



NORSK OLJEMUSEUM  
BIBLIOTEKET

## Annual Report 1989

# NOCO

Norwegian Oil Consortium A/S & Co.

# The Amoco/NOCO group

NOCO participates in the Amoco/NOCO group, with Amoco Norway Oil Company as operator. The other partners in the group are Amerada Hess Norge A/S and Enterprise Oil Norge Ltd. From April 14, 1989, Enterprise Oil became a participant in the Amoco/NOCO-group following Enterprise Oil plc's takeover of Texas Eastern's exploration and production activities.

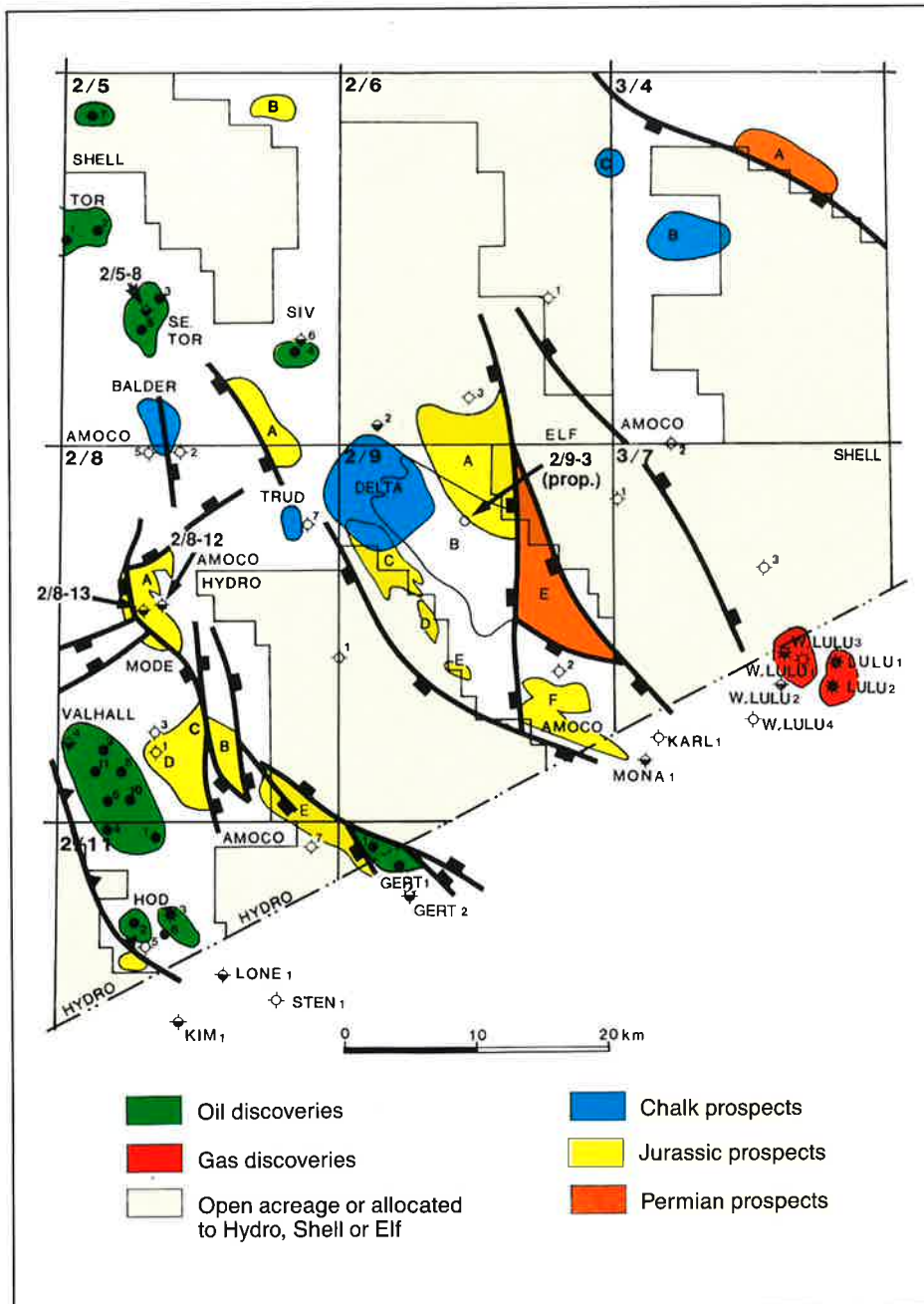
Since 1968, the group has drilled a total of more than 30 exploratory wells, which have resulted in the discovery of the Tor, South-East Tor, Valhall and Hod Fields. The Amoco/NOCO group now holds concession rights in five blocks east of the Ekofisk Area.

