

Tig: Atlantic Supply Base

VINNUHÚSIÐ HOUSE OF INDUSTRY

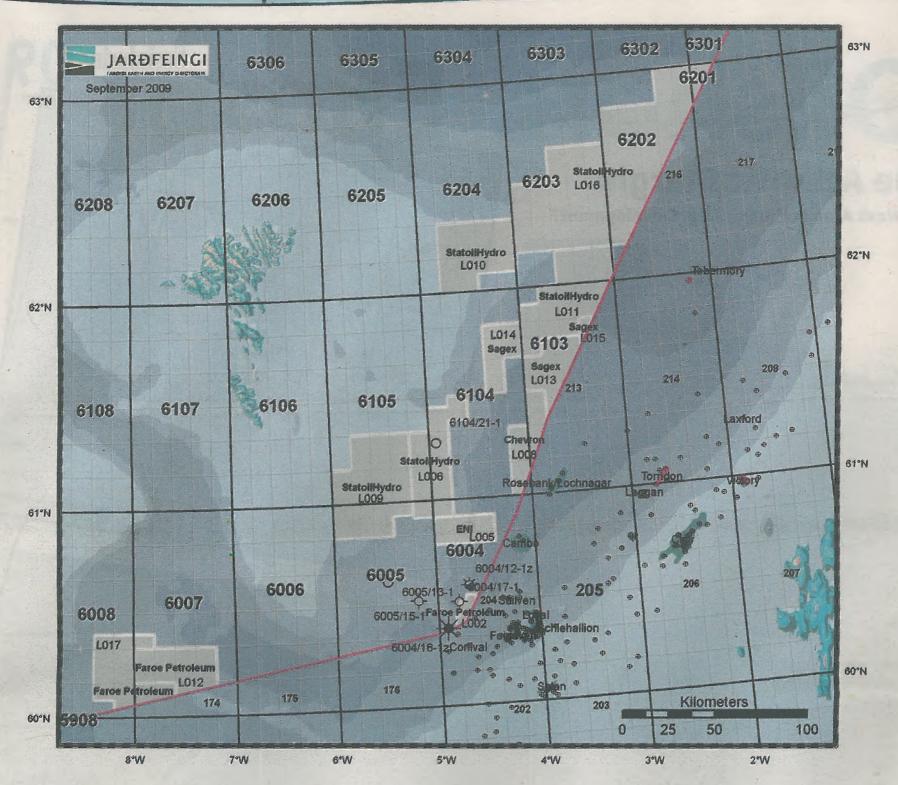
MINISTRY OF FOREIGN AFFAIRS

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Johan Dahl Minister of Trade and Industry

Again this year Faroese industry has taken the opportunity to be represented at the Offshore Europe exhibition in Aberdeen. However, the representation is on a smaller

# Faroese Continental Shelf – Exciting future

scale than before. There might be several reasons for the smaller participation. The financial crisis might be one reason. Shift in focus might be another.

The local industry has for a decade focused on entering into the offshore industry - both offshore activity on the Faroese Continental Shelf as well as in the neighbouring countries, Norway, UK and Denmark. Some have succeeded, while the outcome for others has been somewhat limited. The experience proves that it takes much effort to become a part of the offshore industry, but once successful, the offshore industry can be very valuable for Faroese companies, which otherwise must rely on the limited, fluctuating local market. Therefore, it is my sincere hope that the effort of the local industry witnessed in the past will continue.

The Faroese oil exploration policy is also aimed at promoting local industry in

offering goods and services to the offshore sector. This is reflected in the legislation by stipulations, such as, the requirement that local Faroese industry shall have a genuine opportunity to obtain subcontracts in competition with foreign companies. Administrating this stipulation of course must be balanced with the overall goal which is to carry out efficient exploration for oil and gas in a safe manner.

I shall take this opportunity to wish the local companies the best of luck with their further effort to obtain subcontracts within the offshore industry — both locally and internationally.

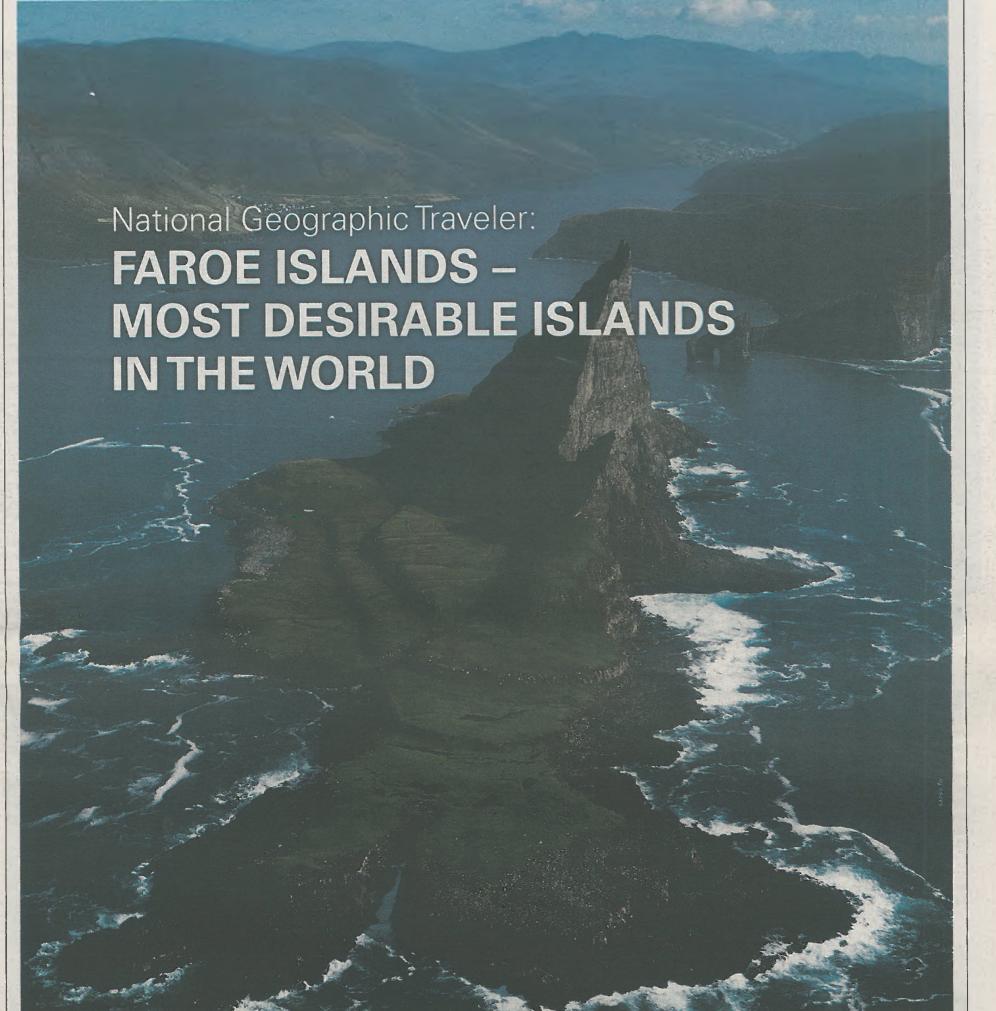
The exploration activity on the Faroese continental shelf is ongoing. The next exploration well will be spudded in 2010 by the Licence 005 holders ENI (operator), CIECO and Faroe Petroleum. This well is 5-7 kilometres away from the Cambo discovery on the UK side of the boundary.

Statoil has publically announced that they intend to drill a well not later than 2011, but has not yet specified the licence to drill.

Based on our knowledge of the prospectivity of the Faroese subsoil we feel that the Faroese Continental Shelf could fit especially well with strategies focusing mainly on "high-risk-high-reward". There are still interesting structures to be tested and the timing to make investments could prove to be right. We shall be happy to welcome companies that may be interested in farming into existing licenses.

We believe in a prosperous future for the Faroe-Shetland area, which can be seen as one continuous province. The prospectivity is present, the infrastructure is continuously being developed, the political regimes are stable and the fiscal regimes competitive.

