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PL536 - Relinquishment Report

Reference is made to the letter sent to the MPE dated 17.07.2012 (our ref. AU-EXP NOR ELN-00020) regarding relinquishment of production licence 536 (PL536).

1 INTRODUCTION

PL536 was awarded on15th May 2009 with Statoil Petroleum AS (40%), as Operator, and Discover Petroleum AS (20%), North Energy AS (20%), and Petoro AS (20%) as partners.

The initial period for PL536 expires 15th November 2015. Work obligations were to acquire 200 km² 3D seismic data and decide on drill or drop within 15th of August 2012. A six months extension of the dril and drop deadline was applied for due to late arrival of data and extra time required in order to evaluate recent 3rd partey well results, PL396 (ref. letter to MPE dated 05.01.2012). This was approved by the MPE on 6th February 2012 (MPE letter ref. 12/36-).

2 BACKGROUND AND LICENCE HISTORY

PL536 is located eastern flank of the Nordkapp Basin in blocks 7228/11-12 (Fig. 1&2). The licence area is 637,464 km². One prospect, Elbrus, has been mapped within the license.

Two other structures, located outside the licence, have been drilled dry in the same geological setting. These are 7228/9-1S located north of Elbrus and 7228/1-1 Eik located on the western flank of the Nordkapp basin (Fig. 2). Eik is considered a critical analogue to Elbrus. The evaluation of Eik formed the basis for the relinquishment decision.

3 TECHNICAL WORK AND MEETINGS

New 3D PSTM seismic survey was acquired in 2009 (Fig. 3). Processing of the survey was initiated in 2010 but the final data was delayed by approximately six months. Seismic interpretation took place in 2011. The seismic data is regarded of good quality.

The following Management and Exploration committee meetings have been held in the licence:

- MC meeting No. 1 - 03.06.09
- EC/MC meeting No. 2 - 27.10.09
- EC/MC meeting No. 3 - 22.11.10
- EC/MC meeting No. 4 - 10.11.11

In addition, the following work meetings have been arranged:

- EC demultiple testing 17.03.11
- EC work meeting 13.05.11
- EC work meeting 07.12.11
- EC work meeting 10.05.2012

4 PROSPECT EVALUATION

The Elbrus structure is well defined on the 3D seismic data. The structure is a low relief segmented 4-way closure located on the eastern flank of the Nordkapp basin (Fig. 2&4).

A full evaluation of the prospect has been performed. The evaluation includes:

- Processing and interpretation of new 3D seismic
- Geophysical work, including AVO and P-cube studies
- EM feasibility study
- Structural reconstruction
- Basin modelling

The main target is the Realgrunnen subgroup. Secondary targets are defined in the Fruholmen, Snadd and Kobbe Formations. The column height from apex (1068m) to spill (1214m) is 146m and the prospect area is 80km^2.

Faults bisect the entire closure and propagate into the overburden. The main fault is observed to propagate to the sea floor on a few seismic lines (Fig. 5). The main risk is related to leakage along faults.

A strong depth conform amplitude anomaly was observed in the top of the Elbrus closure (Fig. 6). Geophysical studies indicate that this is probably a gas indicator. The volume potential of the anomaly was unfortunately negligible and the probability for an oil column below this anomaly was regarded low.

5 RESOURCES

Volume calculations were based on a gas cap with an underlying oil leg (Fig. 7). This is regarded as the only success case for Elbrus.

The mean recoverable volumes for the filling model gave 19.5 MSm^3 OE for the main reservoir. In addition, volume calculations have been performed on secondary targets (Fig. 8).

6 TECHNICAL / ECONOMICAL EVALUATIONS

A subsea development with tie back to a FPSO has been considered. This includes 10 oil producers and 6 water injectors.

The expected prospect economics (ENPV) were negative due to high prospect risk.

7 SUMMARY AND CONCLUSIONS

The work programme for the initial period of PL536 has been fulfilled. The seismic data acquisition was acquired within the specified time and a detailed technical evaluation has been performed.

The technical evaluation of the Elbrus prospect concluded that the moderate volume potential in combination with high risk does not justify for a positive drill decision. No other prospects have been defined in the licence. The license is therefore fully relinquished.