The licences are valid till the year 2011 (licence 006, including Tor and Valhall) and 2015 (licence 032 and 033, including Hod).

The group's main activity is developing and running the Valhall Field where NOCO has a 15.7 percent interest. NOCO holds a 3.9 percent interest in the Tor Field.

In June 1988, the Amoco/NOCO group's Hod Field development plan was approved by the Norwegian authorities. The group aims at production start in the autumn 1990. NOCO holds a 25 percent interest in the Hod Field.

Following other recent discoveries several interesting prospects at different horizons have been identified within the Amoco/NOCO acreage. The drilling of three exploration wells in 1989 did, however, not prove any commercial reserves, but there still exist several interesting prospects that remain to be drilled in the near future.



# Norwegian Oil Consortium A/S & Co.

## NOCO's twenty-fifth anniversary

1990 marks the 25th anniversary of the first licence round for petroleum exploration and production awarded on the Norwegian continental shelf. Norwegian Oil Consortium A/S & Co., NOCO, was the first Norwegian company established to participate in this, for Norway, new and challenging industry. For several years NOCO and Norsk Hydro represented the Norwegian ownership interests offshore Norway. Plans for the formation of NOCO were first launched in 1963, and the formal incorporation took place on October 30, 1965.

Prior to the establishment of NOCO, two groups of 10 Norwegian companies each, led by Georg Hagerup-Larsen from Elkem and Fred. Olsen, respectively, were formed to position Norwegian interests in relation to the large and experienced foreign oil companies and the Norwegian authorities. The two groups combined and proceeded to discuss NOCO's working relation with several oil companies, finally deciding for a cooperation with Amoco. During the first licence awards in 1965 the Amoco/NOCO group obtained three licences comprising 10 blocks. In 1969 the group was awarded licences for an additional two blocks.

NOCO is still organized as a limited partnership. The company currently has eight owners, all among Norway's most well-known companies within industry and shipping.

In 1971 NOCO initiated the formation of Saga Petroleum a.s.

Since then, Saga employees have been made available by Saga to provide administrative services and expertise to NOCO. In all other respect, the two companies continue to be completely separated.

## Board of Directors

Fred. Olsen, Chairman  
Hans Kristian Øvstaas, Vice Chairman  
Olav K. Christiansen  
Odd Eide  
Fridthjov Haavardsson  
Rolf Westfal-Larsen

## Management

Leif Dons, President

### Management and administrative services according to agreement with Saga Petroleum a.s.

Christin Schive, Managing Secretary\*  
Arne Fladby, Chief Accountant\*  
Torstein Busland, License Coordinator\*  
(\* full time)  
Per Gamre, Vice President, Partner operated licenses  
Arild Lie, Senior Manager, Exploration  
Bjørn Wandås, Senior Geologist  
Sten Arne Rødser, Senior Manager, Finance  
Jon R. Sandberg, Ass. Vice President, Finance  
Per Otto Skaug, Vice President, Marketing  
Kaare Hagness, Vice President, Insurance

### Legal Counsel:

Per G. Gulbrandsen, Attorney



NOCO's Board and President. At the back from left: Olav K. Christiansen, Odd Eide, Fridthjov Haavardsson and Rolf Westfal-Larsen. In front from left: Leif Dons, Fred. Olsen and Hans Kristian Øvstaas.

