before hand, says Mr Hansen and he continues: - We have to say that we were successful. Particularly the drilling aspect. Today the Brugdan is an

excellent reference well in the basalt area, and we do not regard drilling through basalt as any large problem anymore, although it is still expensive to drill through basalt, he says.

Focusing upon Greenland in the future

As well as the Faroes, Mr Rúni M. Hansen is also responsible for StatoilHydro's exploration activities in Greenland. Lately, it has been rumoured that large amounts of hydrocarbons lie hidden in the Greenland subsoil. StatoilHydro has been the operating company for a significant large project in the northeastern corner of Greenland.

We ask Mr Hansen what tangible plans StatoilHydro has in Greenland? Are they getting involved in a big way?

- As a partner to the realm, we are hearing much about Greenland and the oil there. Various

geological institutions have estimated that substantial quantities of oil are to be found in Greenland. Together with several other international oil companies, we conducted some core drillings in northeast Greenland. A total of seven other oil companies participated in the project, with us as the operating company. We are at the very beginning of an oil exploration development phase, so only time will tell what eventually emerges, but there can be little doubt that there will be much focus upon Greenland in the future, says Mr Hansen.

Apart from StatoilHydro, the other participating companies in the project were ExxonMobil, Chevron, BP, Shell, JOGMEC, which is a Japanese company and the Greenland state owned oil company, Nunaoil.