8 Figures

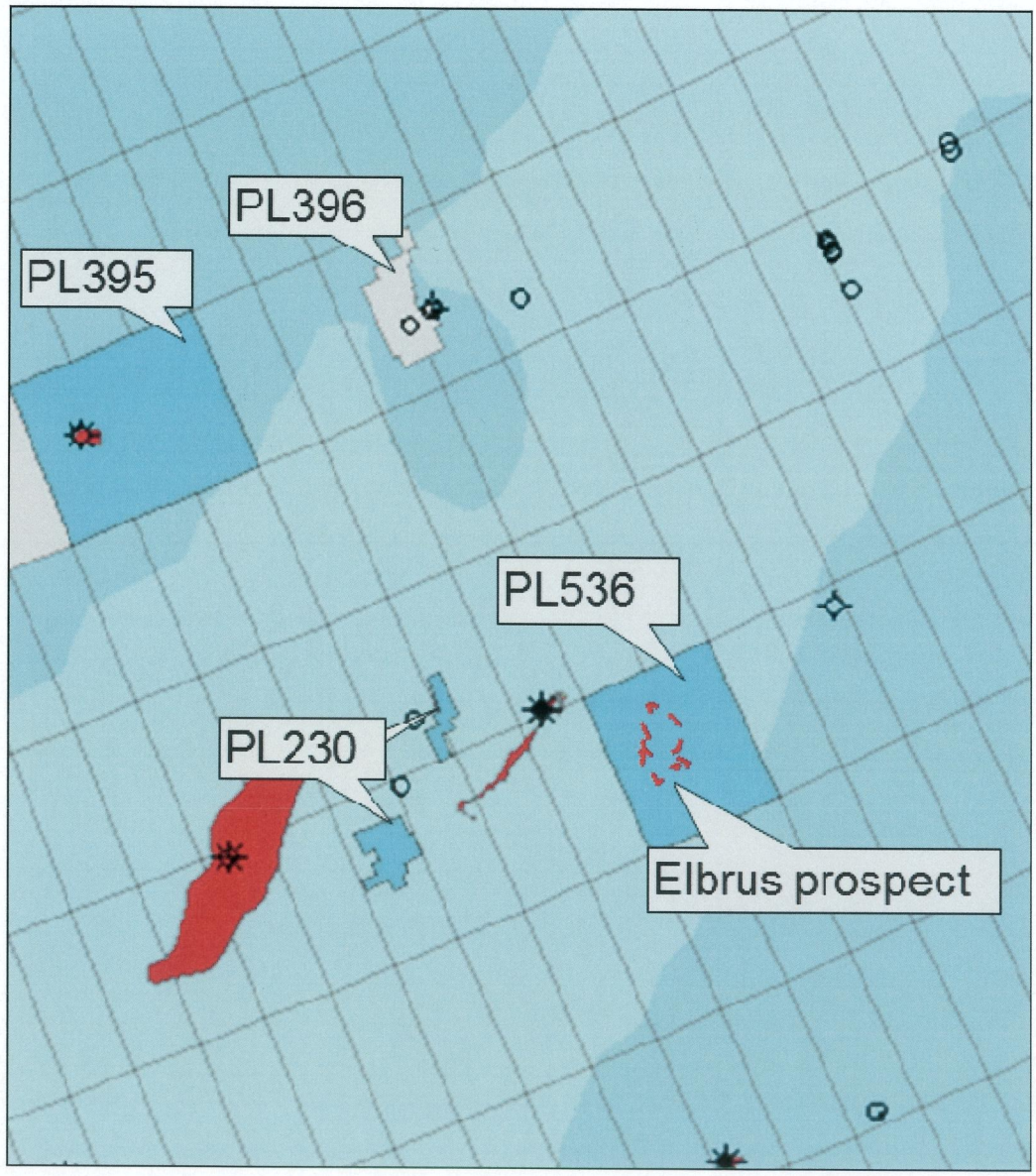

Figure 1 Licence map showing the location of PL536 and the Elbrus prospect.