All in all – we look optimistically forward to seeing what the future might bring.



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Faroe Islands - Your Base in the Offshore Zone

The Ministry of Foreign Affairs is the main stand this year. These companies offer a organiser responsible for the Faroese National Stand at Offshore Europe 2009. It is a priority task for the ministry to create awareness and present our country to the international community. It is therefore natural to promote Faroese products and services while presenting the Faroe Islands as a business and investment opportunity. By encouraging innovation and enterprise and showcasing our skills, services and products, the aim is to advance and develop Faroese international trade.

The Faroese national stand at Offshore Europe is coordinated in close cooperation with the Faroese Oil Industries Association. 4 companies are represented in the national

great variety of services to the offshore industry - from broadband communication services to supply bases. Some of these companies have a long history and tradition of participating in oil exhibitions. Offshore Europe is one of the most important events of the year and a great platform to showcase their products and services. They seize this opportunity to meet face-to-face with their clients and collaborators to get new business opportunities or to close a deal. There is a special atmosphere at an oil exhibition and a great synergetic effect for the companies participating in a joint stand. Experience shows that while they spend time doing business with foreign companies



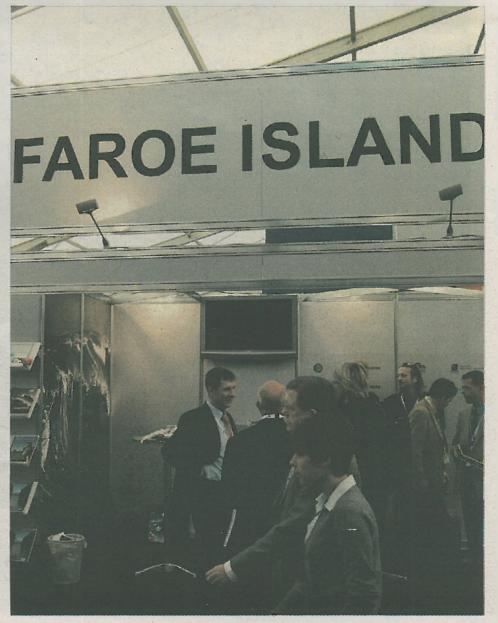
Faroe stand at oil exhibitions

Faroese have participated in many oil exhibitions over the last few years

- a deal or two are often closed among Faroese colleagues at the stand as well.

Faroe Islands is in an excellent geographic location to become a natural supplier of goods and services for the exploration and production on the shelves around us. In addition to this, our location is important for the shipping industry on its route between Northern Europe and North America. Therefore, in addition to marketing the services offered by the private and public companies at the stand, we also promote the Faroe Islands as a business opportunity and a location and destination for the oil industry. There are still large structures in the Faroese area that have not been drilled yet, and there is growing consensus that they are likely to yield significant discoveries in the years to come. The successes on the UK side of the Faroe-Shetland channel, most notably the Rosebank discovery, have created optimism among Faroese businesses. The drilling activities scheduled for the spring of 2010 are therefore generating considerable excitement.

Faroese companies have long-standing experience in the maritime sector as well as the oil sector. The fact that we have lived off the sea for generations and are used to rough weather conditions is a clear benefit when working in the oil industry. Companies offering services to the oil industry have built up unique knowledge of the industry over the years. They have found business opportunities abroad and several Faroese companies have signed important contracts with oil companies also those involved in the drilling activities on the Faroe Shelf. Many of them are already competitive players on foreign markets - building areas of expertise, which will be of great importance in a future Faroese oil industry.





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Leading Statoil Hydro people attending a meeting in London together with the Faroe Minister for Hydrocarbon Affairs

Photo: Jan Müller

# We will drill again in the Faroes

-We are still optimistic of discovering hydrocarbons in the Faroe subsoil. This is the reason why we have begun preparing for at least one other exploration well in the area".

These are the words of the StatoilHydro exploration CEO for the whole world, Mr Tim Dodson, at a meeting in London between Mr Dodson and the Faroe Minister for hydrocarbons affairs Mr Johan Dahl

## EXPLORATION IN THE FAROES

Jan Müller jan@sosialurin.fo

The name is Mr Tim Dodson, but he is not an American as the name may suggest. He is very active within the international oil industry, and he is Norwegian. He is not a Mr nobody within the international oil industry. He is in charge of all exploration at StatoilHydro, including the Faroes. At his command are people like Mr Rúni M. Hansen, the Statoil Hydro CEO in the Faroes.

Recently the Faroe minister for hydrocarbon affairs, Mr Johan Dahl was on an official visit in London, to acquaint himself with future UK plans for the area between Shetland and the Faroes, and the two men took the opportunity to meet.

After the meeting, Sosialurin spoke to Mr Dodson.

He said that they informed the minister on StatoilHydro's global engagements, including the Faroe area: -We are very pleased to have been awarded so many Faroe exploration licenses, not least the latest no. 16, from the third round, where we will begin to shoot seismic shortly. We are still optimistic about discovering oil and gas in the Faroes.

## **Gambling on the Faroes**

-When a large company like BP decides to leave the Faroe area, why is a company like StatoilHydro prepared to spend so much money here?

-There is a difference regarding which areas the various oil companies wish to invest in. There are several new hi-risk exploration areas round the world and you have to choose or dismiss according to how you evaluate your best options of making a discovery. At StatoilHydro we have elected to designate the Faroe area as one of our more hi-risk areas, but we believe there are hydrocarbons in the subsoil and that there is the opportunity of making large discoveries".

-For how long can you continue to be in the Faroe area without making a discovery?

-We have shot a lot of seismic and have quite recently drilled a well, where we have not fully tested the area we targeted, so there remains some work to be done. We are aiming to drill at least one more well to see if the structures we decided to target contain hydrocarbons.

Mr Dodson says they have not yet decided when or where they will drill the above mentioned well, but they have informed the Government Minister that they intend to drill a well in the near future. To the question if this will be in 2010 or 2011, the Statoil CEO has no comment:

-We of course wish to acquire as much seismic as possible in order to establish the

exact best spot to position the drillbit.

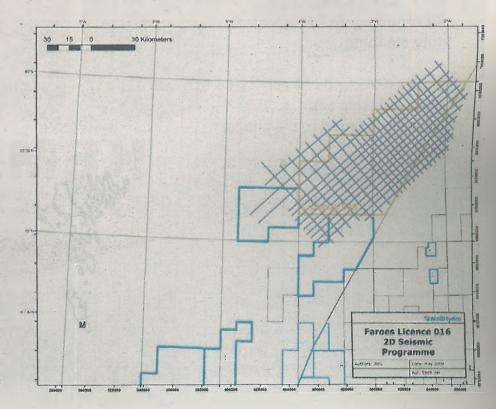
The StatoilHydro international exploration CEO says they regard the whole area between Shetland and the Faroes as an important future exploration area for the company and in this respect the Faroes feature quite prominently. The risk is of course very high, but the rewards could also be very great.

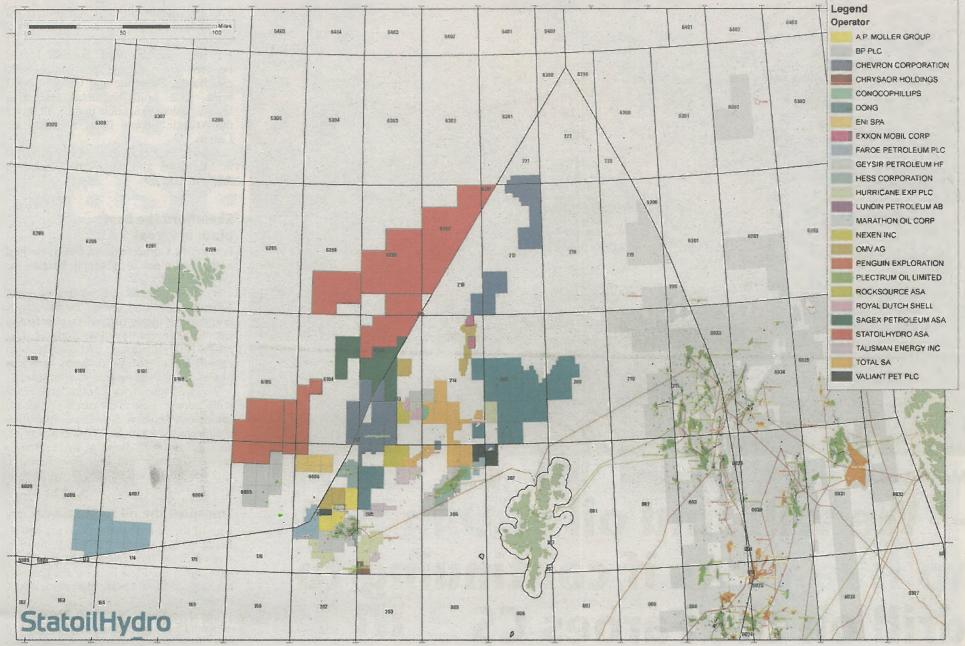
# Pleased to have Faroese in top job

Sosialurin asked Mr Dodson what importance Statoil Hydro placed in having

a Faroese in a top managerial position, e.g. Mr Rúni M. Hansen, who is responsible for exploration in North Africa and Northern Europe.

