

# Capital Markets Day

January 2010

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# **Strategy update**

Scott Kerr, CEO

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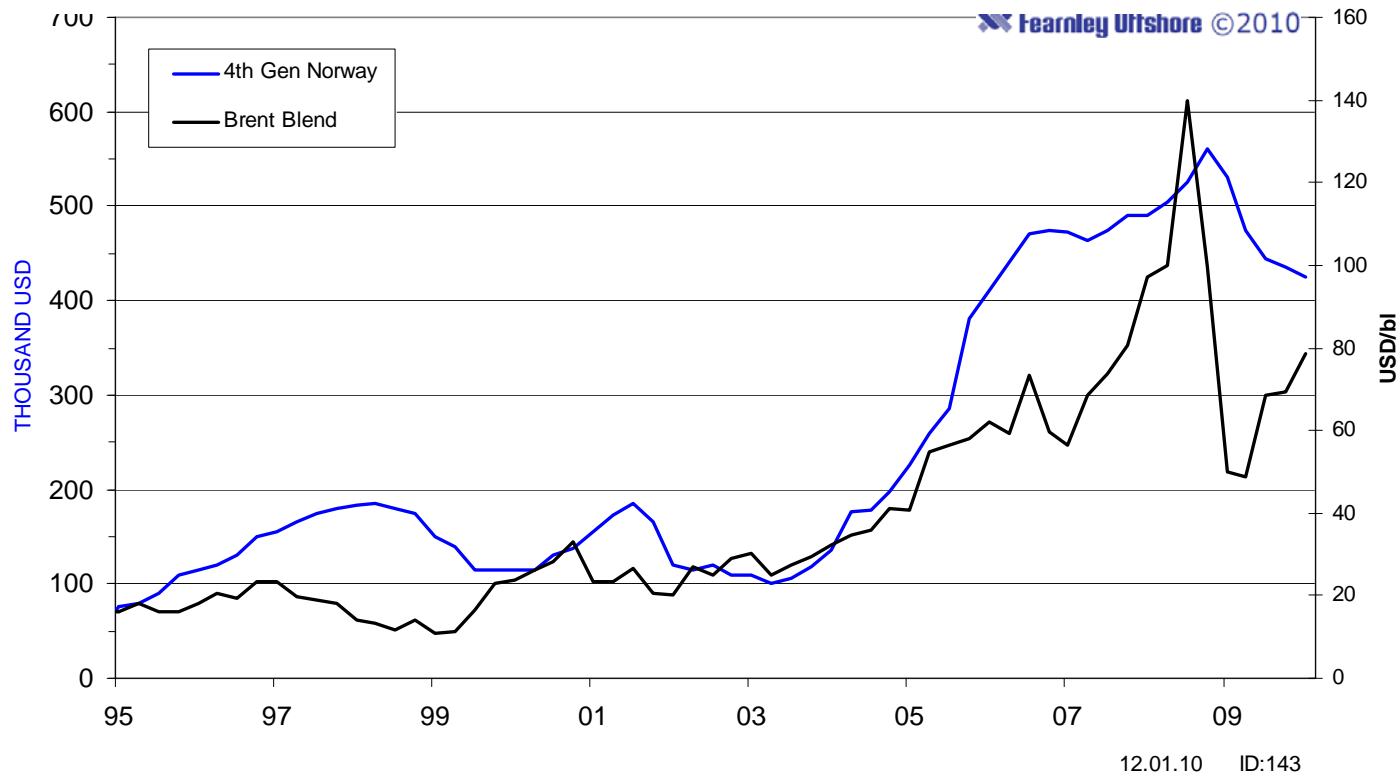
# Noreco

- Portfolio of 8 producing fields
- Ongoing developments will more than double production by end 2012
- Additional growth from existing discoveries
- Large exploration portfolio offers substantial upside through selective drilling program
- Strong financial position



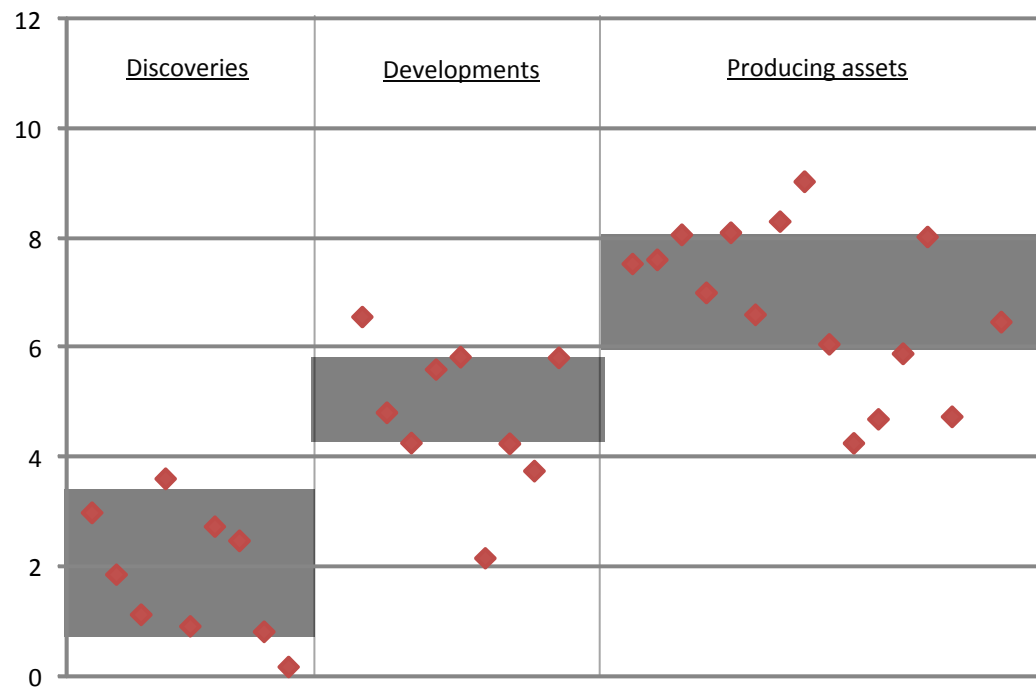
# Bullish on long term oil price

## Oil price and rig rates



# Exploration-driven strategy

## NCS transaction multiples (USD/boe) \*

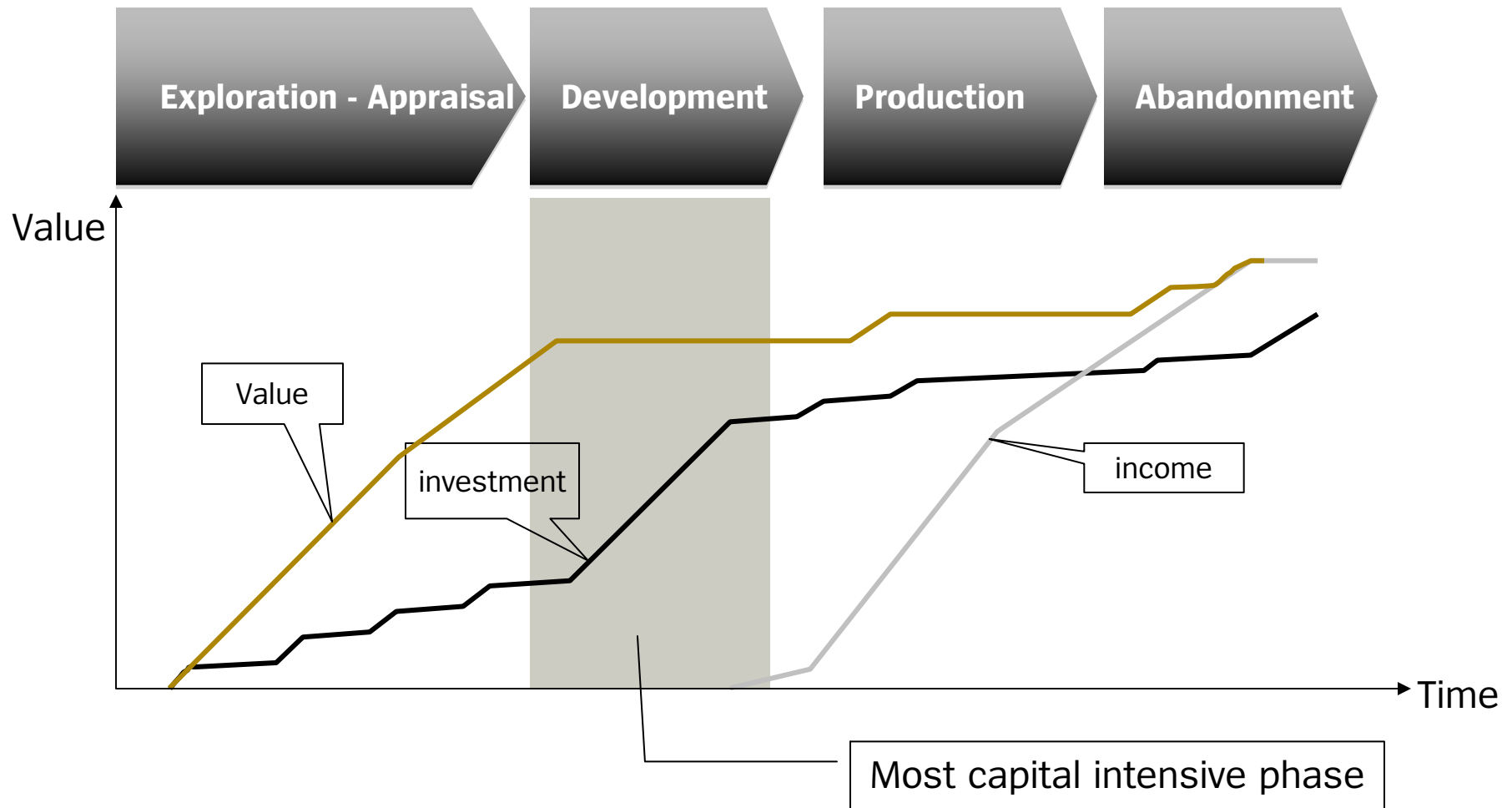


\* **3-2-1**

Denmark multiples  
approx. **3** x Norway

UK multiples  
approx **2** x Norway

# A balanced portfolio increases value creation



# Uncertain financial markets

**Noreco and OBX from 9 November 2007**



# Focus on North West Europe



- Area of competence
- Similar play types and geology across basins
- Stable business environment, low geopolitical risk
- Infrastructure in place
- Each country plays a different role in the portfolio

Norway

Denmark

UK

Greenland

# Strategy and business model

**Create value with  
Exploration**

**Monetize value  
through developments  
and sales**

**Optimize value  
in Production**

## **KEY SUCCESS FACTORS**

- Access to acreage
- Selective drilling
- Subsurface & drilling expertise
- G&G Data
- HSE

- Active portfolio management
- Subsurface, drilling projects and commercial expertise
- HSE

- Opportunity creation
- Subsurface, facilities and commercial expertise
- Risk management
- HSE

## **MAIN RISKS**

- Dry wells
- Asset/financial market

- Schedule
- Costs
- Asset/financial market

- Plant integrity
- Costs

# 2009 – testing the model

**Oil price decline by more than 50%**

- Put option program stabilized cash flow

**Finance markets "freeze" and credit unavailable**

- Strong bank group – no decrease in loan amounts
- Bonds refinanced
- Exploration loans increased

**Exploration and licensing activity remains high**

- Selective exploration yields high success rate
- High potential licenses added in Norway and UK

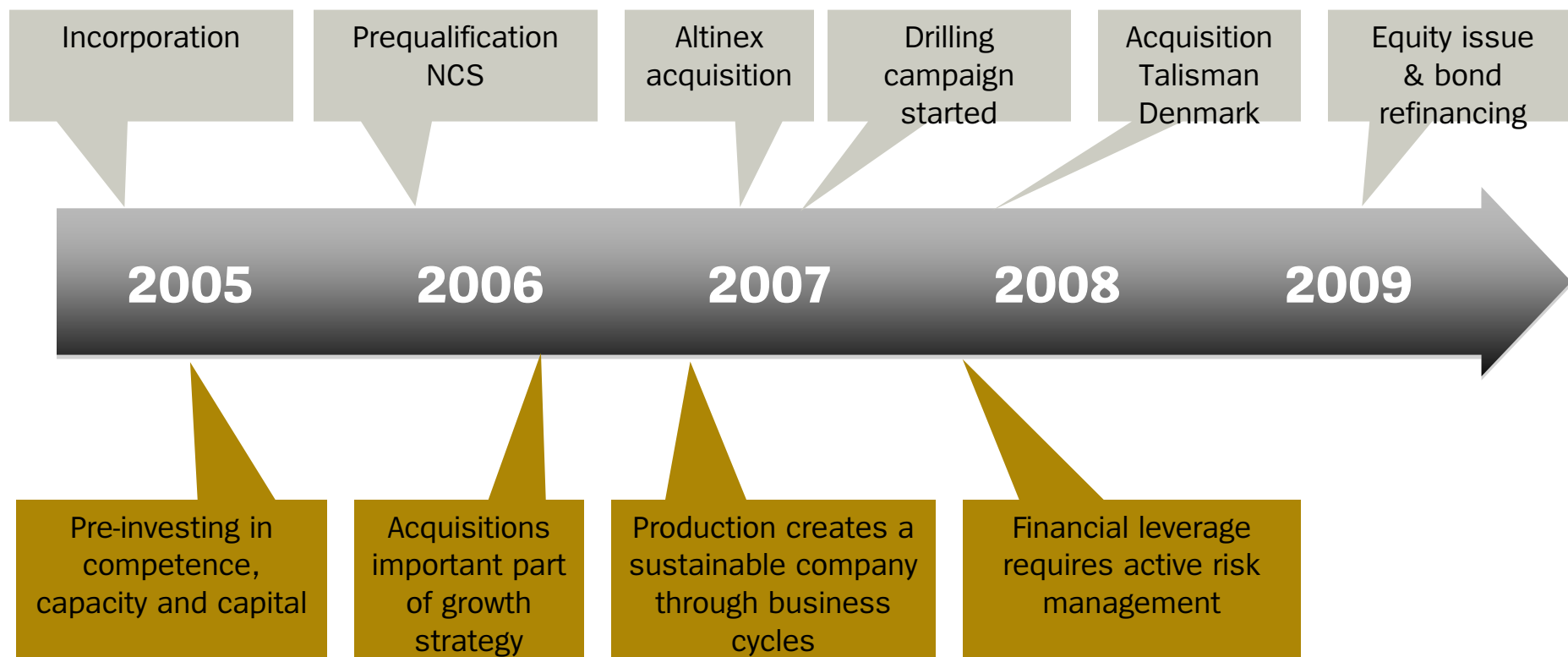
**Siri shut down for several months**

- Insurance to cover repair and loss of production – Q4 2011 income estimated at USD 18 million for loss of production

**Oil prices begin to rebound in 3Q 2009**

- Year on year growth in reserves and production
- No cap or hedging of the upside on oil prices
- Developments underway

# First 5 years





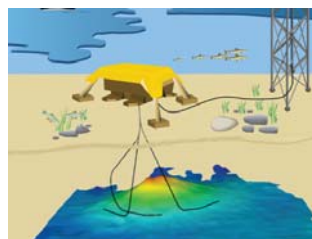
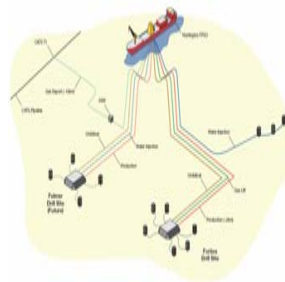
# Noreco today

– an established North Sea independent

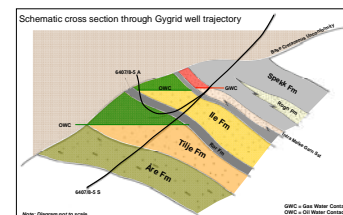
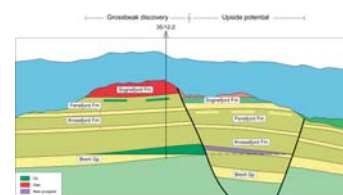
**8** producing fields



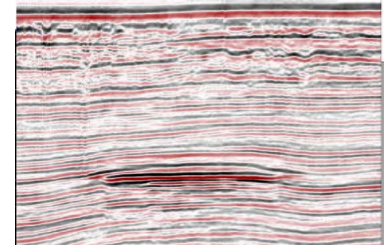
**3** developments



**19** discoveries



**57** licenses

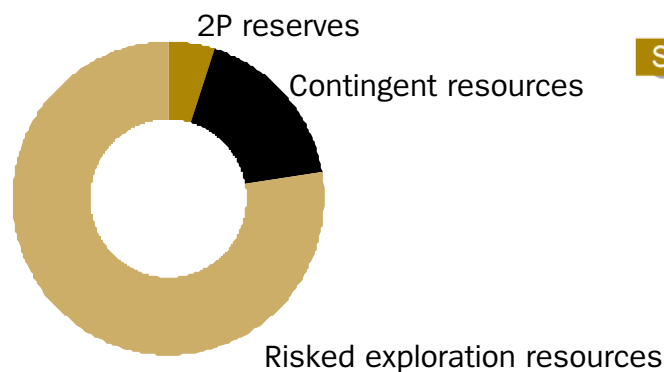
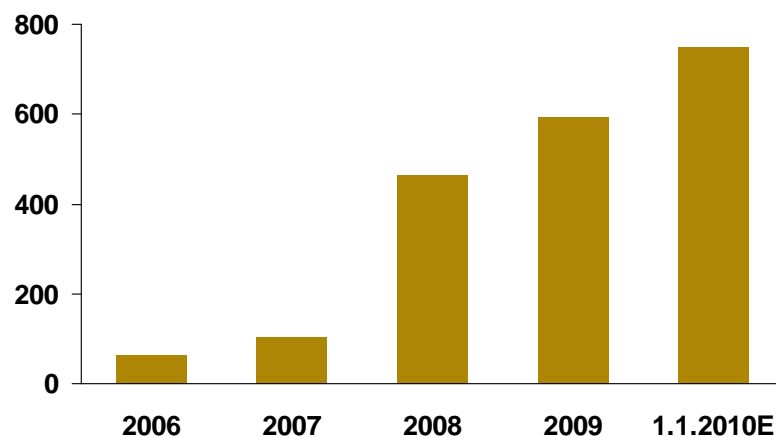


**81** employees



# Strong resource base

Reserve/resource growth (million boe)



# 2010 outlook

## Create Value with Exploration

- License rounds and acquisitions
- 6 wells
- Exploration investments  
NOK 1,100 million

## Monetize value through developments and sales

- Progress Oselvar,  
Huntington and Nemo
- Development  
investments  
NOK 350 million

## Optimize Value in Production

- Siri repair
- Production  
13-14,000 boed
- Investments  
NOK 350 million

- Exploit growth potential in the portfolio

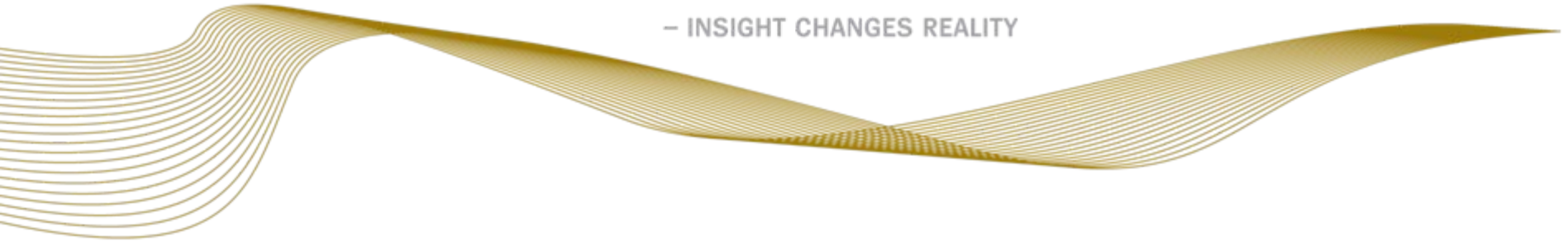
A decorative graphic at the top left of the slide consisting of multiple thin, parallel, wavy lines in a golden-brown color, creating a sense of movement and depth.

# Summary

- Firm growth strategy with strong delivery to date
- Solid reserve and production growth expected from a balanced portfolio
- Significant exploration upside in a diversified portfolio
- Strong financial position



– INSIGHT CHANGES REALITY

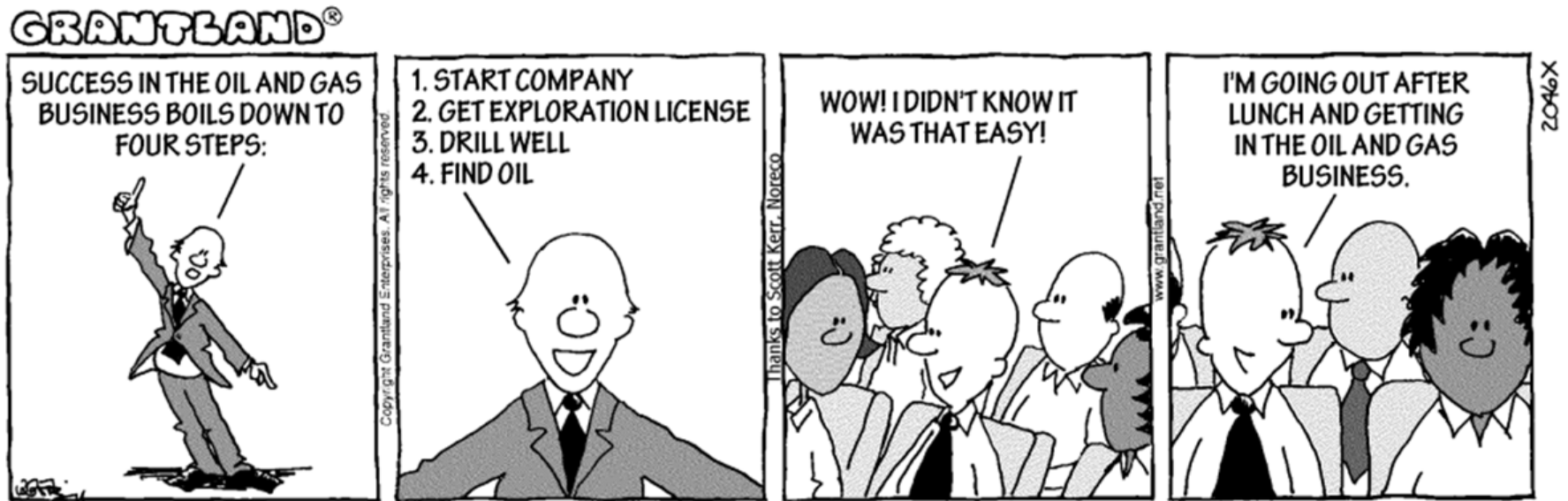




# **Exploration**

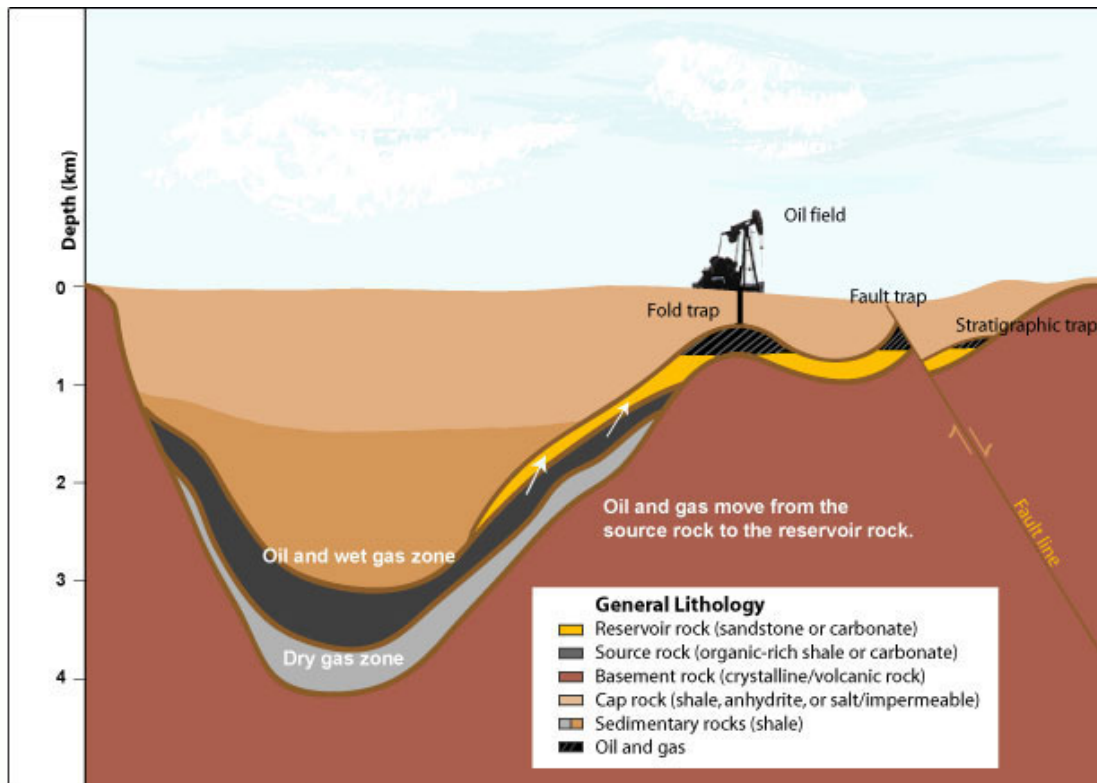
Lars Fosvold, VP Exploration  
The Noreco Model

# One common view of exploration





# The hydrocarbon play



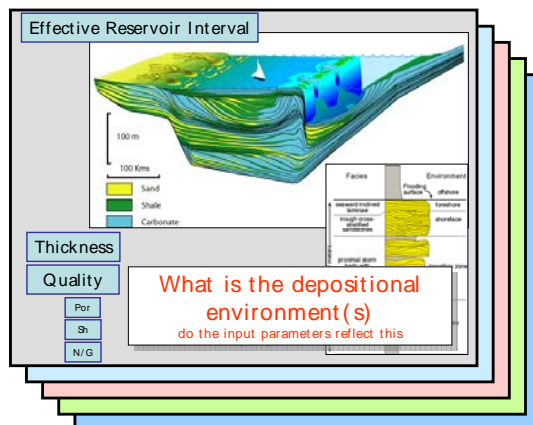
- A hydrocarbon play is a specific geologic set
  - source rock
  - reservoir rock
  - trap type
- A particular play comprise at least one prospect



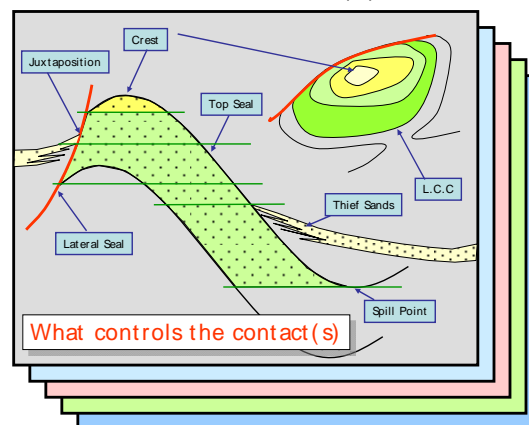
# The hydrocarbon prospect

- The hydrocarbon prospect is a potential accumulation of oil or gas that can be extracted from its reservoir at economically sustainable rates
- In-place volume of hydrocarbons under standard conditions
  - $IIP = BRV * n/g * \text{porosity} * (1-S_w) * \text{volume factor}$
- Recoverable resources
  - $\text{Recoverable resources} = IIP * \text{recovery factor}$

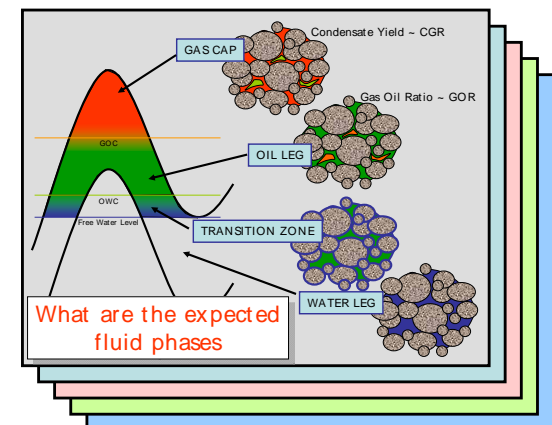
RESERVOIR MODEL (S)



TRAP MODEL (S)



FLUID MODEL (S)

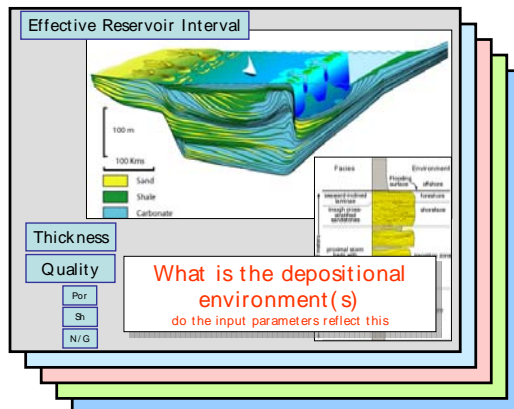


# Prospect Risk

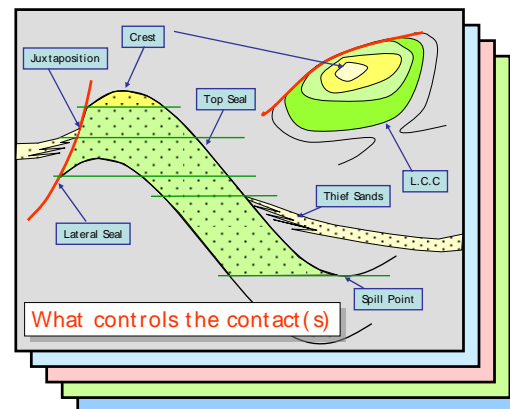
$$\text{Chance Of (geologic) Success} = P_{\text{reservoir}} \times P_{\text{trap}} \times P_{\text{charge}} \times P_{\text{retention}}$$

