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Oil giants scenting elephants on the Atlantic Margin area

The year 2012 could become the year when some of the world's largest oil companies, BP, ExxonMobil and Statoil, finally make a breakthrough and create some real progress on the North Atlantic Margin area. BP began drilling the North Uist prospect west of Shetland on the 25th of March and has therefore been drilling for almost four months. Statoil spudded the Brugdan 2 prospect in the Faroes on the 17th of June and has been drilling for a month now. Both companies have high hopes of making large discoveries, but simultaneously they realise the associated risk is very high. BP about to reach their target BP began drilling almost four months ago, quite close to the Faroe border. Bearing in mind this is not a basalt covered area, it has to be estimated the drilling will penetrate very deeply into the subsoil and they must be very close to their final target. Their main target was the North Uist prospect and another target is the Cardu prospect. It was in the latter part of March that BP took the large step of deciding to drill again in deep waters, after the huge disaster they encountered in the Gulf of Mexico in 2010. Utilising the very equipped drilling vessel the Stena Carron, they spudded the North Uist prospect in 1290 metres of seawater in block 213/25c, approximately 125 nautical miles in a north-easterly direction from Shetland. The well is very close to the Rosebank discovery, which lies even closer to the Faroes border. BP experts estimate the North Uist prospect could contain half a billion barrels of oil. New knowledge It is rumoured that the BP drilling project is quite similar to the Statoil well drilling in the Faroes there are dissimilarities however. The depth on the Brugdan 2 prospect is only a third of the depth compared to the other side of the border. The Brugdan prospect is also covered in thick basalt layering; there is probably no basalt on the UK side of the border. Statoil has announced that it will take

between 4 to 5 months to drill the Brugdan 2 prospect and it is estimated the basalt is app. 2500 metres thick. As BP has been drilling for almost four months now, it is not unimaginable that these two wells, which are penetrating so deep into the subsoil, may reach a depth of 4500 to 5000 metres. It is therefore quite evident that these two wells will supply much new knowledge and will play an important role in the future exploration of the North Atlantic margin area. Both Faroe oil companies involved Although the North Uist prospect is being drilled in UK territory, the Faroes are also involved with this project. Faroe Petroleum holds a 6,25% share. The other companies are BP as the operating company with a 47,5% share Nexen with 35%, Cieco with 6,25% and Idemitsu with 5%. The other Faroe oil company, Atlantic Petroleum is involved with the drilling in Faroe waters with a 1% share. If all goes well, in spite of the large associated risk, both the Faroe oil companies could become part of large-scale oil and gas discoveries on each side of the border. Limited expenditure Although the two wells are estimated to cost in the region of 1 to 2 billion D.kr., the Faroese part of the cost is very limited. Atlantic Petroleum is set to pay D.kr. 10 million for its participation, while Faroe Petroleum will not pay anything, as it has farmed-out its original share to the two Japanese companies in return for becoming exempt from the drilling expenditure they are being carried as it is called in the oil industry jargon. It will be very exciting to see how everything pans out in the very near future, when BP announces the result from their drilling. There can be no doubt that a positive result here will again make the Faroe subsoil interesting for the international oil companies, much in the same way that other discoveries close to the border have had a positive impact upon exploration efforts in the Faroes.