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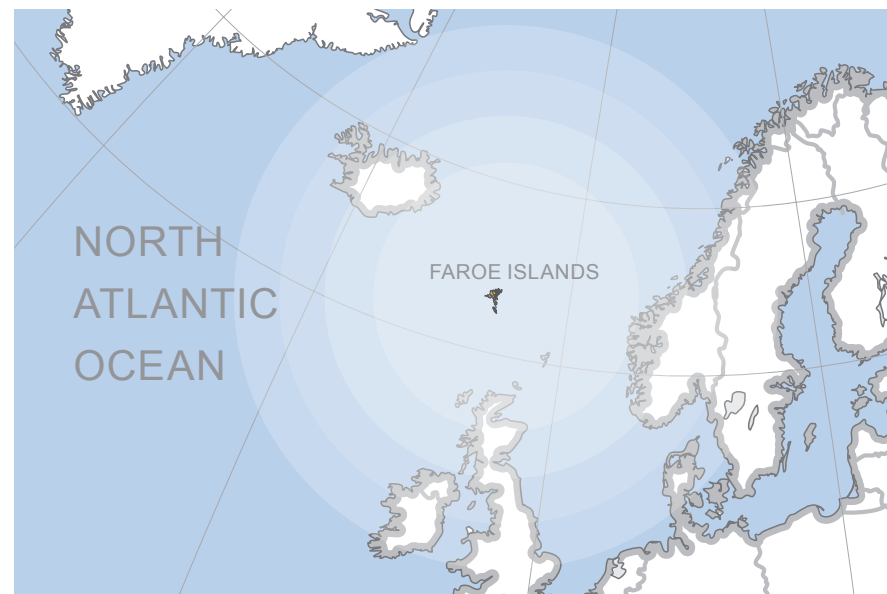
# FAROE **Business** Report

THE INTERNATIONAL REVIEW OF FAROE ISLANDS INDUSTRY AND TRADE

A scenic photograph of a calm body of water, likely a fjord, reflecting the soft light of a sunset or sunrise. The sky is filled with wispy clouds, and the surrounding mountains are silhouetted against the horizon. The water's surface is covered in gentle ripples that catch the light.

# 2013





The **Faroe Islands** is a self governing country within the Kingdom of Denmark (which also comprises Greenland), located in the North Atlantic (62°Nort 7°West), approximately 300 kilometers northwest of Scotland, 430 km southeast of Iceland, and 600 km west of Norway. The Faroe Islands is comprised of 18 islands, separated by narrow sounds or fjords. Land Area: 1400 square km (545 sq. miles). The distance from the northernmost point of the archipelago to the southernmost is 113 km, and the distance from east to west is 75 km. The largest island is Streymoy (375 km<sup>2</sup>) and the capital, Tórshavn, is situated there. The highest point, Slættaratindur, is 882 meters and the average elevation above sea level is just over 300 m; the total coastline is a little above 1,000 km. The climate is typically oceanic; the weather is moist, changeable and at times windy. Due to the influence of the North Atlantic Current, there is little variation between winter and summer temperatures. Population: 48,197 of which 19,827 live in the Tórshavn region and 4,867 in Klaksvík, the second largest municipality (2013 figures from Statistics Faroe Islands). Language: The written and spoken language is Faroese, a North Germanic language closely related to other Nordic languages, in particular dialects of western Norway (spoken) and Icelandic (written). Nordic languages and English are understood and spoken by most Faroese. Religion: Approximately distributed as follows: Evangelical Lutheran Church: 85 percent; Christian Brethren: 10 pct.; Other: 5 pct. History: The Faroe Islands is believed to have been discovered and inhabited in the 8th century or earlier by Irish settlers. The Norwegian colonization began about hundred years later and developed throughout the Viking Age. The settlers established their own parliament on Tinganes in Tórshavn. The Faroese Parliament is believed to be the oldest in Europe.

## Nordixis

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**I**T BRINGS me great pleasure to present to you the 2013 edition of the Faroe Business Report. I'm proud to note that this is the 8th volume in the series that we initiated back in 2005 in a process that has been a marvelous experience with a great deal of learning involved.

From the outset the Faroese business community and public authorities have been unwavering in their support of this long-term project, which we believe has an important mission—to tell the business world about the Faroe Islands.

There is indeed much to tell, as you will observe from glancing through the pages of this publication. With five-star conference venues and a greatly improved air-travel infrastructure, the Faroe Islands is fast developing into a recognized destination for conferences and various types of corporate events including outdoor team building activities; and the islands are indeed beautiful year round.

What also makes the Faroes so special and fascinating is not least the spirit of accessibility that is so present there in all aspects of business and life—in stark contrast to the general impression one may take from a distant viewpoint that the country seems exotic and isolated or perhaps closed. Nothing could be further from the truth. Perhaps because of the combination of minimalist Nordic traditions, a well-educated populace and the sheer smallness of the Faroese population, a unique smoothness is achieved, making it a breeze to do business there.

Another remarkable contrast you will notice is that despite a feeling of timelessness and conservative approach in some areas, change happens extremely quickly in the Faroe Islands.

Rumor has it that the Faroese expatriate community is about half the size of the population of the islands. Whether or not that is true and whether it's a contributing factor, the Faroese are well connected with broadband internet in virtually every office and home; they travel wide and far for business and pleasure and are both modern in their mindset and internationally oriented. At the same time, there is a sense of originality that is hard to find elsewhere. Read all about it. *BUI TYRIL, Editor in Chief & Publisher*



BY JEREMY CRESSWELL

THE EUROPEAN Atlantic Frontier has been very slow to develop as an oil & gas province of any stature. However, the pace is quickening. The UK especially has the beginnings of a substantial production base in its West of Shetland sector and Norway's Norwegian Sea province is shaping up to be a substantial resource that is being increasingly successfully exploited. Ireland nurses possibly the highest hopes since exploration of its western margin began in the early 1980s as ExxonMobil in April this year started drilling on the Dunquin gas prospect.

If the US super-major's first Dunquin well is a success then perhaps the dream of a giant gas resource west of Ireland could yet come true. It would certainly change the European energy map dramatically.

Heading back north to where the Atlantic Ocean and the Arctic Sea merge, we find that Statoil has staked out the entire region from east to west—from Norway past the Faroes and Iceland to Baffin Bay west of Greenland, plus Newfoundland and Labrador.

Last summer, Statoil confirmed that it had found 100-200million barrels of recoverable oil at its Mizzen field, roughly 500 kilometers east of St. Johns, Newfoundland. The first well of this Atlantic Ocean discovery was drilled in 2009.

And, on December 31 last year, the huge Hebron field development offshore Newfoundland was sanctioned by operator ExxonMobil and its co-venturers, which includes Statoil with 9.7%. The prize at Hebron is an estimated 700 million barrels of oil—and it is essentially North Atlantic oil.

A really important thing to remember is that Faroe lies close to the currently hottest part of this vast North Atlantic seascape—the UK portion.

And, despite poor progress, little more than a handful of wells drilled and perhaps, just perhaps, the tantalizing hint of what could yet appraise as commercial, there is probably a lot to play for. The art lies in unlocking the geology.