- *relative to a defined geologic minimum recoverable volume*
- *assuming that the individual risk elements are independent of each other.*

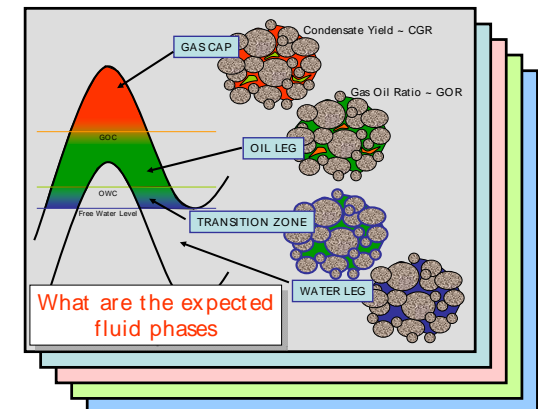
RESERVOIR MODEL (S)



TRAP MODEL (S)



FLUID MODEL (S)



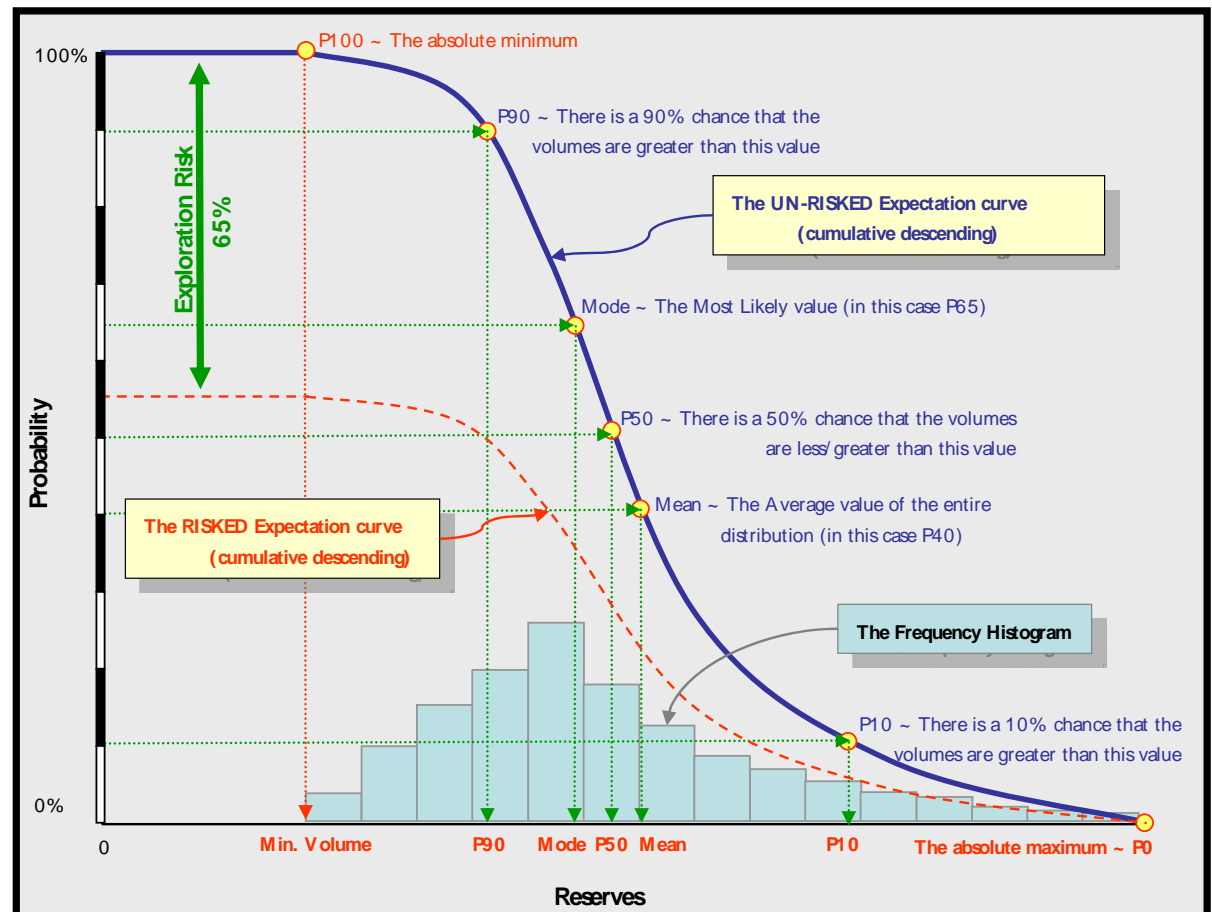
# Prospect Risk

- $P_{\text{reservoir}}$
- $P_{\text{trap}}$
- $P_{\text{charge}}$
- $P_{\text{retention}}$



# Prospect Risk & Uncertainty

- Range of volume outcomes above geologic minimum recoverable volume
- Un-risked versus risked prospective resources



# Prospect Economics

- Exploration is an investment
- Expected Monetary Value – EMV
  - is the chance weighted Net Present Value (NPV) outcome of an investment opportunity, like an exploration prospect.

$$\text{EMV} = \begin{cases} \text{Discovery NPV} * \text{Chance Of Success} \\ \text{Dry well cost} * 1 - \text{COS} \end{cases}$$

# Noreco's exploration model

## Access to high quality acreage

- Focus exploration in NW Europe in areas where we have competence or compliment our current portfolio
- Targeting new exploration opportunities with large potential

## Active high grading of portfolio

- Disciplined high grading of portfolio on the basis of thorough geoscience work and economic evaluations
- Sell, farm-out or relinquish licenses that do not compete in the portfolio

## Drill selected exploration wells

- Allocate exploration investments to selected wells
- Focus on exploration wells that have a high value creation potential

# North West European Focus



## Greenland

- 2010 License Round
- 2012 License Round

## Barents Sea

- Building knowledge
- Active partnerships
- Targeting high impact prospects

## Norwegian Sea

- Large oil/gas prospects in deep water- High Risk/High Reward
- Sweet gas near infrastructure – fast payback
- Oil prone opportunities near infrastructure on Halten & Dønna Terrace

## North Sea (incl. DK & UK)

- Value in low-medium risk, medium size stand alone and smaller prospects near mature infrastructure with ullage available.
- New or under-explored play types
- Company core expertise and knowledge area

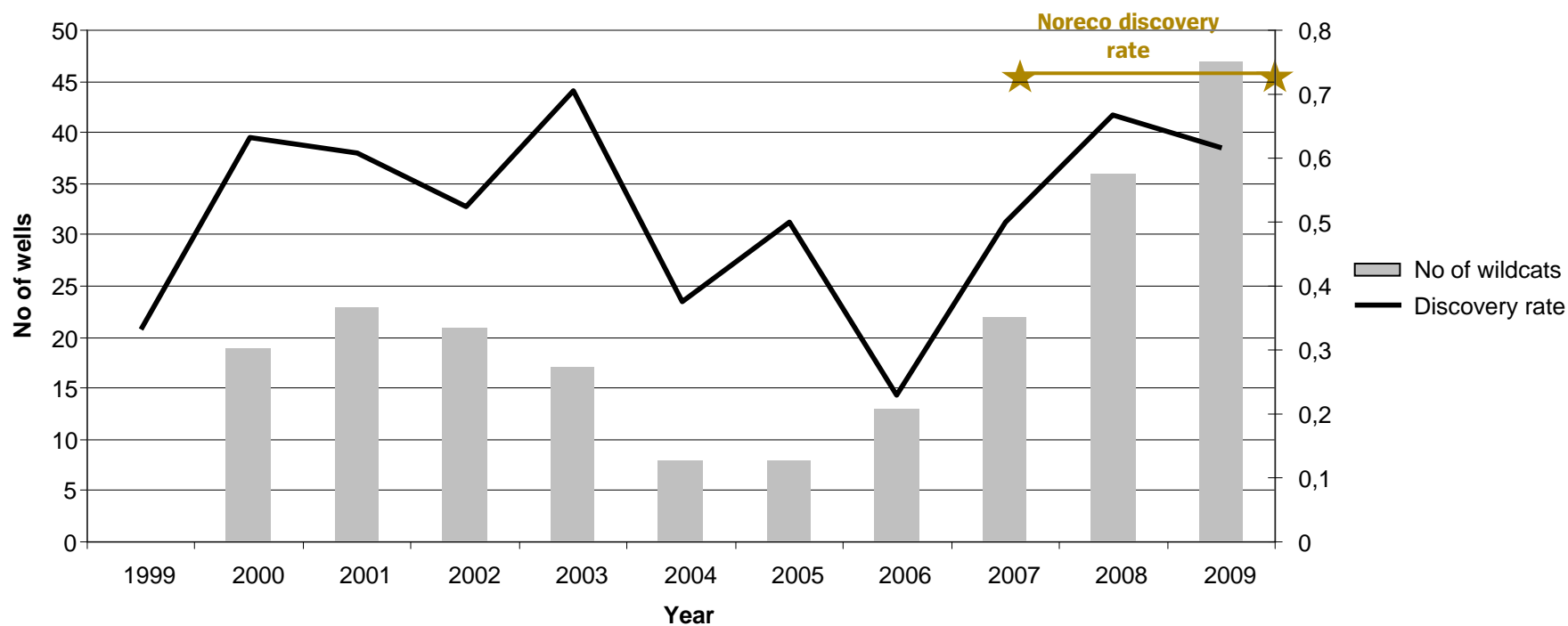
## Atlantic Margin

- High Risk High Reward
- Company expertise and knowledge



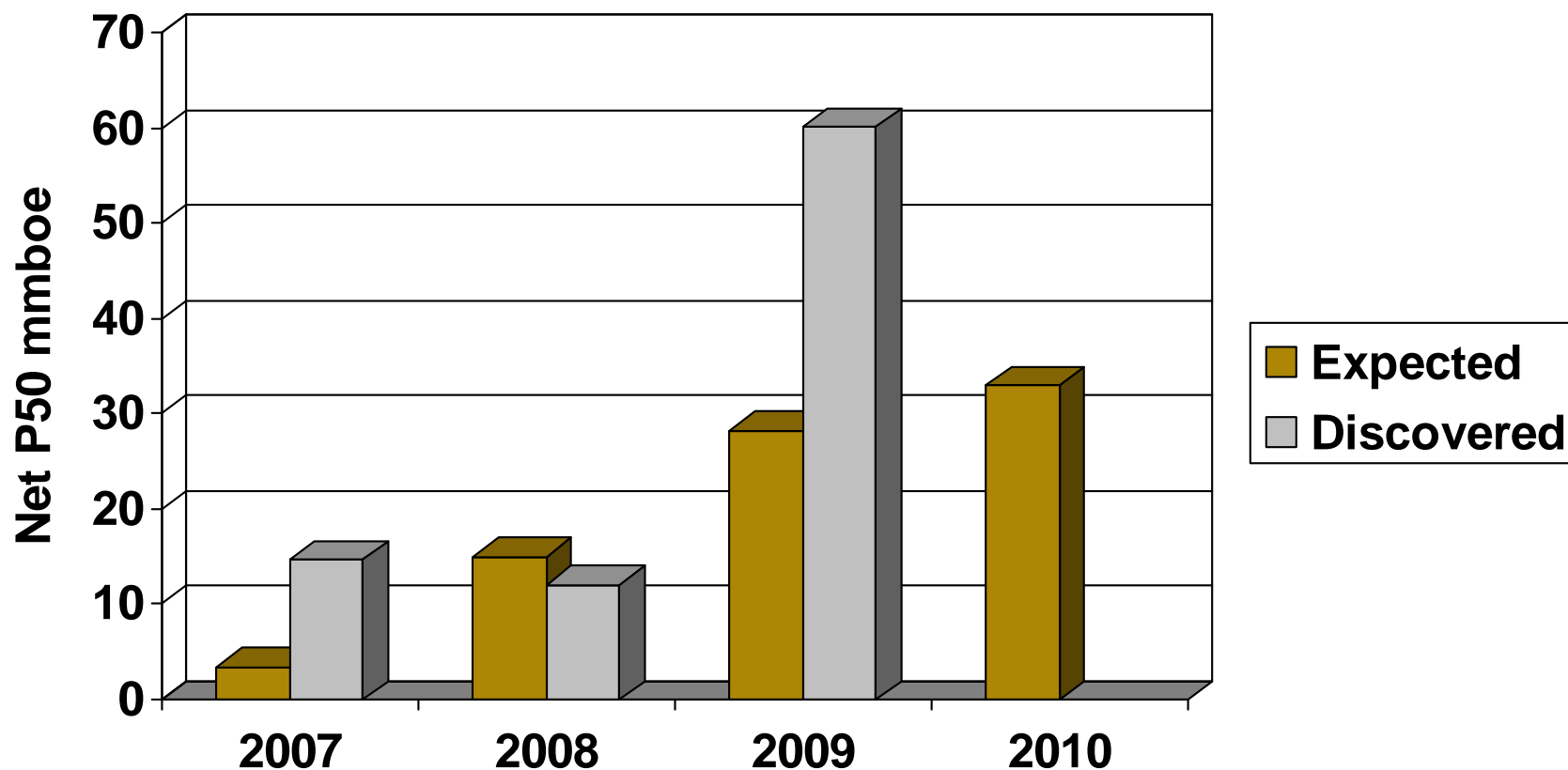
# Noreco's exploration track record

Wildcats on Norwegian Continental Shelf 1999-2009





# Exploration track record

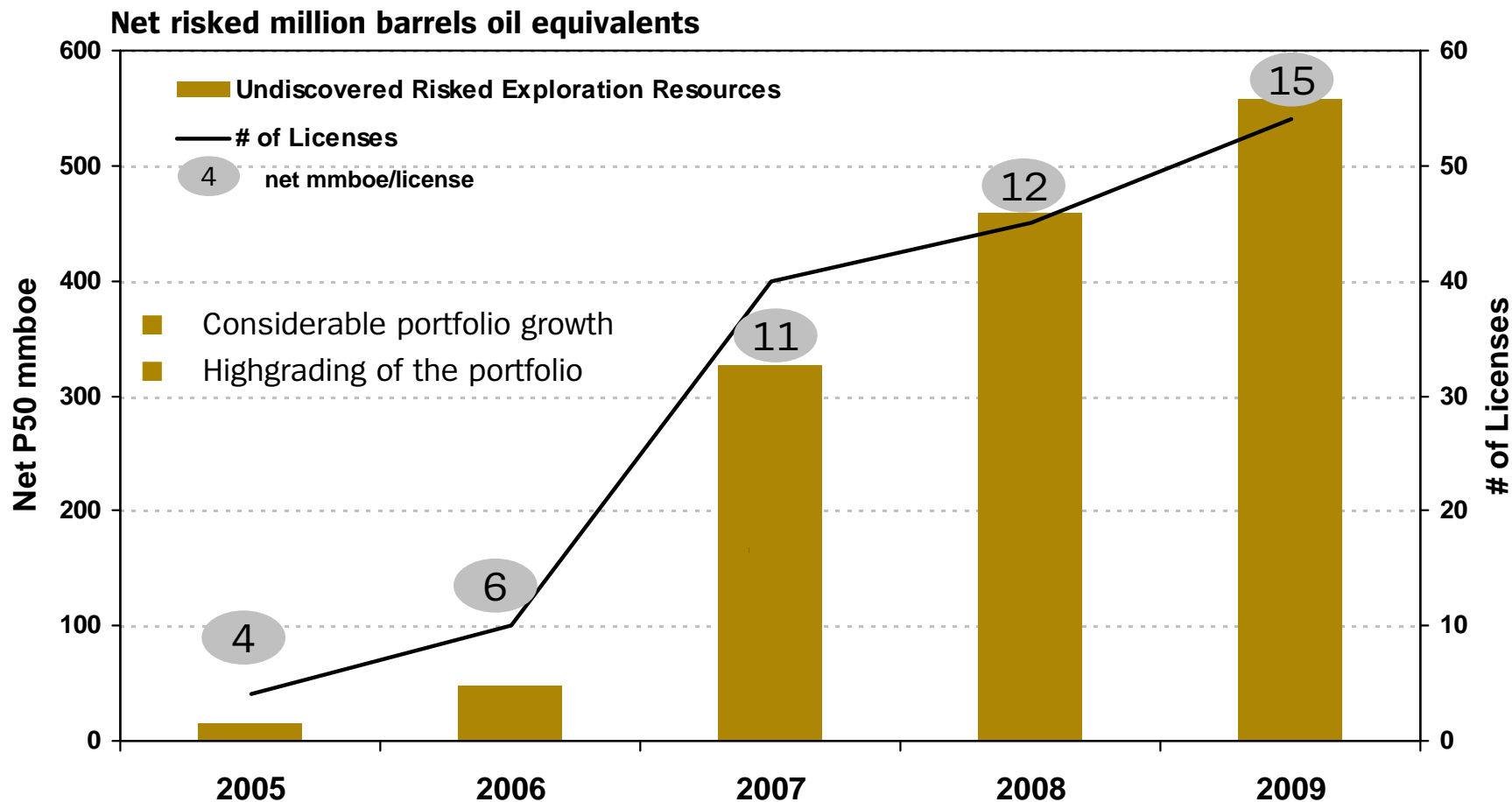


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# Discovery categories

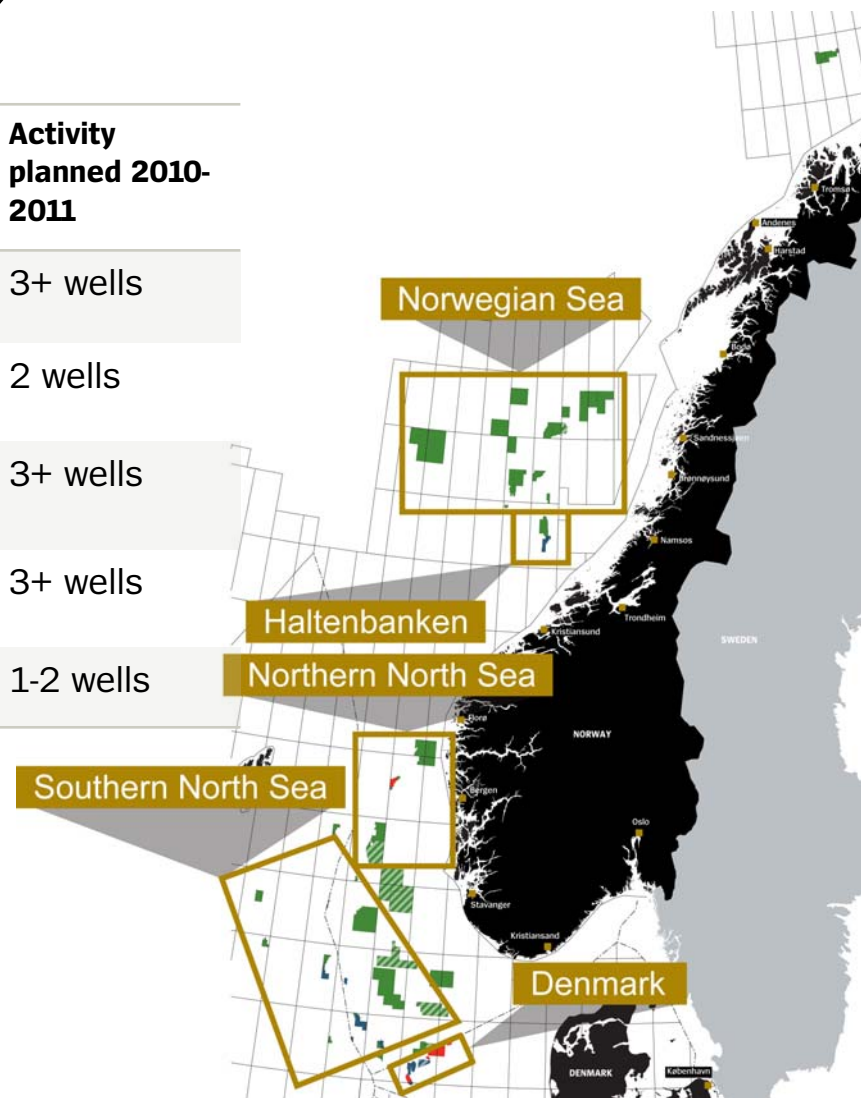
- Discoveries under development
  - Oselvar, Huntington Forties, Nemo
  
- Discoveries close to Noreco fields and developments
  - For example Huntington Jurassic and Ipswich
  
- Discoveries under planning/appraisal
  - Significant discoveries to be appraised such as Gita and Grosbeak
  - Quick tie-back opportunities such as Gygrid, Galtvort
  
- Discoveries in need of further exploration success

# Prospective resources



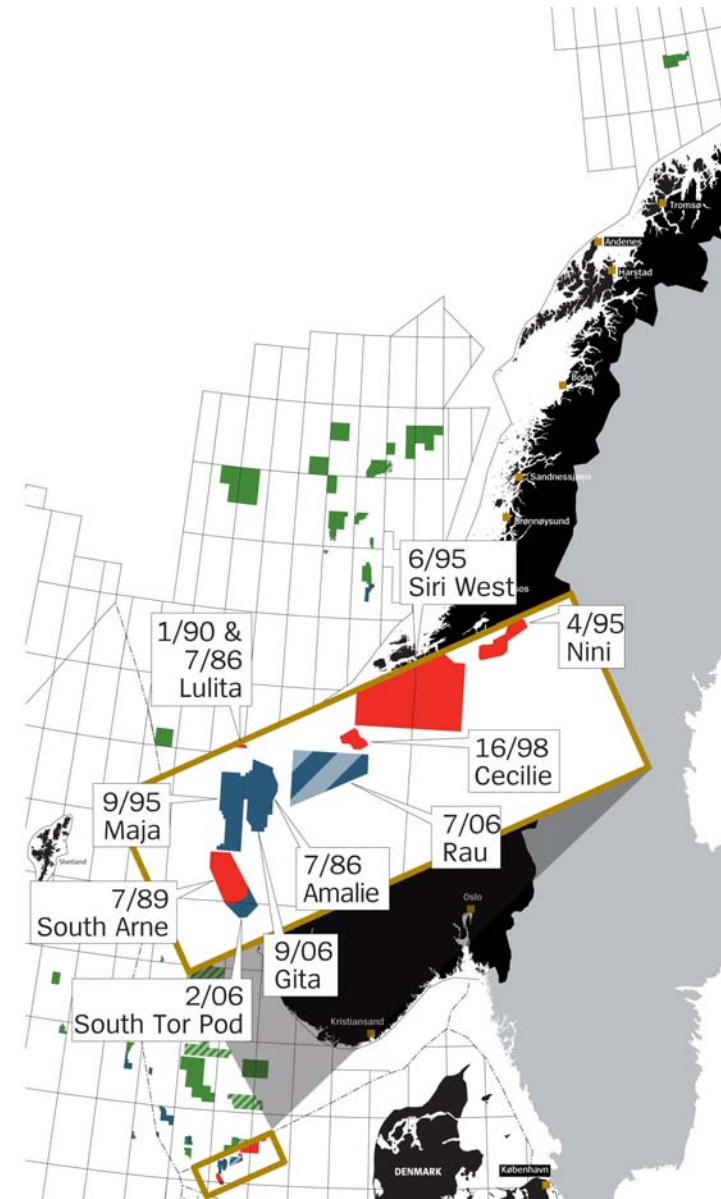
# Exploration activity

Area	Potential to Noreco (net mill barrels)	Activity to date	Activity planned 2010- 2011
Norwegian Sea	+1,000	Seismic	3+ wells
Haltenbanken	+ 100	2 discoveries	2 wells
Northern North Sea	+ 200	3 discoveries	3+ wells
Southern North Sea	+ 100	2 discoveries	3+ wells
Denmark	100	2 discoveries	1-2 wells



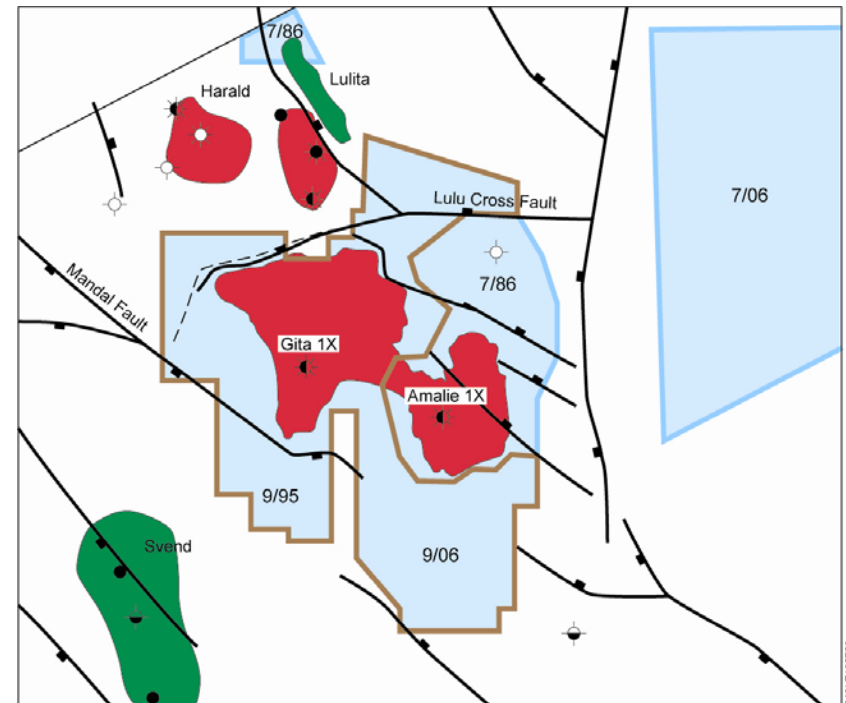
# Denmark

- Substantial opportunity in Gita/Maja/Amalie licenses
- Exploration opportunities around the producing fields
- Total area potential up to 100 million barrels net to Noreco



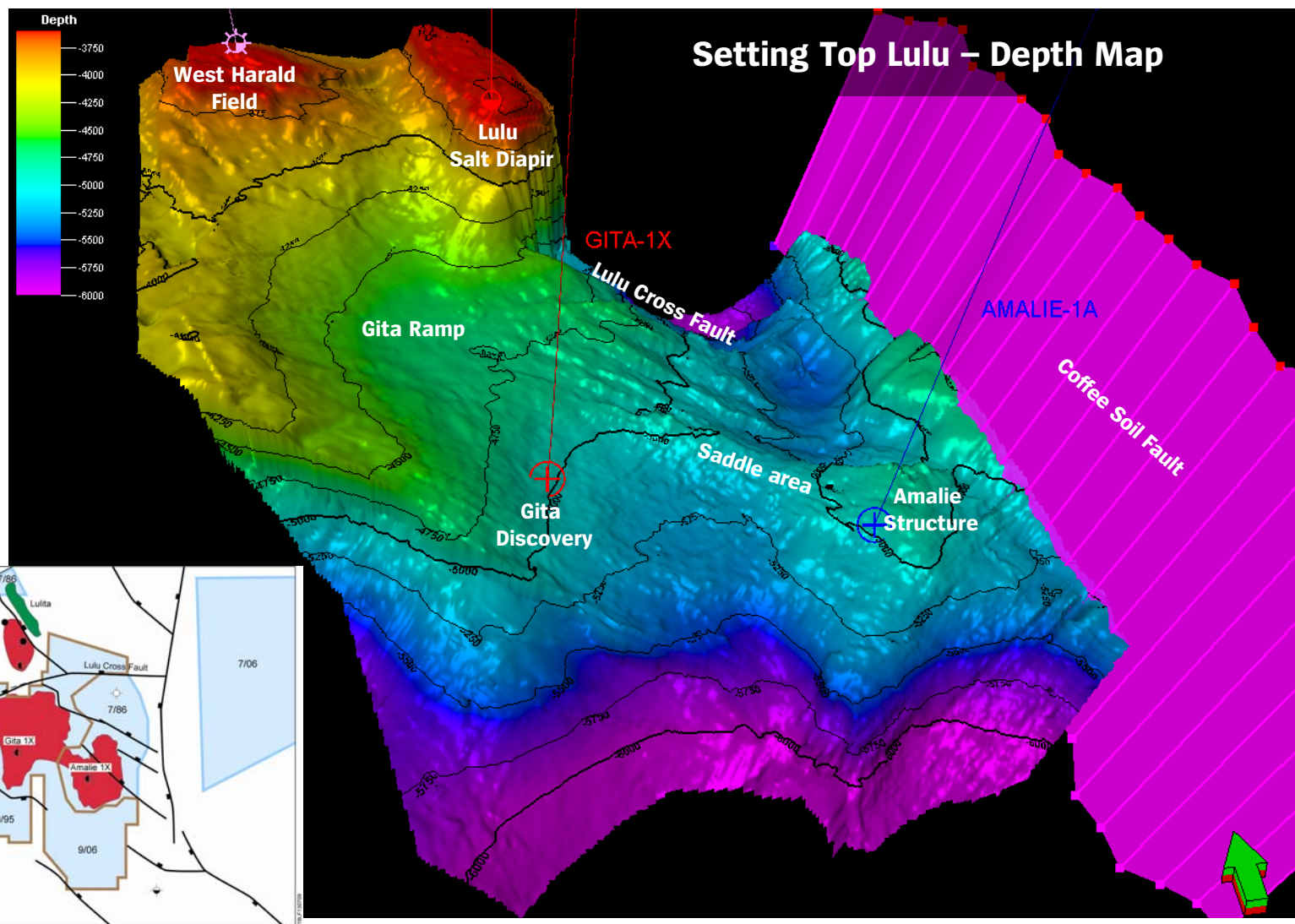
# Gita discovery - status

- License Maja 9/95 – two-year extension granted
  - Seismic reprocessing
  - Well planning
- Substantial subsurface work done by Noreco in 2009
  - Confirms Noreco resource estimate and upside potential
- Noreco's target for 2010-2011
  - Continue to mature the Gita discovery
  - Drill at least one appraisal well in 2011



