

GAINING HIGHER GROUND



Amid losses on exploration wells in 2013, Atlantic Petroleum added significantly to its reserves and resources and increased its exploration portfolio to its largest ever—as production revenues look poised for new heights.

LAST YEAR (2013) saw Faroese exploration and production independent Atlantic Petroleum increase its exploration portfolio to record levels while at the same adding dramatically to its prospective resources, which amounted to 50 million barrels of oil equivalent at year end. Meanwhile Atlantic Petroleum was floated on the Oslo Stock Exchange in a successful equity raise that netted the company 115M DKK (15.4M EUR).

With production assets maturing, however, and their replacements yet to be developed into producing fields, the fiscal year ended in the red. As severe weather caused disruptions to operations at Chestnut—Atlantic Petroleum's most important production asset to date—the output turned out slightly lower than

planned while, at the same time, oil prices moved downward.

Further on the downside, two exploration wells were dry and two more were relinquished, dealing a 119-million DKK (16M EUR) blow to the profit and loss account. Ben Arabo, Atlantic Petroleum's CEO, said: "2013 exploration was not as successful as we hoped in terms of wells, but we are building a portfolio for future delivery, and the larger portfolio gives us ample opportunity for low exposure high upside exploration through commercial deals."

The year's net production amounted to 720,000 barrels of oils equivalent, against 928,000 boe in 2012. Earnings before interest and taxes fell to minus 11.6M DKK (1.55M EUR), compared to

246.8M DKK (33M EUR) on the plus side in 2012. Total assets, on the other hand, increased to 1.237 billion DKK (165.57M EUR) against 1.121BN (161.1M EUR) in the previous year. Similarly, total equity increased from 537.1M DKK (71.9M EUR) in 2012 to 597.3M DKK (80M EUR) in 2013.

Significantly, in the company's largest deal to date, Atlantic Petroleum took over a 25-percent interest in the Orlando and Kells fields from Iona Energy. With a price tag of 39.1M USD (28.2M EUR) plus minor royalties, the acquisition of the two development assets in the UK sector of the North Sea entails the largest development commitment ever for Atlantic Petroleum, promising new production revenues in 2016 to replace

The Hummingbird FPSO (floating production, storage and offloading unit) used in the Chestnut production field; CEO Ben Arabo (below).

slowly dwindling income from mature fields.

Production field Chestnut, meanwhile, has outperformed estimates for years on end, and is proving surprisingly valuable with an output curve that has stayed stable for a long time.

EXPLORATION UPSIDE: "As everyone knows, we've got three assets in production at the moment," CEO Ben Arabo noted. "We've got Ettrick and Blackbird; they are getting a bit more mature now, they're in a decline curve and you would expect Chestnut to be in a similar decline curve, taking into account that the field has produced since 2008. But our reserves on Chestnut at the end of 2013 are actually 1.1M barrels net to Atlantic Petroleum."

Mr. Arabo added: "We can see that Chestnut has actually had an increase in production over the last three years. We're producing on average more than a thousand barrels a day from Chestnut and it's a fairly flat curve. We opened the chokes and we actually managed to get an increase in production from '11 to '12 to '13 and the water cut has stabilized just below 50 percent."

"So what's happening now," he said, "is that the operator is looking at the reservoir models and we're looking at contract extension options and also looking at further extensions and other development options. Because if there truly are, perhaps up to ultimate recoverable reserves that could add perhaps tens of millions of barrels in reserves gross, you could look at other options. So this is a piece of excellent news for us and provides us with a very solid base in the near term and gives us a lot of encouragement.

Chestnut produces about half of our total production, and it looks like from this curve that it could keep on producing for quite a while."

Next in line to come on stream will be Orlando, which according to Gaffney Cline has gross proved plus probable ('2P') reserves of 15.37M barrels.

As Mr. Arabo pointed out, the exploration portfolio "is more exciting than ever. We have projects forthcoming where we came in early and were awarded licenses. These prospects will be spudded before long. In the UK, there is, for example, Skerryvore and Aurora."

Then there is Perth which does hold a lot of potential reserves if the technical challenges can be met. At the moment Perth is classified as contingent resource in Atlantic Petroleum's books but if a successful development case can be put forward, the resources will become produceable reserves.

"These potential assets are currently not included in asset analyses. It's up to the operator and the partners to get the Perth project on track; for us there is an upside in case a decision is made to develop it."



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Atlantic Petroleum is a Faroese independent exploration and production (E&P) company with oil and gas interests in the UK Continental Shelf, the Norwegian Continental Shelf, the Irish Continental Shelf, the Faroese Continental Shelf and the Netherlands.

The Company has interests in around 40 licenses containing over 50 fields, discoveries, prospects or leads. Furthermore, Atlantic Petroleum has partnerships with more than 20 international oil companies operating in North West Europe.

The objective of Atlantic Petroleum is to develop offshore oil and gas potential in North West Europe on a commercial basis, and presently the Company engages in activities ranging from exploration, through appraisal, to development and production.

Atlantic Petroleum is currently a small robust and sustainable company.

Our ambition is to grow significantly. Throughout our growth, we will have security in production and use production income to explore.

Our portfolio consists of a wide variety of assets including high-impact potential exploration assets.

Atlantic Petroleum has two highly experienced technical hubs in London and Bergen. The hubs work as a technical unit bringing the know-how from the mature UK sector to the less mature exploration areas.

Atlantic Petroleum is listed on NASDAQ OMX Copenhagen and on the Oslo Stock Exchange (Oslo Børs).

NASDAQ OMX ticker: FO-ATLA CSE
Oslo Børs ticker: ATLA
Bloomberg ticker: ATLA IR
Reuters ticker: FOATLA.IC