## Ownership structure January 1, 1990

	Share Capital NOK	Committed Capital Mill. NOK	Ownership Share
Aker A.S.	920 000	51.2	4/21
Bergesen d.y. A/S	230 000	12.8	1/21
A.S. Borgå	2 070 000	115.2	9/21
Kværner Eureka a.s.	230 000	12.8	1/21
A/S Selvaag Invest	460 000	25.6	2/21
Smedvigs Tankrederi A/S	230 000	12.8	1/21
Westfal-Larsen & Co. A/S	230 000	12.8	1/21
Wilhelmsen Group*	230 000	12.8	1/21
NOCO A/S			1/21
<b>Total</b>	<b>4 600 000</b>	<b>256.0</b>	<b>21/21</b>

\* Skips A/S Tudor 50%  
Skips A/S Canopus 50%

# Annual Report of the Board of Directors

## Licences

NOCO's activity is concentrated on the Amoco/NOCO Group's projects on the Norwegian continental shelf. The Group's remaining licences are in five blocks in the Ekofisk area. Amoco Norway Oil Company is operator. NOCO's other partners are Amerada Hess Norge A/S and Enterprise Oil Norge Ltd. The latter company is a subsidiary of Enterprise Oil plc, UK, which purchased Texas Eastern Norwegian, Inc. in 1989. In addition, Svenska Petroleum A/S participates in production licence 032 (block 2/9).

Production licence 006 (blocks 2/5, 2/8 and 3/4), which includes the Valhall and Tor fields, expires in 2011.

Production licences 032 (block 2/9) and 033 (block 2/11), which includes the Hod Field, expire in 2015.

The Group's most important activity is the continued development and operation of the Valhall Field, where NOCO holds a 15.7% interest. NOCO holds a 3.9% interest in the Tor Field and participates with 25% in the current development of the Hod Field.

## The Valhall Field

### (NOCO's interest 15.7%)

Production from the Valhall Field has been very satisfactory also in 1989. Average production was 80,000 barrels of oil and 77 million cu. ft. of gas per day, compared with 69,500 barrels of oil and 64 million cu. ft. of gas per day in 1988. In 1989, the operator's estimate of recoverable reserves for the

period up to 2011 increased from 300 to 335 million barrels of oil. Of this quantity 130 million barrels of oil have been produced as of December 31, 1989. Associated gas and condensate (NGL) are in addition.

## The Tor Field

### (NOCO's interest 3.9%)

Average production from the Tor Field amounted to 10,300 barrels of oil and 33 million cu. ft. of gas per day, compared with 9,900 barrels of oil and 34 million cu. ft. of gas per day in 1988. The operator estimates remaining recoverable reserves to be 47 million barrels of oil plus associated gas and condensate (NGL).

## The Hod Field

### (NOCO's interest 25%)

The development of the Hod Field progresses according to plan, and the Field is expected to come on stream in August/September 1990. Total investments, inclusive of 5 production wells, are estimated at USD 100 million. Recoverable reserves are estimated at 25 million barrels of oil plus associated gas and condensate.

## Exploration

Three exploration wells were drilled in 1989; 2/8-12 and 2/9-3 tested deep Jurassic prospects and 2/8-13 the Mode chalk structure. None of the wells tested hydrocarbons. Two exploration wells to test Jurassic prospects are planned for 1990.

## Oil price and sales

During 1989, the oil price fluctuated between USD 16 and USD 21 per barrel (the Brent/Ekofisk quotations). At year-end 1989 the oil price was USD 21 per barrel.

NOCO has delivered eight cargoes of oil at an average price of slightly above USD 18 per barrel. Total petroleum sales in 1989 amounted to NOK 600 million, compared with NOK 385 million in 1988.

A revised sales contract, negotiated in November 1989 with OK Petroleum AB, ensures a continued long-term delivery of oil at market price. At the same time, Svenska Petroleum A/S and NOCO settled an issue on the continued payment of a «floating interest» related to an agreement from 1978 with NOCO agreeing to pay a lump-sum settlement.

## Insurance

NOCO carries its own liability and indemnity insurance in connection with its operations. No accident or damage claims occurred in 1989. The Company also has business interruption insurance should accidents cause a production shutdown on Tor and/or Valhall for more than three months.