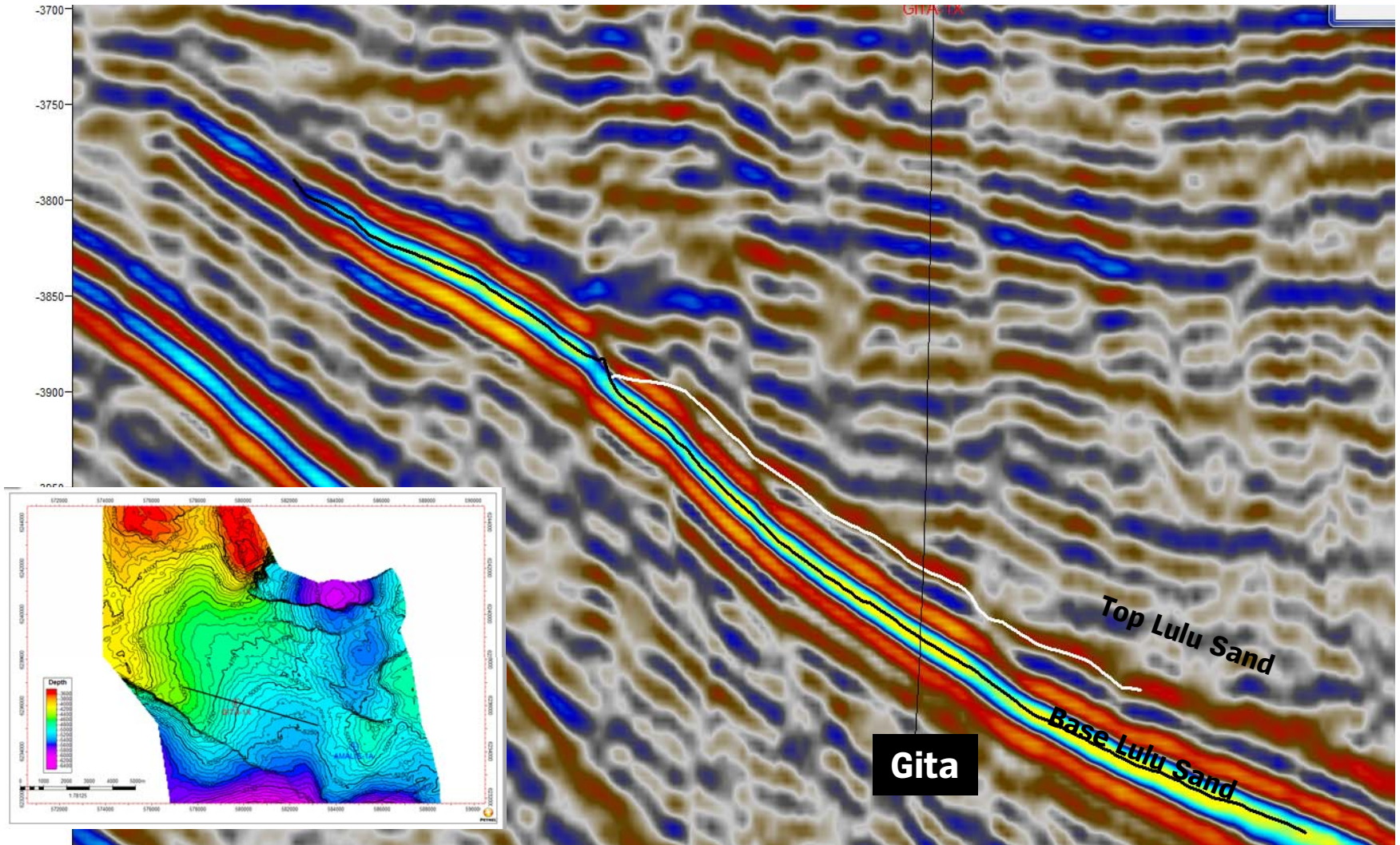


# Gita – Amalie structural setting



# Seismic reprocessing - PSDM

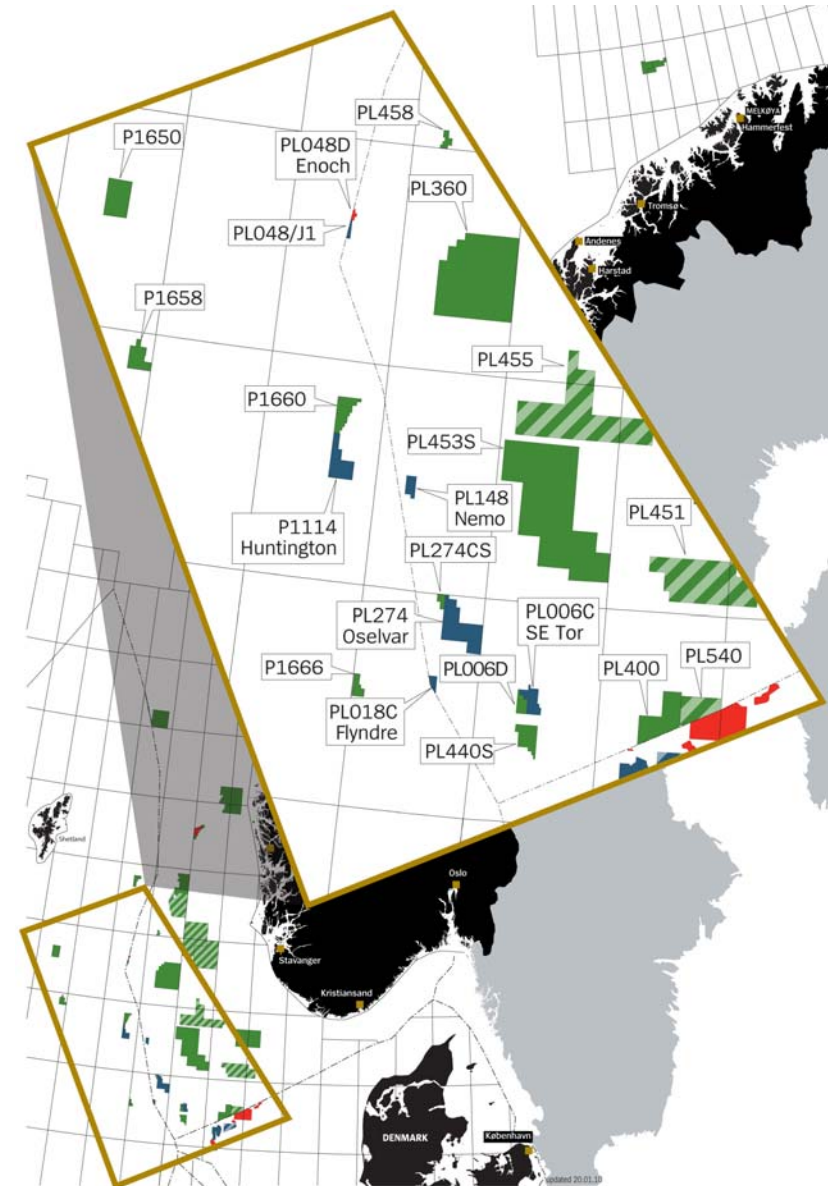
NACS2002 Fullstack Spectral Enhanced





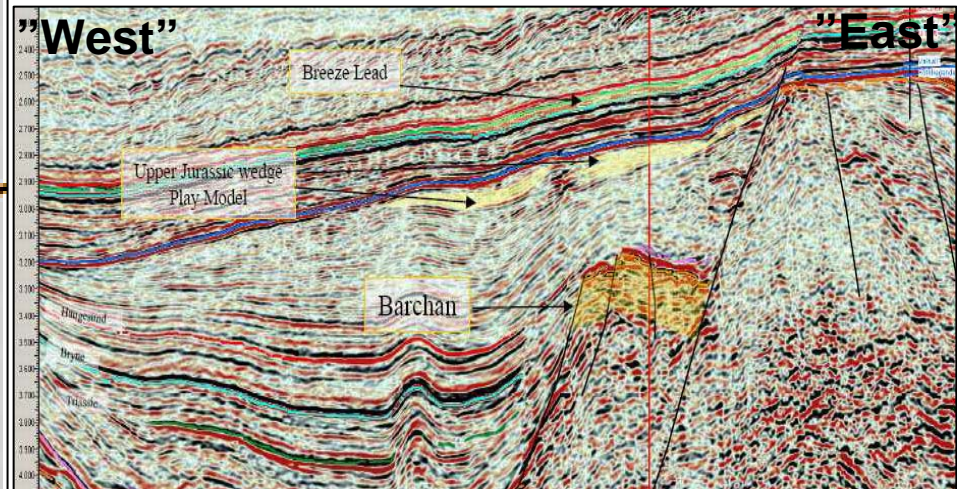
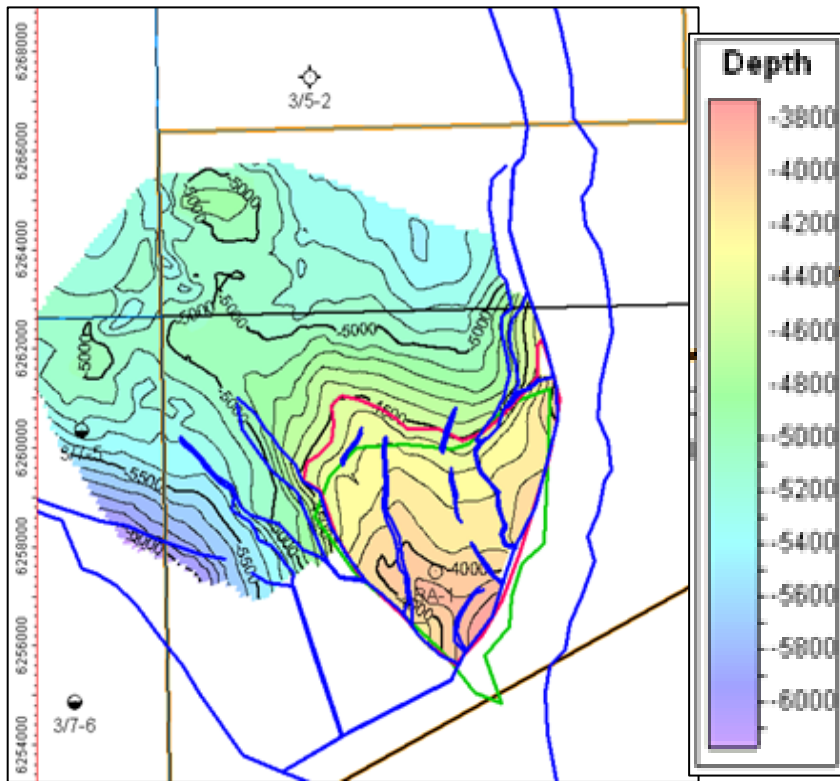
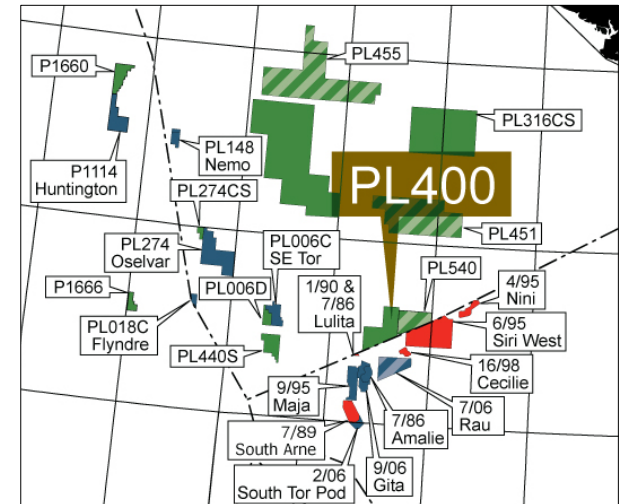
# Southern North Sea

- Discoveries and successful appraisal made on Huntington, Oselvar/Ipswich and Nemo
- Significant exploration opportunities in this area, where Noreco has a strong position



# PL400 Barchan

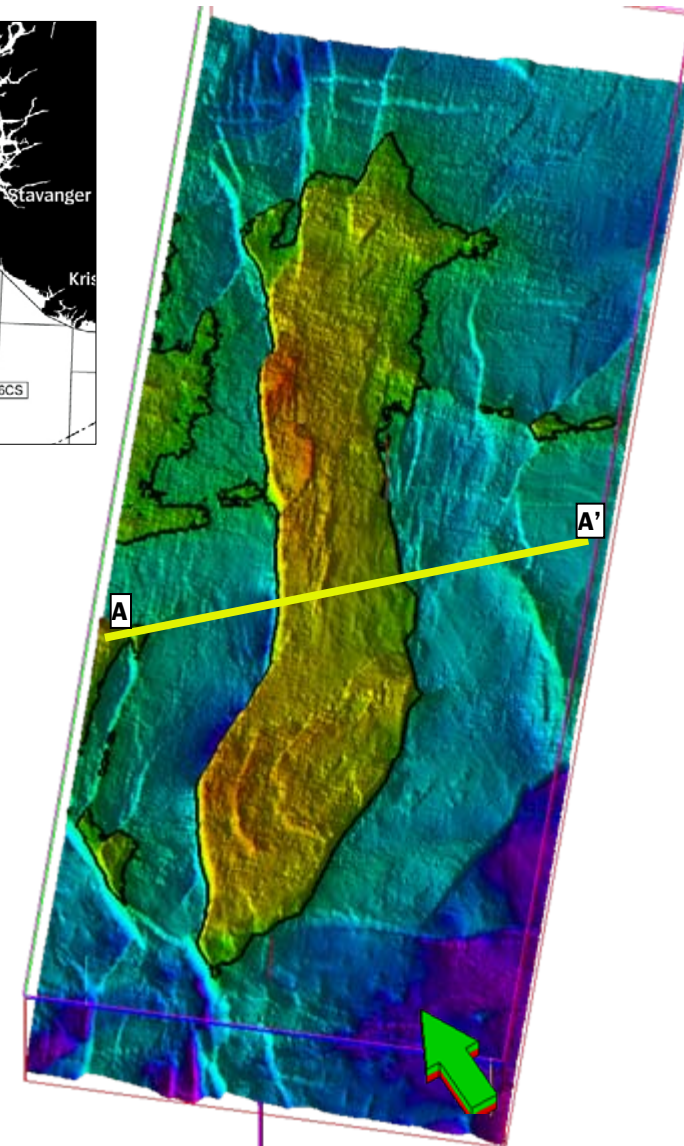
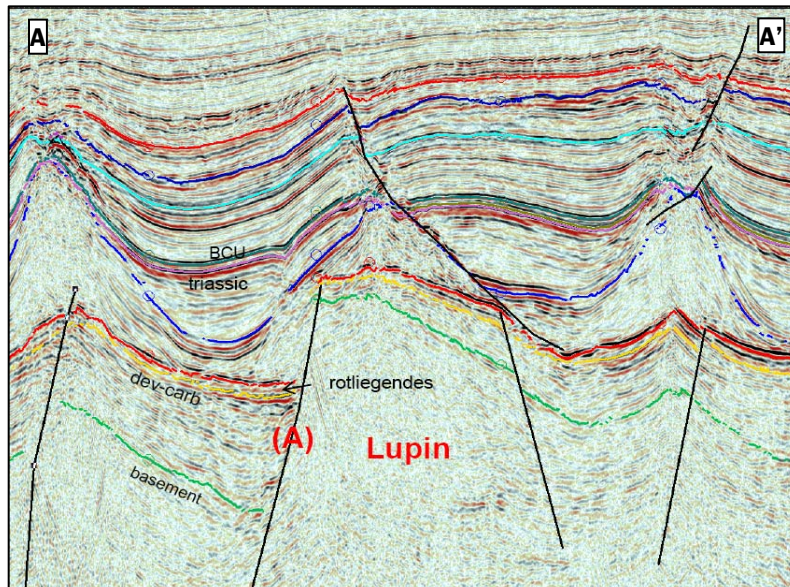
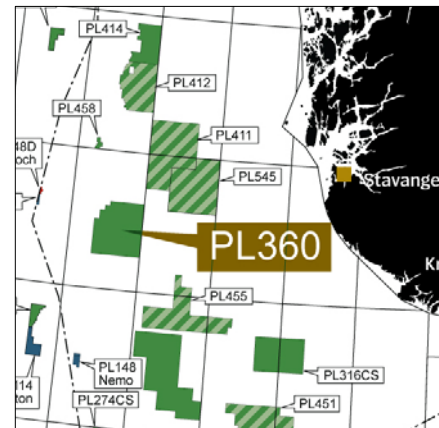
- License PL400 Norway, Noreco 30% and Lundin is operator
- Rotliegende play
  - Unproven petroleum play
- Chance Of Success = 0.18 – main geologic risks are trap and reservoir
- Total gross recoverable volumes are estimated at 50 – 325 mmboe





# PL360 Lupin

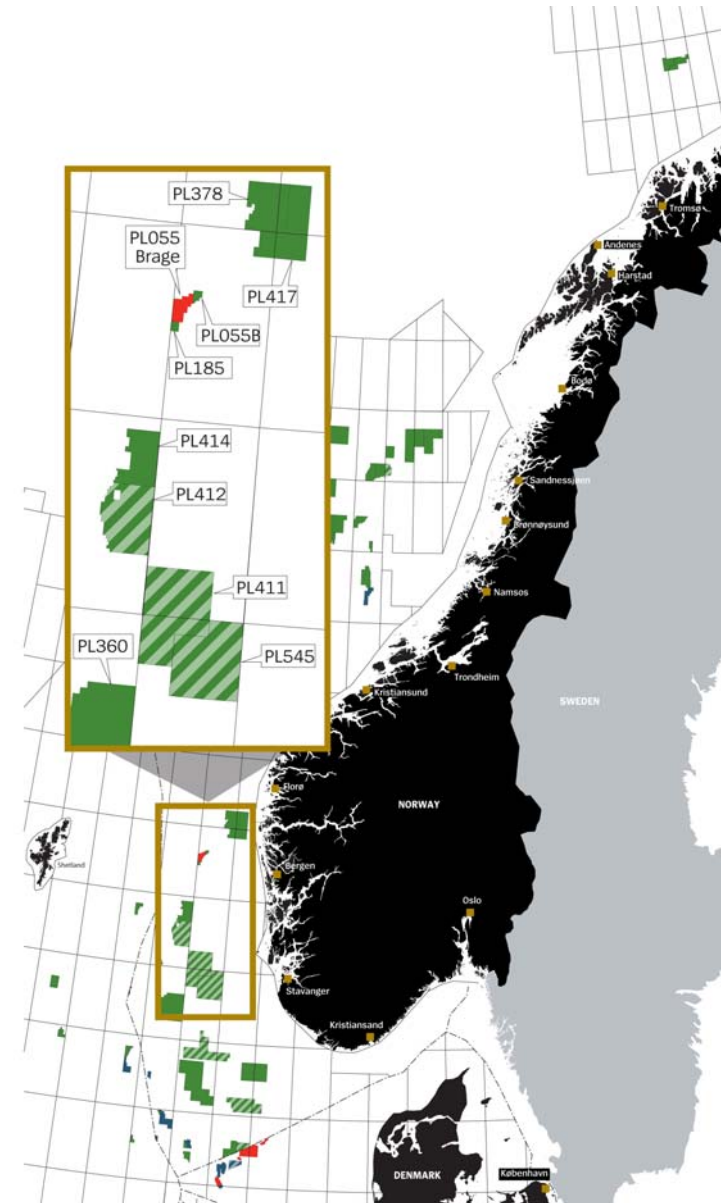
- License PL360 Norway, Noreco 15% and Statoil is operator
- Rotliegendes reservoir and Carboniferous source play
- COS = 0.10 – main geologic risks are source rock and reservoir
- Total gross recoverable volumes are estimated at 100 – 760 mmboe



Top Rotliegendes depth map (3D)

# Northern North Sea

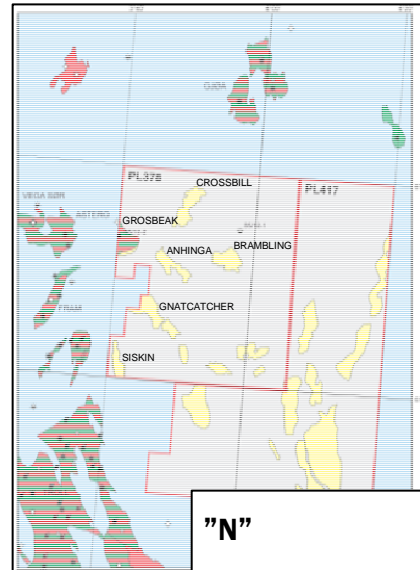
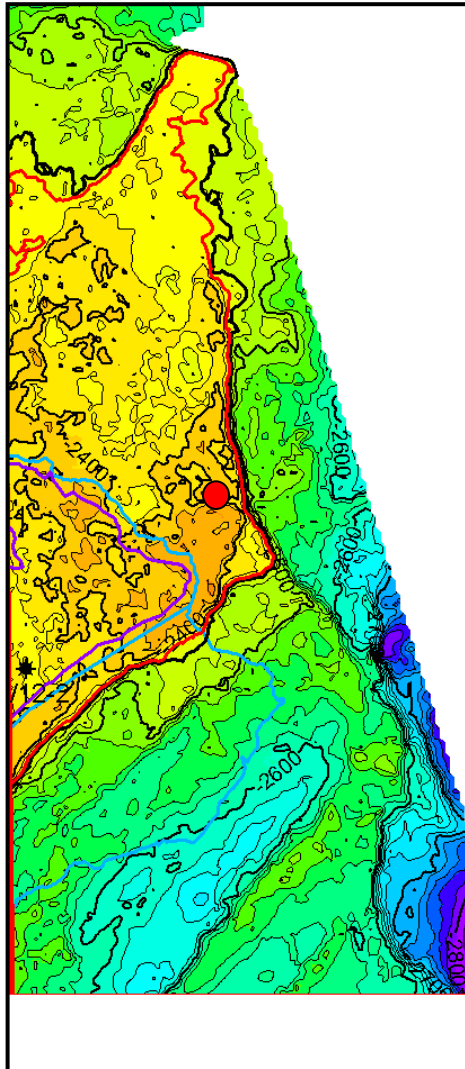
- Middle - Upper Jurassic and Paleocene plays
- Total area potential of about 200 million barrels net to Noreco
- PL378 Maturation
  - Grosbeak discovery appraisal well
  - Gnatcatcher exploration well
  - Licence awarded in APA 2005



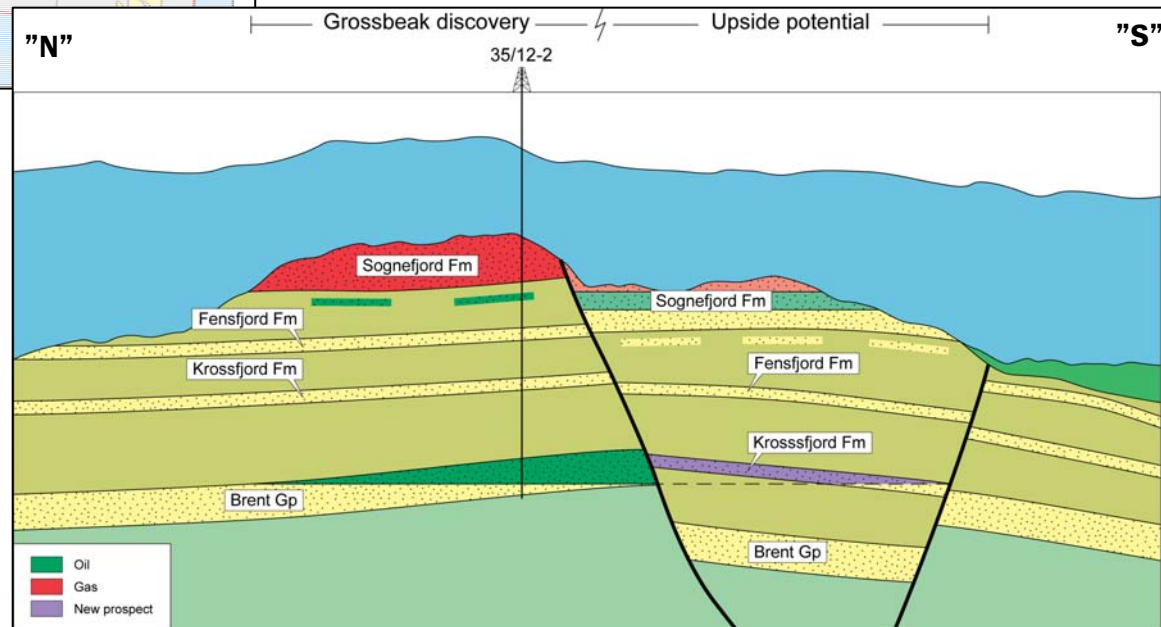


# PL378 Grosbeak discovery appraisal

Top Brent Depth

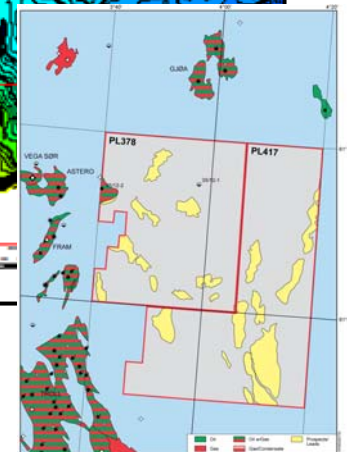
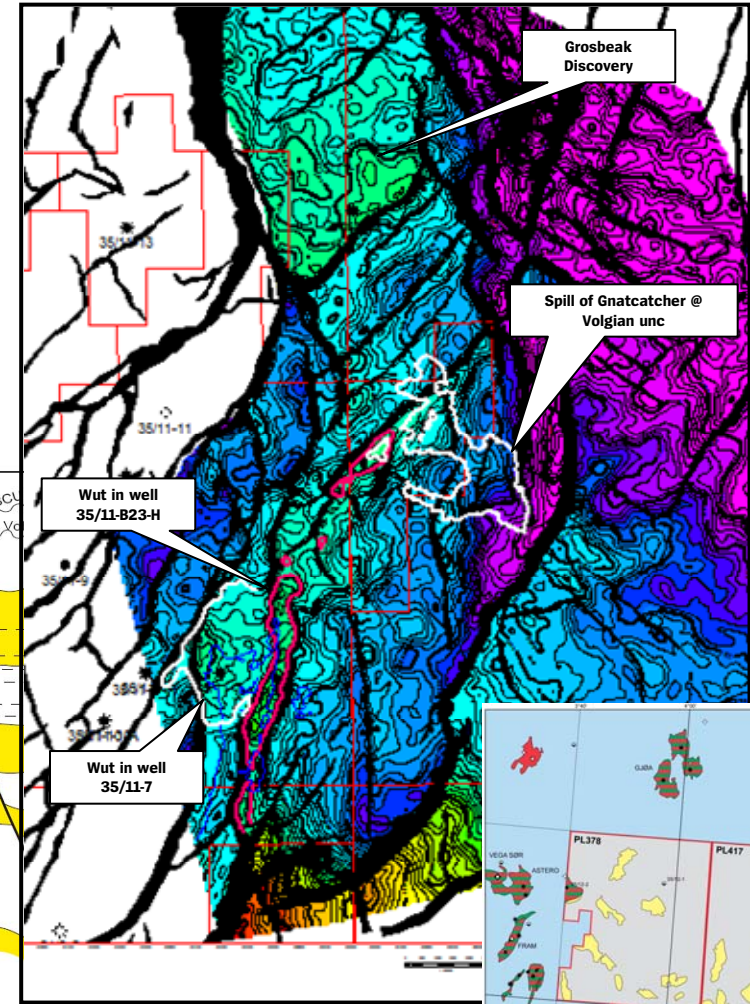
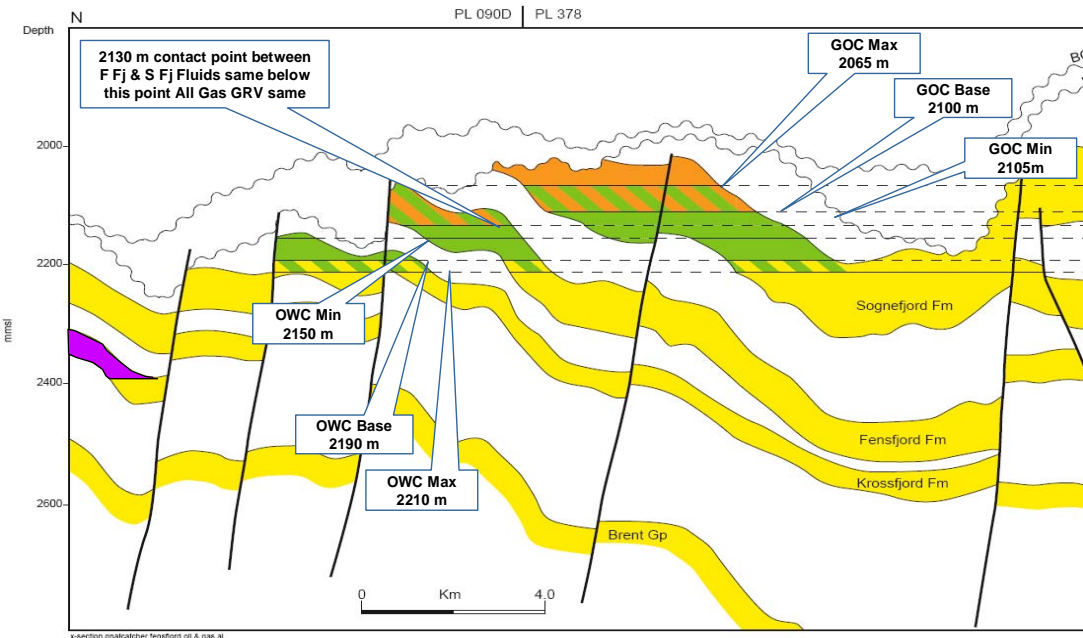