-We always attempt to employ local people where we operate; therefore we are very pleased to have Mr Rúni M. Hansen. He has proved he is capable of handling the task of drilling wells. The drilling work done in the Faroes to date has been executed very satisfactory. That we have not discovered oil is another matter. That is what we are going for now in our next well









Mr. Eli Lassen:

# We will find oil within three to five years if continuing to drill on the Faroes CS

»I am still convinced that we will find oil and gas on the Faroese continental shelf/CS« - says Mr. Eli Lassen, manager of Atlantic Supply Base, abbreviated ASB. In his opinion, the oil should be transported to the oil terminal in Shetland instead of constructing a huge oil terminal in the Faroe Islands.

Mr. Eli Lassen is the manager of Atlantic Supply Base. The organization is quite optimistic in their views that oil will be extracted from the Faroese CS and ASB is thus preparing for a possible oil industry in the Faroes.

Atlantic Supply Base is situated in Runavik, and has been an active participant in the exploration drilling that has been made in the Faroes since 2001, that is 6 wells.

faced with new challenges, states Mr. Lassen.

Unfortunately, the Statoil explorations; 'Brugdan' in 2006 and 'William' in 2007/08, failed to show any large quantity of oil and gas. Nevertheless, Mr. Lasses argues, that they now have gained experience in drilling through basalt, and the basalt must have given many oil companies' sleepless nights. In either way, Mr. Lassen is convinced that the Oil Companies will find oil and gas on the Faroes CS.

In August 2008 ASB succeeded to sign the following contract:

FOR PROVISION OF FAROES FACILITIES SHOREBASE AND SERVICES"

This contract was made with Italian giant ENI. ASB is looking forward for their next exploration; "Anne Marie", scheduled

ASB was founded in 1999. Today we are early in 2010, in addition to other challenges which may before us in the future, says

> The working area for the organization is divided into three areas; Office and warehouse, Bulk and Mud/mixing Plant and the ISPS secured quayside with contain yard and laydown area, all within a range of 500 meters.

Oil Companies have shot seismic on the Faroes CS during this summer.

Our main objective of attending Offshore Europe 09 is to meet oil companies that are planning to come to Faroe Island to drill and also those who work within a short distance from the Faroese/UK border.

During 2009 several companies work in FEED process/level within West off Shetland Area, this means that within a few years we will have more oil and gas which is pumped up from the new offshore region.

When developing the oil and gas field it is a good opportunity to use our organization as a temporarily storage and construction and workable area close to quay side, says

If oil companies work on the Atlantic Frontier, then they will be able to save

about 24 hours by sailing to the Faroe Islands compared to other supply ports. This is efficient and will also protect the environment by saving fuel and less CO2

If the vessels need pot/drill water, bunkers, crew change, provisions, bulk, e.g. Barite, Bentonite and Cement, NaCl brine, KCL brine and mud, and other logistic tasks, we are able to offer all this at the Atlantic Supply Base, says Mr. Eli

Atlantic Supply Base was ISO9001:2000 in Mai 2008 and passed the Periodical Audit in May 09

### Skalafjord the best place in Faroes

Personally, I am convinced that Skalafjord is the best place for a supply base in the Faroe Island.

By nature, the Skalafjord is very good. When tenders were invited for the supply port, several ports offered their services, but the oil companies chose Runavik. This means that foreigners and people with knowledge of the oil industry perceive Skalafjord as beneficial to their business.

We have now eight years of experience with supply base service, and the oil companies who have done there exploration here have been satisfied with our service, so I do not think there is any reason to move the supply base away from Runavik, says Mr. Eli Lassen.

## Transport the oil to Shetland

I am of the opinion that oil and gas will be found on the Faroese CS within three to five years, and this is because oil companies have found good and light oil and gas only a short distance from the Faroese/UK

The question is, of course, whether the oil found on our CS is of sufficiently good quality to extract, says Mr. Lassen, who does not think that the oil should be extracted and taken to the Faroes.

It does not make sense to transport the oil to the Faroes and then export it directly to (main land) again. I think that the oil found on the Faroese CS should be connected to the pipes and infrastructure, which are on the Atlantic Frontier between the Faroes and Shetland. It would be too expensive to make a terminal and lay new pipelines to our islands.

In Shetland, we can find an oil terminal with all the equipment necessary, sell the oil to them and take the proceeds home again. If it later on appears that there is oil to the North and the West of the Faroes then we have another challenge, which requires to be solved successfully.

All the equipment for oil prospecting on the Faroese CS should cross Faroese custom zone/ quayside, as well as equipment for construction of a possible oil field.

We have many Faroese enterprises that are fit for being sub-contractors to the oil industry and they must have an opportunity to make an offer for various works on equal terms with others, says Mr. Eli Lassen finally.



Bulk and Mud Plant



Container yard and laydown area

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Runavík Municipality

# Dong active on the Atlantic Margin frontier



A good-humoured Mr Søren Andersen, Exploration Manager at Dong for the Atlantic Margin Frontier.

Photo: Jan Müller

The Danish oil- and gas company Dong is today one of the most active companies on the Atlantic Margin frontier, particularly in the area between Shetland and the Faroes. Recently this company embarked upon its first drilling as an operator west of Shetland

### ATLANTIC MARGIN

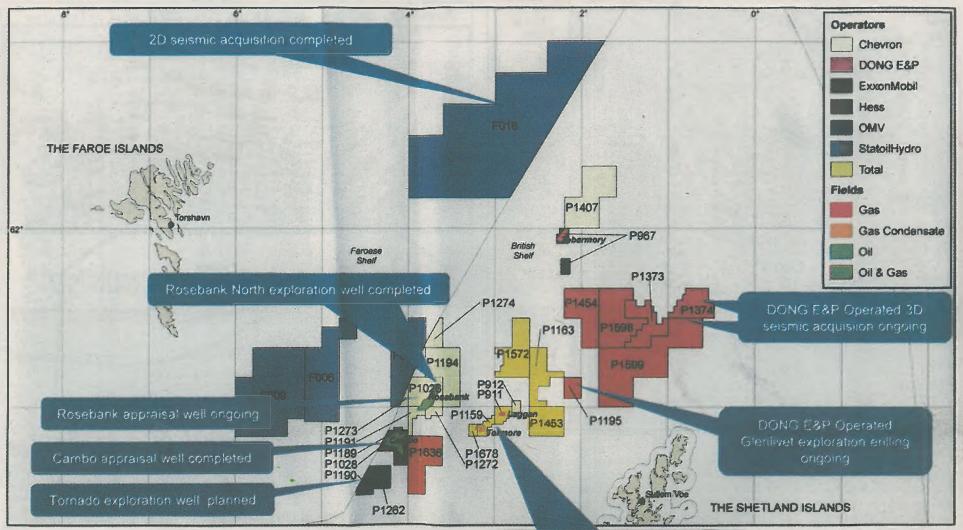
Jan Müller jan@sosialurin.fo

-"Everything has gone according to plan. The Transocean Rather drilling platform is well ahead of schedule, now it is drilling the Glenlivet prospect, which is the first ever prospect to be drilled west of Shetland with Dong as the operating company", says Mr Søren Andersen, who is the Dong exploration manager for the Atlantic Margin area. The Glenlivet prospect was spudded in mid-August together with Faroe Petroleum and First Oil. The Glenlivet is located app. halfway between Shetland and the Faroes. This is a gas prospect, which is looking promising. If the drilling operation proceeds as it has to date, the target area will be reached by app. the 10th of September.

