



First well drilled in South Falkland Basin

BHP Billiton, with partner Falklands Oil and Gas, drilled the first well in the South Falkland Basin, on the Toroa prospect, between May and July. No hydrocarbons were encountered in this well and it has been plugged and abandoned.



*Ocean Guardian and Maersk Pacer working in the North Falkland Basin
(With thanks to the Captain and Crew of the Maersk Traveller for the photograph)*

Drilling Update

Rockhopper Exploration has announced that well FI 26/06-1 (Ernest), which was the first well to be drilled in the southern part of the North Falkland Basin, is a dry hole but that good sands with high porosity and permeability were encountered. The Ocean Guardian will now return to well FI 14/10-2 'Sea Lion', which was suspended in May following Rockhopper's announcement of an oil discovery.

According to Rockhopper Exploration, tests on the hydrocarbons extracted before the Sea Lion well was suspended suggest that the oil encountered was medium gravity crude oil, ranging from 26.4 – 29.2° API. More detailed results will be achieved on completion of the well testing programme. However, even if the testing yields positive results, this might not guarantee that the hydrocarbons present in the Sea Lion prospect are in commercial quantities. If the well test proves positive, it is likely that an appraisal well programme would have to follow before commerciality could be established.

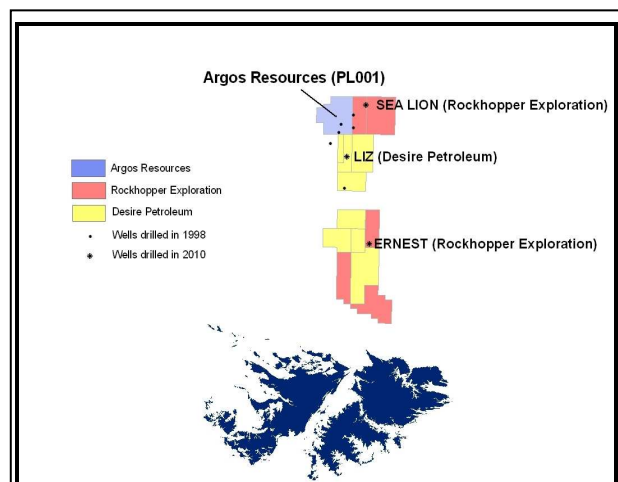
Once operations at Sea Lion are complete, the rig will return to Desire Petroleum to drill the remaining wells in this drilling programme.

Argos Resources admitted to AIM

Long-time North Falkland Basin Licensee Argos Resources has placed £22m of new shares on the Alternative Investment Market of the London Stock Exchange. Trading of the shares commenced on 29th July.

Argos's subsidiary, Argos Exploration was awarded a Competitive Round Production Licence in June 1997 as part of a consortium led by Amerada Hess. The consortium acquired 1416 km of 2D seismic and drilled two wells in 1998. Both wells had oil shows but were not regarded as commercial, so they were plugged and abandoned, after which Amerada Hess and all other group members apart from Argos withdrew, leaving Argos with 100% of the Licence.

Argos's current licence area, PL001, covers 1,126 km² and adjoins licensed areas currently being explored by Desire Petroleum and Rockhopper Exploration.



Map of North Falkland Basin showing Argos Resources Licensed acreage and wells drilled in the Basin to date

Argos Resources now plans to undertake a 3D seismic programme over a number of prospects identified in the earlier 2D seismic programme, with a view to being able to select drilling targets for a drilling programme in late 2011/early 2012.

Ocean Guardian Tow

On 23rd November 2009, Ocean Guardian was towed out of Invergordon by the Balder Viking, with Maersk Leader in attendance. Once in the Moray Firth, Maersk Traveller connected her 1300m 83mm tow wire to the Ocean Guardian and the long tow began.



