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Give the oil companies a carrot -

Give the oil company who first discovers Faroe oil some or other advantage, i.e. a tax rebate for example, as some kind of carrot, which in turn will encourage other oil companies to drill in the Faroes. This is the belief of Mr Richard Hardmann, an Atlantic Petroleum consultant and one of the veterans within the international oil industry. The www.oljan.fo website has interviewed this very capable and persistent British geologist. It is just over 15 years ago since Mr Hardmann came to the Faroes for the first time. He remembers the occasion so well onboard the flight to the Faroes, where he met Mr Magni Arge and Mr Johan Mortensen very well, who were just returning from Houston in Texas, where they had visited a large oil conference. Mr Hardmann remembers just how surprised they both were to meet an oil man on the same flight. They thought he was some kind of preacher. Regarding the reason for visiting the Faroes in 1995, Mr Hardmann says the oil industry had seen the positive development in the UK sector, with several large oil discoveries being made west of Shetland, so it was quite natural to guess that oil was also present on the Faroe side of the border. Around this time there was still no agreement on the border line between the Faroes and Great Britain, but the indicators were that a border would be established and it was in this connection that the Amerada Hess management wished to be ahead of developments and have created a good position for itself in the Faroes when the border finally was decided. Good and bad news Q - Fifteen years have elapsed since you came to the Faroes and still no commercial discovery has been made? A That is of course disappointing and several more disappointments have been of late also. I am referring to the Anne Marie well in the Faroes and Lagavulin west of Shetland. If we look at the positives, the seismic is now much better than we

had dared hope fifteen years ago. On top of this several large discoveries have been made just on the other side of the border, i.e. Rosebank and Cambo. So there is both good and bad news, but what is most disappointing is that we have not succeeded in moving developments west of Shetland further west to the Faroes area. Next year the Brugdan 2 prospect will be drilled and if a success, Statoil will regenerate activity in the Faroes area. Mr Hardmann also points out another problem associated with exploration in the Faroes and that is the fact that there are too few oil companies willing to accept an operators role in the Faroes, i.e. willing to lead a drilling operation. According to his understanding this implies that the Faroe authorities must decide if the terms and conditions governing foreign oil company exploration in the Faroes are correct. Give the companies a carrot Q - What should the Faroes authorities do to attract more oil companies here? A If you look at Ireland, they have a very lenient tax legislation in order to create an interest for exploration there. You can lead a horse to water, but you cannot force it to drink. What should the authorities then do! Yes! They can look at some parameters, which could entice the oil companies to explore. For example the company, which makes the first or second discovery, could be handed lenient tax terms and conditions. I am not saying you should change the whole tax system, but just make an exception, which could state that the company to make a first discovery, would be given some advantages, like for example not having to pay any tax on the first ten million barrels or more. This would be a carrot to the oil companies. Q - You think this would make more oil companies willing to accept the role as group operator? A-I am not saying this would be the direct result, but it would definitely give the oil companies something to think about. You could focus attention on the Faroes area once again, something which I think is necessary. We will just have to wait and see what happens. Q - Is it very unfortunate for an area like the Faroes that no discovery has been made after ten whole years of exploration? A-There have been two major problems. The basalt was one, but in this respect things are looking much better today. We are now seeing much better through the basalt now with seismic. The second problem is that we have not yet managed to establish if good reservoir rock is present in the Faroes. We also know that only one oilfield is required to completely alter the economy. Therefore I would recommend to the authorities to look at the option of giving the oil companies some kind of carrot, because if just one discovery is made, the interest will increase immediately. Brugdan 2 could make the difference Mr Hardmann points out yet another problem affecting exploration in the Faroes and that is the very high cost of chartering a drilling platform. To drill a well in the area is very expensive. Of course the very high oil price will alleviate this problem somewhat and therefore there will be some oil companies who can afford to drill here. -We will discover this when we begin drilling Brugdan again. We know this well will be very expensive, but we do not know exactly how much yet. However, a partnership between two of the worlds best oil companies, Statoil and ExxonMobil, will ensure they do their utmost to find hydrocarbons. The structure to be drilled is also

very large and if this becomes a discovery, most likely gas, this could in the future be tied into the development underway close to the border. Mr Hardmann points out that gas has always posed a problem, i.e. what to do with a gas discovery in the Faroes. The development of gasfields west of Shetland, which has just gotten underway, could become very useful, in the event gas is discovered in the Faroes. Faroe gas could then be exported directly to the UK domestic market through a future infrastructure in the UK sector.