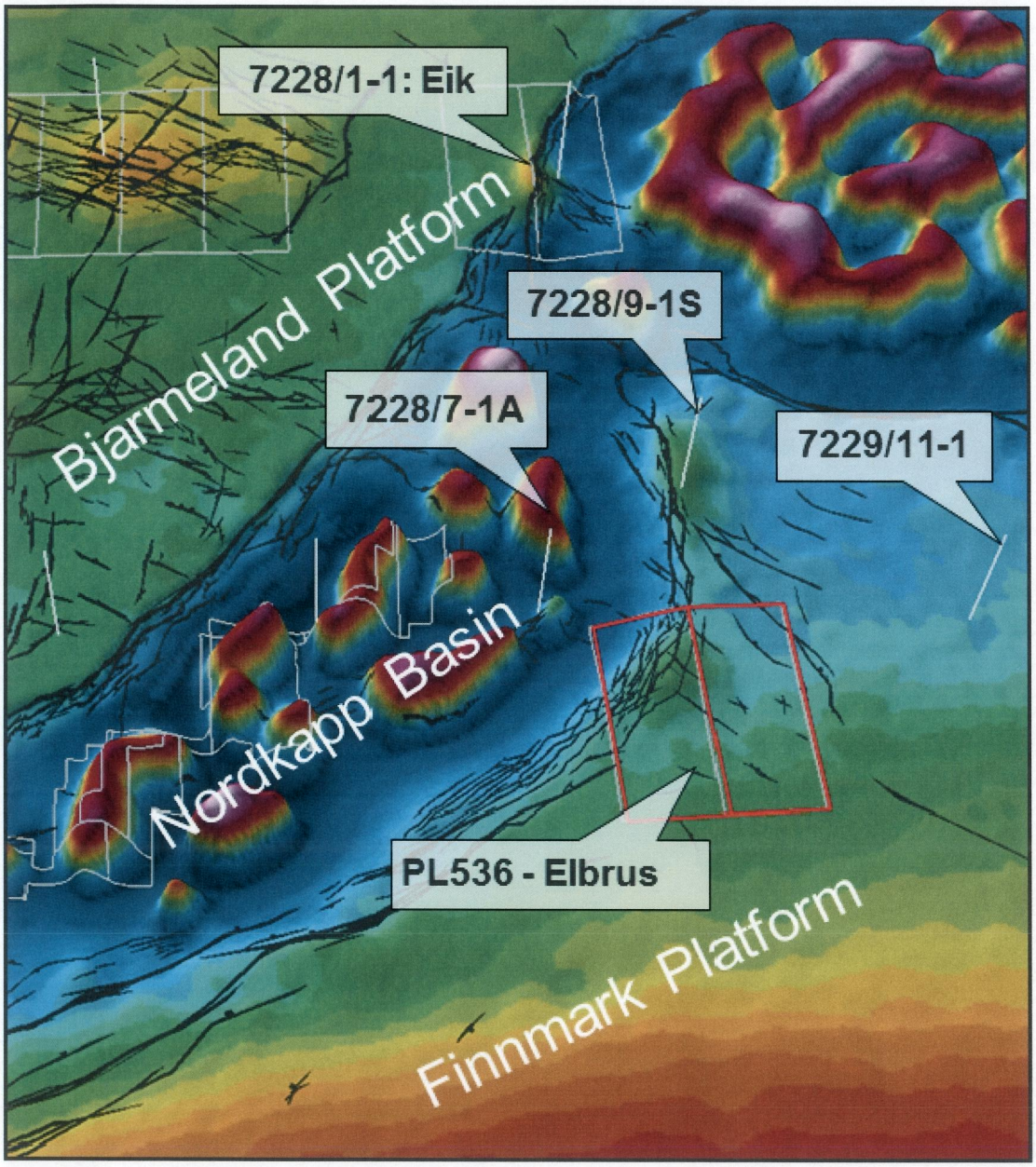

Figure 2 A 3D map showing the structural setting of PL536 and the surrounding wells