- License PL378 Norway, Noreco 20 % and Wintershall is operator
- Hydrocarbons found in both targets for the well
  - Total estimate of 35-190 million barrels
- The primary goal of the first appraisal well is to reduce uncertainty in the resource estimate
  - Grosbeak structure very sensitive to depth uncertainty
  - Additional uncertainty in reservoir continuity



# PL 378 Gnatcatcher prospect

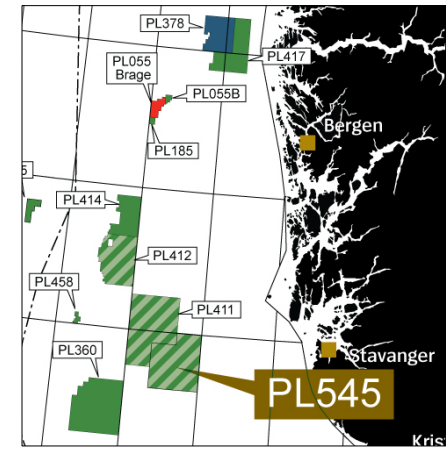
- Upper Jurassic play
  - On the migration route from Grosbeak
  - Grosbeak derisked migration
- COS = 0.28 – main geologic risk is reservoir quality
- Total gross recoverable volumes are estimated at 50 – 210 mmboe



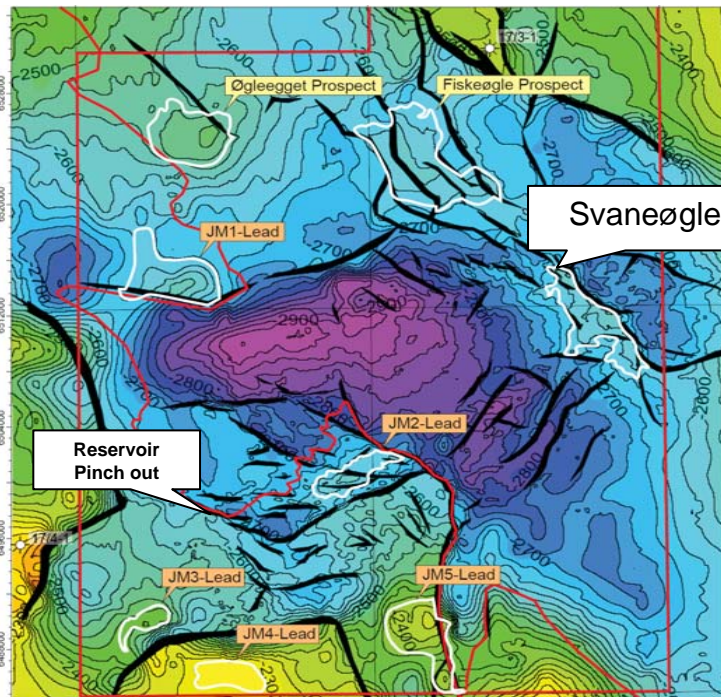


# PL545 Svaneøgle prospect

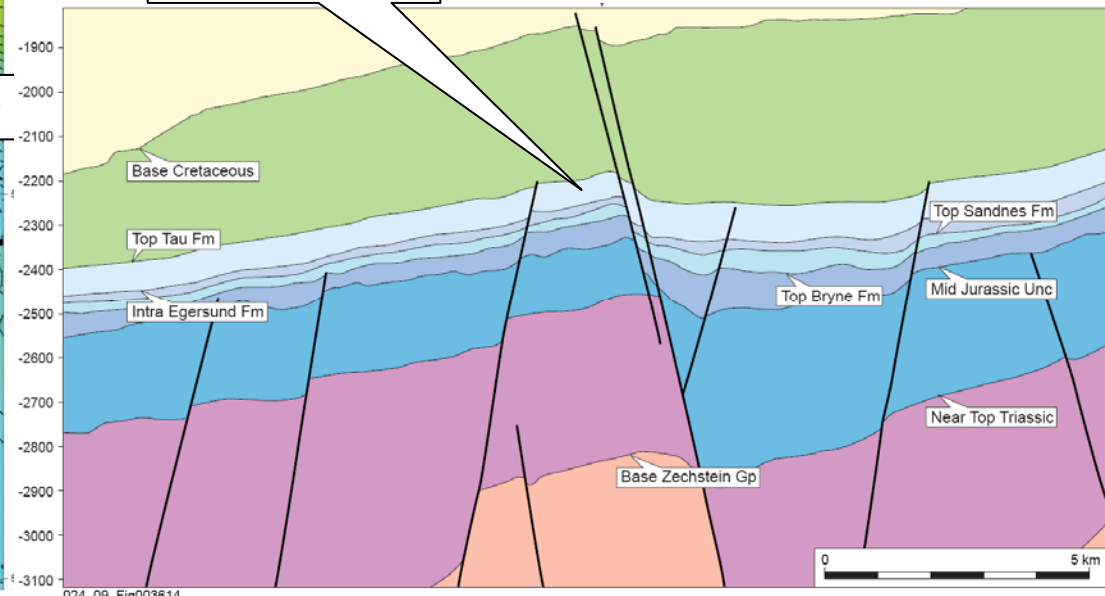
- License PL545 Norway, Noreco 50% and operator
- Middle Jurassic play in the Åsta Graben
  - Unproven petroleum province
  - Success may unlock PL411 potential
- COS = 0.29 – main geologic risk is source rock
- Total gross recoverable volumes are estimated at 30 – 70 mmboe



Top Vestland Gp (meters TVD SS)

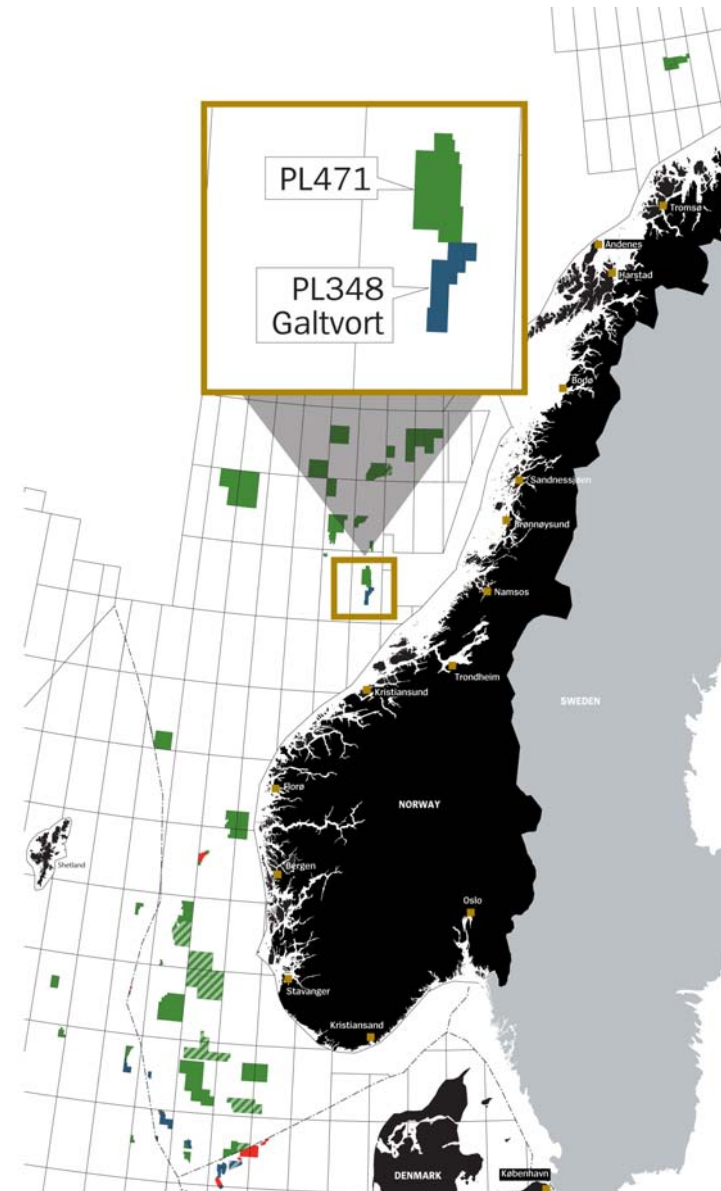


## Svaneøgle



# Haltenbanken South

- Noreco acquired 17.5% in PL348 in 2006, and has since made two discoveries; Galtvort and Gygrid
- Noreco acquired 30% in PL471 in July 2009
- Area potential of more than 50 mmboe net to Noreco
- Main play is Middle Jurassic, but also potential in the Cretaceous





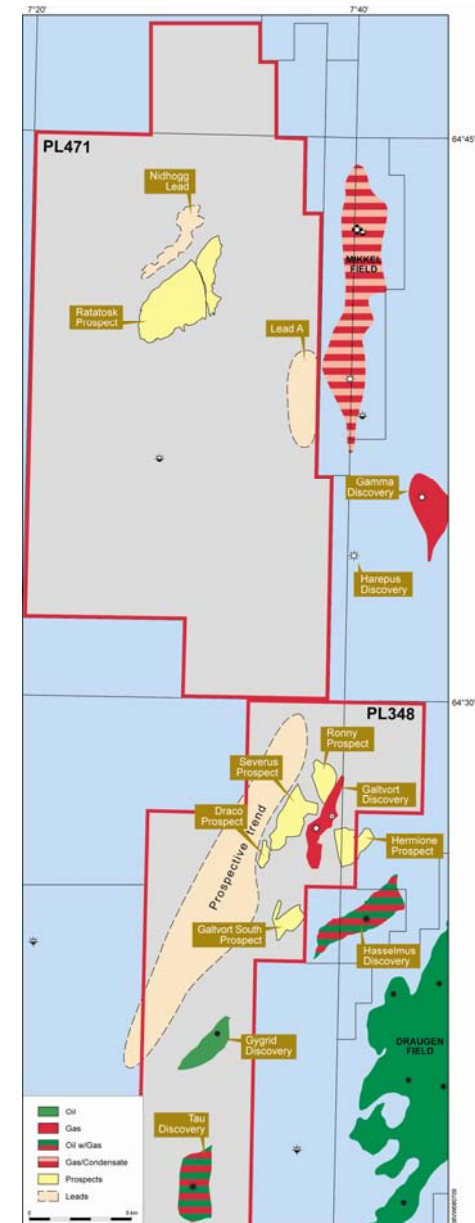
# PL348/PL471 area

## License 348 Norway, Noreco 17.5%

- Statoil is operator
- Classic Middle Jurassic play
- Gygrid well discovered light oil in Tilje and Ile Formations
  - Resource estimate 19-45 mmboe
- Galtvort gas discovery in 2008
  - Resource estimate 19-30 mmboe
- Total resource potential in the license is 150 mmboe gross
- Forward plan:
  - Seismic re-processing
  - Development planning for Gygrid
  - Mature Galtvort, Tau, and remaining prospectivity
  - Assess development options for gas

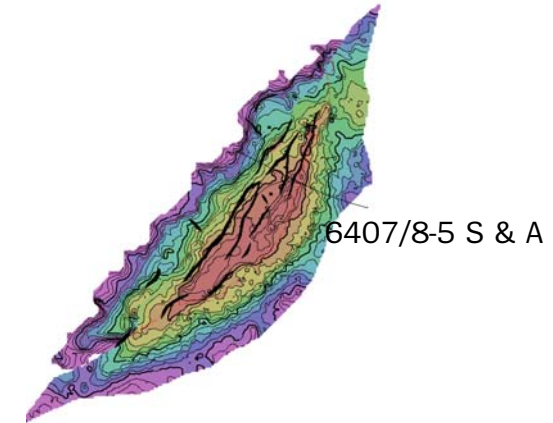
## License PL471, Noreco 30%

- Middle Jurassic play continues along trend from PL348, with additional Cretaceous potential
- Firm well in 2011

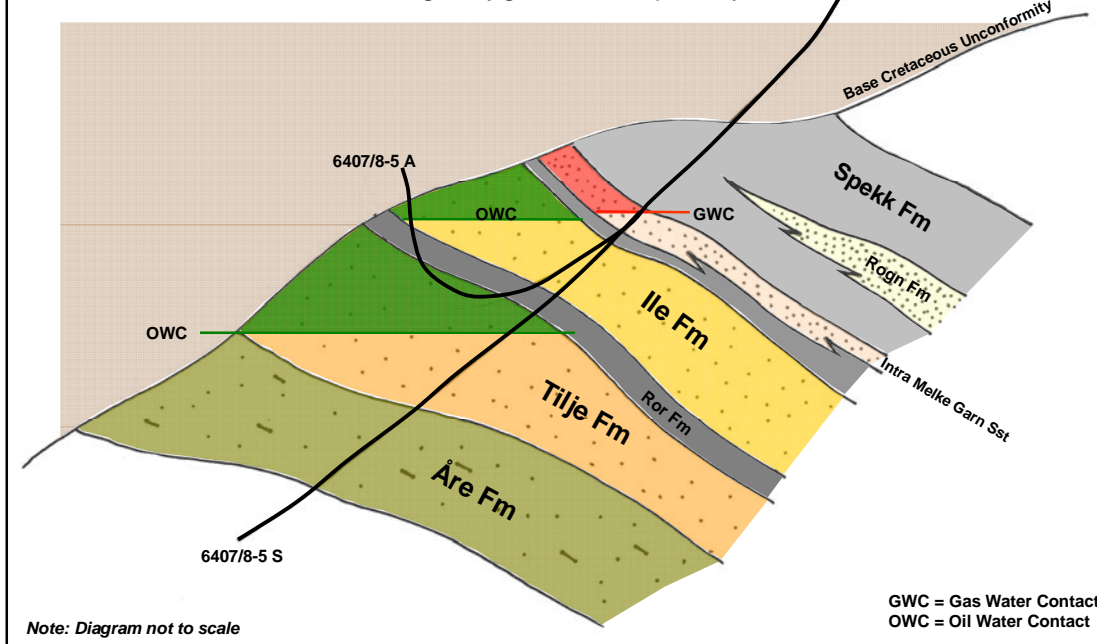


# PL348 Gygrid discovery

- Original well on the flank of the Tilje accumulation
- Sidetrack confirmed the Tilje discovery and found additional volumes in the Ile Formation
- Currently re-processing seismic for better reservoir definition
- Development planning started - tie-back possibilities to Draugen or Njord

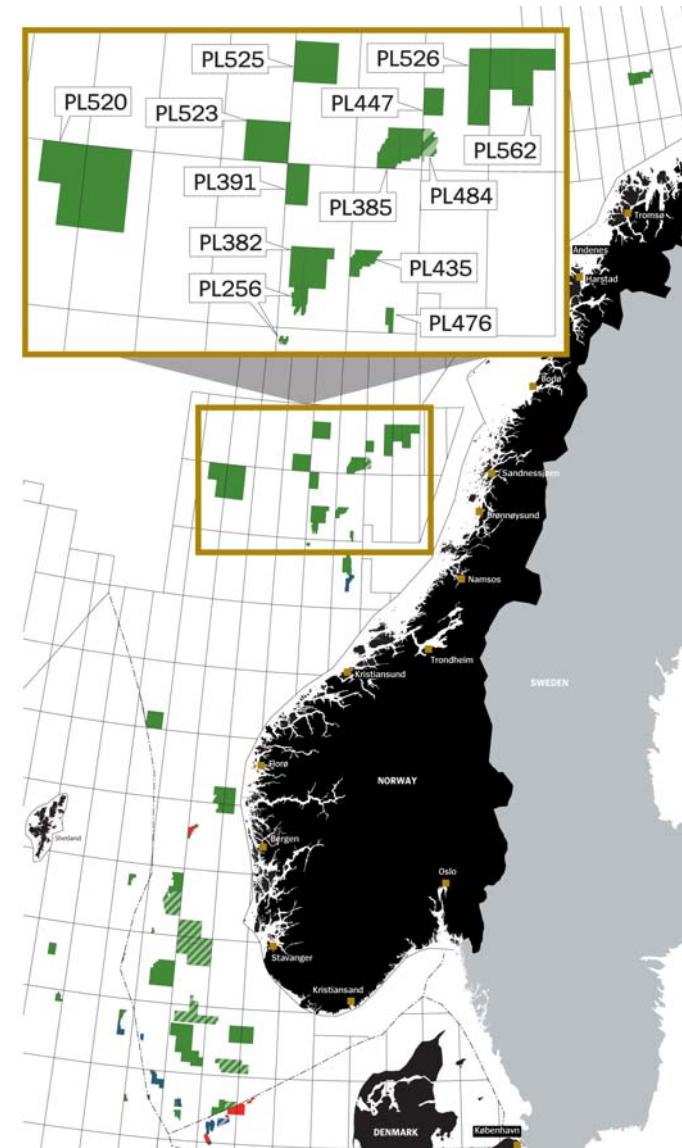


Schematic cross section through Gygrid well trajectory



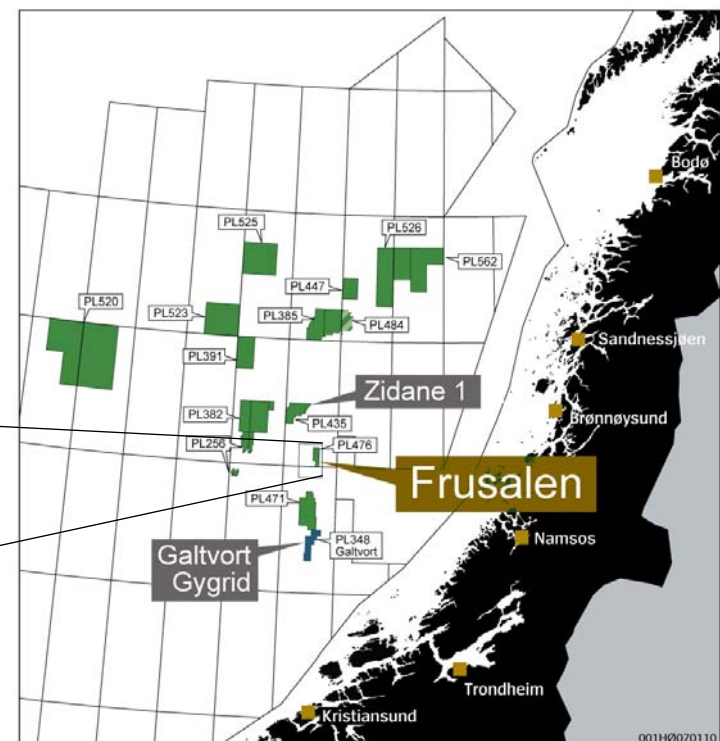
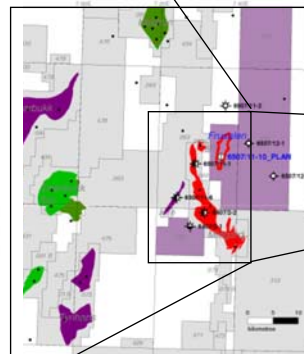
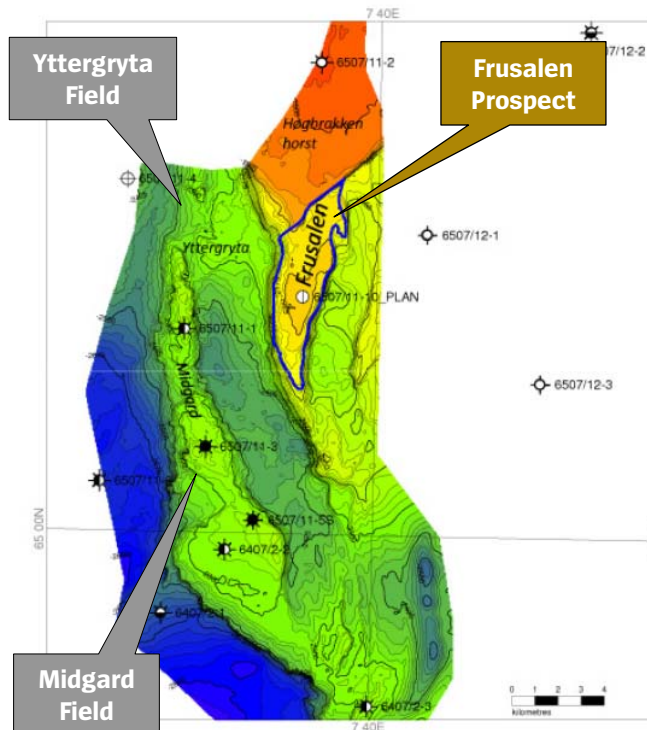
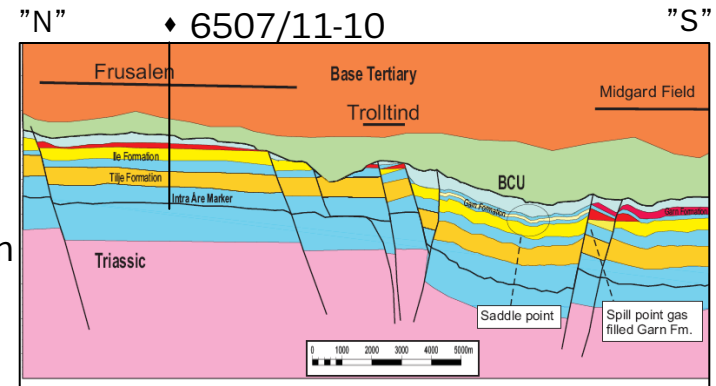
# Norwegian Sea including Halten & Dønna Terraces

- Noreco has built a portfolio mainly through license rounds
  - Large ownership interests
  - Strong operators
- Jurassic and Cretaceous plays
  - Mainly gas/condensate targets
- Area potential over 1 billion barrels to Noreco
- Two exploration wells in 2010
  - PL 476 Frusalen
  - PL 435 Zidane 1



# PL 476 Frusalen prospect

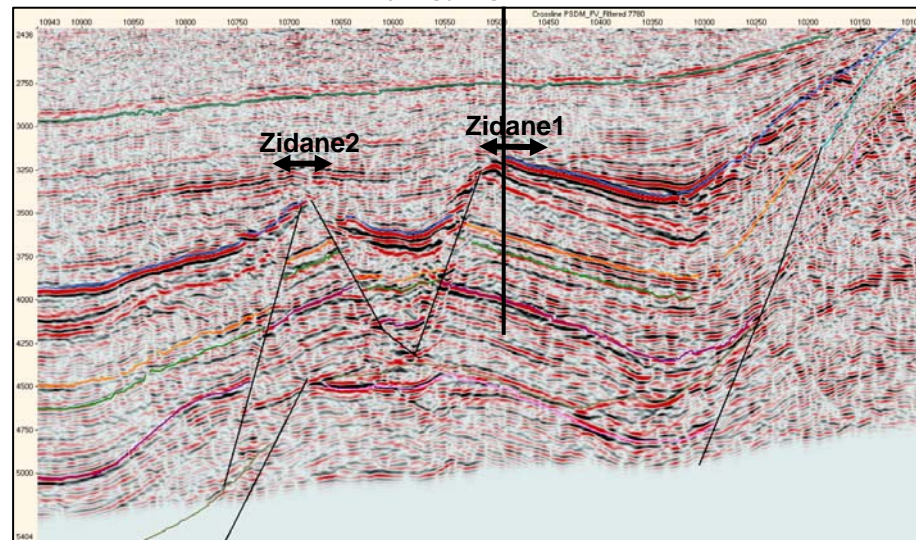
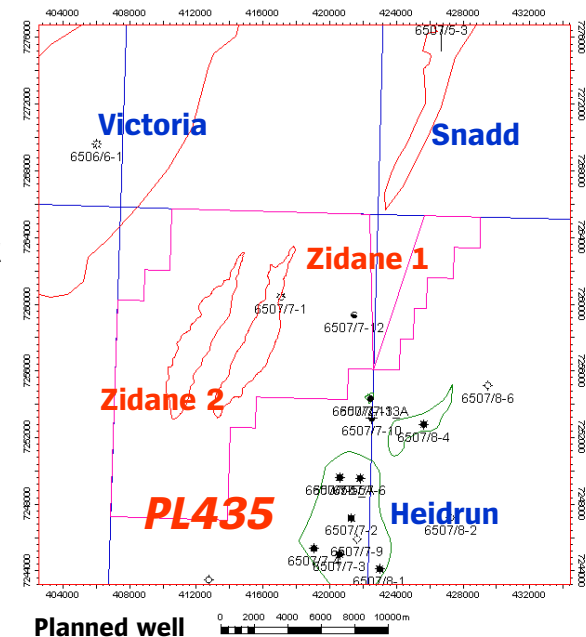
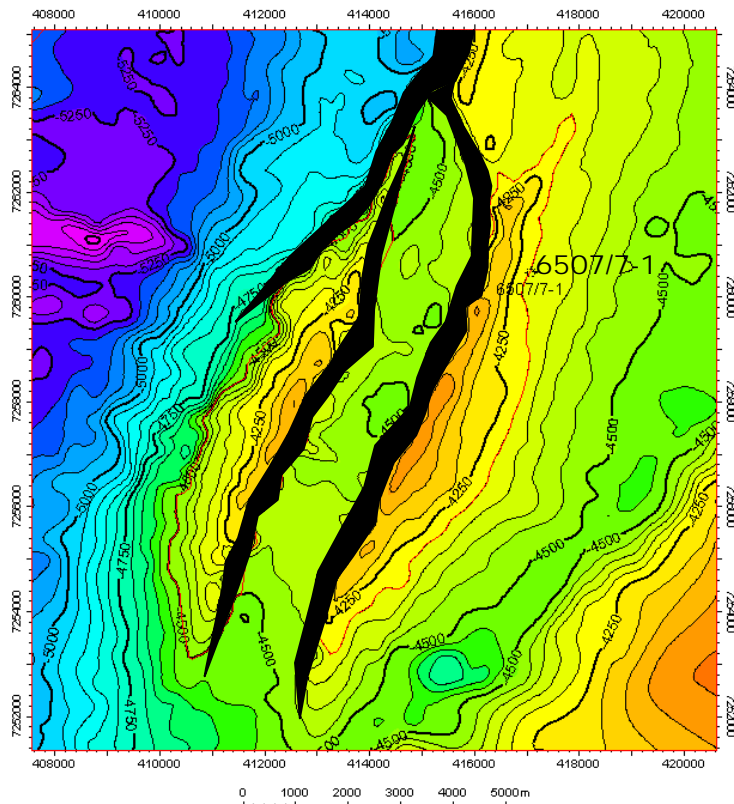
- License PL476 Norway, Noreco 30% and Det norske is operator
- In well known hydrocarbon play close to Midgard and Yttergryta Fields (Åsgard), COS=0.36 – main risk is migration
- Total gross recoverable volumes are estimated at 14 – 96 mmbob (gas/condensate is most likely phase).





