

Successful operations

Det norske oljeselskap ASA continues its ambitious strategy on the Norwegian continental shelf. The company is operator for an advanced exploration well, and is also making improvements to three development projects. A new charterparty for the *Aker Barents* has secured Det norske long-term rig capacity for operations in deep waters and in the Barents Sea.

CEO Erik Haugane says that Det norske has great belief in the Norwegian continental shelf.

'We are always seeking more and better areas to explore. It is important to expand our activities, not least in the north, in order to get confirmation of the vast resources that we believe are present in the Barents Sea. We will participate actively in these efforts, and our recent submission of applications in the 21st licensing round was confirmation of this.'

Det norske has secured rig capacity for operations in the Barents Sea and deep waters for several years ahead. A new contract for the *Aker Barents* drilling rig has been signed for the period from July 2012 to July 2014.

During the third quarter, Det norske has been active in connection with awards in pre-defined areas (APA) 2010 and has submitted several applications, both as operator and partner. The company has also been active in the 21st licensing round and has submitted applications for areas in both the Barents Sea and the Norwegian Sea.

Det norske also has an ambitious exploration programme for 2011. The company is planning to participate in 11 exploration wells.

Results expected soon

In August, Det norske started exploration drilling in the Stirby prospect, a gas and condensate prospect in PL 341. Det norske has a 30% interest in the licence. The results of these wells are expected in the near future. Stirby is a high temperature high pressure (HTHP) well and is now being drilled following a planning phase of more than a year.

In September, Shell started exploration drilling in the Dalsnuten gas prospect in PL 392. Det norske has a 10% interest in the licence. The results of this drilling are expected in the near future.

Gas and condensate were discovered in the David prospect in PL 102C. Recoverable volumes have been estimated at between 15 and 20 million barrels of oil equivalents. Det norske has a 10% interest in the discovery, which is being evaluated for development.

Towards development

Det norske continues its work of preparing for the development of the Frøy and Draupne fields. Frøy is a profitable project with a break-even price of just under USD 60 per barrel. The Plan for development and operation (PDO) has been postponed due to the ongoing work on drainage strategies, and it will be submitted in summer 2011, at the earliest.

Draupne appears to be a financially robust project. Various development alternatives are being discussed with the partners. A coordinated development solution that includes the Luno discovery in PL 338 will be evaluated before a final solution is chosen.

Jetta is now deemed to be commercial and is expected to produce 10 million barrels. The plan is to develop Jetta using sub-sea installations and a tie-in with Jotun for processing and transport. Tariffs for use of the facility are now being negotiated with the operator for Jotun. Provided that the commercial terms and conditions for third-party access to Jotun are clarified soon, production from Jetta can start in 2013.

Financial status

Operating revenues in the third quarter amounted to MNOK 80.6 (67.4). The increase can be attributed to increased production and higher oil prices. The oil was sold at an average price of USD 77.8 (67.0) per barrel. The company had an operating loss of MNOK 253.1, compared with an operating loss of MNOK 330.2 in the same period last year. Exploration expenses amounted to MNOK 209.1 (329.0).

The loss for the period was MNOK 80.1 (compared with a loss of MNOK 71.6 in the same period last year) after a positive tax expense of MNOK 228.7 (264.5). The group's liquid assets amounted to MNOK 1,100.7 (957.4) at the end of the quarter. Tax receivables for disbursement in 2010 have been recognised in the amount of MNOK 2,078.0 (213.2), while tax receivables for disbursement in 2011 have been recognised in the amount of MNOK 1,801.3 (985.6).

The company is financially strong with an equity ratio of 36% (63%) and good liquidity.

Key figures

	Q3 10*	Q2 10*	Q1 10*	Q4 09*	Q3 09	2009	2008
Oil and gas production (barrels)	171,203	187,377	218,191	179,542	155,035	673,603	661,732
Oil price achieved (USD/barrel)	77.8	79.9	76.0	73.4	67.0	59.7	87.6
Operating revenues (MNOK)	80.6	88.7	97.1	73.7	67.4	265.0	635.1
Exploration expenses (MNOK)	209.1	367.2	544.2	409.9	329.0	1,208.7	544.5
Operating profit/loss (MNOK)	-253.1	-409.3	-574.7	-626.2	-330.2	1,435.5	-572.0
Profit/loss (MNOK)	-80.1	-104.8	-174.3	-379.3	-71.6	520.7	225.5
Total exploration expenses (expensed and capitalised)	447.0	911.6	793.9	592.8	511.3	1,804.3	153.3
No. of employees	192	188	181	176	146		
No. of licences (operatorships)	72(35)	71(35)	74(37)	67(34)	52(28)		

MNOK= NOK million

* The group was established on 22 December 2009. Aker Exploration was included in the income statement as from that date.

Production

Barrels of o.e. per day	Share in production	Q3 10	Q2 10	Q1 10	Q4 09	Q3 09	2009	2008
Varg	5%	1,067.4	1,185.8	1,386.1	874.2	595.6	690.1	611.1
Glitne	10%	437.3	433.6	542.9	587.3	566.7	618.9	866.0
Enoch	2%	65.0	79.9	117.1	129.4	130.7	125.6	124.0
Jotun Unit	7%	291.3	359.8	378.2	360.6	392.1	410.9	494.3
Total production		1,861	2,059	2,424	1,951	1,685	1,845	1,808

o.e = oil equivalents