Consider the Irish position. There has been a tendency for years to write off Ireland as a serious player. There has so far only ever been one commercial producer ... the Kinsale gasfield off the south coast.

There is of course the Atlantic Frontier Corrib discovery, which has been under development for many years and has been beset with massive problems, primarily due to years of orchestrated protests of a kind never originally anticipated by operator Shell.

Here are a few Irish facts to mull.

Since 2000, only 14 exploration wells have been drilled anywhere offshore Ireland. Despite this, four oil, gas and gas condensate discoveries were made—Dooish and Bandon off the west coast, and Old Head and Schull off the south coast.

Only one well has been drilled in the Atlantic Frontier Rockall Basin since 2005 and no drilling at all took place in the apparently

# ALL AT THE DOORSTEP

*The Atlantic Frontier heats up with Statoil securing acreage from Norway to northern Canada, ExxonMobil committing to prospects in Atlantic Ireland, Chevron pouring new money into West of Shetland—while in the Faroes, Marjun attracts renewed interest.*





promising Porcupine Basin during the same period.

Poor seismic data coverage is recognized as the biggest single impediment to exploration in these frontier basins.

**HOT ATLANTIC IRELAND:** In many ways it is thanks to the skillful persistence of the chief executive of Irish company Providence Resources, Tony O'Reilly, that Exxon was persuaded to farm into the Dunquin prospect.

Exxon is a very careful company. It thinks and researches thoroughly before making commitments, especially in an area that has yet to deliver a really juicy hydrocarbons prize. That it has taken the risk is a positive sign.

Indeed Mr. O'Reilly is the force behind the accelerating revival of interest in Frontier discoveries made decades ago and which are now being groomed by Providence in a variety of license partnerships as future appraisal then development candidates.

Prime among these is Spanish Point (Providence 32%), a condensate discovery that lies in the Main Porcupine Basin some 200 km off the west coast. The license covers blocks 35/8 & 9 in 400 meters of water. Discovery well 35/8-2

was drilled by a consortium led by Phillips Petroleum (and included Atlantic Resources, the predecessor company to Providence) in 1981.

Post-drill analysis by Phillips suggested that while the discovery could contain resources of up to 1.1 trillion cubic feet of gas and 112 m barrels of oil, it was deemed uneconomic at the time.

Providence secured the acreage in 2004, commissioned studies that pointed to 1.4 tn cu.ft. of gas and 160 m barrels of oil, but with significant upside potential.

Providence farmed out 70% of the license to UK company Chrysaor in 2009; the company has also secured adjacent acreage. An exploration well is indicated as being the next step.

Late last year (2012) Providence published a technical and resource update on the Irish 11th Round prospect known as Drombeg (block 11/9).

Drombeg lies in about 2,500 m of water depth and is some 3,000 m below the seabed. The prospect is located in the southern Porcupine Basin, about 220 km off West Cork and only 60 km from Dunquin.

Providence has run a major seismic inversion program over Drombeg, which

is a Lower Cretaceous prospect, together with an assessment of its associated prospective resource potential. Very interesting "anomalies" have been identified.

In essence, the analysis of the primary Drombeg seismic anomaly has indicated a recoverable P50 prospective resource potential of 872 m barrels of oil equivalent (boe).

There's more really hot news from Atlantic Ireland and it is that successful West Africa elephant hunter Kosmos has struck a deal with Antrim Energy which gives the Houston company entrée to the Porcupine Basin via a 75% stake in the Skellig block. An elephant in this context is an oilfield of at least one billion barrels. Big!

And Italian major Eni is embarking on a major seismic survey; also on the Irish part of the Atlantic Frontier. The



*Platform support vessels receiving services from Atlantic Supply Base, Runavík; Rig workers on the Sovereign Explorer during Marjun drilling campaign (below); Members of the Faroese delegation at Offshore Europe 2011, Aberdeen (opposite).*

company, which is a past participant in the Faroese oil & gas hunt, has agreed with the Dublin government to carry out an extensive 2D seismic survey. The survey is designed to acquire 18,000 km of "full fold" 2D seismic and will extend into international waters.

Encouraged? Read on.

**NEW BETS ON WoS:** Coming northwards to the UK Atlantic Frontier, loosely known as West of Shetland, much progress has been made since last year's Business Report.

The province is dominated by BP, which produces the Clair, Foinaven and Schiehallion, and which is currently developing phase two of Clair (Clair Ridge) with a third phase signaled, and redevelop-

oping Quad 204 (new designation for the Schiehallion area).

Its planned WoS expenditure is in the region of 16 billion USD over about three years. This is mainly for the second phase of Clair (but not Greater Clair) and the re-development of Schiehallion.

However, others are busily investing billions of dollars too.

Total of France is making excellent progress with its Laggan-Tormore development—the first full gas project West of Shetland—and Chevron has ordered the production ship for its Rosebank oilfield development located oh so tantalizingly close to the UK-Faroe median line.

Getting this far has been a long slog for Chevron and partners DONG

and Statoil, but Rosebank is becoming a reality. You know that when a company decides to order a 1.9 bn USD, 99,750-ton vessel for such a purpose, the prize is worthwhile harvesting. But Chevron still declines to state what the reserves estimate for Rosebank is. Informed "guesstimates" tend to hover around the 400 m barrels mark.

The Rosebank vessel is supposed to be handed over from its Korean builder by the end of November 2016, ready to process 100,000 barrels of oil and more than 190 m cu.ft. of natural gas per day. It will be capable of storing more than 1 m barrels of oil.

We shouldn't forget the Solan field development with Premier Oil in the operator's chair. This is the smallest UK Atlantic Frontier development yet attempted and is based on a steel-jacket platform.

Whereas the hunt for resources offshore Faroe has basically become a two-horse race—Statoil and Exxon—the UK West of Shetland quest has attracted an eclectic and growing mix of companies.

**CAMBO EXCITES:** Corporate size is not a bar. But possessing enough expertise and having access to enough money has certainly destroyed some dreams.

A good example of a UK company of modest scale, though it is owned by Korea National Oil Corporation and so as a well resourced parent, is Dana





Petroleum, which is headquartered in Aberdeen. Dana has long held a considerable position on the UK Atlantic Frontier; however, perhaps only now is the company in a position to realize value from that position.

According to UK managing director Paul Griffin, Dana remains one of the largest net acreage holders West of Shetland. Dana also holds a stake in Faroe Petroleum, which has over the past couple of years matured into a robust independent and has a substantial holding on both sides of the Faroe-UK boundary plus, in December last year, it was awarded exploration licenses in the first Icelandic bidding round.

Griffin is a realist.

“The area is strategic for us but one where you obviously take a long-term view of bringing hydrocarbons to production,” he says.

“We have good positions, primarily with Dong and OMV with an emphasis on the more northerly and eastern areas



JARDÆINGI / J. HERLUF SØRENSEN

of West of Shetland, as well as a smaller position with OMV out towards the west in the Foinaven and Schiehallion area.”

The company is in the midst of a three-year drilling campaign, though not continuously.

“We’re at the start of a drilling campaign that will run over the next three to four years. It won’t be continuous,” says Mr. Griffin.