## Financial status

NOCO's debt amounted to USD 39 million at year-end 1989, a reduction of USD 18 million from year-end 1988. In November 1989, USD 9 million (NOK 62 million) was paid to NOCO's owners. Based on reasonable assumptions with respect to oil prices



The Valhall Field has produced 130 mill. barrels of oil since it came on stream in 1982.

and production, further payments are planned for 1990 and subsequent years.

The Company's liquidity is good. Bank deposits at December 31, 1989 amounted to NOK 195 million, inclusive of NOK value of USD 27.6 million.

NOCO's USD-loan matures in 1992.

#### **Ownership and committed capital**

In March 1989, A/S Selvaag Invest purchased Kosmos A/S' interest in NOCO.

Of the Company's NOK 256 million of committed capital, NOK 155 million has not been called.

#### **The Board of Directors and Management**

At the Owners' Annual Meeting on March 10, 1989, Rolf Westfal-Larsen was elected as a new member of the Board, replacing Carl Røtjer who had declined reelection. Thereafter the Board is constituted as follows:

Fred. Olsen, Chairman  
Hans Kristian Øvstaas, Vice Chairman  
Olav K. Christiansen  
Odd Eide  
Fridthjov Haavardsson  
Rolf Westfal-Larsen

NOCO's President is Leif Dons. The remainder of the administration is drawn from a joint staff with Saga Petroleum.

#### **Accounts**

The accounts for the year, prepared in accordance with the Accounting Act, result in a net revenue of NOK 161 million after deduction of NOK 139 million in depreciation. 1988's result after depreciation was a net revenue of NOK 124 million.

#### **Future prospects**

NOCO will probably receive substantial revenues in future years from its share of Valhall, Tor and Hod Field production.



*The jack-up rig Kolskaya will be used for production drilling at the Hod Field.*

However, the Company's revenues are obviously dependent upon future production performance and oil price development.

Several prospects have been identified for more exploration drilling. Should the current exploration activity result in discoveries, these could be exploited in a cost-effective manner through the utilization of

available processing capacity in the Valhall facilities.

In 1989 preliminary talks commenced with the Ministry of Finance to clarify whether acceptable conditions on taxation parameters could be established for the possible conversion of NOCO into a joint stock company.

Høvik, February 13, 1990

Fred. Olsen

Hans Kr. Øvstaas

Olav K. Christiansen

Odd Eide

Fridthjov Haavardsson

Rolf Westfal-Larsen

# Profit and loss account

	NOTE	December 31	
		1989	1988
Operating revenues		1000 NOK	1000 NOK
Gross sales, Valhall Field		577,904	365,568
Gross sales, Tor Field		23,659	19,522
<b>Total operating revenues</b>		<b>601,563</b>	<b>385,090</b>
<b>Operating costs and expenses</b>			
Operating expenses, Valhall Field		173,220	141,302
Operating expenses, Tor Field		13,762	16,669
Other operating expenses	2	42,437	21,689
Changes in crude oil inventory	3	3,060	(6,531)
Administrative expenses	4	6,369	8,821
Depreciation	5	138,813	109,635
<b>Total operating costs and expenses</b>		<b>377,662</b>	<b>291,585</b>
<b>Operating profit</b>		<b>223,901</b>	<b>93,505</b>
<b>Financial income and expenses</b>			
Interest income		14,299	11,398
Currency exchange gains	6	3,250	102,505
<b>Total financial income</b>		<b>17,548</b>	<b>113,903</b>
Interest expenses		33,206	44,297
Other financial expenses		1,052	6,472
Floating interest	7	29,101	0
Currency exchange losses	6	16,560	34,124
<b>Total financial expenses</b>		<b>79,917</b>	<b>84,893</b>
<b>Net financial income (Expenses)</b>		<b>(62,369)</b>	<b>29,010</b>
<b>Profit before extraordinary items</b>		<b>161,532</b>	<b>122,515</b>
<b>Extraordinary income</b>			
Tor Unit 1980 deferred income		0	1,351
<b>Net income</b>	<b>1</b>	<b>161,532</b>	<b>123,866</b>

