

ESSO EXPLORATION NORWAY INC.

Telephone 41 76 20

Postbox 1369, Oslo 1.

Oslo, July 19, 1965.

Confidential.

Mr. J. Evensen,
Statens Oljeråd,
Oslo.

The Norwegian Continental Shelf.

We wish to thank you for your confidential letter of June 28 on the above subject. Consistent with your intention to group various blocks into suitable production license units we would like to suggest that the blocks mentioned in your letter be grouped into licenses as follows :

License A	Field 16 Field 25	Blocks 1, 2 & 7 Block 11
License B	Field 17 Field 18	Blocks 8 & 9 Block 7
License C	Field 8 Field 9	Blocks 2 & 3 Blocks 7 & 8

We completed a major portion of our reconnaissance geophysical survey during the 1963 and 1964 seasons (9000 kms) and are presently well along on a 3500 kms detailed survey which should be finished in September. Under these conditions, the geophysical operations have not been included as part of the future work programme; however, geological and geophysical studies will continue so as to obtain the best possible interpretation on which to select the first drill site.

The programme listed below, is the minimum forecast by our company, and its completion is contemplated during the first three years of the six year term of the licenses, assuming that all results are non-productive. If during the course of executing the minimum programme encouraging results are indicated, we, of course, would increase the activity far beyond the original adopted programme. Should commercial deposits of hydrocarbons be discovered, their development would require the expenditure of sums possibly in excess of Kr. 800 million (\$ 114 million.)

Minimum Work Programme.

5 exploratory wells in total. If the above suggested grouping is acceptable, 2 exploratory wells would be drilled on license A, one on license B and 2 on license C.

Although you indicate in your above mentioned letter that discussions with our company of a work programme should be on the basis of the 11 blocks enumerated therein, we wish to advise that we would be most desirous of obtaining one additional block, thus making a total of 12 blocks. The additional block we would choose, if available, would be either field 8, block 7 or field 8, block 4. In the event we were able to obtain anyone of the 2 above mentioned blocks in order to promptly evaluate the additional area, we would increase the minimum number of exploratory wells from 5 to 6 with the obligation of drilling 2 exploratory wells on each of the 3 licenses that would be involved.

Exploration Drilling.

Tenders, including detailed equipment and performance specifications, are being completed and will be forwarded to a selected few of the most competent and experienced drilling contractors for consideration. In informal conversations with these firms, all have shown great interest in competing for this work even though we are requesting rig delivery by October 1966. Inasmuch as the Norwegian Continental Shelf operations will be conducted in unusually deep water and at greater than normal distances from shore, very few existing floating drilling platforms are completely suitable, so that proper equipment will undoubtedly have to be built for this work. We are requesting, in all tenders, that if new equipment must be constructed, Norwegian heavy industry be used by the contractor as a source of supply provided the delivery time, prices quoted, quality and suitability are competitive with those of non-Norwegian sources.

Operating Base.

Arrangements to obtain an operating base in the Stavanger area have proceeded to the point of requesting a concession to permit the purchase of the site. This location was selected because it combines all the desirable features to satisfy the requirements of the minimum programme, and can also be adapted easily to accommodate an expanded programme so that it would be ideal as an operating base if and when commercial production is developed.

Executive Office.

It is presently planned to establish the executive office of Esso Exploration Norway Inc. in Oslo; however, the bulk of Esso's personnell and probably all of the drilling contractor's people will be stationed in the Stavanger area.

Yours very truly,

ESSO EXPLORATION NORWAY INC.

By _____
R. J. Loeffler
President

cc: Mr. Nils Gulnes

At a meeting on July 21, 1965 at which were present Messrs. J. Evensen and N. Gulnes of the Petroleum Council and Messrs. R. J. Loeffler, M. W. Leighton, O. Lund and R. Y. Woodul of Esso Exploration Norway Inc. the following, subject to the approval of the Ministry, was agreed :

The 11 blocks referred to in the letter of June 28 from the Petroleum Council would be grouped into 3 production licenses as follows :

License A	Field 16 Field 25	Blocks 1, 2 & 7 Block 11
License B	Field 17 Field 18	Blocks 8 & 9 Block 7
License C	Field 8 Field 9	Blocks 2 & 3 Blocks 7 & 8

The minimum work programme would be 5 exploratory wells in total; two exploratory wells to be drilled on license A, one on license B and two on license C.