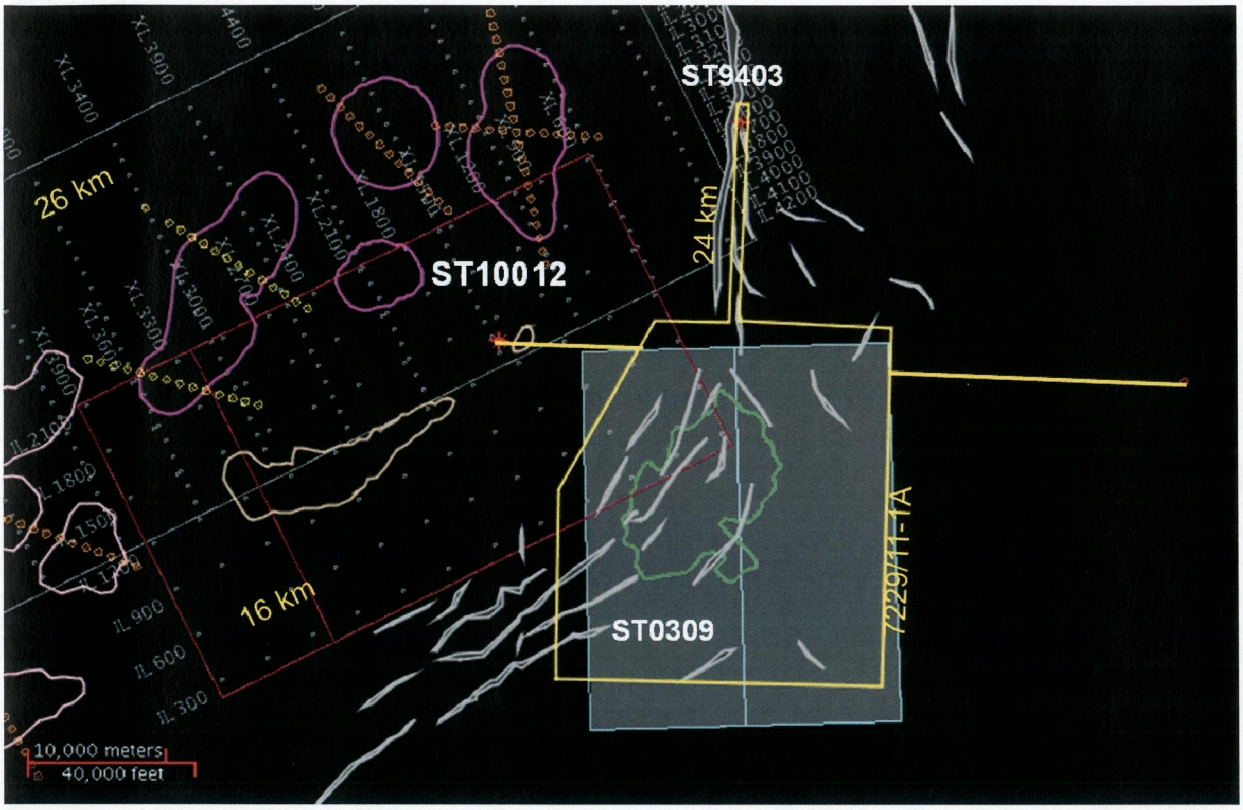

Figure 3 Outline of the PSTM ST10012 seismic survey acquired in 2009

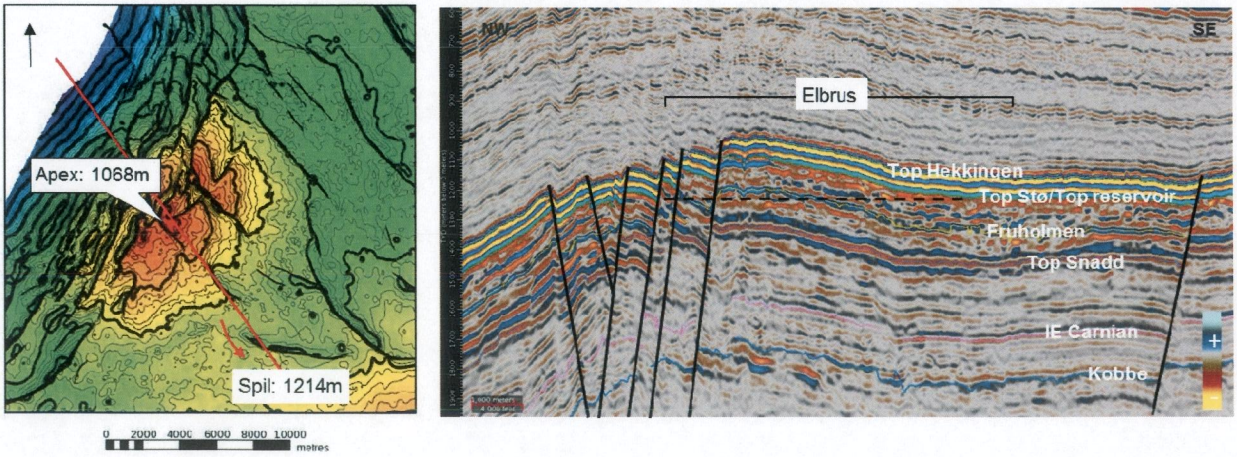

Figure 4 Top Realgrunnen (CI = 20m) depth map and seismic depth section (random line)