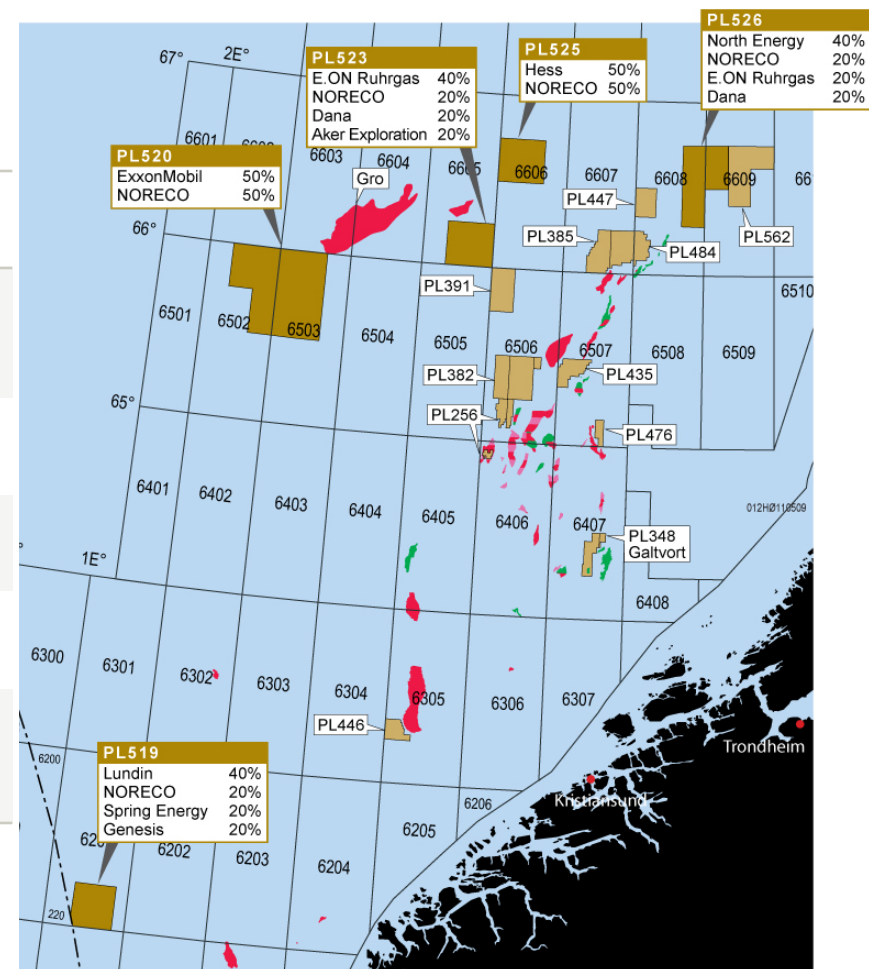
# PL435 Zidane 1 prospect

- License PL435 Norway, Noreco 20% and RWE Dea is operator
- In well known Middle Jurassic hydrocarbon play northwest of the Heidrun Field, COS=0.50 – main risk is trap
- Total gross recoverable volumes are estimated at 100 – 155 mmboe (gas/condensate is most likely phase)



# 2009 licence awards

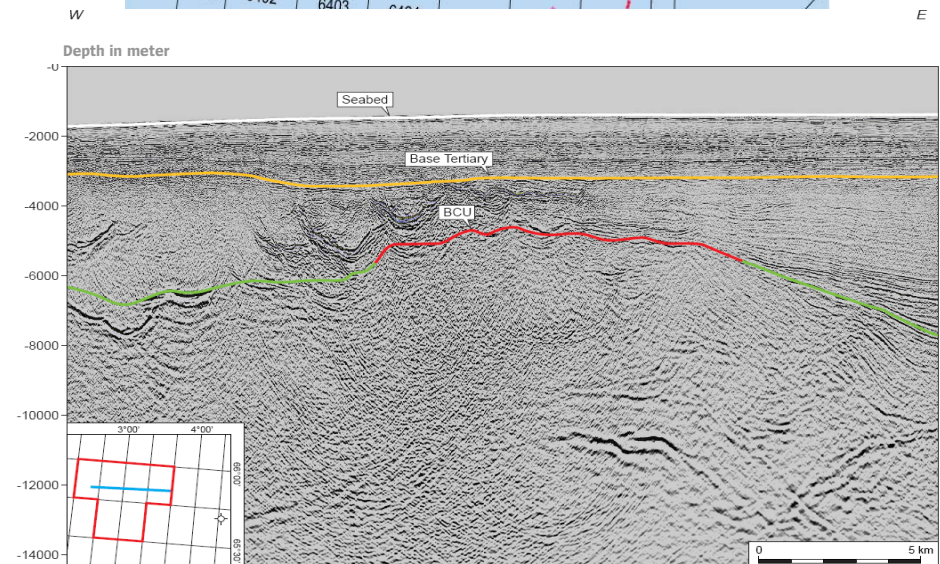
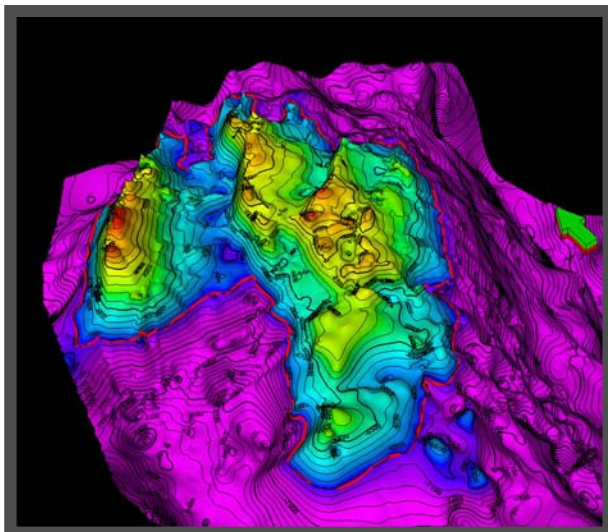
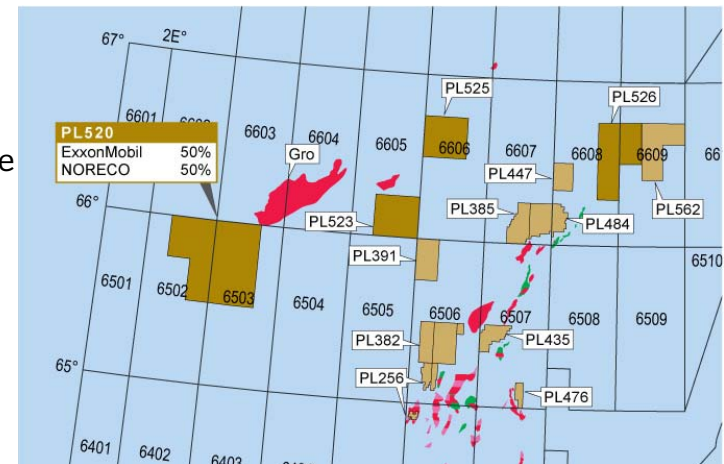
License	Plays	Main prospec size mmboe gross
<b>PL519</b>	Jurassic/Triassic and Tertiary	500 - 850
<b>PL520</b>	Jurassic	500 - 2,500
<b>PL523</b>	Upper Cretaceous	200 - 800
<b>PL525</b>	Upper Cretaceous	200 - 800
<b>PL526</b>	Permian, Lower Jurassic, and Upper Cretaceous	300 - 800





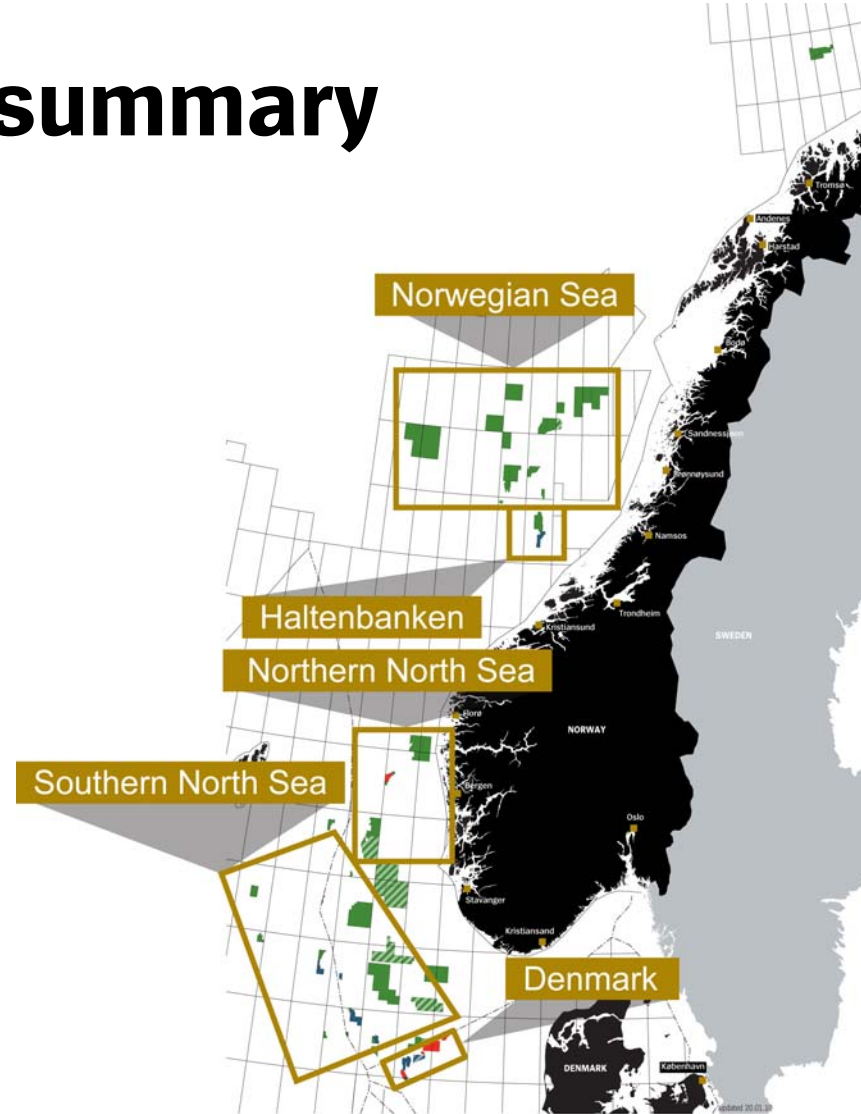
# PL520 – a substantial opportunity

- ExxonMobil (op) 50%, Noreco 50%
- Located in the outer Vøring Basin
- Substantial Jurassic structures mapped
  - Gross un-risked resource potential is 500-2500 mmboe
- Main geologic risks are trap and reservoir quality
  - Gro discovery has de-risked hydrocarbon source
- Forward plan:
  - Acquire and process 3D seismic 2010/2011
  - Reprocess 2D seismic 2010
  - Firm exploration drilling



# Exploration activity summary

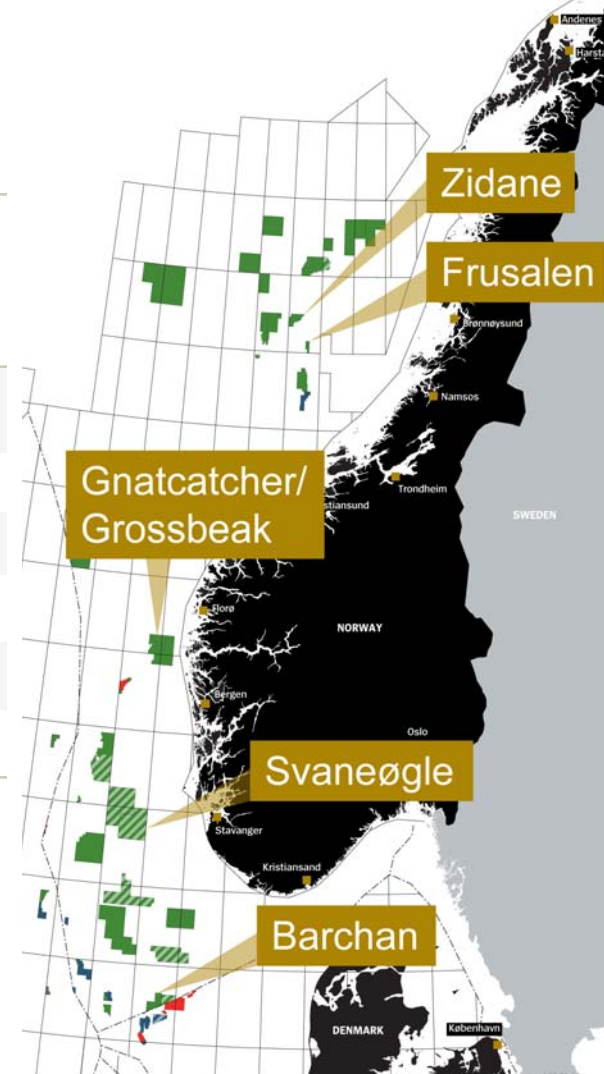
- Appraise major discoveries Grosbeak and Gita
- Start development planning on PL348 Gygrid and mature remaining resource potential
- Continue drilling out prospective resources portfolio in classic plays
- Target unproven plays and provinces
- Continue highgrade Norwegian Sea licenses towards drilling
- Access new exploration acreage





# Exploration and appraisal wells in 2010

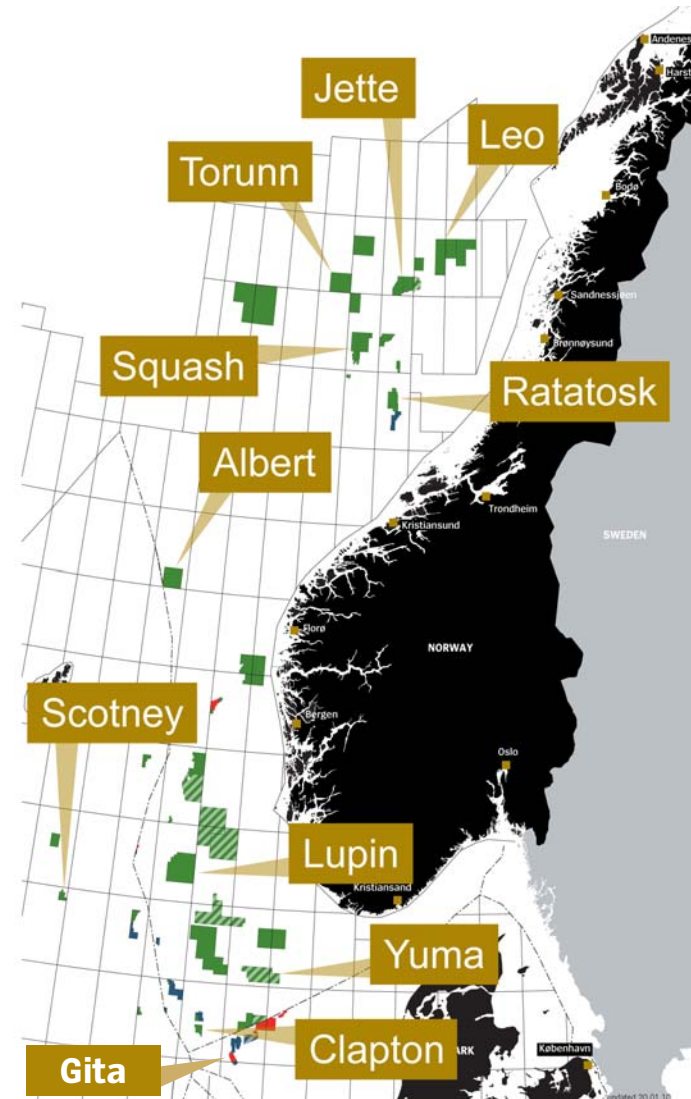
Well	License	Equity	Pre-drill gross unrisks resources (mmboe)	Chance of success	Expected drilled
Frusalen	PL476	30%	14-96	36%	Q1
Barchan	PL400	30%	50-210	18%	Q2/Q3
Gnatcatcher	PL378	20%	65-193	28%	Q3
Zidane 1	PL435	20%	101-155	50%	Q3/Q4
Grosbeak	PL378	20%	60-162	100%	Q4
Svaneøgle	PL545	40%	30-70	29%	Q3/Q4



# Exploration and appraisal well candidates 2011

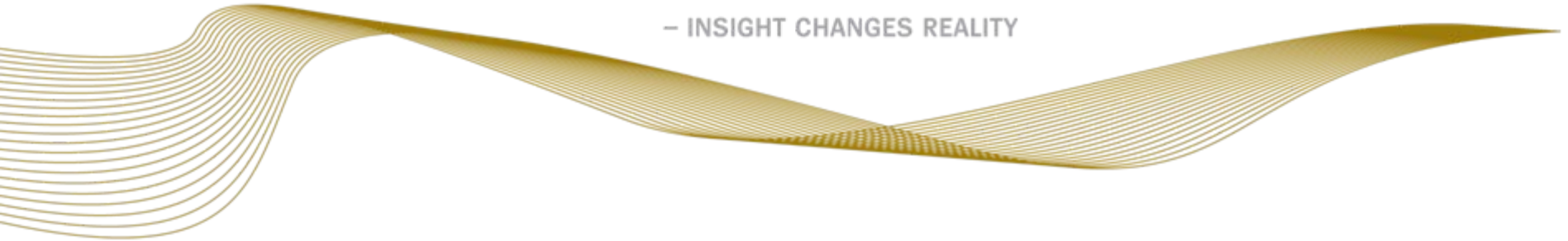
Well	License	Equity	Pre-drill gross unrisked resources (mmboe)	Chance of success
Lupin	PL360	15%	102-760	10%
Albert	PL519	20%	509-855	28%
Squash	PL382	20%	107-429	30%
Ratatosk	PL471	30%	11-81	26%
Clapton	PL440S	12%	15-100	34%
Jette	PL385	20%	18-73	50%
Yuma	PL451	40%	8-209	20%
Torunn	PL523	20%	170-831	15%
Leo	PL526	20%	288-818	22%
Scotney	P1658	50%	13-37	26%

In addition, Noreco's target is to drill 2-3 appraisal wells in 2011, including at least one appraisal well at Gita.





– INSIGHT CHANGES REALITY

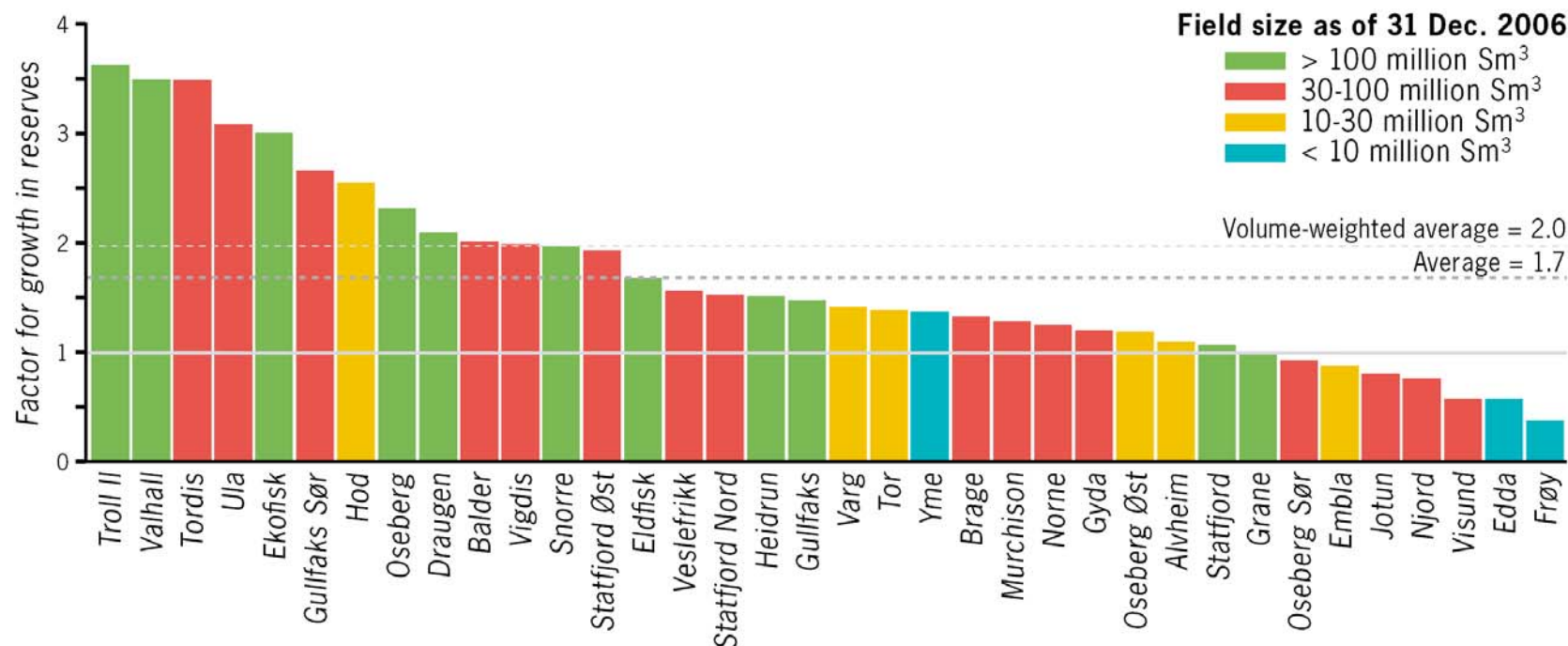




# **Fields and developments**

Rune Martinsen, COO

# Developed fields exceed initial expectations



Source: Resource Report 2007, Norwegian Petroleum Directorate.

1 Sm<sup>3</sup> = 6.29 barrels

## Brage Field



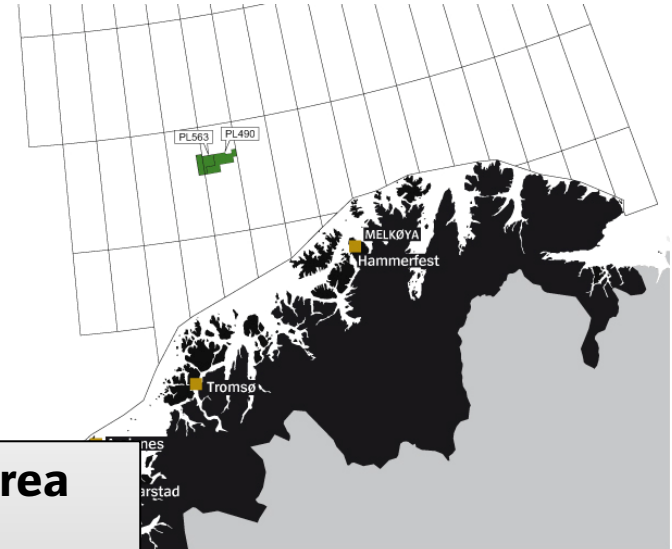
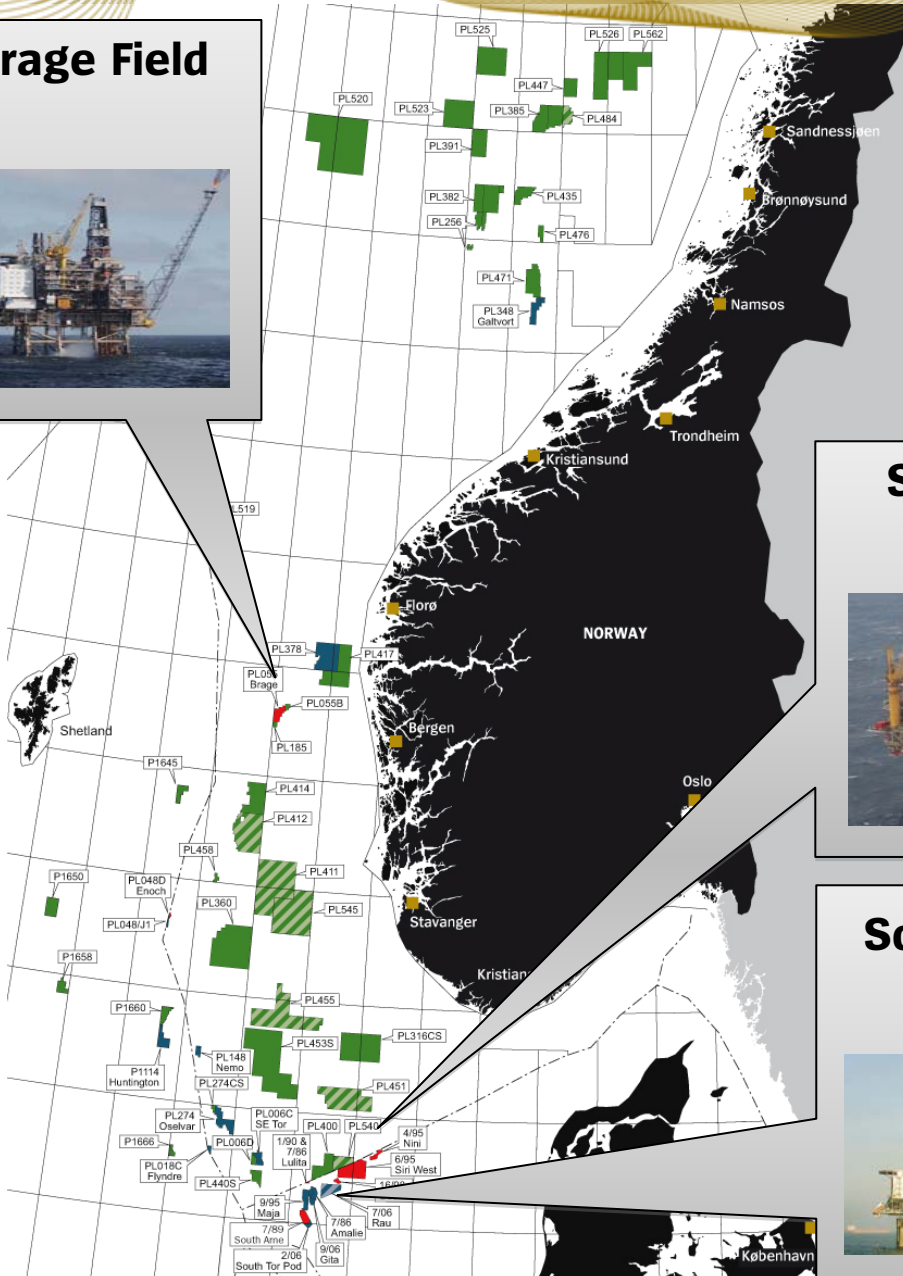
## Siri Area



## South Arne

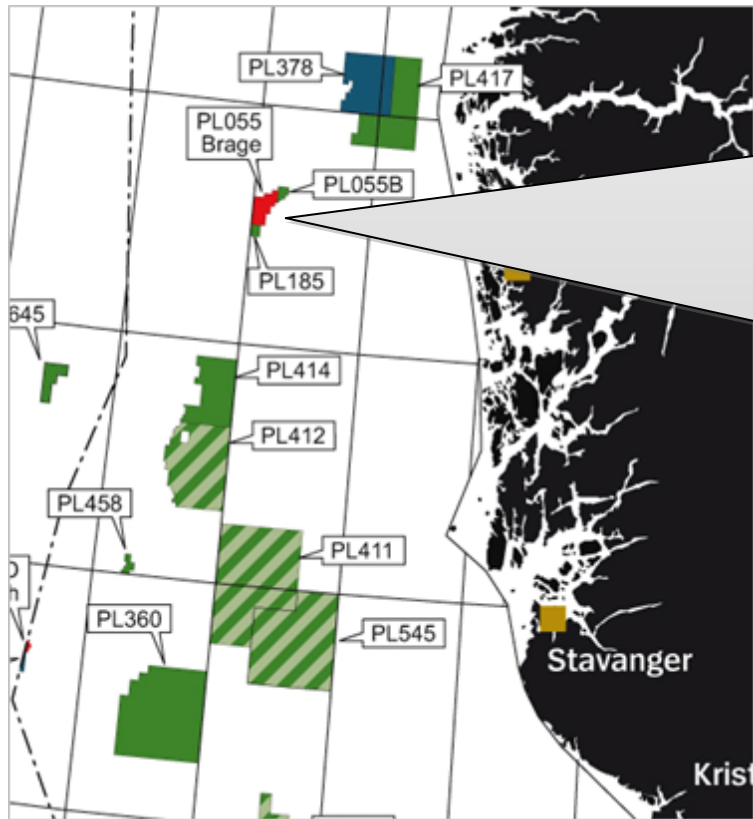


**Main  
producing  
fields**





# Brage

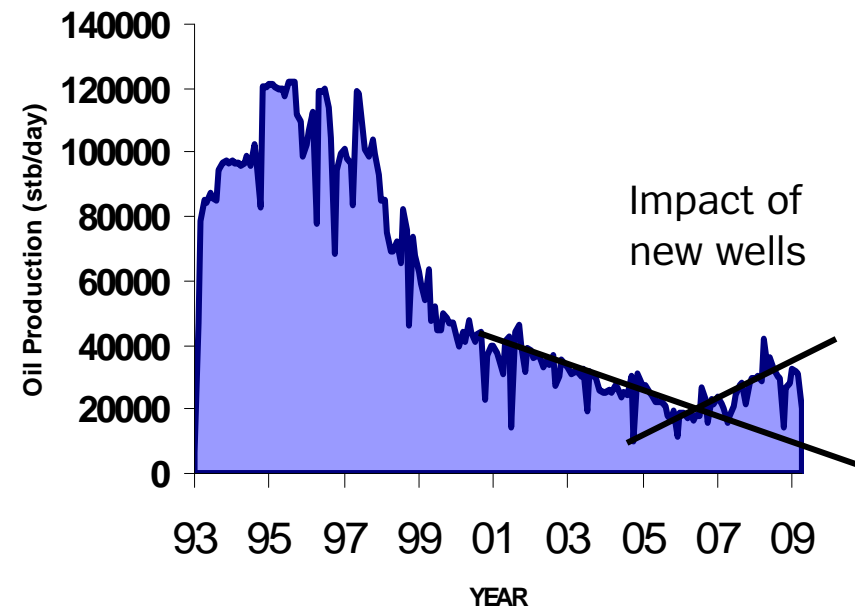


# Brage field

(Noreco : 12,6% avg equity)

## OVERVIEW

- Statoil operated
- Fully integrated facilities installed in 1993
- Production from 3 horizons, with water and gas injection
- Ultimate Reserves to 2025
  - PDO : 290 mmboe\*
  - Current est: 376 mmboe (RF: 37%)
  - Remaining : 59 mmboe
- Activities
  - Three years of drilling new wells
  - Modifications to extend operational field life and improve work environment