Q - Would it be correct to describe the pending Brugdan 2 drilling as looking for a needle in a haystack? A - -No, not exactly. We have already confirmed that it is possible to drill through the basalt. We will now try to reach considerably deeper under the basalt and test the subsoil there. If successful, it will create a huge interest within the oil industry and we will see much activity. Statoil and Exxon the best combination

Q - What importance do you attach to the fact that the worlds largest oil company has become part of the Faroe exploration effort? A - -That is very positive, as the company has the financial strength to work here. In the event results correspond to what the geologists believe they see and hope for, the company will begin preparing for many more wells to investigate how to extract the oil. Personally, I believe the combination of Statoil, which has pledged to drill in the Faroes, and ExxonMobil is the best combination you could imagine. Mr Hardmann says the reason for this is that the companies have the required financial strength necessary and even more important is that they have the technical ability and experience, to undertake such a task. They are cutting edge companies, always pushing boundaries. ExxonMobil has large problems. The company is so large that it must find new reserves. The reason for the company undertaking this large project in the Faroes is that the area could harbour large quantities of oil and gas. We are talking hi-risk and hi-potential, i.e. here is the opportunity to make a large discovery. They are interested because the risk and size of a possible discovery are closely entwined. Nordic attitude reflected

Q - Why in your opinion is Statoil still interested in the Faroe area, as large oil companies like BP, Shell and Chevron have left the area? A - -I think it has got something to do with the Nordic attitude. Statoil feels that the Faroes need to find oil. The Norwegian company recognises the Faroese, if not as brothers then as close as cousins and therefore this is something quite natural for them.

Q - Statoil is not doing all this just for our sake? A - -I would describe this as; being cousins; Statoil is prepared to go the extra mile. If Brugdan 2 does not conform to expectations and the testing neither, I think Statoil will not continue to stay here. On the other hand the company has also committed to drill another well, up against the border close to the UK Rosebank oil discovery, so there ought to be a good possibility of making a discovery. Brugdan could be a true Faroe well, and not as such a continuation of the UK shelf. We have already drilled many wells and now we will drill deeper. Sills are still a danger, but let us keep our fingers crossed and hope a discovery is made. Let us hope we do not just drill through clay but encounter sands, which have the option of containing reservoir rock. Although many problems, such as the weather, water depth and basalt, Mr Hardmann believes we ought to be optimistic,

because in spite of the many dry wells drilled west of Shetland large discoveries have still been made. -The oil industry has tried and will continue to try and find oil and gas, and hydrocarbons have already been confirmed here. If wells on the scale of Rosebank, i.e. half a billion barrels are discovered, the pulse will continue to be high. Upon the question if not also Cambo, the discovery made by his former company Hess is commercial, Mr Hardmann says he has departed the company, but says he has heard from sources from within the oil industry that this is a commercial discovery. Atlantic Petroleum a success story Mr Hardmann, who is educated as a geologist, is working today as a consultant for Atlantic Petroleum in the UK. He is no less than an oil veteran. He begun in the oil industry in 1959 and has been involved in the industry for over fifty years and he has no intentions of stopping now. It will only be down to poor health or if he feels he is unwanted, he will stop - -I ski, when the opportunity presents itself, so why should I not continue in the oil industry, where a lot of speed is also encountered. Mr Hardmann is very pleased to be part of the work at Atlantic Petroleum - -These are exciting times. Atlantic Petroleum is beginning to look like a success story a growth story, which all Faroese ought to be proud of. We have the right people and the right strategy. The acquisition of Volantis was very important for two reasons - We have acquired good licenses and good staff. The Faroese ought to be particularly satisfied with having landed the Director of Volantis, Mr Nigel Thorpe, as part of the deal. While my experience is within geology, he is an oil technician and he has also established a company, so he has experience from management and development, things that will benefit Atlantic Petroleum and overall the Atlantic Petroleum work team is now much better off. Mr Hardmann thinks it was a sensible decision to appoint Mr Ben Arabo as Managing Director - -I have worked together with Ben for many years. Ben worked for Hess for a long time and has seen the world from an average sized oil company. He will be a success at Atlantic Petroleum, I have no doubts about that I put my money on him, Mr Richard Hardmann concludes.