



Falkland Islands Government

Department of Mineral Resources

Newsletter - December 2011

Final well for *Ocean Guardian*

Desire Petroleum as contractors for the *Ocean Guardian* have confirmed that the current well being drilled by Rockhopper Exploration will be the final well for the rig in the Falkland Islands.



The Ocean Guardian drilling in the Falkland Islands. Photo courtesy : Diamond Offshore

The *Ocean Guardian*, owned by Diamond Offshore Drilling Ltd. has been exploring in the Islands since February 2010. During its time here the rig has drilled a total of 17 wells for: Desire Petroleum(6 wells), Rockhopper Exploration(10 wells), and a single BHP/FOGL well, which was also the first in the South Falkland Basin.

There have been several successes with the obvious being the Sea Lion field discovery and the subsequent appraisal of that field. There was also the Liz gas discovery early on in the programme in February 2010.

The drilling conducted by the *Ocean Guardian* has been very good and received praise from the industry for efficiency and safety throughout the programme.

We will be sad to see the *Ocean Guardian* leave the Islands, but like all good stories it must come to an end, we will all look back fondly on the rig's duration here and the significant contribution it has made to the future of the Falkland Islands Oil Industry.

Exploration Update

Rockhopper Exploration have continued their appraisal programme of the Sea Lion reservoir with 3 more appraisal wells since the last newsletter. The company have also declared a discovery of a new oil rich sand body dubbed "Casper" discovered in the 14/10-9 well.

The first well since the last newsletter was 14/10-7 commencing on 22/08/2011, and reached a total depth of 2696m. This well was located to explore the northern fringe of the Sea Lion Main Complex (SLMC). The well encountered a high quality reservoir package and oil column. The company went on to say that this has significantly de-risked the SLMC.

The next well 14/10-8, was both to appraise the SLMC and explore for the "Casper" and "Kermit" fans. The well was drilled to a total depth of 2635m and encountered good quality, thick reservoir packages in all three targets. However all the sands were water wet and the well is a dry hole. Rockhopper believe that the reservoir in this well is separated by a fault from the rest of the SLMC, hence the lack of hydrocarbons. However the prognosis for the rest of the field has been upgraded because of the thickness and quality of the reservoir encountered.



The Toisa Invincible PSV. Photo: Department of Mineral Resources

Finally the 14/10-9 well was completed to a final depth of 2635m and was successful in both Casper and Sea Lion Fans encountering good quality reservoir package and oil presence.

The Casper sand is good quality with a gas cap on top of the oil bearing sand.

The Kermit sand was also encountered, however it was water wet with oil shows.

The current well being drilled (14/15-4) is within the new farmed in acreage of PL004. This well is aimed to test the Sea Lion fans extension and also the "Beverley" prospect.

Leiv Eiriksson Update

The *Ocean Rig* 5th generation semi submersible *Leiv Eiriksson* has now completed its work for Cairn Energy in Greenland.



Leiv Eiriksson. Photo courtesy: Ocean Rig

The rig will now pass onto the Borders & Southern contract for drilling in the South Falkland and East Falkland Basins. The rig will drill 2 wells for Borders & Southern and 1-2 wells for Falkland Oil and Gas; beginning in the first half of next year.

The rig mobilised toward the Falkland Islands on the 2/12/2011 and is set to arrive in early 2012.

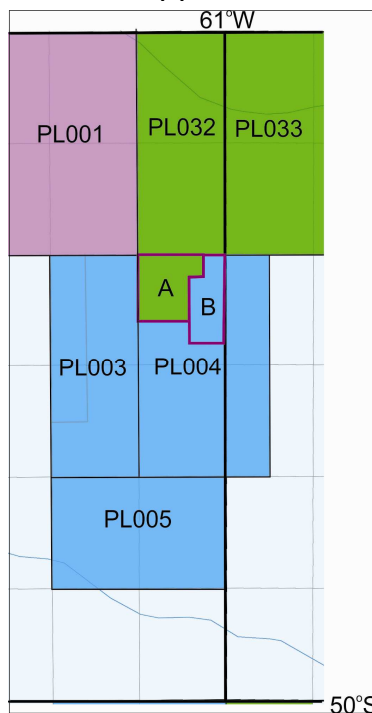
Visitors to the Department

In October Argos Resources visited the Islands for their AGM. The team included members of the board, including Ian Thomson and John Hogan and a significant number of their geological and geophysical team. During their time here they released their Competent Persons Report, (available on their website) detailing the outlook for their acreage.

Tim Bushell and Mike Thomas of Falkland Oil and Gas also visited the Islands, and gave a public presentation about their Environmental Impact Statement.

At the end of November Andy Morrison and Andy Duffy from Rockhopper Exploration also visited and gave a presentation to the business community.

Rockhopper Farms into Desire's licence



Rockhopper Exploration have come to an agreement with Desire Petroleum to farm-in to part of the Desire operated licence PL004.

There are two areas to the farm-in, A and B. Rockhopper will take on 60% of area A, with Desire holding the other 40%. Area B will now be 25% owned by Rockhopper and 75% remains with Desire.

Previously Rockhopper had a 7.5% stake in all of PL004 which remains unchanged for the remainder of the licence.

Picture from Department of Mineral Resources.

This farm in will allow Rockhopper to fully explore the Sea Lion fans as then extend southwards into PL004.

It also gives Rockhopper a stake in two other attractive prospects "Beverley" (area A&B) and "Jayne" (Area B).

Oil and Gas Development Group

The Oil and Gas Development Group comprising representatives from private sector, Mineral Resources Department and the oil industry, has been working to determine the best ways of involving the private sector in the growing oil industry. There are several pieces of work currently ongoing.

The group recently hosted an open event for the local businesses, at which the work of the group was explained. Possible development scenarios for the North Falkland Basin were presented to the gathering, which were met with interest and enthusiasm.

AAPG Conference - Milan

In November Phyl Rendell and Phil Richards (BGS) attended the AAPG (American Association of Petroleum Geologists) conference in Milan. This conference offers the chance to showcase the Falkland Islands to the oil industry.

There was a continued and genuine interest in the exploration of Falkland Islands' waters, both from other countries as well as the Industry as a whole. It was noted that many of the larger oil organisations were interested in progress in the North Falkland Basin as well as future activities in the southern basins.

Borders & Southern Progress

With the mobilisation of the *Leiv Eiriksson* the Borders & Southern programme has now begun to gather momentum. The lay down areas are nearing completion and have already had the first delivery of equipment, with another expected in mid December.



The yard with its first equipment. Photo Courtesy: Neil McKay

The first of the two Borders & Southern wells is expected to begin in late January with the well on the "Darwin" prospect. This will then be followed by the well on the "Stebbing" prospect.

Falkland Oil and Gas Update

As with Borders & Southern, the mobilisation of the *Leiv Eiriksson* means that Falkland Oil and Gas' planned wells are soon to commence. They anticipate that the Borders & Southern wells will take approximately 3 months, which puts starting their first well (Loligo prospect) in late April or early May. This will then be followed by either an appraisal well on Loligo in case of success or a further exploration well on either, Scotia, Vinson or Nimrod prospects. A final decision will depend upon the outcome of the other wells in the programme.

The Environmental Impact Statement submitted by the company in September has, after lengthy public consultation and external review, been passed by the Mineral Resources Committee. It is now going to the next EXCO meeting to be finally ratified.

Another New Face

Diana Aldridge has joined the Department of Mineral Resources. She takes on the role of the Directors PA. She will be the front line of the department, and brings a wealth of experience of the Falkland Islands Government, from past roles in the Attorney Generals Chambers and Public Works Department.