The first two targets were Cragganmore and Glenrothes, both drilled late 2012/early 2013 with no results disclosed as this review was completed. Both lie just to the northeast of license operator Dong’s existing Glenlivet discovery.

Crucially, Mr. Griffin regards WoS as still in its infancy and gas prone.

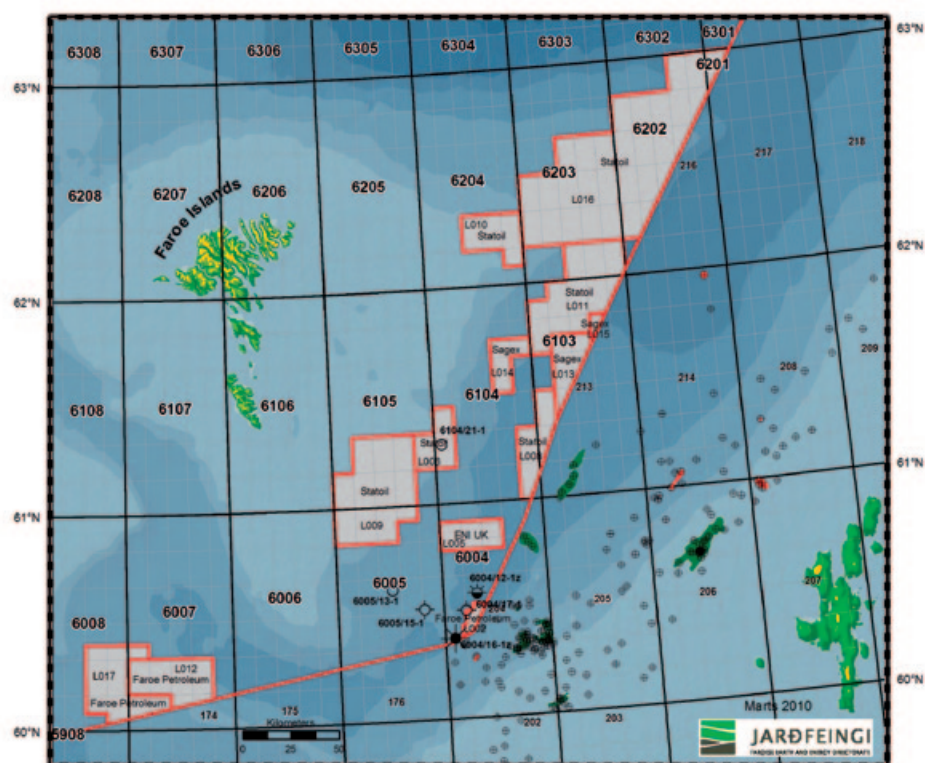
“West of Shetland is a key part of our strategy because it is the under-explored area of the UK Continental Shelf. And therefore if one is looking for a new province to open up then we have it.”

Interestingly, the current wells schedule for Dong reveals several discoveries that are quietly graduating into the development candidates category. They include: Cambo (oil), Glenlivet (gas), Tornado (gas and oil), Edradour (gas—condensate) and Tobermory (gas).

As this edition of the Business Report went to press, the drillship Stena Carron was en-route to Cambo to drill a further appraisal well. Stena Carron had just finished up on the North Uist well, which set a new record for the longest time spent drilling an exploration well West of Shetland. BP-operated well, North Uist/Cardhu took 353 days to drill and assess, excluding a weather-related break. Operations ended on March 21.

Whilst the shallower (Cardhu) prospect was dry, the Upper Jurassic reservoir (North Uist) proved to be hydrocarbon-bearing and could, subject to evaluation, prove to be a sizable gas condensate discovery.

Exactly a year ago, whilst preparing the 2012 review of offshore activities, Jan Müller, managing director of FOIB (Faroe Oil Industry Group), expressed considerable excitement about both North Uist and Chevron-operated Cambo. Of course both are hugely important given their close proximity to the median line.



ATLANTIC SUPPLY BASE

The KL Brofford at Runavik during the Statoil-operated Brugdan II exploration drilling in 2012; Working on the Marjun prospect, on board the Sovereign Explorer platform back in 2001 (opposite, top); Map of exploration licenses on the Faroese continental shelf with view of West of Shetland area (opposite, bottom).

North Uist lies 30 km from the line and the water depth is 1,290 m. Cambo is just 10 km from Rosebank and close to the median line. This latest well is designated Cambo-5.

**MARJUN INTEREST:** Mr. Müller is of course excited that a great deal of progress is now being made in the UK sector, but he is also clearly frustrated by the slow pace of activity in the Faroese sector. He is worried that the Brugdan-2 exploration well started last year but which was suspended pending completion at a future date, will slip into 2015.

“The mood is that we’re expecting Statoil to finish Brugdan-2 ... that’s well number eight in the Faroes,” said Mr. Müller. “They have said that they will drill it this year. But first they have to

secure a rig. I don’t know at this time whether they have got one; we haven’t heard anything yet.”

One reason why Mr. Müller thinks that slippage into 2-14 is possible is because the company has a further commitment well to drill ... Sula/Stelkur (license 0008).

“That prospect is just the other side of the boundary from where the UK Rosebank field is located. I think Statoil will drill that in the near future and it could be as early as next year.”

The inference is that the two wells would make a better campaign for operator Statoil.

Mr. Müller: “Many geologists have said that Sula/Stelkur is the best bet [for success] in the whole Faroese area.” He pointed out that Statoil basically controls

exploration offshore the Faroes, but that the importance of Exxon’s participation in three of the licenses held by the Norwegian semi-state operator should not be underestimated.

Once Brugdan-2 and Sula/Stelkur are drilled, there will be no further commitment wells to drill in the Faroese sector; or at least until there is further significant interest in this part of the North Atlantic Frontier.

That said, Mr. Müller believes that interest is warming up in Marjun, which is the only clear hydrocarbons discovery to date in Faroese waters to date. Drilled by Hess in the first campaign back in 2001, it was not deemed commercial at that time.

“But since then there has been interesting new (Continued on page 82)



# FOÍB MAKES ITS MARK

*With Jan Müller at the helm, the Faroes Oil Industry Group strengthens its ties with key stakeholders—discussing the future of Faroes oil and gas exploration at a Tórshavn conference on 4 June.*



MARIA OLSEN

THE MANAGING Director of the Faroes Oil Industry Group (FOÍB) Jan Müller is a man on a mission. Since taking up his present post less than two years ago as part of a major restructuring of the organization he has worked tirelessly to promote the oil and gas industry in the Faroes. One very visible result of his efforts is the creation of the popular website [www.oljan.fo](http://www.oljan.fo) with news and interviews from the industry.

FOÍB represents the oil companies with licenses in Faroese territory. Its main objective is to promote their interests. But in assessing how this can best be achieved they have recognized

the need for a higher profile and a more proactive role in promoting oil exploration and the development of the industry in the Faroes.