Sosialurin met Mr Andersen in a caféé in Copenhagen, where he presented some maps of the licensed areas held by Dong on the Atlantic Margin. He is quite proud when he announces that Dong holds the highest number of exploration licenses in this area, a total of 29 in the UK sector and 3 in Faroe waters. Originally, the company participated in four Faroe licenses, but the company recently took the decision to abandon participation in its fourth license, which it has been a partner in for many years. Mr Andersen says that when they conclude that a license does not contain hydrocarbons, they return it to the authorities and turn their attention to maturing their other licenses. He is very pleased they are participating in a license awarded in the third licensing round, with StatoilHydro as the operating company. Seismic surveys have been shot on the area this summer and they will now begin to interpret the collected data to determine the correct location to position the drill. The StatoilHydro management have announced that drilling will most likely take place in 2011.

Dong is participating in five drilling operation west of Shetland this year and most of them, for example the oilfields Rosebank and Cambo, are located quite close to the Faroe border. This is also the reason why the company has strived to land a Faroe license close to the border. ENI is set to drill a well in the neighbourhood in six months time Dong will monitor this operation very closely, says Mr Andersen. He is in no doubt that Rosebank, Cambo and Laggan, to which Dong is a partner, will all be developed over the coming years. However, these are just a few of the company's core areas west of Shetland, there are other areas to the east and north. Dong will participate in a drilling in the far south, west of Shetland this year. This is the Tornado prospect very close to the Faroe border and Faroe Petroleum is the drilling operator.

# DONG E&P - 2009 Activities West of Shetland



Laggan and Tormore development plan being completed



Although Dong is reckoned as one of the smaller to middle-sized oil companies, the exploration manager sees no reason to believe they cannot handle the task of being an operator - also in a project where no large oil company is participating. They have drilling and production experience from the North Sea.

-"We regard ourselves as a "little big company". Compared to StatoilHydro and Chevron we are a small company, but our portfolio shows that we are participating in many very exciting projects. We are a partner to most of the discoveries made since 2000, so even if you are a small company you can make a difference. Here he makes a parallel to the Faroe oil companies: -"The same can be said about the Faroe oil companies, although they are very small compared to Dong, they have already proved they can make a difference".

The whole area as a cohesive region

Mr Andersen is among those who regard the area between Shetland and the Faroes as a cohesive area. This is also why they have elected to gamble upon this area west of Shetland and the Faroes plateau. The more oil and gas discovered in UK waters the higher the chance of discovering oil and gas in Faroe waters, is Mr Andersen's estimation. A development in UK waters could make smaller discoveries economically more feasible in Faroe waters.

Working on the Atlantic Margin presents many large-scale challenges. —"The timeframe allotted when it is possible to shoot seismic is short, e.g. from app. April to September. Everything also takes more time and it is much more expensive to work here. Here it is very important one of the large oil companies is participating as a locomotive. For example StatoilHydro in Faroe waters, Chevron and Total west of Shetland, not to mention BP and Shell, who are leading the existing production in the area. It is very important for all exploration in the Faroes that a company like StatoilHydro is the locomotive, as it is large enough to be able to have the option to have the patience required for such an area. As mentioned previously, when it comes to oil exploration both large and small count".

Mr Andersen is of the opinion that it is important that Faroe oil companies are participating in the exploration of the Faroes, as they know the local terms and conditions best. They have participated from the very beginning and other companies can learn much from them.

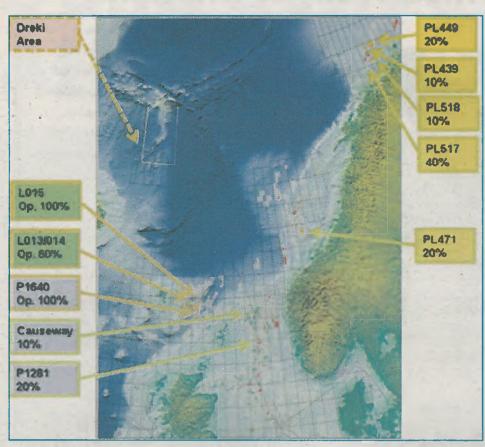
"We at Dong are very happy to cooperate with the Faroe companies".

Dong has its own office in Tórshavn, with Mr Regin Hammer as their representative. He also works for Dong in Denmark by co-ordinating fiscal budgets for the whole exploration side of the company. Dong has many relations to the Faroes and Faroese and has participated in the education of several Faroese within the oil industry and has employed several of them. Recently they employed a Faroe geologist, who is now working on the areas west of Shetland and the Faroes. :-"We take them in as students and they complete their education while with us. Our experience is good with this type of cooperation and we intend to continue to have our doors open for other Faroese. We very often offer them a job with us afterwards, but many decide to return home.

Søren Andersen, exploration team leader together with Regin Hammer, Dong office manager in Tórshavn

Photo: Jan Müller

# The Faroes - Still a core area for Sagex

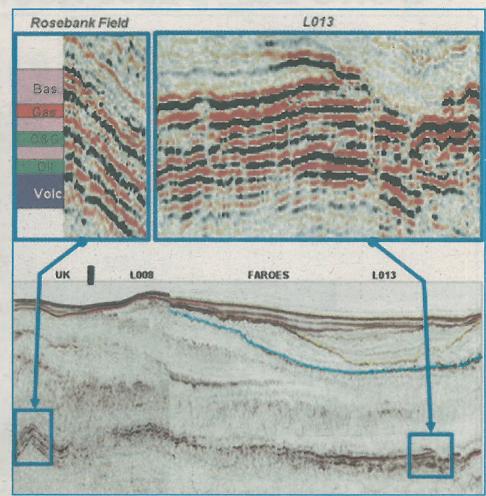


Following the merger with Sagex in 2007, Geysir Petroleum changed name to Sagex Petroleum ASA. But the Faroes remain a core area for the company, exploring for elephants and preparing to hunt them down. Sagex was awarded licence 015 in the Faroese 3rd Round and licence 1640 in the UK 25th Round on a 100% basis, holding possible extensions of some of the prospects. The Sagex portfolio, as shown on the map, now counts 11 licences, of which 4 are operated. On the Causeway Field, the development plan has been submitted to UK authorities and production is expected in 2011. Sagex has also applied in the 1st Icelandic Licensing Round on the Dreki Area south of Jan Mayen.

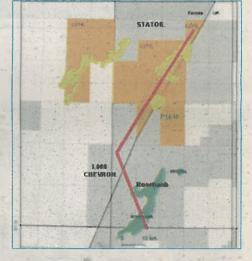
For the Faroese licences, more than 1200 km seismic has been acquired, more than 2000 km seismic has been reprocessed and studies on the geology carried out to mature

the prospects towards drilling. And the prospects could be large, potentially of the same size as the Rosebank Field. However, mapping is difficult as the lavas give imaging problems on the seismic. Similar prospects can also be identified on the blocks to the south and north of our acreage, operated by Chevron and Statoil, respectively. This is illustrated on the seismic section located at the red line.

The line goes from the Rosebank Field in UK waters into the Chevron operated L008 in the Faroes, where there is a well defined prospect in the form of a structural high that should warrant early drilling. The line continues northwards across the Sagex operated L013. On the seismic, the layers appear continuous from the Rosebank Field, where there are sands with oil and gas between basalts and volcanic rocks, giving hopes for discoveries also on the



Faroese shelf. The prospects in L013 are cut by several faults and in general the seismic imaging is challenging. Hence, reprocessing and further studies are ongoing to define the prospectivity better with the view to deciding the first drilling location. The water depth on the licences varies between 600 – 1400 m. Drilling under these conditions are both technically and commercially challenging. Additional partners may be invited to the licences prior to drilling.