\*mmboe = million barrels of oil equivalents

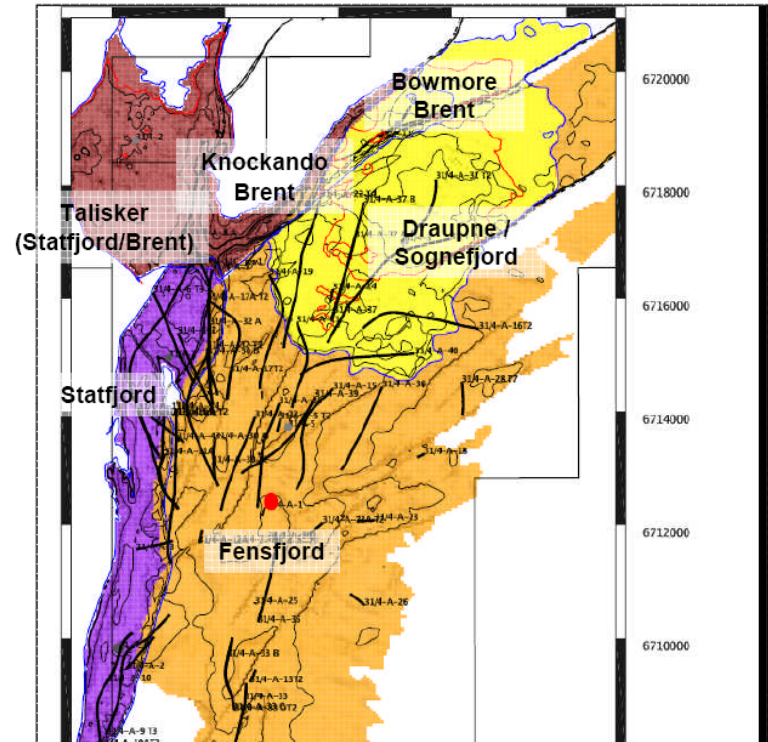


# Brage field

(Noreco : 12,6% avg equity)

## OPPORTUNITIES FOR GROWTH

- Fensfjord Fm.: Complicated reservoir with large remaining volumes
- Statfjord Fm.: Excellent reservoir that is largely flooded with water. Remaining oil in additional segments and unswept pockets
- Sognefjord Fm.: Significant remaining volume in thin oil zones
- Brent Fm.: Additional infill well and further flank exploration opportunities



Source: Statoil

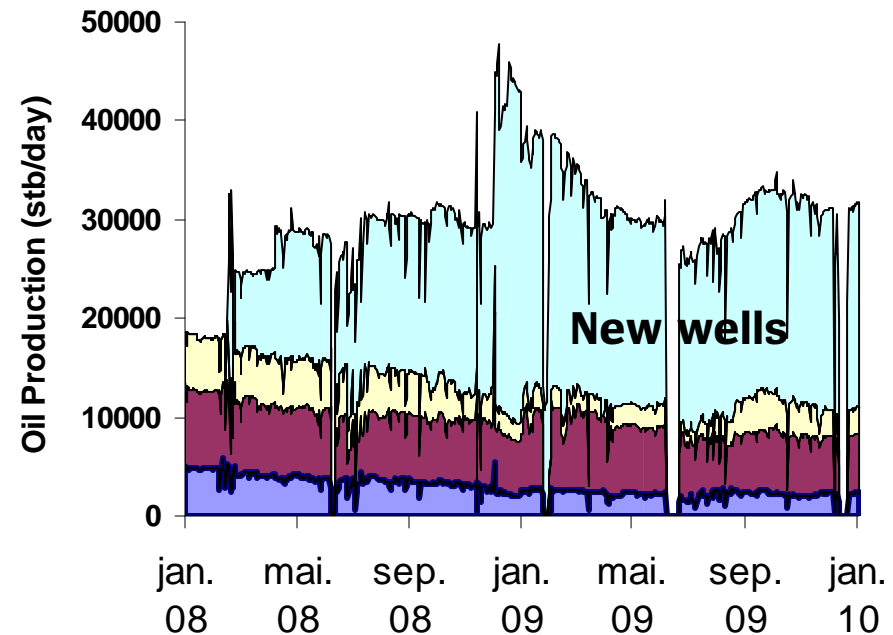
# Brage field

(Noreco : 12,6% avg equity)

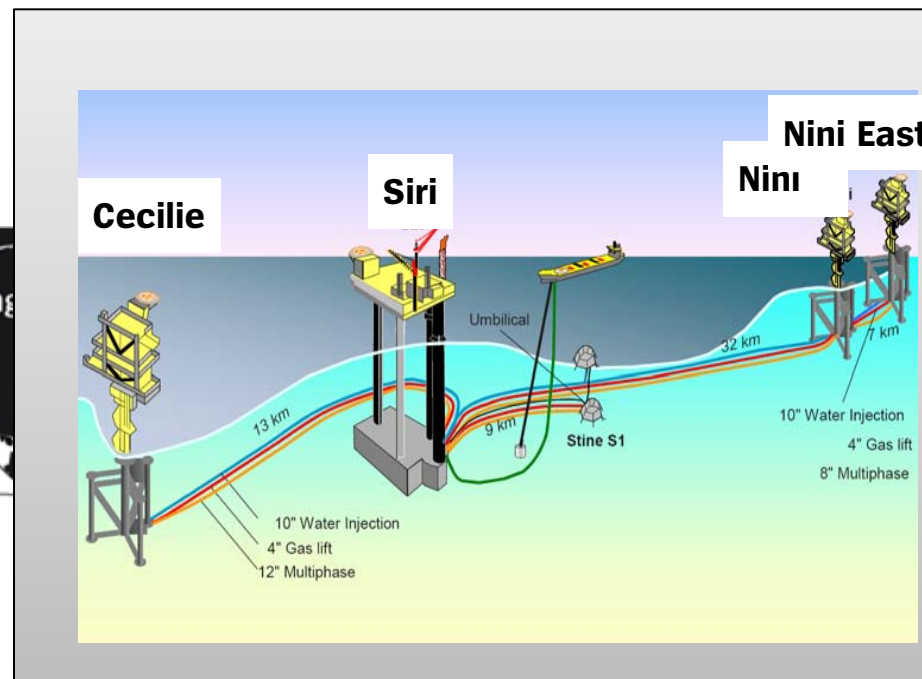
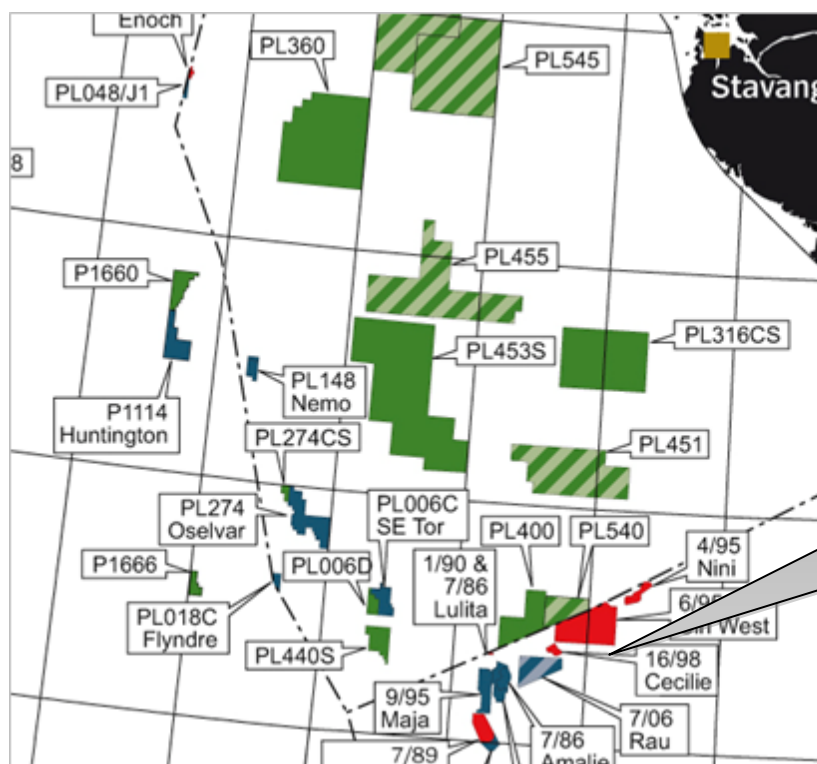
## 2010 DELIVERY

- Well delivery:
  - Currently completing Statfjord infill well
  - 2nd well – Statfjord producer
  - 3rd well in planning phase
  - Mature 2011 infill targets
- Operational integrity and cost
  - Timely investments and upgrades
  - Operational efficiency
  - Manage cost
- Mature long term opportunities
  - Increased oil recovery in primary reservoirs
  - Production from poorer reservoirs
  - Gas blowdown

## 2008 - 2009 Production



# Siri area fields

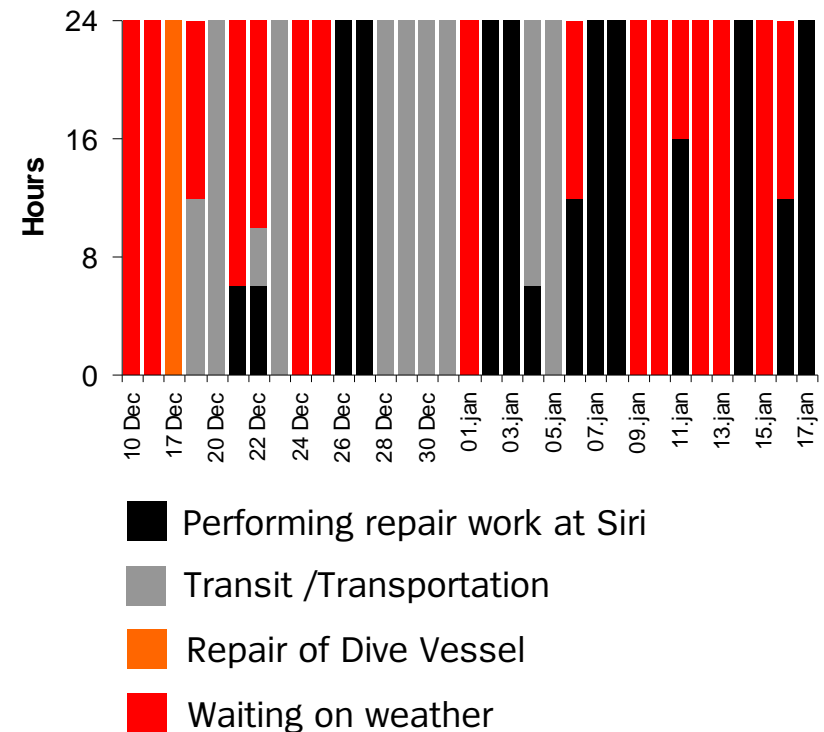


# Siri temporary solution

## Unique and complicated problem

- September
  - Surveillance and assessment of situation
  - Identify and design temporary solutions
- October
  - Continued surveillance and findings
  - Engineering and verification of multiple temporary solutions
  - Fabrication of equipment
  - Target installation date late October
- November
  - Changed base case solution to metal frame support
  - Rig solution delayed
- December
  - Finishing up fabrication
  - Mobilization and start of installation

## The installation took longer...



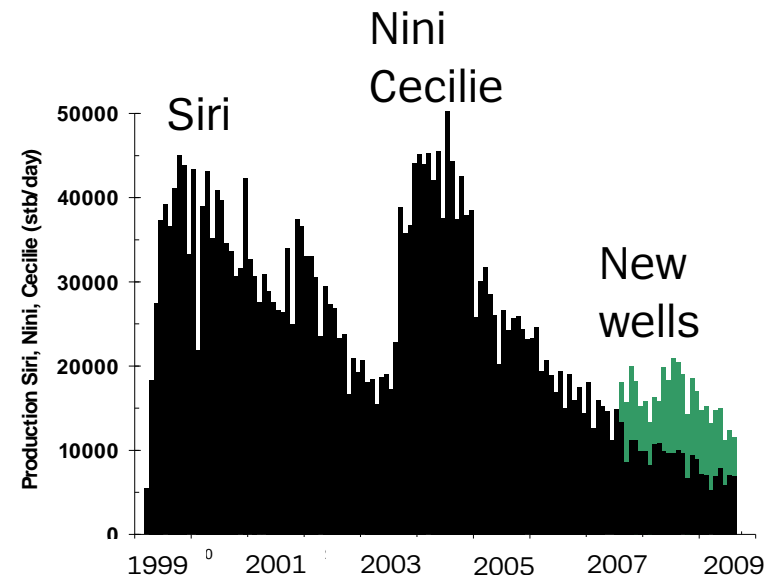
**32% efficient diving operations**

# Siri area fields

(Siri 50%, Nini 30%, Cecilie 61%, Nini East 30%)

## OVERVIEW

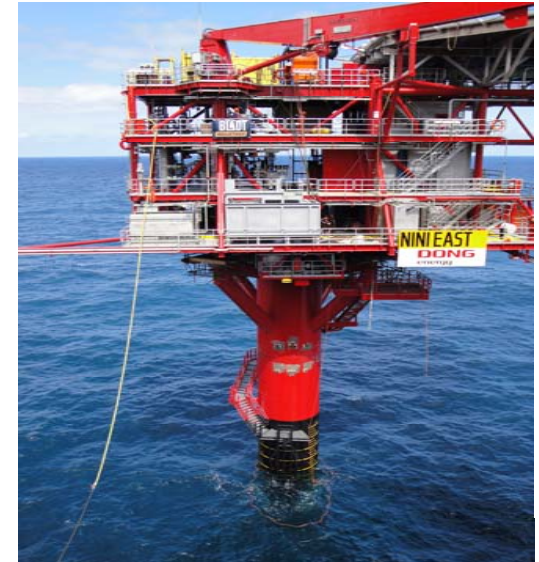
- Operated by Dong
- Noreco 50% owner in area host facility
- Initial development of Siri from 1998 with production jack-up and storage tank
- 3 satellite developments with low cost unmanned wellhead platforms
- Siri area reserves
  - PDO: 51 mmboe (Siri)
  - Current est.: 125 mmboe (w/satelites)
  - Remaining: 32 mmboe
- Activities
  - 4 development wells and one satellite development over the last 24 months
  - Life time extension to 2020+





# Nini East development

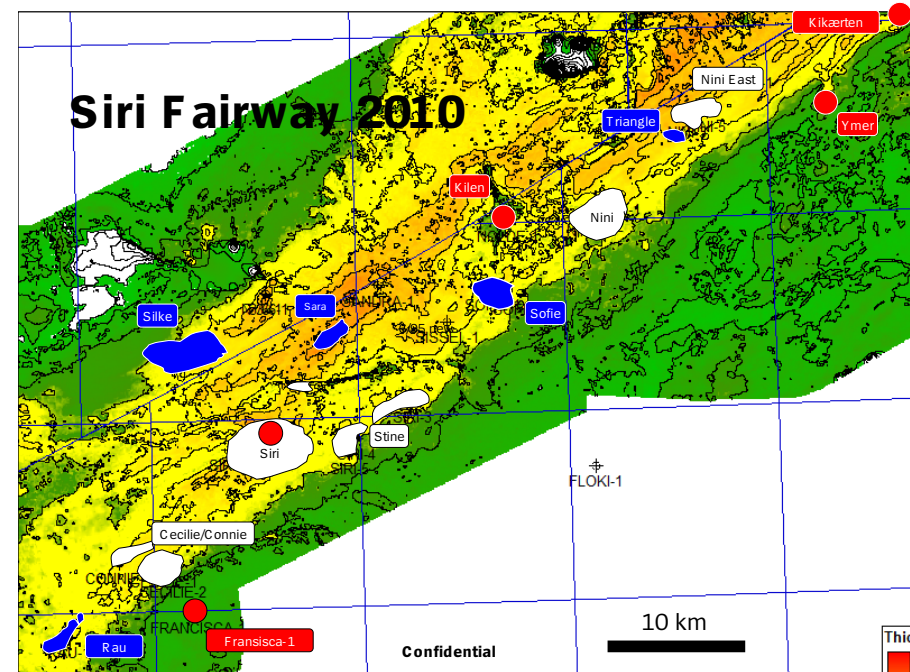
- Nini East is ready to produce
  - Platform successfully constructed and installed
  - Hook up and commissioning completed.
  - Three wells drilled and completed
  - Testing with live oil after Siri start-up
  
- Development delivered more than 10% below PDO estimate
  
- Drilling results indicate more favourable reservoir description
  
- Planning for phase II development with up to 2 additional wells



# Siri area fields

## OPPORTUNITIES FOR GROWTH

- Infill drilling potential
- Improved Recovery
- Continued satellite development
- Area exploration
- Gas blowdown opportunities



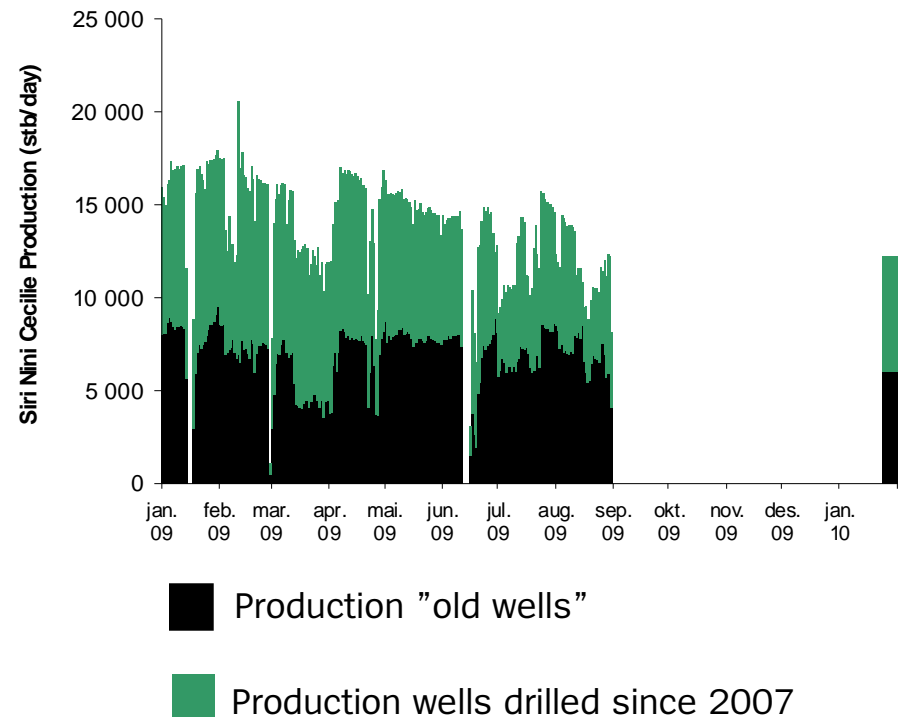


# Siri area fields

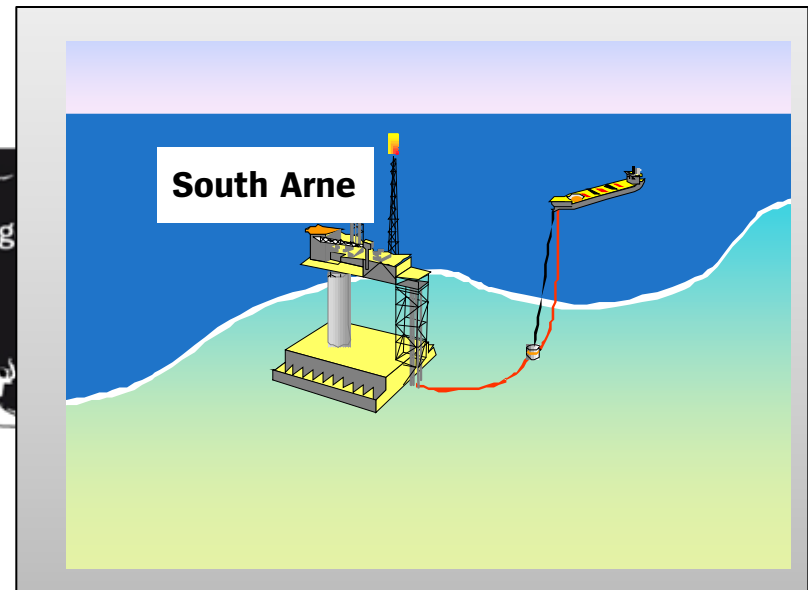
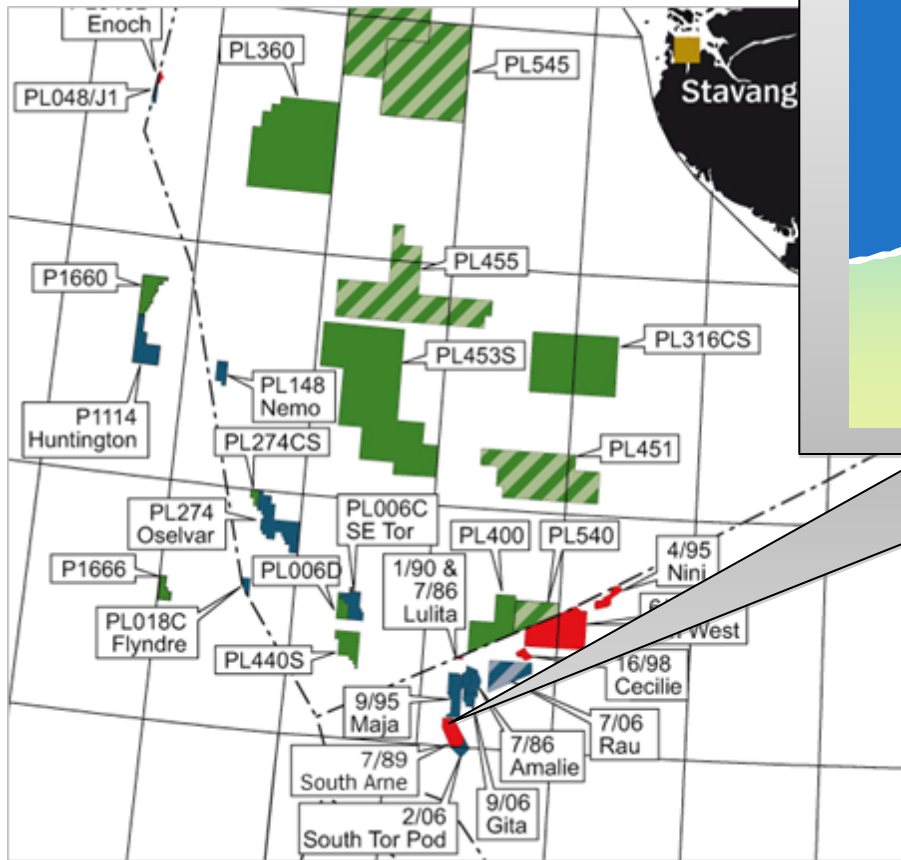
## 2010 DELIVERY

- Permanent solution for Siri Caisson
  - Engineering
  - Installation
  
- Maximize production over Siri facilities
  - Nini East production
  - Benefit from 2009 drilling on Nini
  - "Repressurized" field after 5 months shutdown
  
- Planning of 2011 drilling campaign
  
- Operational integrity and cost
  
- Mature new opportunities for reserves additions

## 2009 Production



# South Arne

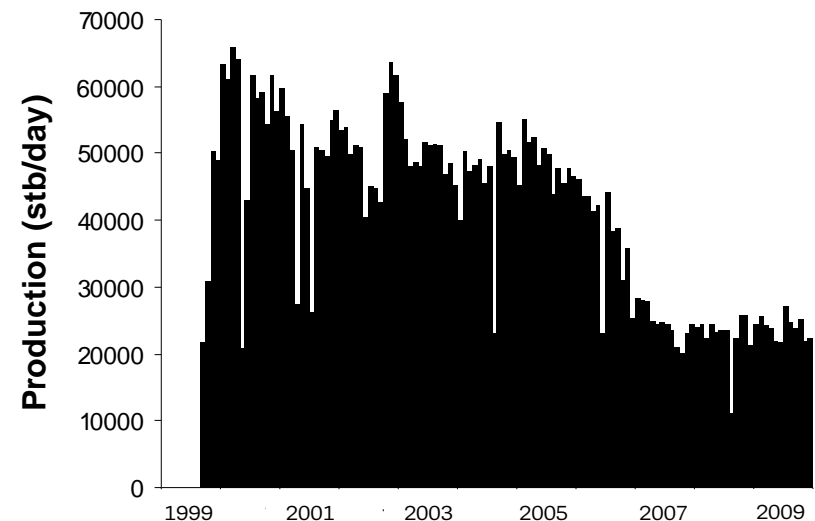


# South Arne

(Noreco : 6,56%)

## OVERVIEW

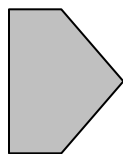
- Operated by Amerada Hess
- Developed in 1999. Gravity based platform with processing, gas export and oil storage. No drilling facilities.
- South Arne Reserves
  - PDO : 130 mmboe
  - Current est.: 250 mmboe
  - RF: 30-40%
  - Remaining : 100 mmboe
- Activities
  - Workover campaign and well optimization to increase field production and recovery
  - Planning of 2010 drilling campaign



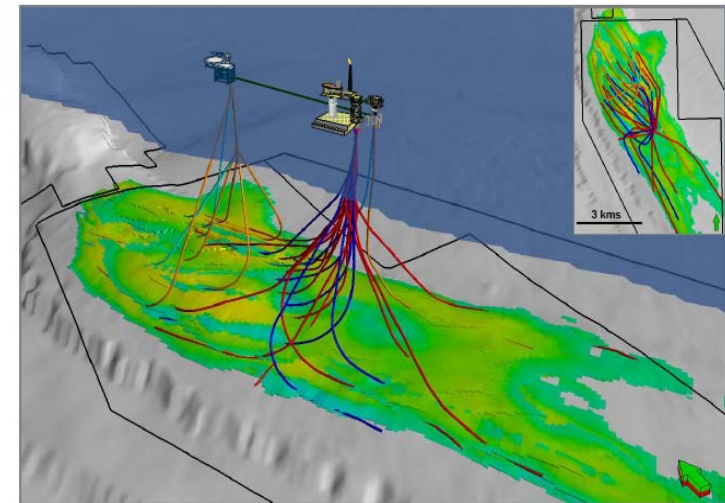
# South Arne

## OPPORTUNITIES FOR GROWTH

- Large remaining oil in place
- Recovery factor
- Infill drilling
- Development of northern field extension.