With regard to the depth of the exploratory wells to be drilled, it is understood that the objective would be to drill and test the deepest prospective horizon provided, of course, that said horizon can be reached. The minimum footage that would be drilled by the 5 exploratory wells would be 45.000 feet (14.000 meters).

To accomplish this exploratory programme Esso is presently issuing tenders to 5 of the largest drilling contractors who have the experience and capability to carry out this work. Esso is specifying equipment of the size to drill in excess of 20.000 feet, if required. Under the present circumstances it is highly possible that this drilling equipment will be new as well as of the most recent and modern design. It is estimated that the completed drilling platform, including all equipment, living quarters and helicopter deck, will have storage space to operate 3 weeks without supplies from shore. It will cost excess of \$ 7.000.000. It was mentioned in this discussion that Esso has firm plans to be drilling on the Norwegian Continental Shelf by

October 1966, providing the construction programme is not delayed.

Esso stated that a purchase of sufficient property in the Stavanger area has reached advanced stage, and is presently waiting the concession from the Ministry of Industry. It is planned to use this property to establish a complete operating base which will serve during the search for oil as well as during the production phase. This plant will be used to store supplies such as pipe, cement, mud treating chemicals and various tools used in exploration. The operating office for both its contractor and Esso will be located on this property. It is estimated that Esso and the contractor's personnel will amount to approximately 70 people, many of whom will be accompanied by their families.

Esso will use its very best efforts to assure that its contractors, where new equipment must be constructed for operations on the Norwegian Continental Shelf, use Norwegian heavy industry as the source of supply. It is understood that delivery time, prices quoted, quality and suitability must be competitive with outside sources. It is Esso's opinion that drilling should be started as soon as technically feasible and, therefore, if Norwegian industry is heavily committed and can not meet reasonable prompt delivery, Esso would have to seek such equipment elsewhere. Esso will also use its best efforts with its contractors to assure that the contractors train and employ Norwegian nationals to the greatest possible extent.

In order to comply with the requirements of the Royal Decree of April 9, 1965, Esso will furnish a letter of guarantee from its parent company, Standard Oil Company (N.J.), under which the parent company will guarantee that Esso Exploration Norway Inc., title holder of the production licenses, will meet its obligations thereunder. The parent company will also agree to provide all technical know-how required to carry out all exploration and production activities under such licenses. The technology will be of the latest and most modern in the oil industry, and is based on many years of experience throughout the world.

The Esso representatives mentioned that while the 3 licenses above described and the blocks contained therein were satisfactory and much appreciated, they did indicate that if it were feasible, and any additional block applied for by Esso were to become available, Esso would much appreciate the opportunity of including same in any licenses to be granted. The reasoning for Esso's desire to obtain one or more additional blocks is to have the opportunity to investigate other possible prospective horizons which are not covered by the 3 licenses. Esso specifically mentioned field 8, block 7 or field 8, block 4 as meeting its objective. Esso stated that field 17, block 4 would help to achieve the same goal. If Esso were to be offered any additional blocks, Esso agrees to reconsider its minimum work programme with the view to increasing the number of wells.

Esso raised the question of exchanging one or more blocks with other companies. Mr. Evensen pointed out that while this would not be objectionable, any such arrangement would require Ministerial approval.

Standard Oil Company
INCORPORATED IN New Jersey

30 ROCKEFELLER PLAZA, NEW YORK 20, NEW YORK

August 9, 1965

Mr. J. Evensen
Statens Oljeråd
Oslo
Norway


Dear Sir:

Standard Oil Company (New Jersey), owner of all of the shares of Esso Exploration Norway Inc., hereby confirms that it will make available to Esso Exploration Norway Inc. all funds and technology that may be required by the latter company in order to carry out activities under any production license granted to Esso Exploration Norway Inc. pursuant to the Royal Decree of April 9, 1965 relating to Exploration and Exploitation of Petroleum in the Seabed and its Subsoil on the Norwegian Continental Shelf in response to the application dated May 1, 1965, in behalf of Esso Exploration Norway Inc.