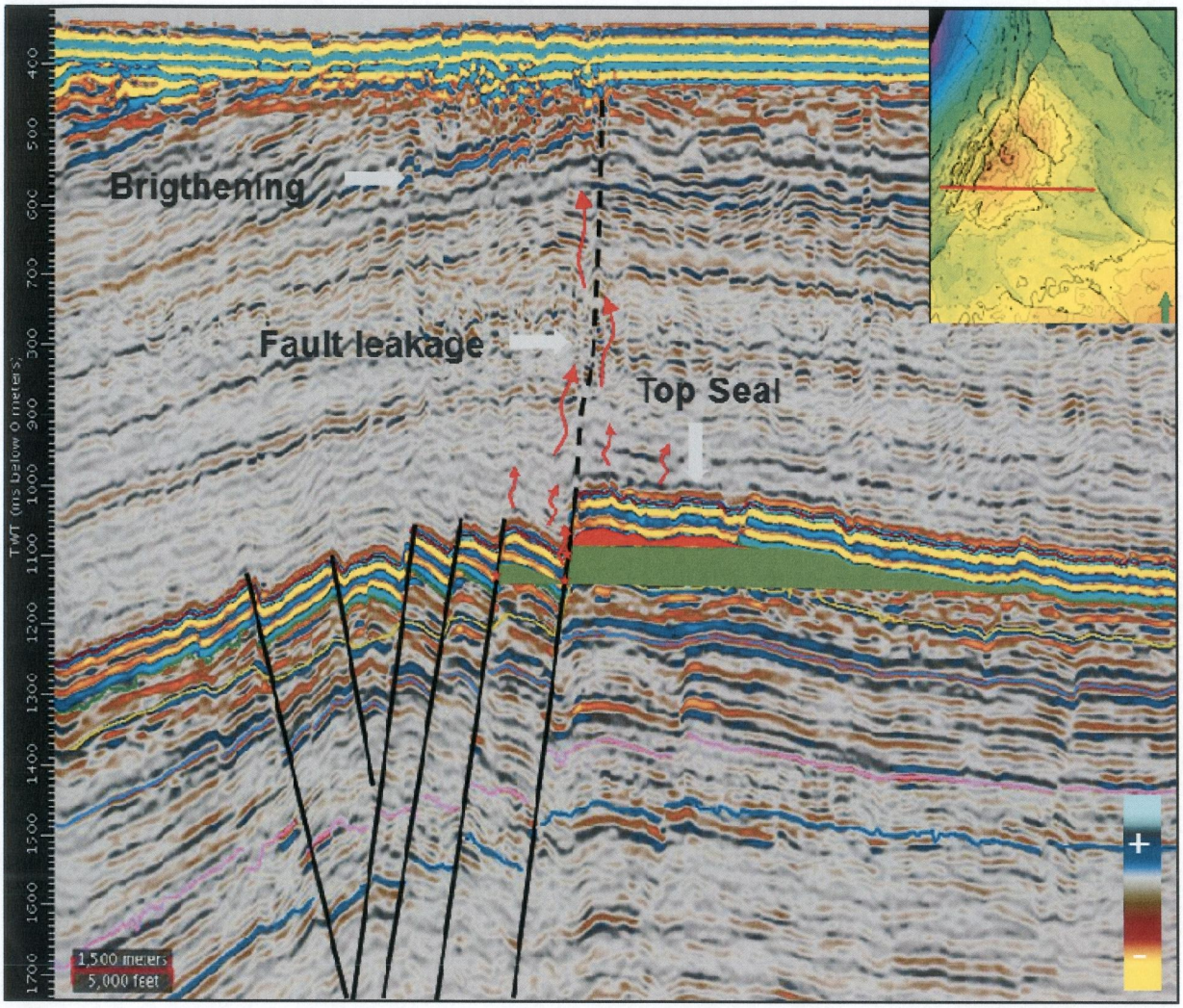

Figure 5 Seismic time section (1579 XL) through the Elbrus prospect. Fault propagation into overburden is shown