### **South Arne Phase III Development Programme**

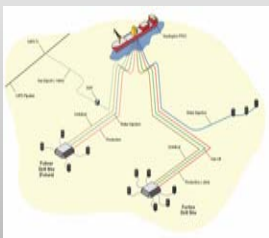


### **South Arne Phase III**

- Sanction in 2010
- 45 mmboe of add'l reserves
- Wellhead and riser platform
- 11 new wells

## Huntington

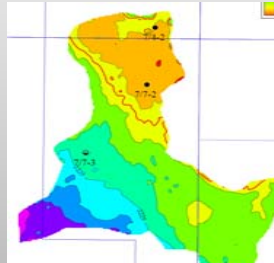
7000 boed



# Ongoing developments

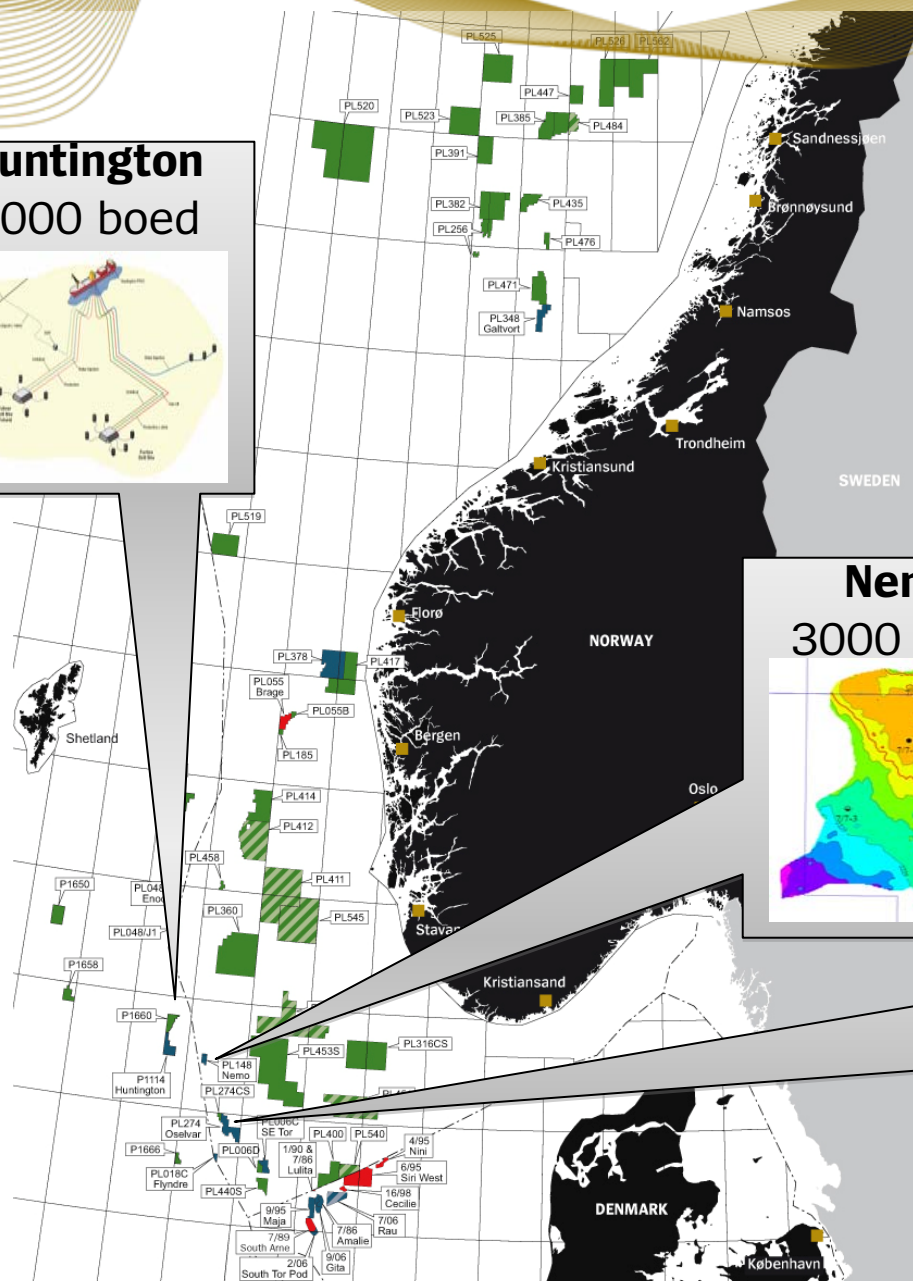
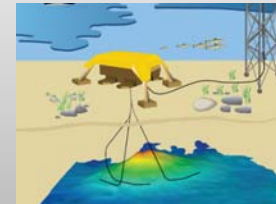
## Nemo

3000 boed



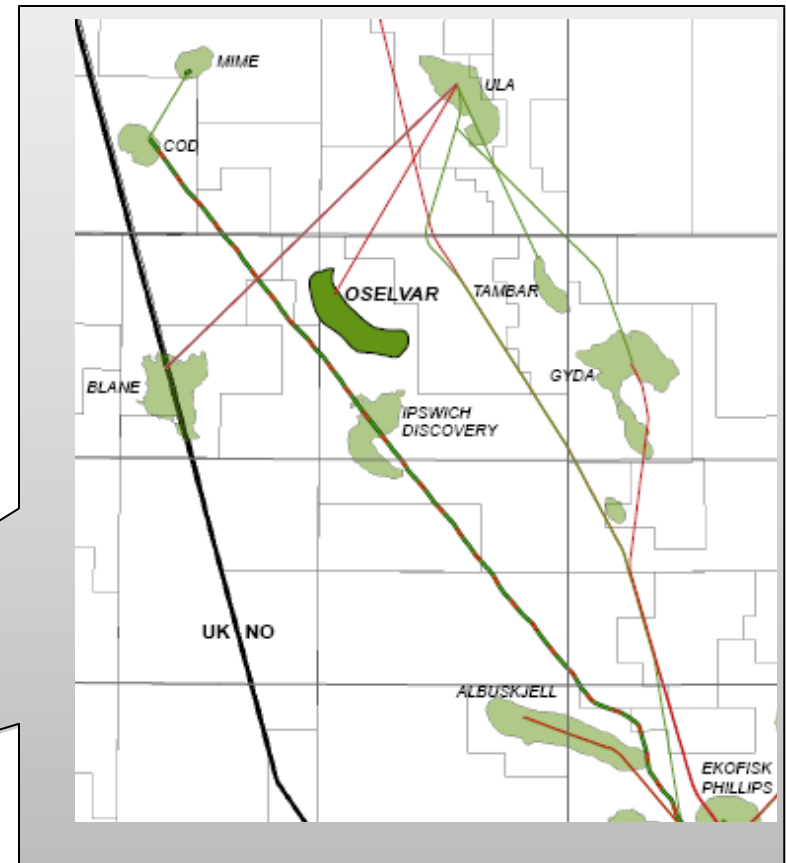
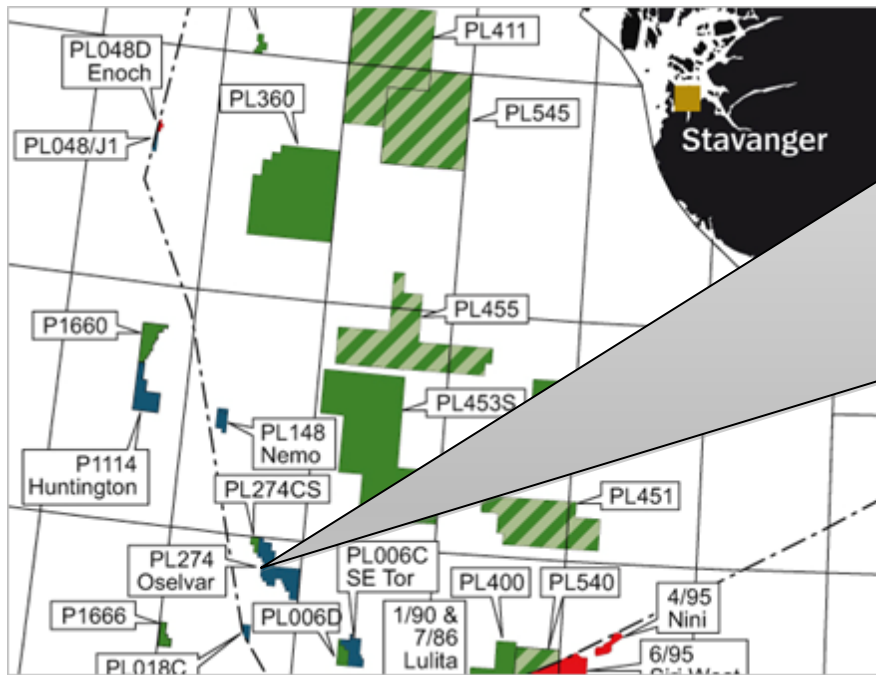
## Oselvar

3000 boed





# Oselvar development

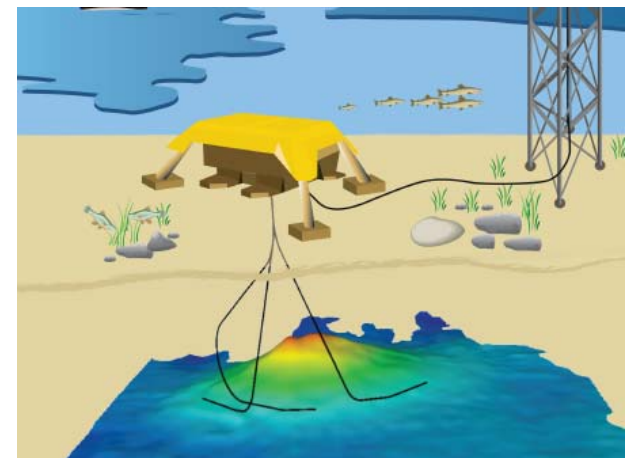
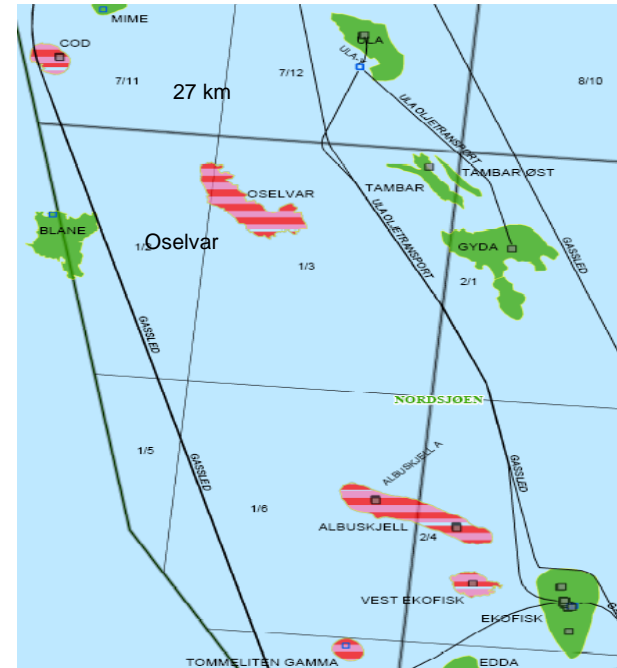


# Oselvar development

(Noreco : 15%)

## OVERVIEW

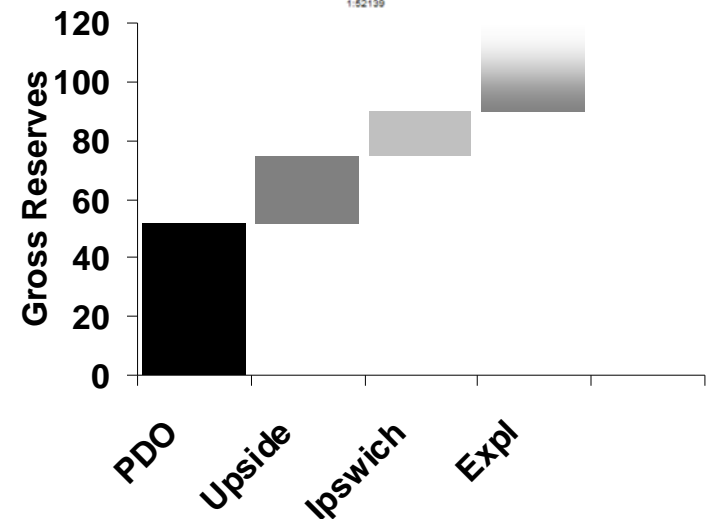
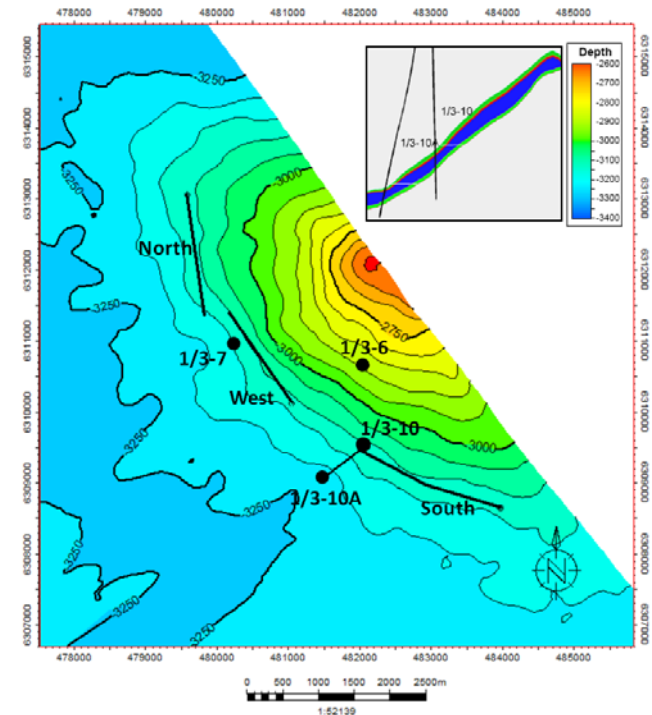
- Operated by Dong
- 3 wells subsea development, tieback to Ula facilities
- Development Status
  - All contracts in place
  - Development ongoing
- Key Milestones
  - Subsea installation summer 2010
  - Start drilling in Q1 2011
  - First oil late 2011.



# Oselvar development

## OPPORTUNITIES FOR GROWTH

- Oselvar Reserves
  - PDO : 52 mmboe RF : 38%
- Upside in PDO Reserves
- Ipswich Discovery
- Exploration prospectivity

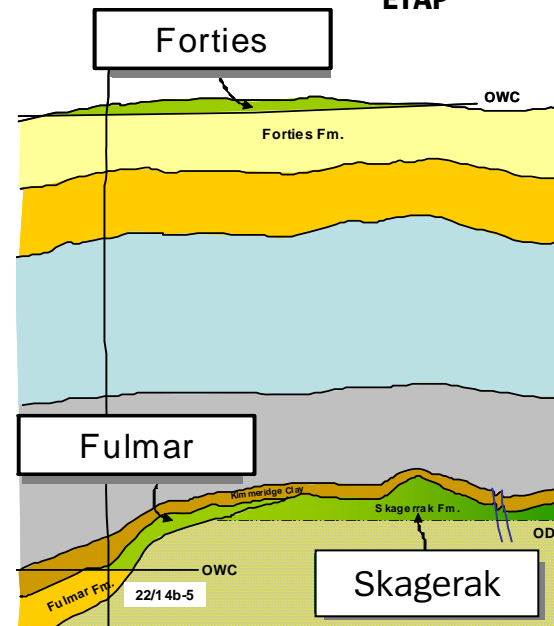
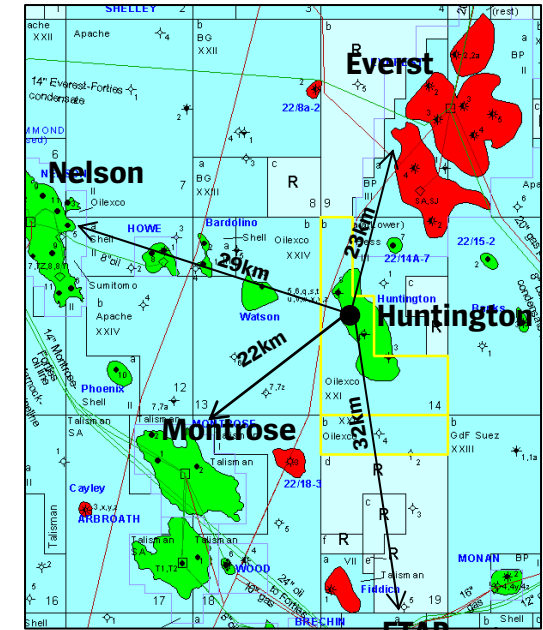


# Huntington

(Noreco : 20% in P1114)

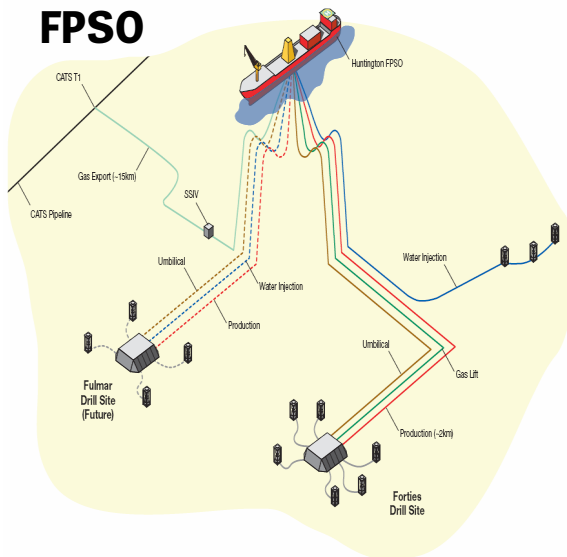
## OVERVIEW

- UK discovery from 2007, operated by Eon Ruhrgas UK
- Discoveries in Forties and Fulmar Fms
- Tieback or standalone development. 4-6 subsea wells. Water injection and gas lift
- Development Status
  - Concept select in H1 2010
  - Prefeed engineering on tieback solutions
  - FPSO offers being evaluated
- Key Milestones
  - Concept select H1 2010
  - PDO in H2 2010
  - First oil 2012



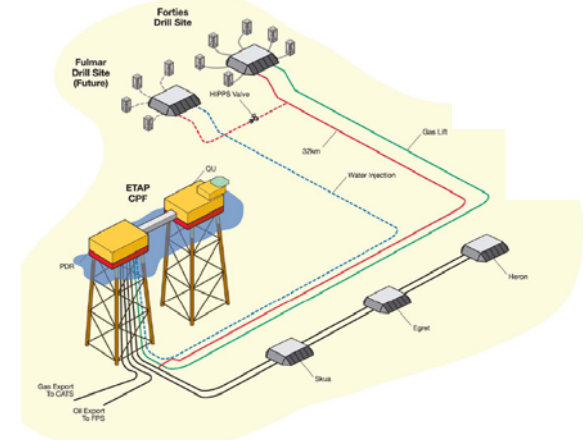
# Huntington development options

## FPSO



**Capex NOK 2.5 – 3 billion gross**  
**Lease Rate**  
**Transportation**

## Tieback



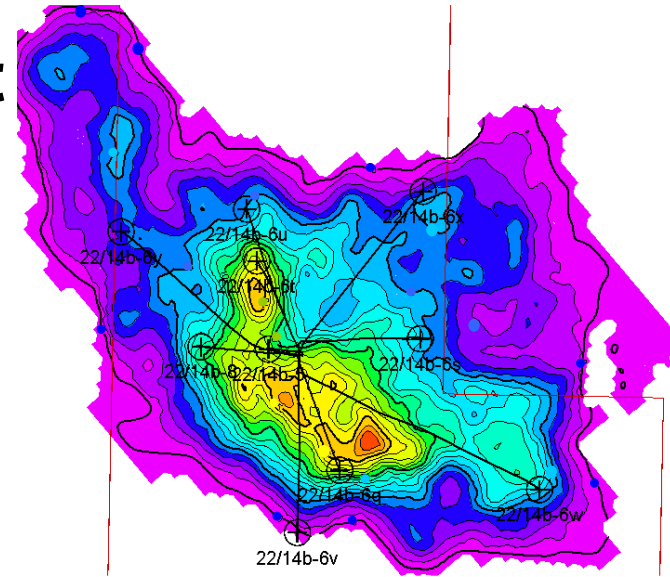
**Capex NOK 4 – 6 billion gross**  
**Tariffs to host**



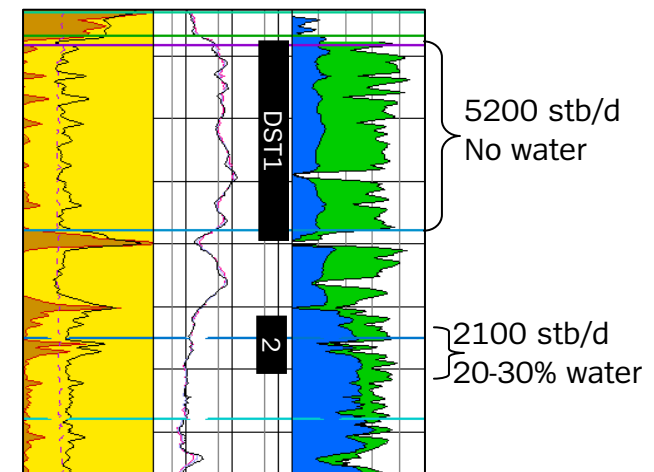
# Huntington Forties development

## Reserves

- Well appraised reservoir
- Complex pore system
- Validity of CPI Logs
- Test Results
- Reserves 40 - 50 - 60 - 70 million boe



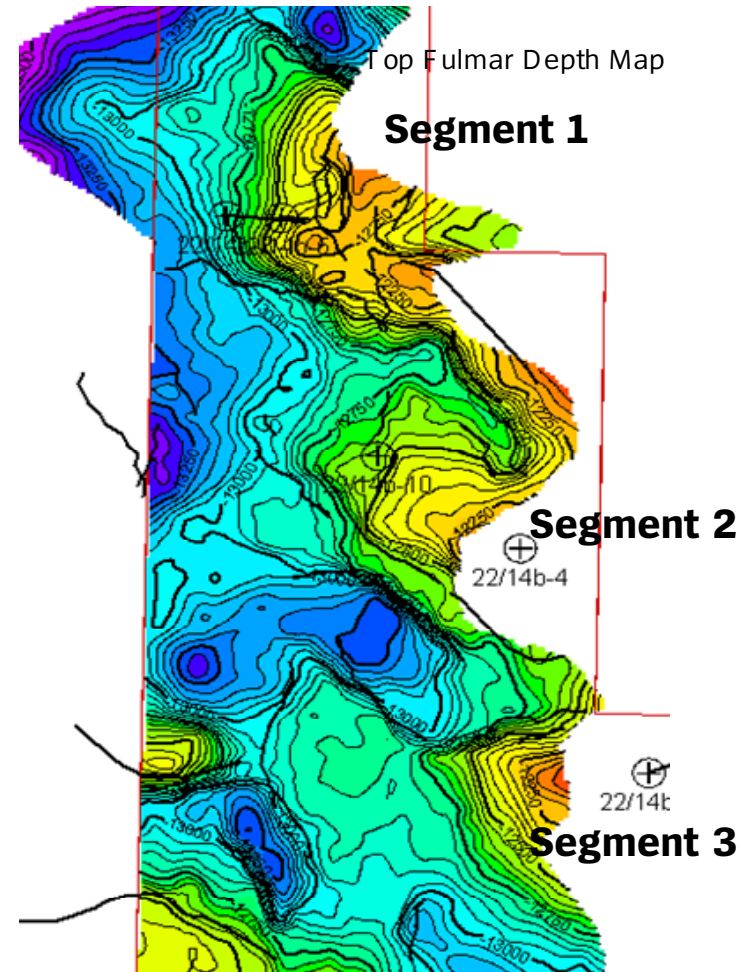
## Exploration Well Log



# Huntington Fulmar

(Noreco 20% equity)

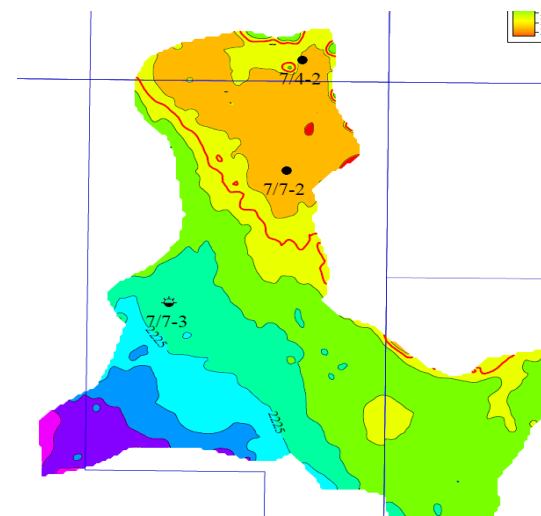
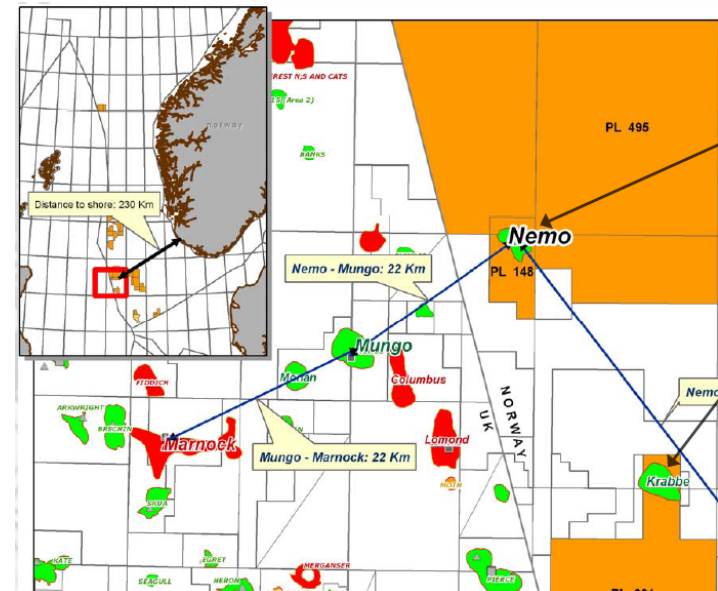
- Discovery and appraisal well in segment 1
- Exploration well tested flow rates at 4500+ bbl/day
- Reprocessing of seismic ongoing to support appraisal well recommendation in Q3 2010
- Success case is 3 segments filled to spill in acceptable reservoir quality with potential in place volumes up to 150 mmbbl
- Risk related to productivity and reservoir quality



# Nemo development

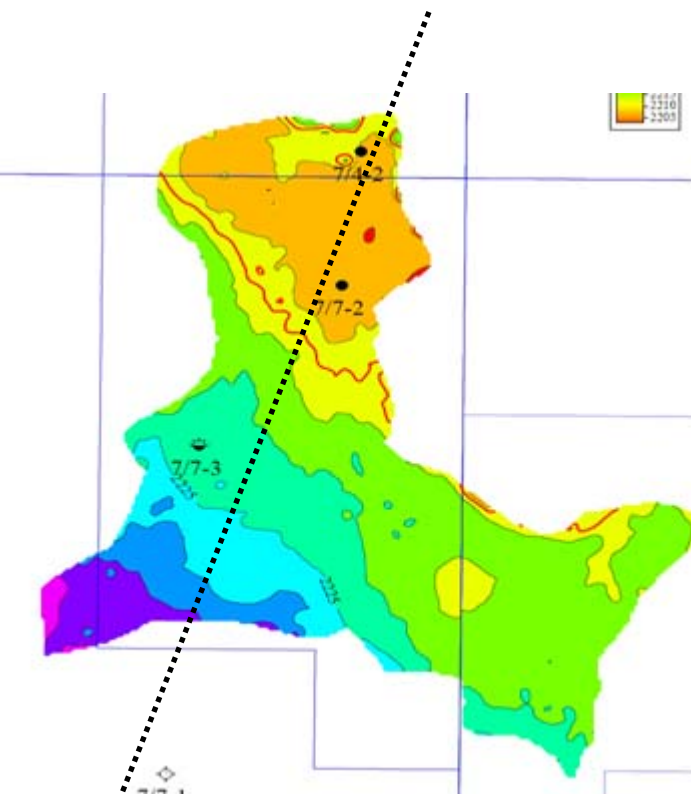
(Noreco 20% equity)

- Discovery from 1992 in Ula Fm, operated by Lundin. Appraisal well in 2008.
- Good quality reservoir with high pressure, low GOR oil.
- Base case reserves ~20 mmboe with significant upside potential
- Subsea tieback with 2 producers and one water injection wells. Capex estimated to NOK 3 – 4 billion
- Milestones
  - Concept selection – H1 2010
  - PDO – H2 2010
  - First oil – 2012

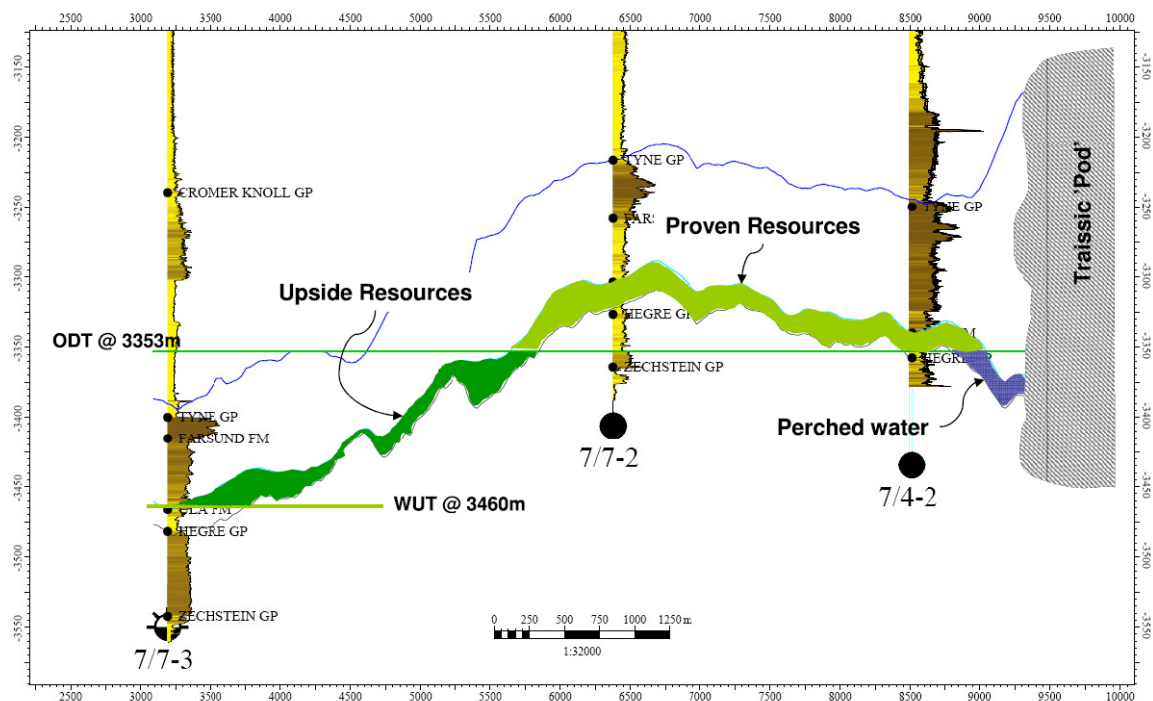


# Nemo reserves upside

(Noreco 20% equity)



