



Falkland Islands Government Department of Mineral Resources

Newsletter: June 2011



INVESTOR IN PEOPLE

AAPG Conference

In April two representatives from the Department of Mineral Resources visited Houston for the annual American Association of Petroleum Geologists (AAPG) conference. Director Phyl Rendell and Projects Officer Sam Cockwell joined Dr. Phil Richards in manning the stand. Falkland operators Borders and Southern Petroleum and Falkland Oil and Gas attended the event and there was also a meeting held with BHP Billiton.

There continues to be a strong interest in the Falkland Islands stand from all areas of the industry.



*The Falkland Islands stand in the International Pavilion at AAPG
Picture: Sam Cockwell*

North Falkland Basin - Drilling Update

Rockhopper Exploration have completed another appraisal well on the "Sea Lion" prospect (14/10-4). This well was drilled to a depth of 2800.7m and encountered a significant reservoir package with 20% average porosity. Analysis of flow rates indicates that the well had potential to flow at 2,700 barrels/day.

Once 14/10-4 was plugged and abandoned the rig returned to Desire for their final planned well in this programme, "Ninky" (14/15-3). This well was drilled to a total depth of 2,620m. The well encountered two sand prone sections with a net reservoir thickness of only 5.6m. Porosity was also disappointing with an average of 13%. The well was then plugged and abandoned. The *Ocean Guardian* then returned to Rockhopper to drill 14/10-5.

Rockhopper spudded 14/10-5 on the 1st of May 2011; the well reached total depth at 2726.4m. The well encountered good sands, and will now be flow tested using a fully engineered Drill Stem Test.

Following the testing operations Rockhopper is planning another well to test their mid case scenario for the Sea Lion field.

Visitors

The last three months have seen visitors from Argos Resources, Rockhopper Exploration and Desire Petroleum.

Ian Thompson, Chairman of Argos Resources visited with a delegation from the company to present their recently published EIA in public meetings in Stanley and Port Howard.

From Desire Petroleum, Financial Director Eddy Wisniewski and new exploration Director Ken Black also paid a visit to the Islands.

We also had a visit from Peter Dixon-Clark and Paul Culpin from Rockhopper Exploration. They held a public meeting examining the potential development scenarios for Falkland Islands oil fields. The use of Floating Production Storage and Offloading (FPSO) was examined in detail with a field in the West of Shetland as an example.



*The Petrojarl Foinhaven, an example FPSO
Picture: Teekay Corporation*

Seismic Vessels Depart

The distinctive Polarcus vessels that we have become familiar with in the Islands since they first arrived in November 2010 have now both departed the Islands after completing several significant 3D seismic programmes. The data was collected for Argos Resources, Desire Petroleum, and Rockhopper Exploration.

Desire have said that they are very pleased with the data and initial analysis indicates that it is of good quality and processing of their data will be completed later this year.

The remaining seismic vessel *Ocean Endeavour* has been in the Islands collecting data for FOGL within their southern licence area.

Southern Basins Rig Change

The Ocean Rig semi submersible *Eirik Raude* which was due to come to the Falklands later this year to drill for Borders and Southern Petroleum and Falkland Oil and Gas Ltd. (FOGL) has been replaced with her sister ship the *Leiv Eiriksson*. The *Leiv Eiriksson* has recently upgraded the BOP (Blow Out Preventer) with Casing Shear rams, which will provide the rig with superior capabilities in the event of a well control episode. The *Leiv Eiriksson* is currently operating in western Greenland and is due to arrive in the Falkland Islands around the end of 2011.



The Ocean Rig - Leiv Eiriksson.
Picture: Ocean Rig

Tim Bushell CEO of FOGL said, "We believe the *Leiv Eiriksson* offers improved technical capabilities, adds more certainty to our drilling timetable and also flexibility, given its potential availability, after the firm drilling programme has been completed."

Other Southern Basins News

Falkland Oil and Gas Ltd. (FOGL) have announced that they have entered into an agreement with Borders and Southern Petroleum and Ocean Rig Inc. to contract the *Leiv Eiriksson* for two firm drilling slots.