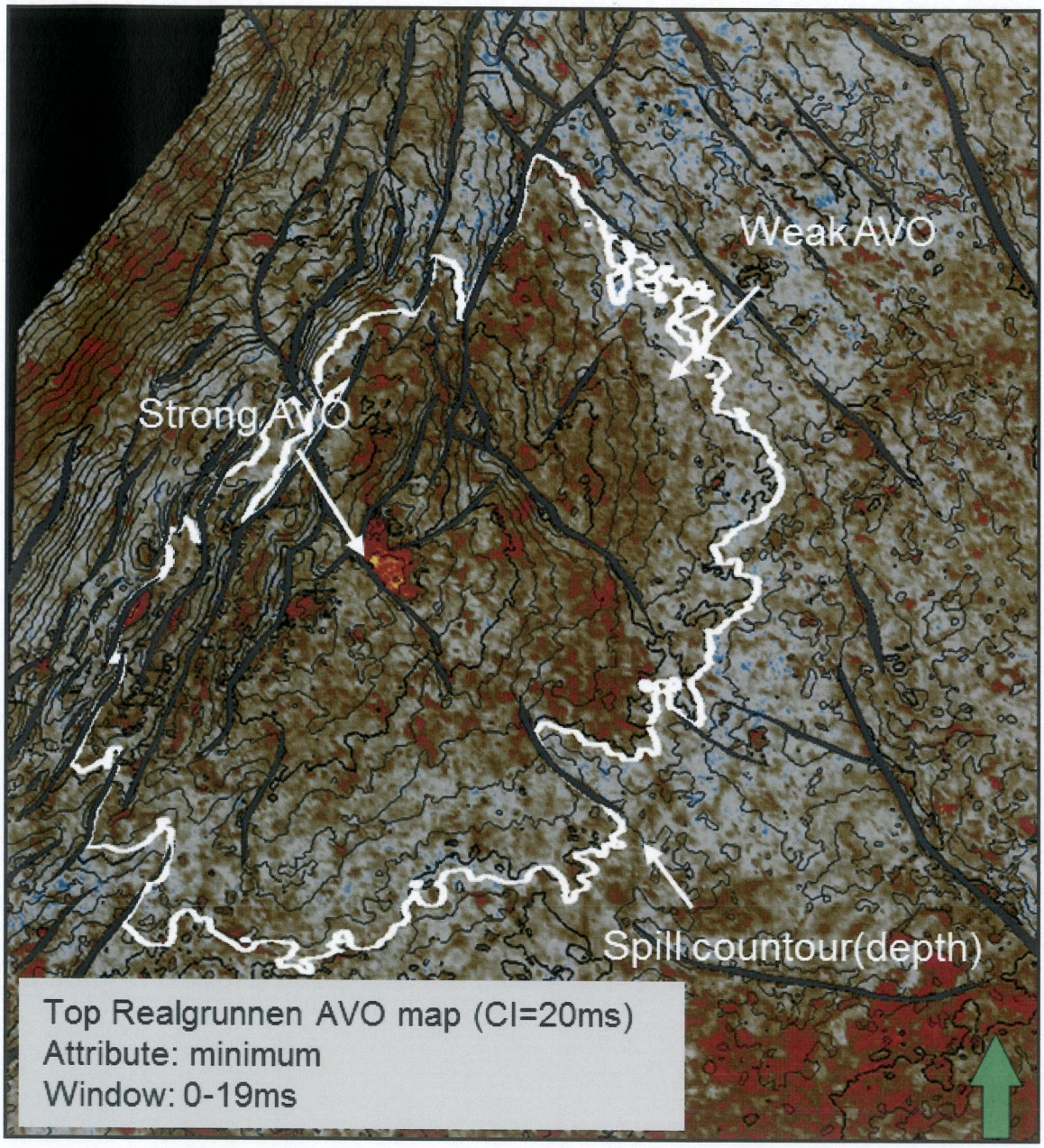

Figure 6 Top Realgrunnen (CI =20 m) AVO map. Max outline if the Elbrus prospect in shown in white.

