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Iceland begins exploration with Faroese at the helm

Last Friday (4/1) Iceland issued the very first hydrocarbon exploration licenses. These were officially signed in Reykjavik in the presence of the Iceland Cabinet Minister for Trade & Industry, Mr Steingrímur J. Sigfússon and the Norwegian Energy Minister, Mr Ola Borten Moe. The Faroe oil company Faroe Petroleum is the oil company which holds the most significant number of licenses from this round. These first ever licences were signed by the CEO of the Iceland Energy Institution, Mr Guðni Jóhannesson and the signing ceremony was attended by representatives from Faroe Petroleum, Valiant Petroleum, Petoro, Iceland Petroleum and Kolvetni. This is the second time Iceland acreage has been on offer for exploration. The first round was a complete failure, most likely due to the stringent terms and a lack of interest from the industry. Iceland therefore returned to the drawing table and started all over again and this time they have met with more success. Several companies have applied and the final decision saw two groups with five oil companies being awarded two exploration licenses. At a large reception in London recently, the Iceland PM said he hoped it would be Faroese who made a first Iceland discovery. He said he felt most secure by such a turn of events, if this were to happen. Faroe Petroleum largest license Faroe Petroleum is the operating company and holds a 67,5% share in one of the two licenses awarded, with Iceland Petroleum holding 7,5% and the publicly owned Norwegian Petoro holding the remaining 25%. In the other license, Valiant Petroleum is the operating company, with a 56,25% license share, Kolvetni with 18,75% and Petoro again with the remaining 25%. The next step will be to conduct various surveys and shoot seismic and it is most likely many years will pass before the companies reach a decision to conduct a drilling operation. It is very interesting to note that the giant Norwegian oil

company Petoro is part of the Iceland exploration effort, as the company is very experienced and is financially strong. One of the reasons for this Norwegian participation is that Norway holds the right to participate, according to an agreement encompassing the whole area around Jan Mayen, and it may see both commercial and political advantages by participation in Iceland. Do our utmost The Faroe Petroleum CEO, Mr Nils Sørensen told oljan.fo that they are very pleased to be part of the Iceland hydrocarbon exploration effort. In order to have come this far, the company has done a huge and professional preliminary work. He believes it will be very interesting to cooperate with Petoro and an Icelandic oil company. He will not however disclose when such a cooperation will emerge or when a possible decision regarding a drilling could be undertaken. This will totally depend upon what the preliminary surveys reveal. He is however quite optimistic on making an oil or gas discovery, otherwise they would hardly expend money and energy here. Mr Sørensen is heartened by the comments made by the Iceland PM in London regarding his personal comfort zone, i.e. Faroese finding the first Iceland hydrocarbons - -We will certainly do our very best, says Mr Sørensen, adding that Iceland is part of the Faroe Petroleum strategy, which is to explore for hydrocarbons in the North Atlantic and the arctic area, beginning in the Barents Sea. The company will continue its many activities in the North Sea, west of Shetland and in the Faroes. Personally he is looking forward to a very exciting year with very important surveys and drillings in the pipeline and of course their continual and expanding production.