“We can confidently state that FOÍB has now established a distinct public profile for itself in Faroese society,” says Mr. Müller, referring to the stream of invitations to give talks to schools and associations he receives. There have been regular interviews in the media as well as the assistance provided to the Faroexpo oil conference last autumn which was instrumental in the success of that event. He sees all this as part of FOÍB’s task to educate the Faroese public about the

oil and gas industry. The message Mr. Müller wants to get across is the need for a sense of perspective as to where the Faroes currently stand in the search for hydrocarbons. “Since the heady days when we entered the new millennium with the all clear to start drilling in our waters, there has been a waning of interest and even some disillusion,” he acknowledges—oil and gas reserves have yet to be found in commercial quantities.

“But look at the limited number of wells that have been sunk here compared with our neighbors,” Mr. Müller adds.

“The flourishing developments West of Shetland which is right on our door-

step have demonstrated what sustained exploration efforts can lead to. With only seven wells drilled to date with an eighth in progress we have barely scratched the surface so far.”

**‘ALL STAKEHOLDERS’:** Engagement with the Government has also been a priority for FOÍB under Mr. Müller. Lobbying to ensure an enabling environment for member companies to operate in is a basic function of a trade association. However, FOÍB has also sought to go beyond this by developing a partnership with Government to promote the Faroes as an attractive exploration prospect for oil companies. In a relatively short period, Mr. Müller has worked assiduously to set up arrangements for the closest of collaboration with the Faroes Earth and Energy Directorate (Jarðfeingi), the Prime Minister’s Office and the Faroese Representation in London.

While acknowledge that financial constraints are an inhibiting factor, Mr. Müller is keen for the Faroes to show the flag more at trade exhibitions overseas. “We have had a presence at these events at Stavanger and Aberdeen for many years now,” he says. “Maybe it is time to look how we can spread our wings further.”

For its part the Government has acknowledged the role of FOÍB as a significant stakeholder by the invitation for it to participate in the working group set up by the Prime Minister to map out a Faroese strategy for the Arctic region.

Overseas, Mr. Müller saw it as his priority from day one to establish close relations with FOÍB’s sister organizations in neighboring countries. He is very pleased at the progress that has been

made in achieving this aim. “Both Oil & Gas UK and Norwegian Oil and Gas have been incredibly helpful and welcoming in responding to our approaches,” he says. “They are both keen to work very closely with FOÍB. Malcolm Webb, the CEO of Oil & Gas UK puts this co-operation in the context of oil and gas knowing no national boundaries, which is very true.”

The various strands of FOÍB’s work are to be brought together at the *Faroe Prospects—Moving Forward on the Atlantic Margin*, a conference to be held at the Nordic House in Tórshavn on 4 June 2013. According to Mr. Müller, the aim of the conference, organized in close consultation with Jarðfeingi and sponsored by Statoil, is to highlight the future of oil exploration on the Faroese Continental Shelf. Alongside this, the conference will address steps that need to be taken to facilitate the development of a flourishing oil and gas industry in the Faroes, including the question of marketing. Amongst the speakers are prominent industry personalities from overseas such as Mr. Webb and his Norwegian counterpart, Gro Brækken. Presentations will also be given by Rúni M. Hansen, head of Statoil’s Arctic Unit, Petur Joensen, director of Jarðfeingi, and Magni Arge, chairman of Faroe Industry Association amongst others.

“With all stakeholders present, this will be a golden opportunity to take stock of the current state of affairs and to formulate a future strategy for the oil and gas industry in the Faroes,” Mr. Müller says. “The fact that current licenses expire in 2015 should concentrate our minds in this regard.” He points to the positives on which the industry can now build in-

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FOÍB is the joint association of the oil companies holding licenses to explore for hydrocarbons in the Faroese area either as license holders or partners.

Current members:  
Statoil, ExxonMobil, DONG Energy, OMF, Atlantic Petroleum, Faroe Petroleum.

FOÍB’s aim is to promote the offshore oil and gas industry in the Faroe Islands by working closely with member companies, the Faroese government and other stakeholders.

FOIB runs a news website: [www.oljan.fo](http://www.oljan.fo)

Contact Aimi Justinussen, [info@foib.fo](mailto:info@foib.fo)  
for further information on the 4 June conference “Faroe Prospects—Moving Forward on the Atlantic Margin”

Sindri  
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The Sindri Group is a body established by the Faroese Government through which FOÍB members, as license holders, fund joint research projects of relevance to the future investigation of the Faroese continental shelf. It aims at standards of excellence by attracting the top researchers in their field to conduct relevant and innovative studies. At the current time there are 5 live projects funded by Sindri. New projects are expected to be approved later this year once a review of Sindri’s procedures is completed. Sindri shares offices with FOÍB in Tórshavn. Kristian Martin Petersen acts as the Administrative Officer for FOÍB as well as General Coordinator for Sindri.

cluding the ongoing Brugdan-2 prospect, which represents the largest ever investment on a single project in the Faroes; the long-term commitment of Statoil; ExxonMobil and Atlantic Petroleum stepping up their involvement; and the emergence of Faroese companies such as Føroya Tele, Thor, and Skansi Offshore as significant supply chain players.



# ATLANTIC PETROLEUM CONTINUES TO DELIVER

*With revenues approaching 600 million DKK (80 m EUR), Atlantic Petroleum had its best year ever in 2012, increasing profits, production rate, development assets, and exploration acreage—and delivering on its stated growth strategy.*

IT WAS an upbeat message that came from Ben Arabo, the CEO of Atlantic Petroleum, as he presented the company's Annual and Consolidated Report and Accounts 2012. A record breaking year that went beyond expectation in everything from production to financial performance with revenues growing from 435 million to just under 600 m DKK (80 m EUR), 2012 saw higher production performance, increased development assets, increased reserves and resources, geographical expansion, and more exploration acreage added to secure future income streams.

Likewise, reserves were reevaluated to higher levels, effectively prolonging the lifetime of production asset Chestnut.

"It's very good news all over," Mr. Arabo said.

"We had an excellent year. We had the highest ever revenue, highest ever operating profit, and net cash from operating activities was the highest ever. We expanded our geographical focus, we went into Norway and the Netherlands, and particularly Norway has a large impact on our longer term strategy. We also expanded our license portfolio and more important, we got two new development assets."

Reported highlights of 2012 included total revenues of 596.7 m DKK (80 m EUR) compared to 434.8 m (58.3 m EUR) in 2011; a gross profit of 321.9 m DKK (43.2 m EUR) compared with 173.6 m (23.3 m EUR) in 2011; an operating profit of 246.8 m DKK (33.1 m EUR) against 126.3 m (16.3 m EUR) in 2011; total assets at 1.1 billion DKK (150

m EUR) against 777 m (104.2 m EUR) in 2011; and net cash flow from operating activities at 367.6 m DKK (49.3 m EUR) against 269.9 m (36.2 m EUR) in 2011.

The company's average realized oil price increased to 112.3 USD per barrel of oil equivalents (boe) against 108.7

USD in 2011. Other factors contributing to revenue growth included higher net production, which amounted to 928,000 boe compared to 737,000 boe in 2011.

"We set out in 2010 to grow all categories and I think we've delivered," Mr. Arabo said.



"The production exceeded by far what we expected. The main things that helped us there was that we had some work-overs on Ettrick, and Chestnut just keeps performing better than expected, not least thanks to our operators."