# **Faroe Petroleum**

Faroe Petroleum is an independent oil and gas company focused on value creation through exploration and appraisal drilling in the Atlantic Margin. The Company has through successive licence applications and acquisitions built a substantial portfolio of exploration and appraisal assets in the Atlantic Margin, the UK and Norwegian North Sea and Norwegian Sea.

The 50 licence portfolio provides considerable spread of risk and reward, encompasses eight licences. West of Shetlands, five licences offshore the Faroe Islands, six licences in the Moray Firth area of the UK Central North Sea, ten licences in the Southern gas basin and twenty licenses in the Norwegian North Sea and Norwegian Sea.

The Company operates four of its Atlantic Margin licences. Faroe Petroleum joint venture partners include Bayern Gas, BP, Chevron, Conoco Phillips, DONG, DSM, Eni, E.ON Ruhrgas, GDF, Oilexco, OMV, RWE, Shell, Centrica and StatoilHydro all of which have an outstanding track record in oil and gas exploration and development.

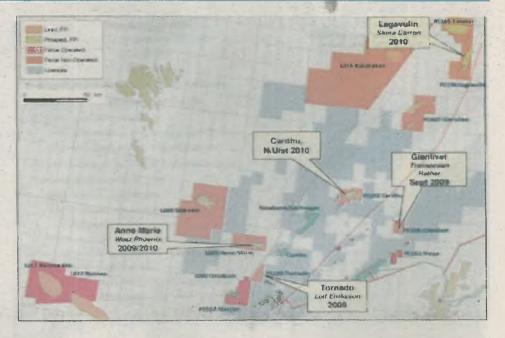
Føroya Kolvetni ("FK"), was formed in 1997 and registered in the Faroe Islands in January 1998. Following a private placing in May 2000. Faroe Petroleum was established in December

2002 as the English holding company for FK, which continues to undertake the Group's Faroese operating activities. Faroe Petroleum is listed to the Alternative Investment Market.

The company has recently completed the disposal of its entire 10% interest in the Breagh Gas Field in the UK Southern North Sea Gas basin to RWE Dea UK SNS Limited, for approximately \$41.6m (approximately £25.5m) plus interest and working capital adjustments. Having invested a total of £8.8m in Breagh over a two and a half year period the Company will record a gain on disposal of approximately £16.7m. With the Breagh proceeds and before completion of the cash generative Trym field swap with DONG, expected soon, Faroe will have approximately £38m of cash resources.

Last week the Company announced that the drilling has commenced on the Glenlivet prospect (Faroe 10%), west of Shetlands.

Glenlivet is a large Palaeocene gas prospect in a proven play, situated approximately 15 kilometres from the proposed Laggan gas export pipeline to Sullom Voe in the Shetland Islands. The prospect is an analogue to other undeveloped gas discoveries in the vicinity. Faroe Petroleum acquired the Glenlivet interest in 2008 through a like for like swap arrangement



with DONG E&P where Faroe exchanged 10% of Faroe's Glenshee licence.

The Glenlivet well is an exciting high impact exploration prospect from our strategically significant West of Shetland acreage and is part of a 2009 two well drilling programme which Faroe is currently undertaking in this area. The other west of Shetland well we are scheduled to drill this year is the Tornado exploration well,

which is expected to commence in the next few weeks, upon which a further announcement will be made in due course.

"These two wells are part of Faroe's firm and funded nine well exploration programme to be drilled over the next 24 months".

Atlantic Supply Base provides integrated supply base services to oil companies engaged in offshore exploration in the Faroe Islands and the western Shetland area





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Faroese Telecom has great experience and expertise in implementing preliminary investigation and planning as well as finding the best suppliers of fibre optic submarine cables and technical equipment.

Faroese Telecom has already established branching units for Oil rigs west of Shetland, and offers to undertake projects which involve deploying fibre optic cables from oil rigs and connecting to the SHEFA-2 backbone.

By connecting platforms to the SHEFA-2 backbone via a fibre optic submarine cable, we offer a high and stable capacity connection directly from platform to head office, via SHEFA-2 PoPs. Capacity is offered with or without restoration.

Using the PoPs thus enables Faroese Telecom to undertake turnkey enterprises for offshore companies in need of reliable and stable international connection.

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# **Exciting oil and gas future between Shetland and the Faroes**

Thirty-five years ago, the first well was spudded west of Shetland. Several hundred wells have been drilled since. Today three oilwells are producing and the outlook is for two more oilwells and a gasfield to come on-stream in the quite near future. In addition, there are the exploration wells in a new area. The Faroe oil industry adventure is only ten years old. Six wells have been drilled and a seventh is due to be drilled in 2010. In five to ten years time we could possibly have a considerable oil and gas province stretching from the Faroes to Shetland

ATLANTIC MARGIN

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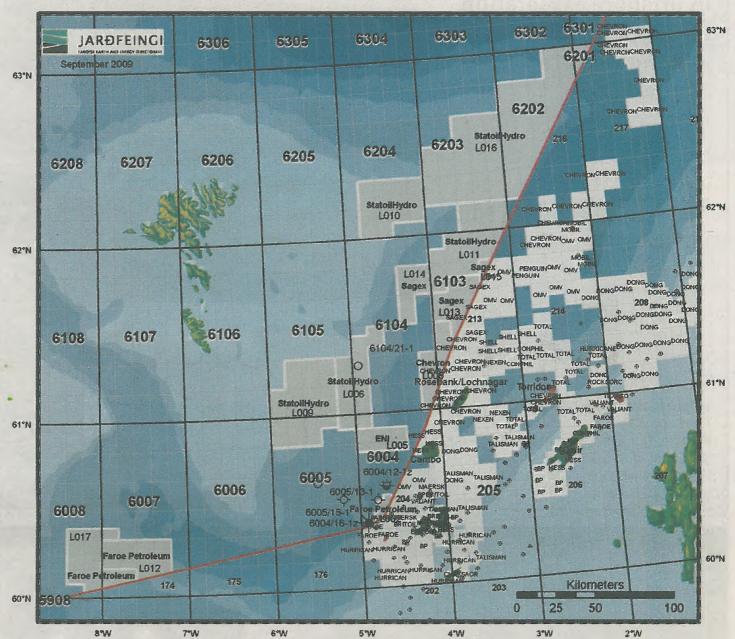
The first exploration licenses west of Shetland were awarded in 1970 and it approximately thirty-five years ago since the first wells were spudded in this then new and virgin area. The first commercial discovery was made in 1977. This was the giant Clair oilfield, but approximately twenty years were to pass before technology had advanced to such a stage that it was estimated feasible to undertake a first production from this field. A few years previously, e.g. in the mid-90ies, the first two oilfields came on-stream. These were the Foinaven and Scheihallion oilfields. Over all these many years, several hundred exploration- and appraisal wells have been drilled, resulting in three producing oilfields today west of Shetland.

As we now write 2009, drilling is still on going in the area - both in respect of exploration and appraisal wells. The outlook for producing oilwells is good and this number could be set to double over the coming years, with the addition of the Rosebank- and Cambo oilwells and the Laggan gasfield. Development plans are already on the drawing board. For the neighbour to the west, the Faroes, this is of great interest, as it is estimated that a development of wells and the construction of an infrastructure so close to the Faroe border, could be very important for the economic viability of a possible future Faroe hydrocarbon development. In addition, we will in the future see other parts of the giant Clair oilfield come on-stream.

Such a massive growth in the production of oil and gas from the area west of Shetland will therefore make it more attractive for oil companies to include the Faroes area in their portfolios.

If we take this development west of Shetland a step forward, we envisage several new opportunities. There are several other very interesting exploration wells on the agenda. Two wells in particular are interesting. One is the Glenlivet prospect, which is being drilled at this very moment. This is a gas prospect, where Dong is the operating company. Dong is one of the locomotives west of Shetland and they are particularly focusing upon gas. In the event the Glenlivet is a commercial discovery, this could speedup a gas infrastructure in the region. Dong holds several exploration licenses in the area and that they are sniffing gas here, could spell an even more positive development for the region.