Position of  
cross section



Cross section

**Huntington  
Fulmar**

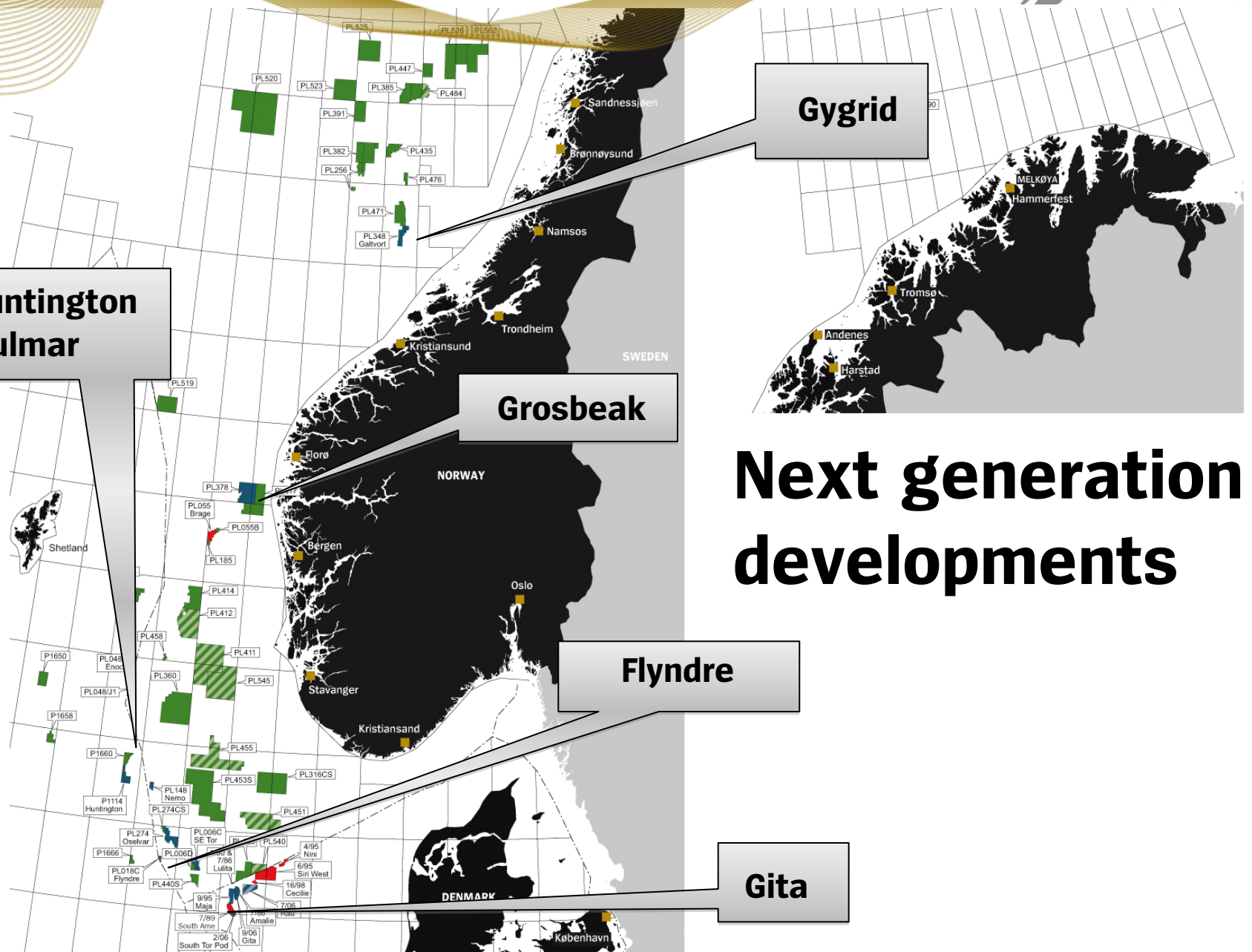
**Gygrid**

**Grosbeak**

**Flyndre**

**Gita**

# Next generation developments





# Reserves growth

## ■ Reserve replacement ratio

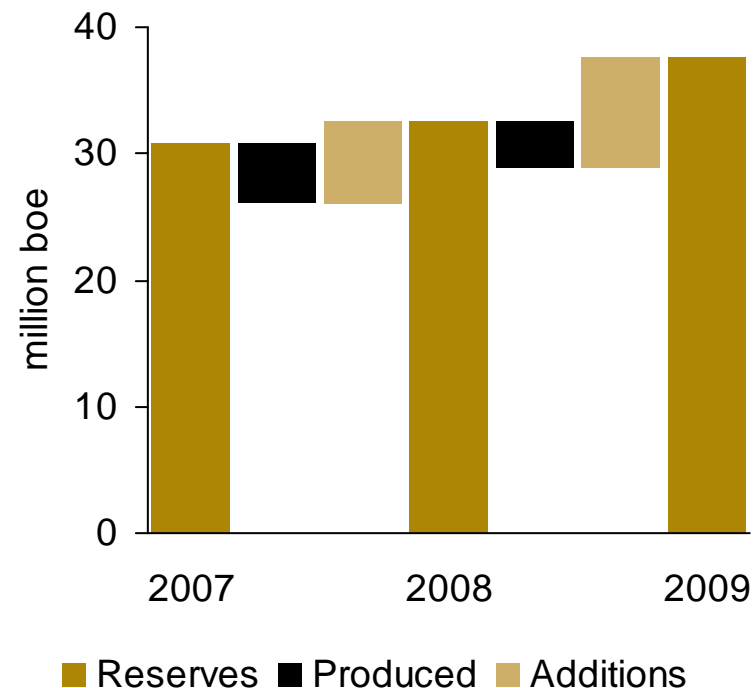
- 2009: ~200%
- 2008: 145%

## ■ 2P reserves estimate end 2009: 37 mmboe

## ■ 2010 outlook

- Production estimate represents around 5 mmboe
- Reserves additions from sanctioned developments (Huntington/Nemo)

## Reserves development



# 2010 Production estimate

## Production Assumptions

### ■ Shutdowns

- Siri: 4 days in June, 14 days in September
- South Arne: 2 weeks in August
- Brage: no shutdowns

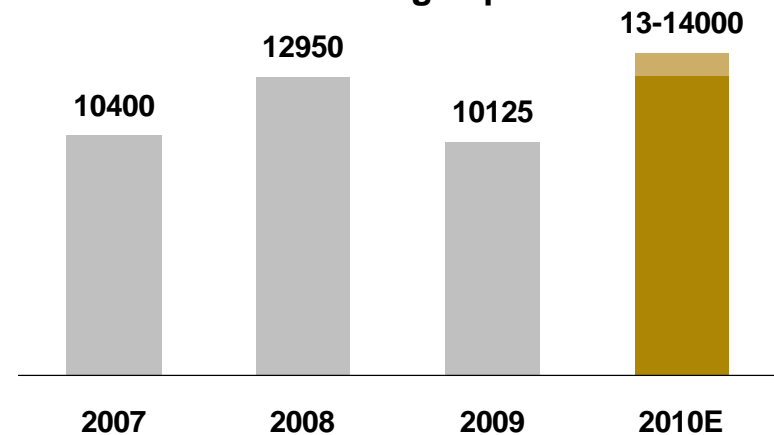
### ■ Operational Efficiency

- Siri: 90%
- South Arne: 92%
- Brage: 94%

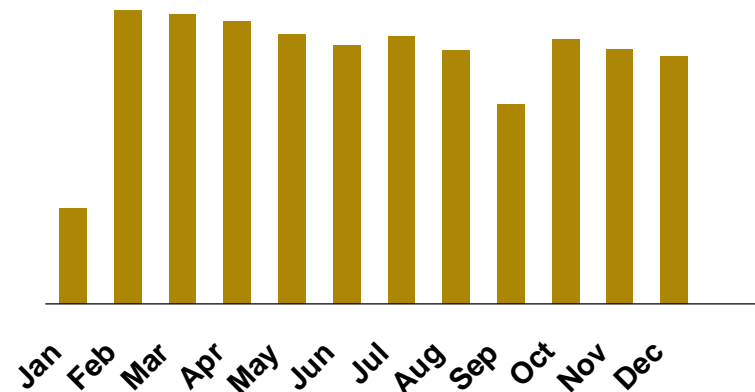
### ■ New wells

- South Arne: 2 wells
- Brage: 2-3 wells

## Noreco's oil and gas production



## Seasonal production pattern 2010



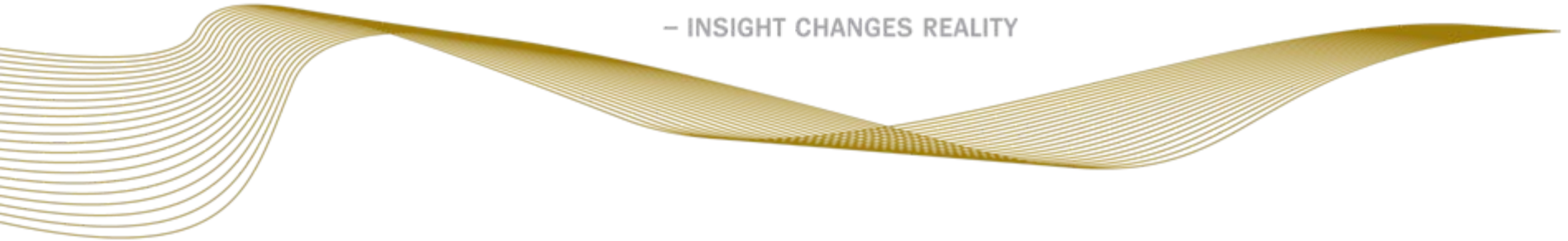
A decorative graphic at the top left of the slide consisting of multiple thin, overlapping wavy lines in a light gold color, creating a sense of movement and depth.

# Summary

- Working rigorously to arrest decline and maximize recovery in producing assets
- Development projects provide significant reserve and production growth
- Pipeline of new developments to be monetized



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# **Financial update**

Jan Nagell, CFO



# NORECO

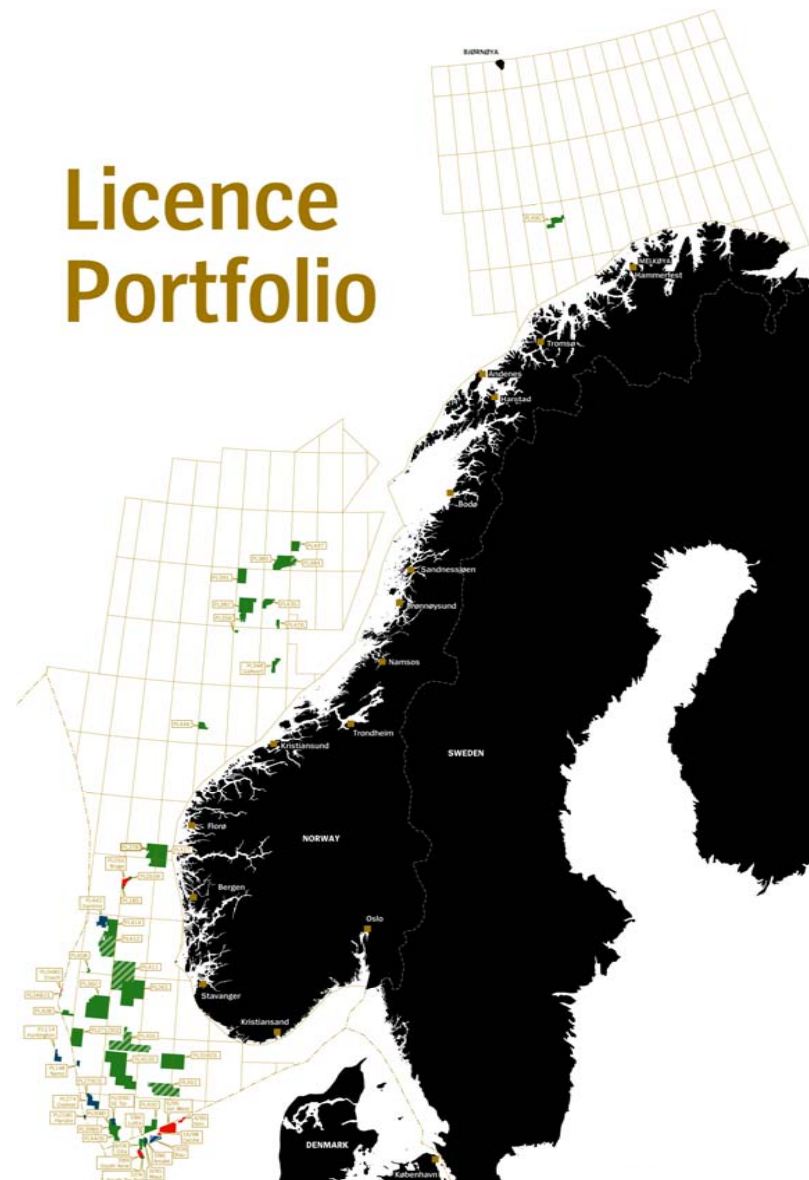
## Improved solidity

Equity ratio Q3-09\*: 29.5%  
Equity ratio Q4-07: 16.2 %

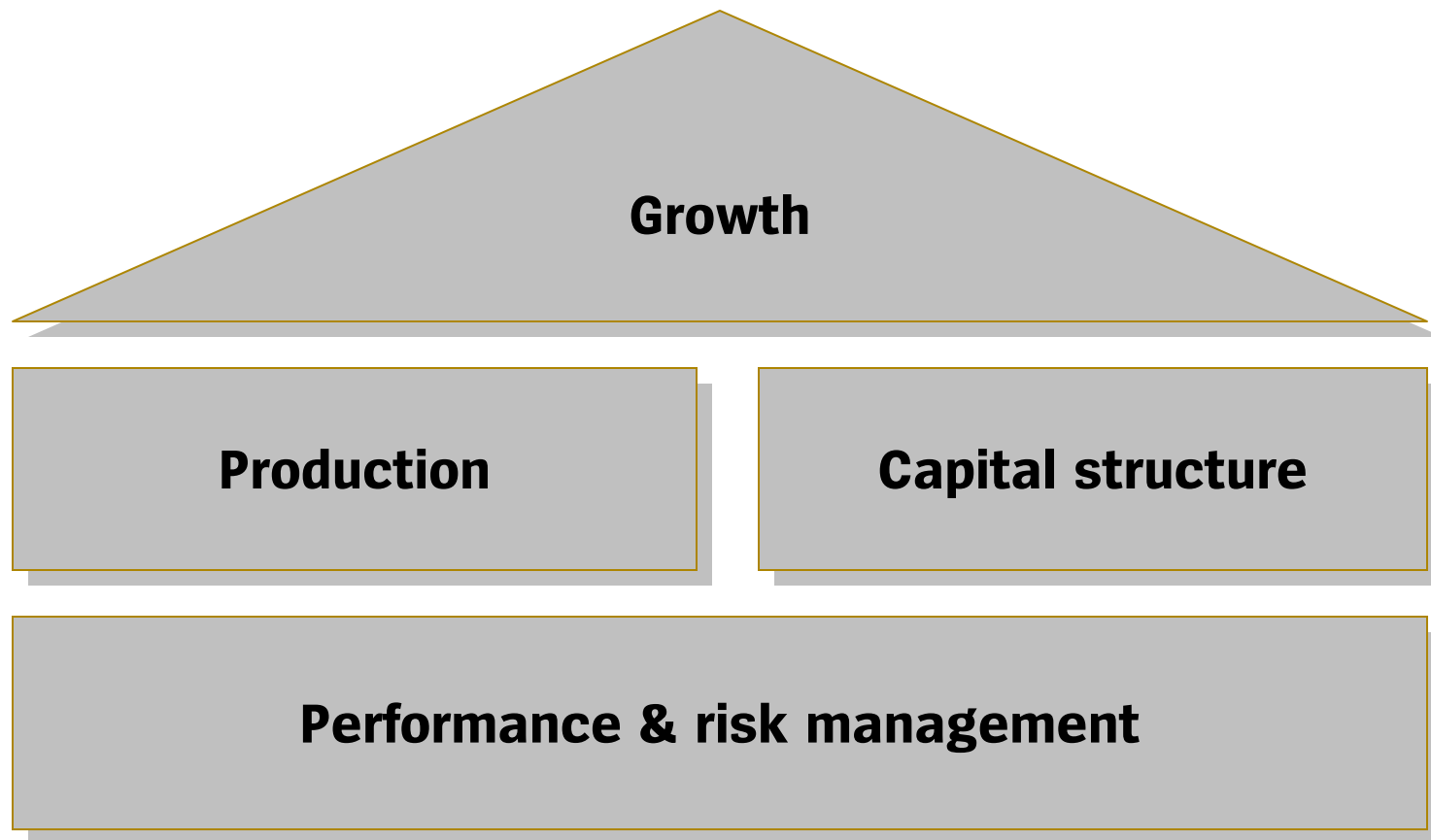
- Ticker: NOR
- Market Cap (22/01/10): NOK 4.9 billion
- Number of shares: 242.43 million
- Total assets Q3-09: NOK 11.8 billion
- Net int. bearing debt Q3-09: NOK 4.6 billion

\*Adjusted for equity issue Q4-09

## Licence Portfolio



# **Building shareholder value**



# Production

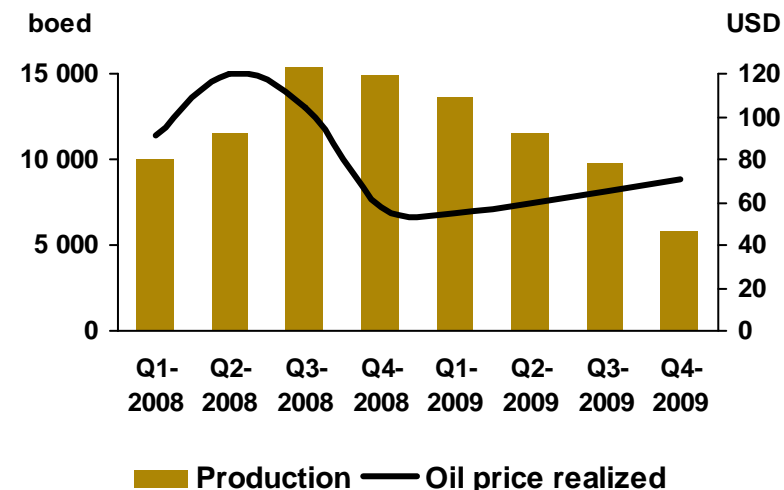
## ■ Goal

- Optimize values and cash flow
- Minimize operational risks
- Downside protection of oil price

## ■ Performance and risk management

- Active involvement as partner in field management
- Oil put options
- Extensive insurance policy

## Volume and price development



## Indicative 2010 sensitivity

Oil price increase of USD10/bbl

EBIT:	NOK 280 million
Net income:	NOK 140 million
EPS:	NOK 0.5 per share

# Growth through exploration

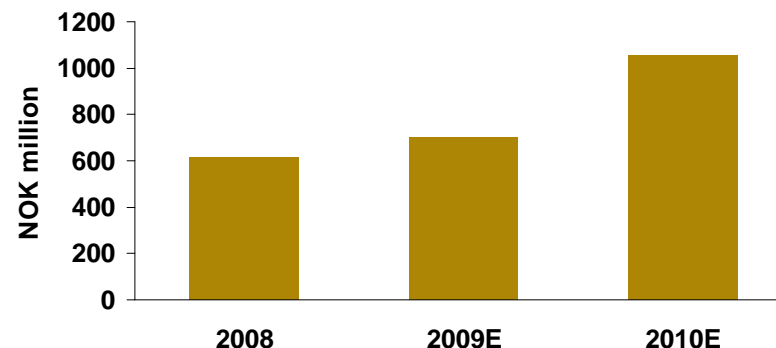
## ■ 2010 exploration plan

- NOK 1.1 billion (pre-tax)
- 6 exploration and appraisal wells
- Maturing discoveries
- Good visibility on cost, main uncertainty is on timing

## ■ Performance and risk management

- Noreco's exploration model
- Highly competent people
- Attractive tax and financing regime

Exploration activity



Well	License	Equity
Frusalen	PL476	30%
Barchan	PL400	30%
Gnatcatcher	PL378	20%
Zidane 1	PL435	20%
Grosbeak	PL378	20%
Svaneøgle	PL545	40%

# Growth through developments

## ■ New developments

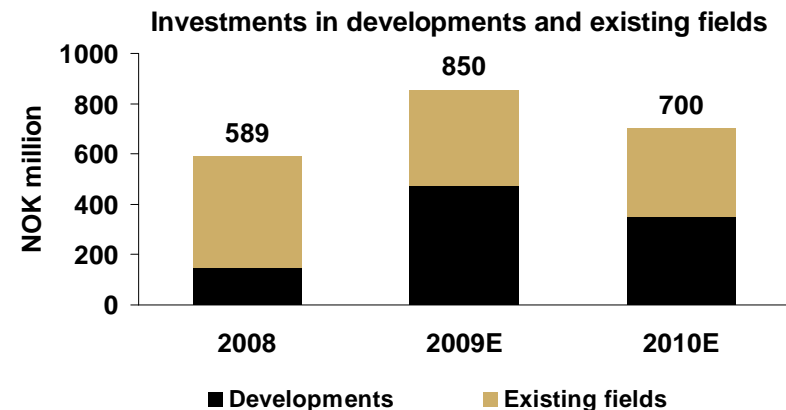
- Robust economics
- Average cost (development + opex) around USD30/bbl
- Significant upside potential

## ■ Existing fields

- IOR, maintenance etc
- High return and quick payback

## ■ Performance and risk management

- Capital allocation process
- Dedicated project managers
- Simple tie-back projects with proven technology



Figures in NOK million net Noreco

Field	Capex 2010 NOK mill	Capex total NOK mill	Capacity boed	Production start
Nini East	0	~600	3000	2010
Oselvar	180	~650	3000	2011E
Huntington	110	~500-1200	7000	2012E
Nemo	60	~600 - 800	3000	2012E

Figures in NOK million net Noreco



# Continuous focus of capital structure

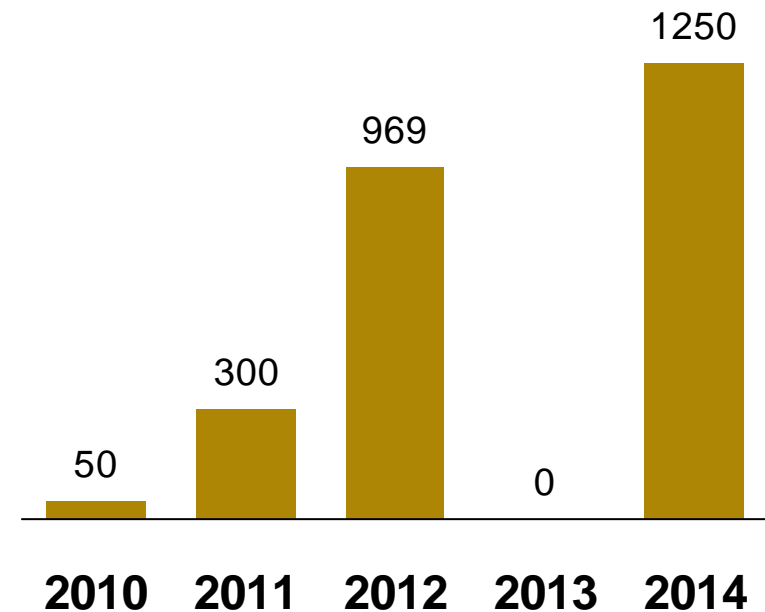
- Increased cash flow through acquisition of Talisman Oil Denmark, related equity issue of NOK 509 mill
- Repayment in full of USD 130 million 12% Geopard callable bond
- Conversion of NOK 211.5 million convertible bonds
- New reserve based lending agreement USD 325 million
- Early redemption of 20% of NOK 2,800 million bond and deletion of market adjusted equity ratio
- Equity issue NOK 214 million
- Extended and increased exploration loan facility of NOK 1,050 million
- Equity issue NOK 1,275 million
- Early redemption of NOR01 and NOR02 bond loans
- Issued NOK 750 million NIBOR+7.9% bond 2009/12
- Issued NOK 1,250 million 12.9% bond 2009/2014



# Debt profile aligned to capex plan

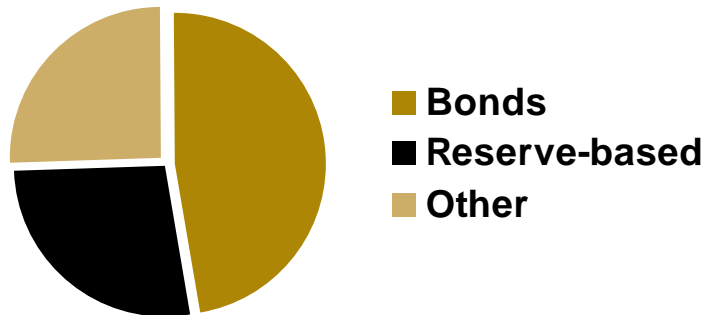
- Two bond loans raised in Q4
  - NOK 750 million, 2012, 3m NIBOR+7.9%
  - NOK 1250 million, 2014, 12.9% fixed
- USD 325 million reserve-based bank facility
- NOK 1050 million exploration facility
- Three new fields in production before first main repayment (20 Nov 2012) will increase reserve-based borrowing capacity

**Bond repayments**  
NOK million

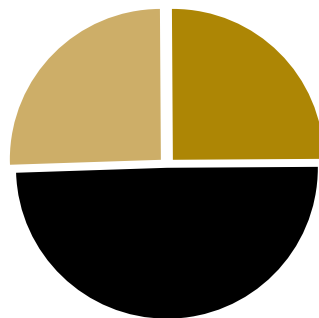


# Interest cost set to decrease as new fields are developed

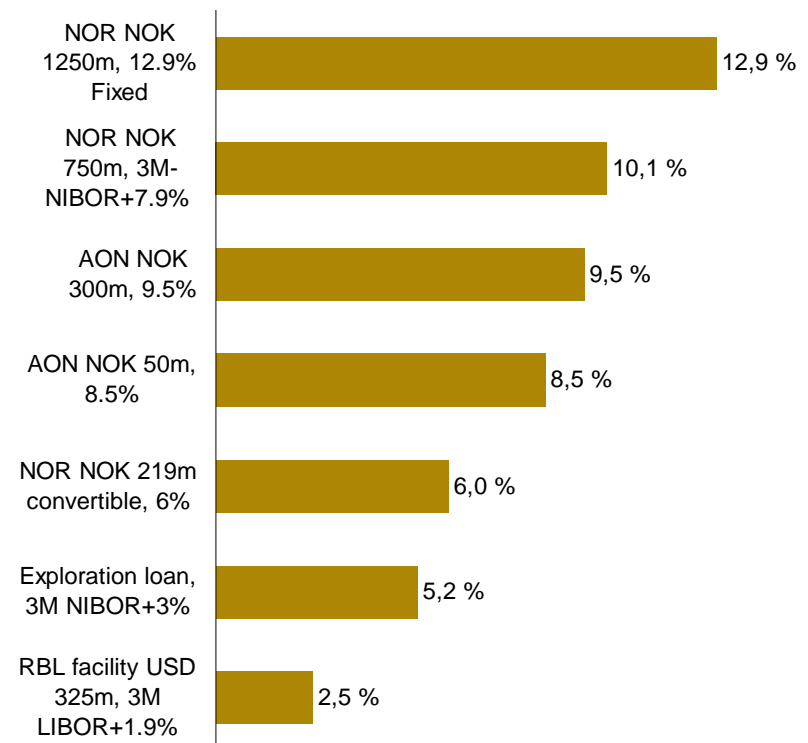
Current debt mix



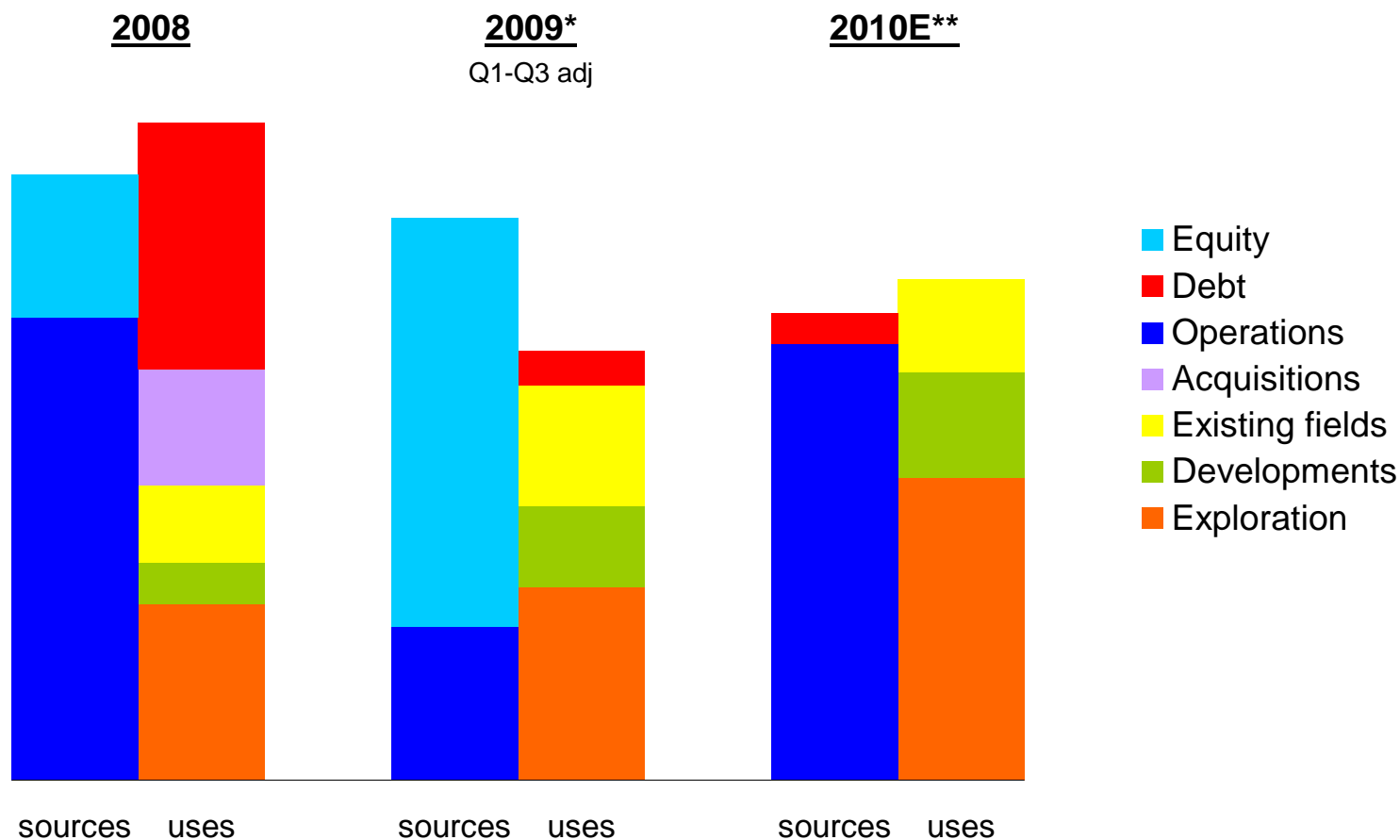
Target debt mix



Interest rates



# Sources and uses of cash



\* Q1 – Q3 2009 adjusted for equity issue completed in Q4 2009

\*\*Assumptions 2010: Oil price USD 75.0/boe NOK/USD = 5.80



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