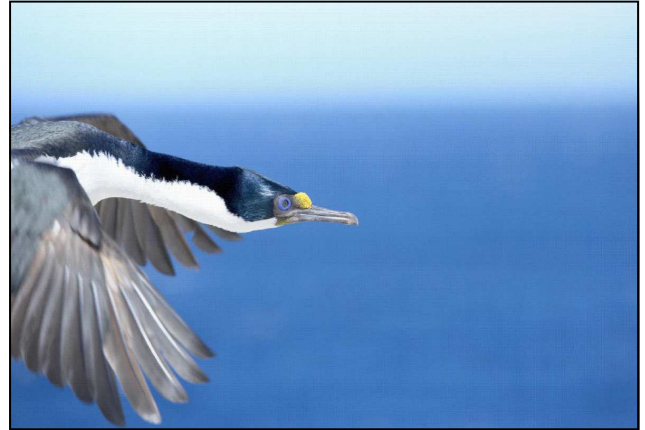
FOGL have also announced that their planned site surveys have been completed; the seismic surveys covered the prospects Inflexible, Vinson, Scotia, Hero and Loligo. FOGL have said that the results of the Loligo surveys will determine the location of the exploration well that is to be drilled into that prospect.

Separately FOGL also plans to acquire additional 2D data over the Scotia and Hero prospects to fine tune locations for exploration wells on either of these two prospects.

Borders and Southern Petroleum have confirmed that they will drill the Darwin and Stebbing prospects with the first two drilling slots of the *Leiv Eiriksson* in the fourth quarter of this year.

Argos Resources Limited EIS

Argos Resources Limited have submitted their Environmental Impact Statement for Exploration and Appraisal drilling in licence block PL001 in the North Falkland Basin. Copies were circulated throughout the community and an announcement made in the Gazette. The period for public consultation closed on the 13th of June. The Falkland Islands Government has sought an independent external review of the document by the Scottish Association of Marine Sciences (SAMS).



The Striking front cover of Argos Resources EIS
Picture: Argos Resources

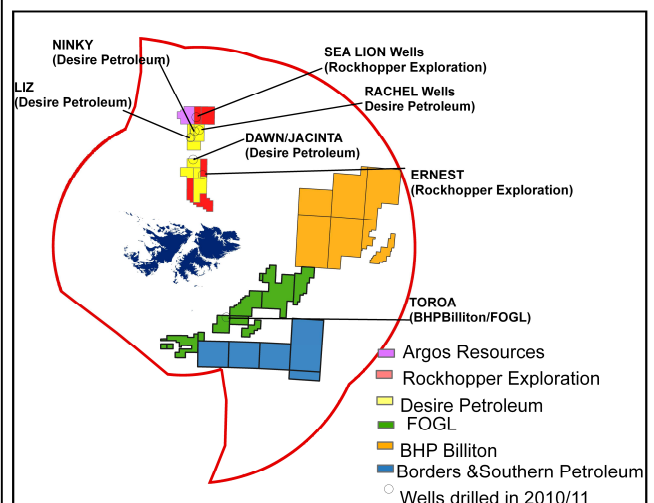
Copies of the EIS can still be viewed at the Department of Mineral Resources; electronic copies are available along with a limited number of hard copies. Interested persons should contact Sam Cockwell:

scockwell@mineralresources.gov.fk

Or see the Argos Resources website:

<http://www.argosresources.com>

Wells Drilled to Date



Map of offshore exploration areas including wells drilled.
Picture: Department of Mineral Resources

For further information about mineral exploration in the Falkland Islands please contact the Department of Mineral Resources for a free brochure and map on email: nloyd@mineralresources.gov.fk Fax: +500 27321 or Tel: +50027322. Details about licensing activities and conditions are available on website www.falklands-oil.com or from scockwell@mineralresources.gov.fk or prendell@mineralresources.gov.fk. A list of geological brochures, maps and reports for sale is also available from the department.