Looking further south, a very interesting well, the Tornado, will be drilled in the very near future. The Tornado prospect lies south of Foinaven and up against the Faroe border.



Exploration licenses and exploration activity on the area between Shetland and the Faroes

Here the operating company is Faroe Petroleum and Dong is also a partner to the project.

These are just two of the highlights west of Shetland, regarding new exploration efforts. Other highlights are just how fast developments of Rosebank, Cambo and the Laggan will be.

Summing up, we can say that there are many indicators, which imply that we will see a development in the large area west of Shetland, all the way west towards the Faroe border.

If we enter Faroe territory, there is reason for optimism, although no commercial discovery has been made after the drilling of six wells. The seventh well, the Anne Marie prospect, seems to command a great level of interest, also among those not involved in the project. The first Faroe exploration licenses were awarded thirty years after the first bidding round west of Shetland.

Almost ten years have passed exploring the Faroes and we are still awaiting a first discovery. On the other hand, existing exploration has provided much very important information, for example, it has been confirmed that an active hydrocarbon system is present in the Faroe subsoil.

Offshore Europe held in Aberdeen over the next few days, is an excellent opportunity to acquaint oneself with all these interesting issues and an opportunity to tie bonds of friendship and cooperation across borderlines.



Alistair Carmichael, chairman of the Faroe Committee in the UK Parliament attending a meeting with the Faroe Minister for Hydrocarbon Affairs in London, seen here studying a map over awarded exploration licenses in Faroe waters:-"We see huge potential opportunities in a cooperation within the oil industry between Shetland and the Faroes in the future

Photo: Jan Müller

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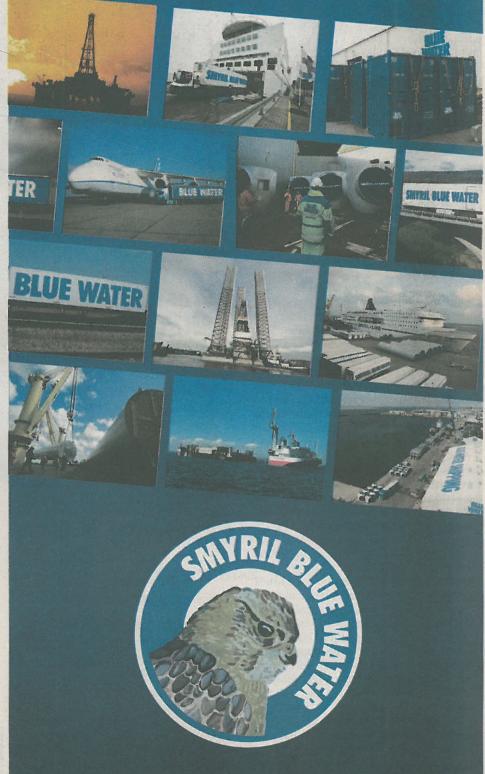
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Faroe Cabinet Minister for Hydrocarbons Affairs unequivocal answer in London:

# The Atlantic Margin area is of great interest to Great Britain

The UK government together with the UK oil industry confirmed the area west of Shetland as being a highly rated future oiland gas province. They are also closely monitoring events in Faroe territory. Although two separate countries, the whole area between Shetland and the Faroes is regarded as one cohesive area, where cooperation between the countries could become an important part of the development of the whole area. This was the clear message conveyed to Mr Johan Dahl, the Faroe Government Cabinet Minister for Hydrocarbon Affairs, when he visited London recently

### **ATLANTIC MARGIN**

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- We intend to focus all our efforts towards developing the oil province west of Shetland, but we also wish to cooperate with the Faroes on future oil- and gas discoveries. This was the message delivered to the Faroe Minister for Hydrocarbon affairs Mr Johan Dahl, when he together with the CEO for the Petroleum Administration, Mr Petur Joensen visited London recently to acquaint themselves with future plans, the expectations and hopes for an oil industry development west of Shetland.

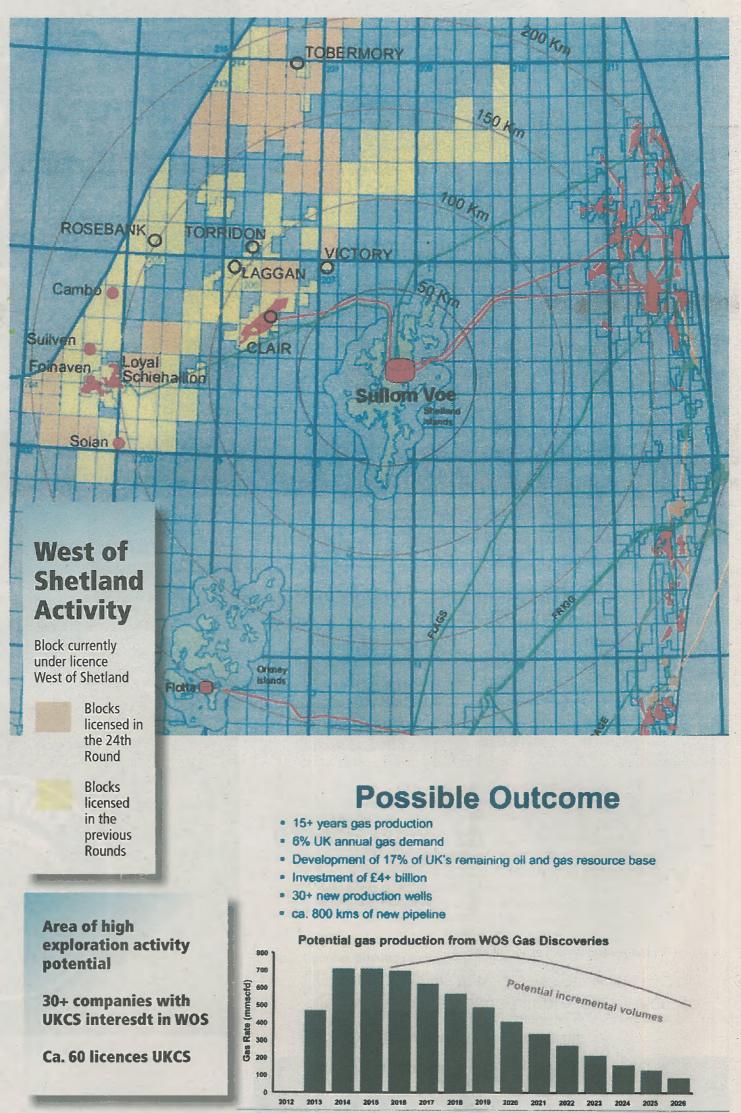
There was an opportunity to visit both representatives for the UK Petroleum authorities, foreign oil companies and meet UK members of Parliament. A common theme in all these meetings was the future for the oil area west of Shetland and east of the Faroes.

At the meeting with representatives for the UK Petroleum authorities, the Faroe Government Minister was informed about the various development scenarios' on the table particularly intended to develop the gas areas west of Shetland.

The authorities and oil companies have formed a group, which they call the "West of Shetland Task Force". This group is tasked with finding how the authorities together with the oil industry best can forge a way forward both technically and economically, to develop an infrastructure, which covers both a production, storage equipment and a pipeline to transport gas ashore. In the group are the oil companies Chevron, Total, Dong Energy, ExxonMobil and BP. StatoilHydro has also been a member of this group.

Several smaller gasfields have been discovered in this area, but due to the lack of an infrastructure to transport gas ashore, it is not economically feasible to undertake a production. New calculations however, now show it would be feasible to construct an infrastructure designed to cover a larger area, enabling a collection of gas for the further transportation to Shetland and then on to Scotland.

There still exists disagreement within the group on how best to do this and the





Talk of oil industry cooperation between Shetland and the Faroes, Mr Johan Dahl at the forefront on the left together with his officials and Mr Alistair Carmichael, MP for the Orkneys and chairman for the Faroe Committee in the UK House of Parliament together with other MP's. P

hoto: Jan Müller

latest development is that Total, which owns the Laggan and other gasfields close by, such as Tormore, has tangibly begun working to find the best development solution. There is talk of first gas in 2014.