**DOUBLED RESERVES:** "The biggest progress, I think, this year has to do with reserves," Mr. Arabo added. "Because we had 2.6 m barrels in reserves last year. We produced 928,000 barrels but then we have net additions and revisions of 3.43 m. From the existing fields that we had last year, Fugro Robertson, our CPR [Competent Persons Report] provider, estimated there were 2.6 m barrels left to produce. But in 2012 we got a 430,000 barrels upgrade on the existing fields. In addition to that we bought Orlando, which has now been sanctioned, so that adds 3 m barrels to the reserves base, doubles it. The Chestnut remaining reserves estimate increased in spite of the production in 2012. So we basically gained an extra year of production on Chestnut."

Besides farming-in to four exploration licenses in the Dutch sector of the North Sea, Atlantic Petroleum entered Norway through the acquisition of Emergy Exploration, including offices and staff and two Norwegian licenses, a move aimed at positioning Atlantic



Petroleum well for future growth in exploration.

"That's one of the places where we are looking for the growth that's going to carry the company well into the next decade," Mr. Arabo said.

"The reason for Atlantic Petroleum entering Norway is that Norway is a very prolific exploration area with very good terms and conditions for exploration companies."

Also of strategic importance was the purchase of a 25-percent interest in two licenses in the UK containing the Orlando and Kells discoveries, both set for development with first oil expected in 2014 and 2015, respectively. The acquisition more than doubled Atlantic Petroleum's reserves, contingent resource, and prospective resource.

Mr. Arabo said: "Orlando and Kells were bought late in 2012 and I think that's probably the most significant thing that we've done at least when it comes to the activity levels in 2013 and 2014."

During 2012 the company was also awarded four licenses in the 27th licensing round of the UK Continental Shelf.

Four exploration/appraisal wells were spudded throughout the year, including Brugdan II in the Faroes and Orchid, Spaniards, and Polecat in the UK.

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Atlantic Petroleum Norge

Managing Director: Jonny Hesthammer

Atlantic Petroleum is a full-cycle exploration and production (E&P) company. The company's asset portfolio spans the full-cycle E&P value chain of exploration, appraisal, development through to production and is located in some of the world's most prolific hydrocarbon basins. Atlantic Petroleum's main focus is on offshore North West Europe where the company can generate growth from its existing asset base and be prepared to acquire new assets.

At year end 2012 Atlantic Petroleum held a total of 40 oil and gas licenses in the UK, Faroe Islands, Ireland, Norway and the Netherlands, producing oil & gas from three fields in the UK part of the North Sea. Three fields are under development or near development. Atlantic Petroleum participates in joint ventures with around 30 high quality partners.

2012 net total production: 928,000 barrels of oil equivalents (boe). Total revenues amounted to 596.7 million DKK (80m EUR).

2012 operational highlights:

- Acquired Emergy Exploration A/S adding Company presence in Norway and two Norwegian licenses.
- Acquired 25% interest in licenses P1606 and P1607 containing the Orlando and Kells discoveries. With the acquisition reserves (2P), contingent and prospective resources more than doubled.
- Awarded interest in four licenses in Dutch sector of Southern Gas Basin.
- Awarded four licenses in UKCS 27th Licence Round.
- Four exploration/appraisal wells drilled: Orchid, Brugdan II, Spaniards & Polecat.

Atlantic Petroleum is listed on NASDAQ OMX Iceland and on NASDAQ OMX Copenhagen.

NASDAQ OMX ticker:

FO-ATLA & FO-ATLA CSE

Bloomberg ticker: ATLA IR

Reuters ticker: FOATLA.IC

*Atlantic Petroleum CEO Ben Arabo; The Aoka Mizu FPSO (floating production, storage and offloading unit) at the Ettrick field (top).*



# NEW VESSELS FOR THOR IN LARGEST DEAL TO DATE

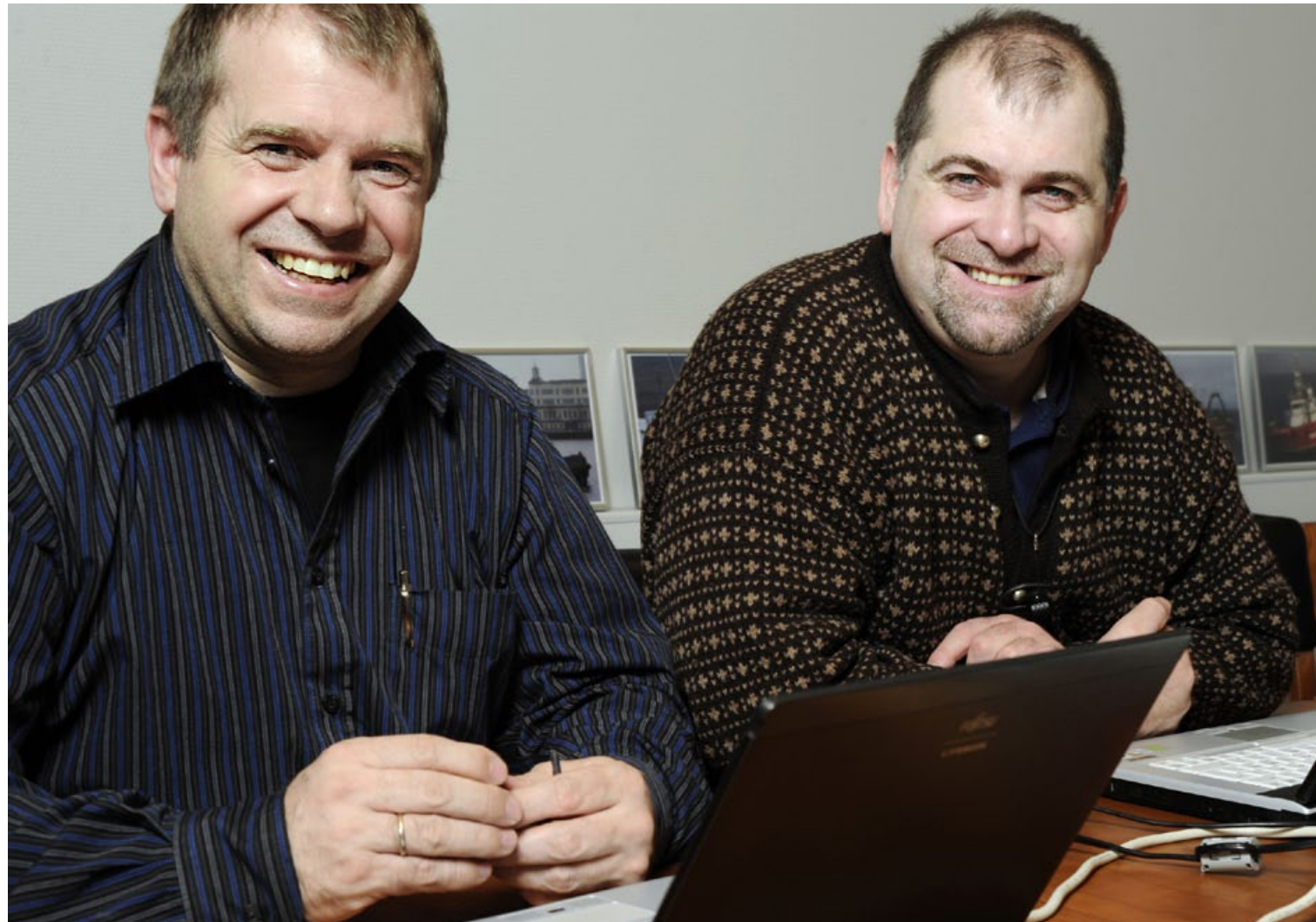
*In its most major deal to date, Thor signs a long-term charter contract with Norway's PGS—in the process ordering four new seismic support vessels with the option of adding another four new builds to the contract.*

**F**AROESE SHIPPING company Thor is seeing its international business grow at accelerating pace as it speeds up the renewal of its fleet of offshore vessels for a long-term charter contract signed with Petroleum Geo-Services (PGS) in Thor's largest business deal to date.