*Ocean Guardian being towed by Maersk Traveller, en route to the Falkland Islands
(Photo: Captain and Crew, Maersk Traveller)*

The tow was completed in 4 legs: Invergordon, Scotland to Las Palmas, Canary Islands, Las Palmas to Suape, Brazil, Suape to Vitoria Brazil, and Vitoria to the 'Liz' prospect – a total of 7607 nautical miles.

On Saturday 5th December, en route to the Canary Islands, at night in gale force winds and 6-8 metre seas, the tow-wire parted. The following morning, when Maersk Traveller retrieved the tow wire, it was clear that one of the rig's tow bridles had also parted, meaning that the reconnection of the tow would be in a weakened state on only one bridle. The decision was made to return to Falmouth for a new tow wire and towing pennant. With repairs completed, on 10th December the Ocean Guardian and Maersk Traveller were once again en route for Las Palmas.

The remainder of the tow was uneventful, and on 19th February Ocean Guardian reached the first drill location, 'Liz'.

Oil Exploration Fliers

A further flier in the series covering oil exploration has been produced by the Mineral Resources Department. This third flier details legislation and regulation in place and measures taken by the industry to protect the environment .

For a copy of the fliers please contact Natalie Lloyd, nlloyd@mineralresources.gov.fk .

Introduction to Petroleum Geology Workshops

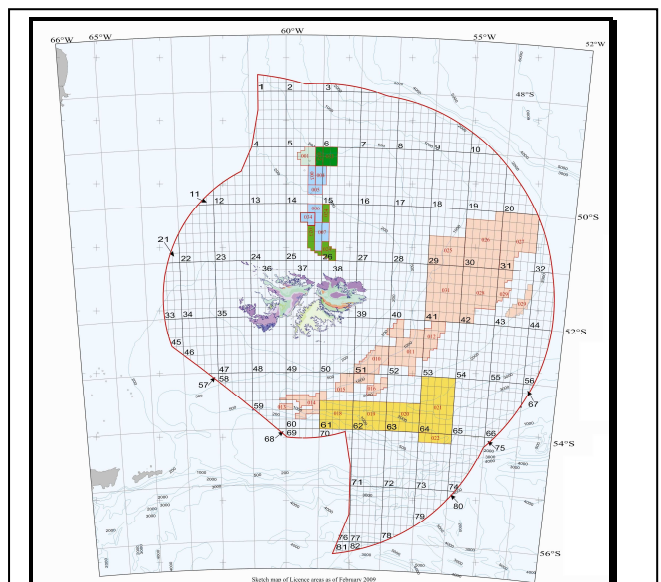
FIG consultant, Dr Phil Richards of the British Geological Survey (BGS) delivered some very well-attended Petroleum Geology workshops to a broad cross-section of the Community when he visited in June. The workshops covered petroleum geology, licensing, exploration, production, and alternative energy and renewables. At the end of the workshops there were some practical sessions in which attendants could even try their hand at interpreting seismic data to find an oil-field.

Update: Environmental Impact Statements

Borders & Southern Petroleum's Environmental Impact Statement, covering their two proposed drilling sites in their acreage in the South Falkland Basin, was approved at the June meeting of Executive Council.

Due to the extension of the drilling programme, the original addenda produced by RPS Energy for Desire Petroleum and Rockhopper Exploration do not consider the seasonal issues in respect of the months in which these companies will now be drilling. As a result, RPS Energy has now produced further addenda to cover the new drilling period. These were advertised for a period of public consultation which closed on 30th July 2010. The Mineral Resources Committee will now consider these documents at its meeting in August.

Map of Offshore Exploration Areas



Map of Offshore Exploration Areas showing current licensed blocks

For further information about mineral exploration in the Falkland Islands please contact the department for a free brochure and map on email: nlloyd@mineralresources.gov.fk Fax +500 27321 or Tel +500 27322. Details about licensing activities and conditions are available on website www.falklandislands.com and www.falklands-oil.com or from pchristie@mineralresources.gov.fk or prendell@mineralresources.gov.fk A list of geological brochures, maps and reports for sale is also available from the department.