At the meeting with Mr Dahl, highstanding officials in the Petroleum Administration presented the various development scenarios' currently on the table. Sosialurin has now also gained an insight to these plans and will present them today for the very first time.

These plans contain, among other aspects, the construction of a reception terminal ashore at Sullom Voe, the building of an offshore production terminal, either close inshore or at the Laggan-field itself halfway between Shetland and the Faroe

border, or to go even further west and build a reception terminal close to the Rosebank discovery, which is very close to the Faroe border

The amounts involved are astronomical, being in the 30 to 40 billion kroner class, when there is talk of developing gasfields and building an infrastructure in this context. One reason why such a project

could materialise is the large demand for gas on the UK market. It is very important not to become too attached and dependent upon Russian gas. Gas discoveries and a production west of Shetland could be very important for the future UK economy and hopefully in this context, future discoveries in the Faroes could enter the stage.

# Task Force Objective

»To identify wheter there is an **economic collective technical solution** to the development of the resource base to the West of Shetland with a potential development horizon within the next 5 years compatible with project timing ranges and system export ullage

To identify what **commercial approach** might make development attractive to contribute field owners«

# **West of Shetland**

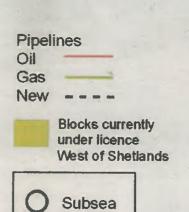
# **Key Characteristics**

- Extreme / hostile enviroment
- Distance from gas market
- Absence of export gas pipeline direct to TRANSCO entry point at St Fergus
- Diverse partnership
- Ca. 60 bcm gas discovery
- Ca. 60 bcm upside on discovered resources
- Ca. 110 bcm og undiscovered potential

200 Km

# Hub Scenario Thinking

- A WOS collective solution has to be either onshore, shallow or deep water
- Each consept needs to look at flexibility to handle future discoveries
- New infrastructure will help stimulate futher exploration, appraisal and development
- •Aim is to find the best solution for development of the area



Floating

**Platform** 

Hub



**Onshore Gas Hub** 

JOBERMORY

# **Shallow Water Gas Hub**

GAS

EXPORT



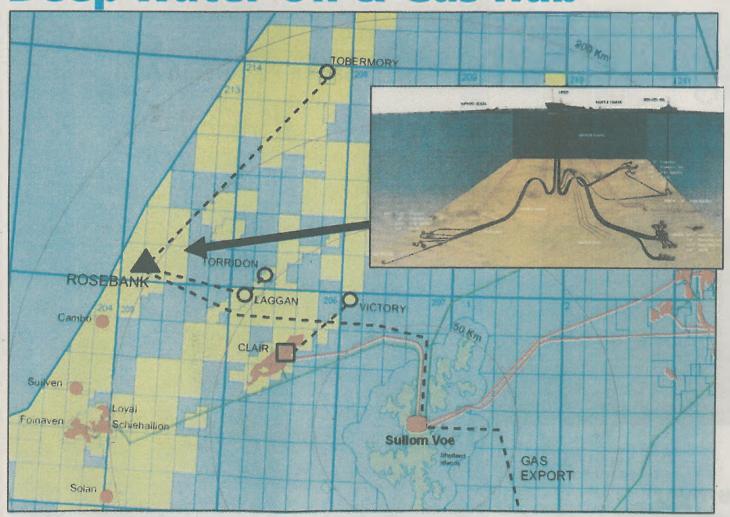
# **Deep Water Gas Hub**



# Status (1)

- No stand-alone solution economic
- Collective solution needed to improve economics
  - increased reserves base
  - more appraisal drilling
  - lower project cost
  - increased gas price certainty
- Tormore discovery increased reserves substantially
- Sufficiently encouraging for more, dettailed work

**Deep Water Oil & Gas Hub** 



# Status (2)

- Two cornerstone projects
  - Laggan/Tormore + Rosebank/Lochnagar
- Industry test appetite for 3rd Party investment
- Total have started basic engineering for Laggan/Tormore
  - onshore hub with gas export to St Fergus
  - New pipeline capacity og 18 million cm/d. Meets capacity requets from potential 3rd parties
- Development Plan submission in early 2010 for Govenment consideration?



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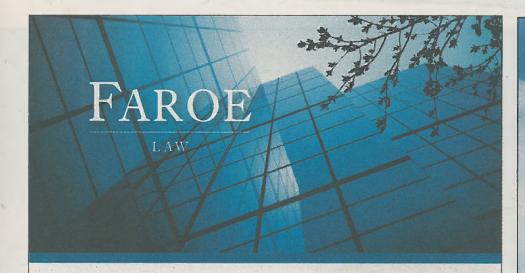
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30 experienced scientists are hunting for the Faroese Elephants!



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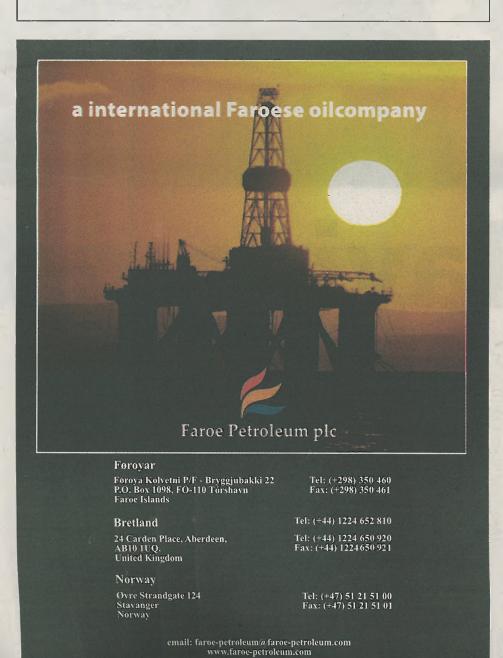
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# SHEFA-2 laying gol

TELECOMMUNICATION

Jan Müller jan@sosialurin.fo

The Faroese Telecommunications company Faroese Telecom is in the process of building up new markets outside of the Faroes. Faroese Telecoms subsidiary Shefa has already signed long-term contracts with the UK oil giant BP and UK telecommunications giant British Telecom (BT) to supply platforms west of Shetland and the people on the Orkney and Shetland islands with capacity. The next step will be to progress further into the North Sea, writes Sosialurin.

When the SHEFA-2 fibre optic submarine cable was underway, some bright heads at Faroese Telecom saw some completely new opportunities to realize additional income from this very advanced communications cable. The idea was to try to link the oilfields west of Shetland to SHEFA-2 and thereby provide higher capacity and secure

telecommunications connections compared to the considerably limited capacity and more insecure satellite communications in use. The result was that Faroese Telecom and BP sat down together and decided to deploy additional cables between the two oilfields Schiehallion and Clair to SHEFA-2 and agreed to sign a long-term contract.

# Links to the main cable

Earlier this year, the Schiehallion production vessel and the Clair production platform were tied into the main cable between Shetland and the Faroes. The connections have been tested and now everything is up and running, says Mr Davidsen the Faroese Telecom CEO.

Mr Davidsen and Mr Vesterbú, who is the technical manager at Faroese Telecom, are very pleased to have passed through the eye of the needle at BP, who has now approved the project. It is not an easy task to have a new project approved by a large oil company like BP. Many of the BP routines are extremely cumbersome to negotiate, not least all the many security issues.

To have been approved by BP opens the door for Faroese Telecom to market their services, which have been accepted by one of the worlds largest oil companies.

All in all, very good news for Faroe industry in general.