Meanwhile the company has expanded its management and fulfillment service and is now operating and manning a fleet of vessels for foreign shipowners, out of its head offices at Hósvík, Faroe Islands.

As part of its contract with PGS, signed in November 2012, Thor placed an order of four new and highly specialized seismic support vessels with Turkey's Besiktas Shipyard for first delivery in mid August 2014 and last in May 2015. If things go according to plan, four additional new vessels of the same type are set to be ordered in 2014.

Owned and operated by Thor and ten-year time chartered to PGS with option for extension, the new offshore vessels will provide operational support



*CEO Hans Andrias Joensen, right, with managing director operations Gunnbjørn Joensen; Skipsteknisk image rendering of Thor's new seismic support vessels (below); The Thor Alpha (opposite).*

tract, which is the largest in the history of our company," said Thor CEO Hans Andrias Joensen. "Thor has been providing services to PGS for the last 14 years and the cooperation has been very good. We view this contract and opportunity as a great compliment and endorsement from PGS, inspiring us to continuously provide the high quality and flexible services that is expected of us."

In a separate development, Thor signed a contract with Svitser Scandinavia, of Sweden, to manage regulatory compliance and take care of statutory obligations under Faroese law, alongside crew management and payroll, for a number of Svitser workboats recently registered under the Faroese flag.

"Here we act as agents and management partners for foreign shipowners who wish to conduct business under Faroese jurisdiction," said Thor Managing Director/Operations, Gunnbjørn Joensen. "We're both pleased and proud to serve Svitser."

Mr. Joensen added: "While we've worked with many clients over the years, Svitser are the first to hire our management and fulfillment service. We decided to offer this service after we concluded that there is a demand while at the same time we have the capacity and expertise required—after all, we know a thing or two about international shipping, we have good experience with workboats, and we're well acquainted with how the

around the world for the PGS fleet of seismic ships, PGS said in a statement. The new vessels will cover offshore bunkering, crew change assistance, supply of provision and spare parts, and support during in-sea maintenance of seismic equipment.

Designed by Norway's Skipsteknisk, the vessels are being built specifically for seismic support services to improve efficiency at sea for seismic ships, save on fuel and emissions, offer bunkering capacity, and have ice capability as well.

An international oil services company focused on seismic and data analysis, headquartered in the Norwegian

capital Oslo, PGS—with whom Thor has been working for almost 15 years—said the support vessels will have "a wide range of capabilities, including ice class 1A, passenger capacity for transporting a full seismic crew, extra work boat, towing capability and ability to carry and transfer fuel oil at sea.

"Equipped with modern, efficient propulsion systems the vessels will be performing their tasks with minimal fuel consumption, enabling fuel cost savings up to 60 percent from the vessels we use today, and further enhancing PGS' cost efficiency in marine seismic operations."

**NORDIC TRADITIONS:** "The new line of support vessels will ensure a safer and more efficient level of support to our seismic fleet," said PGS CEO Jon Erik Reinhardsen. "Our long standing cooperation with Thor makes us comfortable that the vessels will be operated in the most efficient manner, ensuring high standards in HSE [health, safety, environmental] and marine management. Their track record with our operations is first class, and their commitment to the seismic support business makes them a valuable partner for our seismic operations."

"We are very pleased with this con-

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CEO: Hans Andrias Joensen  
MD Operations: Gunnbjørn Joensen

Offshore shipping company specializing in marine seismic services. Management and fulfillment service. Owner-operator of fishing vessels.

Denmark subsidiary:  
Thor DK

Chase/support and guard vessels:  
•Thor Supporter •Tórsvík •North Star  
•Thor Pioneer •Thor Server •Thor Goliath  
•Thor Provider •Thor Guardian  
•Thor Beamer •Thor Alpha  
•Thor Omega •Thor Assister •Thor Chaser

Fishing vessels:  
•Thor •Vesturland •Ran •Túgvusteinar  
•Phoenix •Sermilik II •Norðheim  
•Varðborg •Chr. Høy

Seismic support vessels ordered:  
Four newbuilds — Skipsteknisk ST-204  
Yard: Besiktas Shipyard  
Design: Skipsteknisk  
Delivery: Aug. 2014 (first), May 2015 (last)

FAS [Faroe Islands International Ship Register] works.

"The Scandinavian market, not least the Swedish, is of interest in this connection and we believe the Faroese open ship registry can be an excellent choice for many merchant vessels. The Faroe Islands is a reputable seafaring nation with Nordic traditions and a highly developed society. There are some good tax incentives as well, and a public administration that is extremely accessible and efficient."





# ASB: RAISING THE STAKES

*To enhance its services to the offshore oil and gas industry, Atlantic Supply Base, in a 'major step' for itself as a company, implements an OGP compliant system for quality, health, safety and environmental (QHSE) management.*

AS THE DRILLING of the eighth exploration well in the Faroese continental shelf is expected to resume this summer (2013), Atlantic Supply Base (ASB) looks poised to retain its position as preferred provider of related port services. The company, nestled in the well sheltered Port of Runavík, has sharpened its quality, health, safety, and environmental (QHSE) management through the implementation of an integrated system that includes corrective action and key performance indicators reporting.

According to managing director Eli Lassen, the new QHSE management system—based on specifications from the International Association of Oil and Gas Producers (OGP)—has taken ASB more than a year to develop, with its implementation representing a milestone in the business development of the company.

“We have long been contemplating and planning for a system of this kind and it’s a major step forward to finally have it up and running,” Mr. Lassen told the Faroe Business Report.

“We have spent considerable resources on the system but we believe nonetheless that we will see a good return on the investment.”



Now taken to the next level with strict adherence to reporting procedures for operational occurrences of all kinds—especially as related to QHSE issues—the safety and compliance culture embraced by ASB may go against some aspects of traditional business management practices prevalent in small communities such as the Faroe Islands.

“This system adds a layer of administration that you won’t normally see in this country,” Mr. Lassen said. “Yet it’s essential in the oil and gas industry so much so that you need to have it if you want to be part of this industry. So we have to be able to log, document, trace and analyze every incident, every near-incident, every deviation from standard, every disruption, and—depending on where responsibility lies—either take corrective action ourselves or request it from those we work with.”

