



News release

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North Sea Oil alive and kicking according to Hannon Westwood

Hannon Westwood, the oil & gas industry intelligence and business development services company, announces its 2009 UKCS North Sea Drilling Results 'Analytical Report'.

Highlights:

- 41 wells drilled in 2009, (compared with 77 in 2008) of which 28 were successful in appraising or finding additional technical reserves -**68% success rate** compared with 47% in 2008.

- the success rate in 2009 was more than double the long term UK average

- 1224 mmmboe of appraised and new technical reserves found in 2009 compares with UK production of 836mmboe = 146% technical replacement rate

- recovery in the oil price and reduction in rig rates is leading to a pick up in drilling in the 1st quarter of 2010

Chris Bulley, executive director, Hannon Westwood, says:

"In response to the economic downturn, drilling activity dipped significantly in 2009 compared to 2008. However, the increased success rate is testament to the improving expertise and technology being applied in the UK exploration + production industry to locate reserves on the UKCS, and we see this high quality technical success continuing.

"With approximately 240 known forecast wells currently in various stages of planning for the period 2009 to 2015, there is still a substantial exploration resource to be tapped in the North Sea."

end

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Summary highlights of 'Analytical Report':

- 41 well spuds of which 18 were appraisal wells and 23 were exploration wells. Estimated E & A spend for 2009, \$1.25 billion.
- There were 28 successful wells, 14 appraisal and 14 exploration
- Overall 68% finding & appraisal technical success rate – c.78% appraisal success, c.61% exploration success.
- Estimated 1,224 mmboe found/progressed in E & A wells vs 2009 UKCS production of 838 mmboe
- 14 successful exploration wells found an estimated 408 mmboe - average rate of 29.1 mmboe/successful well
- 14 successful appraisal wells progressed an estimated 816 mmboe - average rate of 58.3 mmboe /well
- By Licence type there were 36 Traditional, 4 Promote and 1 Frontier well spuds.
- Exploration finding costs ranged from \$0.1 to \$1.9 per boe. Appraisal costs ranged from \$0.3 to \$5.3 per boe.
- New Entrant companies (in UK since 2003) participated in 57% of appraisal successes, and 57% of exploration successes.
- Wells on 21st Round onward Blocks accounted for 363 mmboe (30%) of 1,224 mmboe found/progressed in 2009. 1st to 4th Round Blocks accounted for 132 mmboe (11%).

2009 overview

During 2009 the oil price averaged about \$62 a barrel, down from \$100 in 2008. This downturn was reflected in E & A drilling which dropped by 47% compared to 2008 levels. There were 41 (77) new well spuds comprising 23 (41) exploration and 18 (36) appraisal wells (2008 figures). The comparable low number of new well spuds was last seen in 2003. There were 14 (18) exploration and 14 (19) appraisal successes in 2009, with an overall success rate of 68% (49%).

In 2009, in response to the economic downturn, drilling activity dipped significantly compared to 2008 when the number of wells drilled reached a high not seen since the late 1990's. Many of the rigs in action in the first half of the year had been contracted in the high price environment of 2008. We estimate per well costs in 2009 were about 10% higher than in 2008. Towards the end of the year, rig rates, especially in the SNS sector, fell to more 'affordable' levels, and this should lead to a recovery in drilling for 2010 and, following a slow start, activity does appear to be picking up compared to 2009. At the end of Q1 2010, there were eleven new well spuds and no sidetracks compared with seven and ten, respectively, for the same period of 2009.



Notes to editors

Hannon Westwood offer a wide-range of UKCS intelligence and business development services underpinned by our team of experts and our proprietary data systems.

The company was founded in 1993 by partners Jim Hannon and Charles Westwood who each have over 30 years of industry experience. Jim and Charles continue to work in the company and have built an established team of 20 oil professionals offering clients unparalleled industry knowledge, global E&P commercial expertise and geo-technical experience.

Further information on the 2009 UKCS Drilling Report can be obtained by contacting Hannon Westwood on +44 (0) 141 534 7903

<http://www.hannonwestwood.com/>