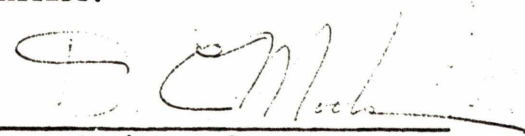
Yours very truly,

STANDARD OIL COMPANY (NEW JERSEY)

By


Vice-President

ATTEST:


Assistant Secretary

DRAFT
7/8/65

Strictly Confidential

Memo to Files

Re: Norway Application and Program

Recommend grouping blocks into concession units as follows:

- C* ~~AAA~~ Field 9 - blocks seven and eight
Field 8 - blocks two and three
- A* ~~BBB~~ Field 16 - blocks one, two, and seven
Field 25 - block eleven
- B* ~~CCC~~ Field 17 - blocks eight and nine
Field 18 - block seven

Propose work program consisting two wells concession AAA, two wells concession BBB and one well concession CCC. First well to be drilled in 1966.

We propose detailed seismic coverage on above blocks although work will probably be completed prior to granting of concessions and would not form part of future work commitment.

We disappointed that we may only expect to receive one third of blocks requested and of these the majority are those given lower priority rating. Of greater concern however is that the blocks do not provide coverage of any of the better Tertiary prospects although the Tertiary has been one of our foremost objectives in the Viking Basin. In effort to spread risks in this geologically unknown area and to obtain representative coverage on Tertiary as well as Mesozoic and Rotliegende prospects, we have definite need to obtain at least one of following blocks listed in priority sequence: Field 8 block seven, Field 8 block four or Field 17 block four. In exchange we ^{are} willing to offer ^{either of} two blocks; 18 - seven and 17 - nine; and would substitute new block for these in concession unit CCC. Recognize that to effect such exchanges will be extremely difficult but feel you may have some idea as to how problem might be approached.

WLG Prepared to ^{commit} maximum 8 wells, 3 in block AAA, 3 in Block BBB + 2 in CCC -
Addit coverage - what possibilities -

CONFIDENTIAL

17th August, 1964

SHELL/ESSO'S WORK PROGRAMME FOR
PROPOSED LICENCE GROUPINGS A, B & C

Shell/Esso have already carried out geophysical reconnaissance surveys. When granted Production Licences they propose to carry out detailed seismic reflection surveys and exploration drilling.

The programme items and expenditures now given are the MINIMA that Shell/Esso envisage completing during the six year term of the Licences (most probably within the first $4\frac{1}{2}$ years of the term). The exploration work programme will only be confined to these minima if ALL results obtained are negative and discouraging. Thus, when encouragement is obtained the programme will considerably exceed the minima given and, of course, should actual production prove possible, then development expenditures will be considerably greater and could well exceed £100 million.

Minimum Work Per Licence:

2 to $2\frac{1}{2}$ Seismic Party Months

3 to 4 Exploration Wells

Minimum Expenditure Per Licence:

£3 to £4 million

In order to carry out the seismic work, Shell/Esso would continue to use the services of geophysical contractors. If Licences are granted in time, some of the seismic work would be carried out this year 1964 before the winter sets in. Interpretation of the results would be carried out by staff of Shell U.K. Exploration and Production Ltd. with the benefit of the expert advice of both international parent companies.

In order to carry out the exploration drilling, arrangements are already in hand to have, through a well established drilling contractor, a suitable drilling outfit available, after construction in U.K. shipyards, by if possible the second quarter of next year. Tenders have already been invited by the drilling contractor, with delivery by 1st May 1965 requested. This drilling outfit will be of the self-elevating type with six legs capable of drilling in North Sea conditions. Additionally, for drilling in greater water depths plans are in hand to have available a floating drilling outfit, designed on the basis of Shell's latest widespread offshore experience. Both drilling outfits will be equipped with drilling units capable of reaching 20,000 ft.

Provisional arrangements for an Operational Base on the East Coast are already well advanced. This base will provide storage, marine loading and helicopter facilities to service drilling requirements out at sea.

17th August, 1964

SHELL/ESSO'S WORK PROGRAMME FOR
PROPOSED LICENCE GROUPINGS D TO I INCLUSIVE

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Minimum Work Per Licence:

2 to $2\frac{1}{2}$ Seismic Party Months

1 Exploration Well

Minimum Expenditure Per Licence:

£1 to $\pounds 1\frac{1}{4}$ million

In order to carry out the seismic work, Shell/Esso would continue to use the services of geophysical contractors. If Licences are granted in time, some of the seismic work would be carried out this year 1964 before the winter sets in. Interpretation of the results would be carried out by staff of Shell U.K. Exploration and Production Ltd. with the benefit of the expert advice of both international parent companies.

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