**CONGESTION FREE:** Whereas ASB has been ISO 9001 certified for several years, following the OGP process requirements and guidance on QHSE management is considered more important in the oil and gas industry, Mr. Lassen said.

“It’s all well and good with ISO 9001 but in the world of offshore oil and

gas, having an OGP compliant QHSE management system in place is the de facto industry standard. It’s a minimum requirement for operating in the industry.”

As the supply base of choice for all drilling campaigns undertaken to date offshore the Faroes, ASB has earned good references from its clients.

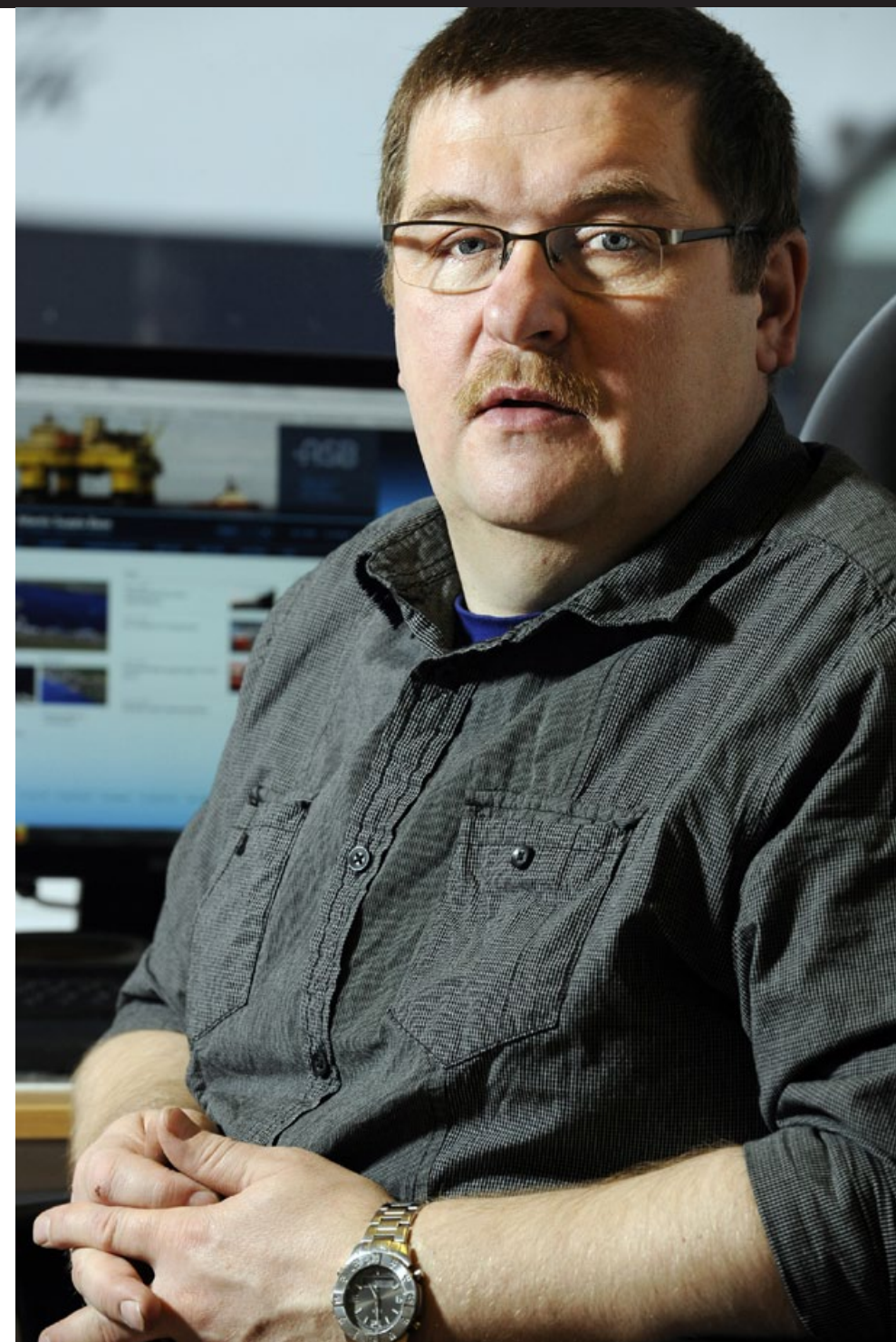
“ASB performance ... was exemplary in terms of HSE and operational performance,” one of them stated in a customer satisfaction survey.

“Zero incidents or rig down time experienced. The entire Faroes team embraced the ... safety culture with enthusiasm and energy always looking to go, and going the extra mile to satisfy the offshore customer.”

Not long ago ASB signed maritime agency contracts for all vessels involved in supporting offshore oil and gas exploration in the Faroese area.

“With our expertise and experience, our clients can have all of their port related business taken care of through a single point of contact,” Mr. Lassen said.

The range of services offered by ASB includes docking, loading and discharge of goods and equipment, crew change arrangements, storage, supplies, waste management, mud mixing, and more.



## Atlantic Supply Base

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Managing Director: Eli Lassen

Atlantic Supply Base is the only operational offshore supply base in the Faroe Island. ASB is located centrally in the only all-weather harbor in the Faroes — Runavík, situated in the Skálafjørður (the longest fjord in Faroes) on the island of Eysturoy.

Atlantic Supply Base successfully supported the drilling of the first 7 Faroese exploration wells from 2001-2010.

The company has likewise been chosen as supply base for next exploration well on the Faroese Continental Shelf, the Brugdan II prospect, operated by Statoil, in the summer of 2012.

Shipping and port agency, freight and stevedoring, forwarding services, customs clearance, material management and inventory control systems.

Able to handle all normal offshore cargo.

OGP compliant QHSE management.

ISO 9001:2008 certified by DNV.

*ASB managing director Eli Lassen; Discharging a PSV (opposite, right); The Island Contender receiving services at Runavik (opposite, top); ASB warehouse (opposite, left).*

With two buildings located a few meters from the dedicated supply base quayside at Runavík, the company presides over 1,900 square meters of warehousing capacity, seven offices and a large outdoor storage area.

Earlier in his career, Mr. Lassen was a bridge officer in the merchant fleet. He has also made a living as a land based oil and gas worker. His skills and work-

ing experience underpin his hands-on management style, which has helped him successfully recruit good personnel for ASB.

“Together we have some competencies that are of great advantage to our clients,” he added. “Let me take an example: approaching a foreign harbor can be a challenge for any vessel as there can be many unknown factors. Together with

the local port authority we have made serious efforts to address such issues as are known to be likely in this respect, and this has made life much easier for our clients. Many of them have offered very positive remarks on our services—stressing the fact that operations have been smooth, not least because there is no harbor congestion in the Port of Runavík.”



# HIGH SPIRITS AT SKANSI

*Social responsibility and cultural values are central to Skansi Offshore's strategy as the company takes delivery of its fifth new platform support vessel, with contracts for all vessels secured from major North Sea operators.*

SKANSI Offshore has been a remarkable story since its inception a few years ago. With the company's first platform support vessel (PSV) delivered in 2009, and the fifth early this summer (2013), the pace of development has been high, especially in the last couple of years—the Sæborg came in September 2011, the Sjøborg in March 2012, and the Torsborg in June 2012.