## **Beneficial for the Faroe user**

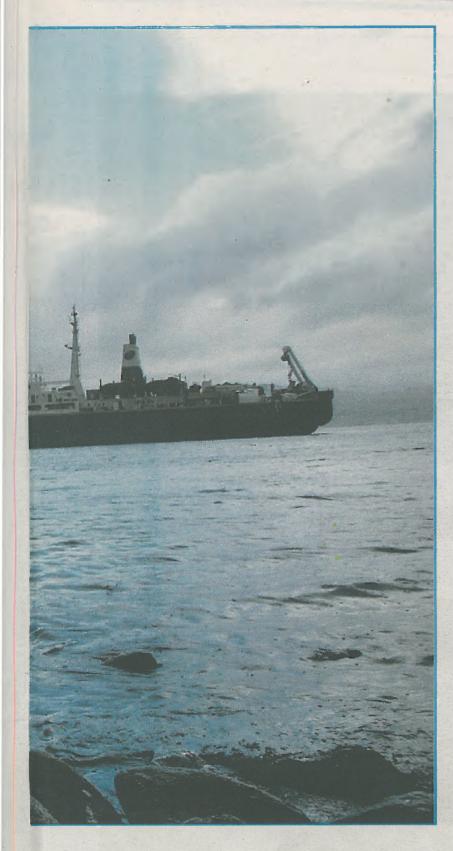
For all Faroe broadband users, the BP contract could mean that Faroese Telecom services could become cheaper in the future, as there are more clients to pay for the operation of the cable, apart form the initial investment. This first Faroese Telecom business venture outside of the Faroes however could spread like rings in water. Negotiations are already taking place with other oil companies to deliver similar IT and communications services.

Opportunities between Shetland and the Faroes are of course being looked at, but at the moment, the most promising area seems to be in the North Sea, where oil companies are interested in these new high capacity fibre connections.

The technical manager, Mr Vesterbú says they have the option to lay additional cables offshore from shore-based SHEFA-2 locations either in Orkney or Shetland. The main SHEFA-2 cable runs from Scotland to Orkney, to Shetland and on to the Faroes.

## **Island development**

Yet another benefit is to be gained from the SHEFA-2 cable and that is the new telecommunications opportunity the islanders on Orkney and Shetland now are presented with. An agreement has been signed with the UK telecommunications giant BT to sell capacity to these island communities. This is an area, which BT



# den eggs

has not been capable of delivering a satisfactory solution.

Mr Davidsen, CEO says this is a very exciting time for Faroese Telecom, as they are in the process of using the BP agreement as a blueprint to negotiate total telecommunication solutions for other oil companies in the North Sea and the Atlantic margin area, when more fields get a production underway. Mr Davidsen says this model may be used in the future all over the world.

### **Proud of staff**

Mr Davidsen says he is very proud of his staff, as they have managed to resolve this task admirably: - This is a task, which has taught us many things, and has prepared us well to go beyond the Faroes and offer our services. We have managed to co-ordinate the whole project and this has assisted the development of our competence levels, instead of subletting this task to other

subcontractors. The laying of a seabed cable is now part of our expertise, says a most satisfied Mr Davidsen.

### **Advantages for BP and BT**

The capacity via SHEFA-2 represents a huge advantage for BP and is a great step forward. They do now not have to send experts offshore, as all the various tasks can now be executed from the Aberdeen office. Another gain for BP is that the SHEFA-2 cable will create an improved atmosphere among their offshore staff. For BT the capacity via SHEFA-2 means that they will be able to improving their telecommunications to the islands up



# Faroese Telecom providing communications for the offshore industry

Faroese Telecom and BP have signed a long-term contract, whereby BP will purchase high capacity communications to the two platforms Clair and Schiehallion, west of Shetland to Aberdeen via the Faroese Telecom SHEFA-2 cable.

The SHEFA-2 cable lies between Scotland and the Faroes and was operational last year. This autumn, Faroese Telecom performed the task of connecting the two platforms directly to the SHEFA-2 cable. As this work has now been completed, the long-term contract comes into force. SHEFA-2 will provide BP with a secure high capacity data communications connection for a long time to come.

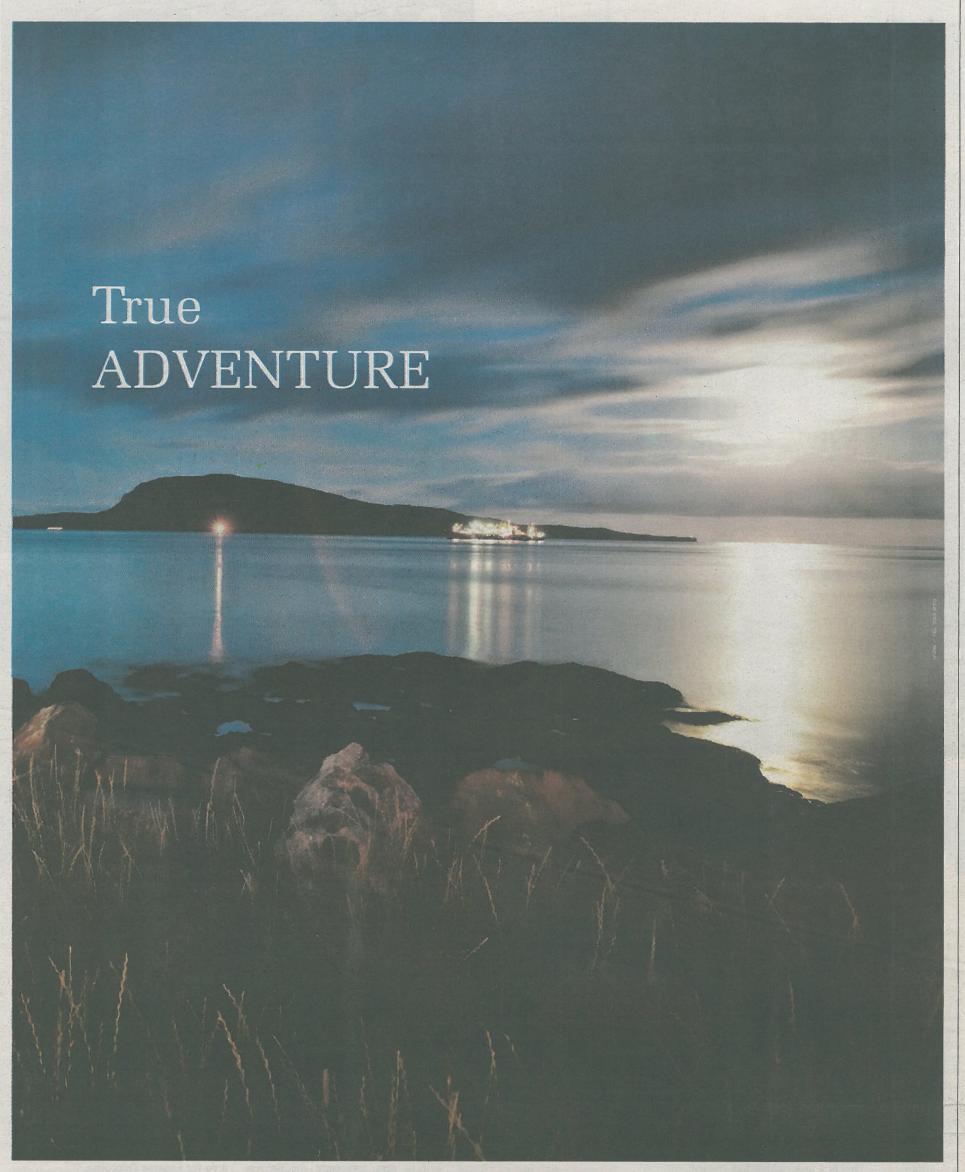
- It is very important for Faroese Telecom to have secured such a big client for the SHEFA-2 cable project. BP is a very valuable client, which requires high capacity and secure communications to the mainland.

Therefore we at Faroese Telecom are very proud to have BP as a client, says Mr Kristian R. Davidsen, the Faroese Telecom CEO.

- This long-term contract also supports the Faroese Telecom strategy of expansion beyond the home market and will increase turnover considerably over the coming years, Mr Davidsen added.

To enable a continual increase in production within the offshore industry, high capacity telecommunications is a very important aspect and through the connections to the Clair and Schiehallion oilfields Faroese Telecom has taken the first step into this area, which could become a quite important future growth area for Faroese Telecom.

Faroese Telecom is continually working to attract more clients to the opportunities the SHEFA-2 cable has to offer



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