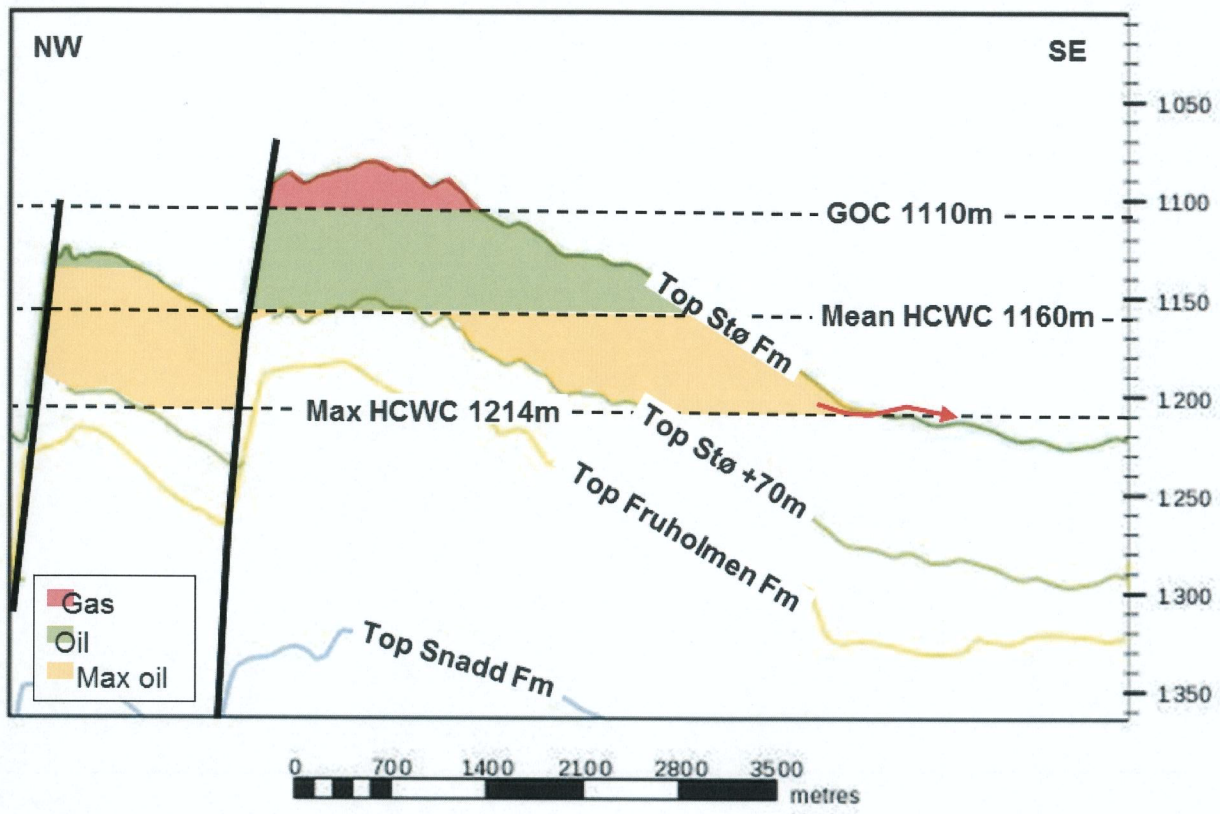

Figure 7 Conceptual filling model of the Elbrus prospect. The model assumes a gas cap with an underlaying oil leg and is regarded the only success case for the prospect

Prospect segments	In-place res. (MSm^3oe) 100%, Total Structure			Recoverable res. (MSm^3oe) 100%, Total Structure		
	P90	Mean	P10	P90	Mean	P10
Stø, Tubåen, Nordmela	**20.3**	**67.1**	**147.3**	**5**	**19.5**	**43.3**
Fruholmen	2.1	17.6	43.4	0.27	2.96	7.69
IE Carnian	1.0	22.6	66.5	0.15	4.02	11.45
Kobbe	0.5	9.0	25.7	0.08	1.59	4.39

Figure 8 Prognosed resources in all reservoir sections

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