These PSVs are state-of-the-art vessels built to the highest specifications, with all of them except the latest one originally ordered by Skansi Offshore (earlier known as Supply Service).

“For the first time since 2006, when we planned our initial order, we were going to operate the business without having a ship under construction,” said Skansi Offshore CEO Jens Meinhard Rasmussen.

Then along came the opportunity to take over a shipbuilding order that had been placed with Havyard and was approaching completion.

Constructed at the Leirvik shipyard in Sogn, Norway, the Havyard 833



vessel is designed by Havyard Group's design branch in Fosnavaag.

According to Mr. Rasmussen, Skansi Offshore has already secured a contract with BG Group for the 86.8 meter long PSV, which will head straight to work after delivery.

“We are very pleased with the agreements we have reached with Havyard and BG Group,” Mr. Rasmussen stated. “This is completely in line with our strategy of building a fleet of modern and environmentally friendly vessels with low exposure to the spot market.”

Referring to the fact that this is the fifth Havyard-designed newbuild ordered by Skansi since 2007, Havyard Group CEO Geir Johan Bakke said: “We are fortunate to be part of this development stage of this ambitious shipping company from the Faroe Islands.

With their background in fishing, Skansi Offshore has quickly developed into a competitive contractor of supply services to the offshore industry. From being somewhat of a small intruder they have through delivering good quality services grown to become a recognized contractor competing on par with the bigger players in this market.

“We have learnt a lot during this process and we also believe we have contributed towards Skansi's success by supplying good quality vessels.

“We think this is a company that will continue its positive development and we will do our best to be able to work with them again.”

**‘A CLEAR IDEA’:** According to Mr. Rasmussen, Skansi Offshore secured three new contracts with Statoil, BP

*Co-founder and director Tummas Justinussen at Skansi's new headquarters in Tórshavn; CEO Jens Meinhard Rasmussen (below); The Sjøborg, one of Skansi's five platform support vessels (opposite, bottom).*

for the immediate future but as we now have contracts with major companies such as BP Norge and BG Group, we should perhaps also expect to be working in other locations in the future. Statoil of course is the largest operator on the Norwegian Continental Shelf but their activities off East Africa have now taken us to new territory.”

Skansi's noteworthy success in a highly competitive market may have something to do with the right mix of equipment, timing and above all, people.

“From the outset we have had a clear idea of what we want,” Mr. Rasmussen said.

Norge and BG Group in December 2012, consisting of two five-year contracts in the North Sea with additional five-year options plus one contract for the duration of three exploration wells offshore Tanzania and Mozambique with an extension option of three more wells.

The East Africa contract for the Eldborg is Skansi's first assignment outside the North Sea—something that Mr. Rasmussen expressed satisfaction with in the face of toughening market conditions in the North Sea.

“We are pleased to see some geographic diversification in our activities,” he said.

“The long-term contracts we signed in December help minimize our exposure to price volatility. We expect to continue to work mostly in North Sea waters

“We've got the right vessels and they are top notch although they're not unique. What is unique is the people we have, both on board the vessels and on shore—their skills, their enthusiasm and the fact that they all identify with our goal, which is to build a new kind of international shipping company in the Faroe Islands, focusing on the offshore industry, based on a Faroese identity, and making a difference as well in the Faroese community.”

For Skansi, there seems to be a clear connection between the idea of social responsibility and motivation in the workplace.

“I'd say we have a strong team spirit and sense of purpose that inspires the work we do for our clients,” Mr. Rasmussen said.

## Skansi Offshore

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Executive Management:

Jens Meinhard Rasmussen

Tummas Justinussen

Non-Executive Directors:

Osmundur Justinussen

Per Sævik

Tage Bundgaard

Magnus Petersen

Shipping company providing field services for the international offshore energy industry.

Own fleet of platform supply vessels:

### Eldborg

Type: PSV, Length: 78.60m

Yard: Fjellstrand AS, Year: 2009

Build no: 1680, Design: Havyard 832CD

### Sæborg

Type: PSV, Length: 86m

Yard: Havyard Leirvik, Year: 2011

Build no: HLE 102, Design: Havyard 832L

### Sjøborg

Type: PSV, Length: 86m

Yard: Havyard Leirvik, Year: 2012

Build no: HLE 106, Design: Havyard 833

### Torsborg

Type: PSV, Length: 86m

Yard: Havyard Leirvik, Year: 2012

Build no: HLE 109, Design: Havyard 832L

### (NEW)

Type: PSV, Length: 86.8m

Yard: Havyard Leirvik

Build no: HLE 111, Design: Havyard 833

Delivery: June 2013







*The COSL Pioneer, used on the Brugdan II well in 2012.*

### All at the Door Step (Continued from page 71)

analysis of the data,” Mr. Müller added. “Now one or more companies have requested the [currently relinquished] license covering that area and this is being evaluated by the Faroese Earth and Energy Directorate under its open door policy. I think that we [FOÍB] will be advised by the ministry in the near future that the license has been reissued and which company it is.”

### Nordic Cool: Impressive in DC (Continued from page 12)

structed a display space in the gallery so the public could view them. One Faroese entry showed a student painting a boat and then throwing the paint-thinner in the Torshavn harbor. The remainder of the short video tells the story of how the paint-thinner makes its way through the food chain and onto the student’s table in the shape of a locally caught fish.

Perhaps the most striking Faroese contribution to the festival came in the form of Trondur Patursson’s “Migration.” The installation featured about 90 of Patursson’s stained birds hanging from the windows in the Kennedy Center’s Grand Foyer.

The birds were shaded in blue, green, orange, and red and almost appeared to change in appearance as the sun moved across the late-winter sky. They provided a visual focal point in the center’s massive foyer (tour guides are fond of telling guests that the Washington Monument, if laid on its side, could fit in the Grand Foyer) and were often remarked on by guests.

In total, Faroese artists participating in Nordic Cool by far exceeded their home country’s small size. Of the countries represented in the festival, the Faroe Islands only represents 0.2 percent of the population, but it was hard to miss the country’s impact on the festival. The performances, exhibits and discussions were the first exposure many festival-goers had to the Faroe Islands—and it left many at the festival hoping it wouldn’t be the last.

## Turnkey Communication Solutions for the Offshore Industry

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### Turnkey Communication Solutions

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Faroese Telecom has vast experience and expertise. We have established communication solutions between production units West of Shetland and Sullom Voe to offices in Aberdeen and from production units in the Danish North Sea sector to offices in Copenhagen and Esbjerg

Our communication solutions enable optimizing of daily operations offshore and in remote locations as great amounts of data can be transmitted “real time” to headquarters and processes can be managed more efficiently.

**Faroese Telecom has PoPs in:** Tórshavn, Faroe Islands - Maywick, Lerwick & Sullom Voe, Shetland  
- Ayre of Cara, Orkney - Banff & Aberdeen, Scotland - London - Copenhagen

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# Courage to pursue new frontiers

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Statoil