# Balance Sheet

Assets	NOTE	December 31	
		1989	1988
		1000 NOK	1000 NOK
<b>Current assets</b>			
Bank deposits		195,048	143,944
Short-term receivable		6,659	24,457
Receivable from NOCO A/S		(284)	(487)
Crude oil inventories	3	13,767	16,827
<b>Total current assets</b>		<b>215,190</b>	<b>184,741</b>
<b>Fixed assets</b>			
Tor Field	5	12,378	8,526
Valhall Field	5	985,025	1,104,174
Hod Field	5	54,078	7,816
<b>Total fixed assets</b>		<b>1,051,481</b>	<b>1,120,516</b>
<b>Total assets</b>		<b>1,266,671</b>	<b>1,305,257</b>
<b>Liabilities and owners' equity</b>			
<b>Current liabilities</b>			
Current portion of Euro-dollar loan	6,8	112,540	118,260
Other current liabilities		11,041	32,695
<b>Total current liabilities</b>		<b>123,581</b>	<b>150,955</b>
<b>Long-term debt</b>			
Euro-dollar loan	6,8	145,640	256,230
<b>Total long term debt</b>		<b>145,640</b>	<b>256,230</b>
<b>Total liabilities</b>		<b>269,221</b>	<b>407,185</b>
<b>Owners' equity</b>			
Contribution from general partner	10	5,050	5,050
Contribution from limited partners	9	101,000	101,000
Accumulated earnings, prior years		792,022	668,156
Current year's profit	1	161,532	123,866
Distribution of accumulated earnings	11	(62,154)	0
<b>Total owners' equity</b>		<b>997,450</b>	<b>898,072</b>
<b>Total liabilities and owners' equity</b>		<b>1,266,671</b>	<b>1,305,257</b>
Guarantees and obligations	12		

Høvik, February 13, 1990

Fred. Olsen      Hans Kr. Øvstaas      Olav K. Christiansen      Odd Eide  
 Fridthjov Haavardsson      Rolf Westfal-Larsen  
 Leif Dons  
 (President)

# Source and application of funds

	December 31	
	1989 1000 NOK	Accumulated 1000 NOK
<b>Bank deposits, January 1/December 31</b>	<b>143,944</b>	195,048
<b>Source of funds</b>		
Contributions from the general and limited partners	0	106,050
Net income	161,532	953,554
Depreciation, Valhall Field	137,974	759,400
Depreciation, Tor Field	838	60,990
Depreciation, Hod exploration	0	52,921
<b>Total internal financing</b>	<b>300,345</b>	2,127,964
<b>External financing:</b>		
Decrease in accounts receivables	20,655	61,452
Capitalized currency exchange	0	16,980
<b>Total external financing</b>	<b>20,655</b>	78,432
<b>Total source of funds</b>	<b>321,000</b>	2,206,396
<b>Application of funds</b>		
Distribution of accumulated earnings	62,154	65,304
Development, Tor Field	4,690	73,368
Development, Valhall Field	18,826	1,744,425
Development, Hod Field	46,262	54,078
Reduction in long-term debt	110,590	145,640
Reduction in other short-term debt	27,374	123,581
<b>Total application of funds</b>	<b>269,896</b>	2,206,396
<b>Increased bank deposits</b>		51,104
<b>Bank deposits, December 31, 1989</b>		195,048



# Notes to the Accounts

## 1. NOCO's accounts

These accounts have been prepared in accordance with the Norwegian Accounting Act.

As a limited partnership, NOCO is not liable for taxation since taxes are paid by the individual partners. For this reason, no provision for taxes has been made in these accounts.

## 2. Other operating costs

(Share of joint venture expenses in the Amoco/NOCO Group)

	1989 1000 NOK	1988 1000 NOK
Exploration costs:		
Well 2/5-8	323	6,517
Well 2/8-12	14,836	7,852
Well 2/8-13	7,067	0
Well 2/9-3	10,743	0
Total wells	32,969	14,369
Administration and indirect operating costs and expenses	9,468	7,320
Total	42,437	21,689

## 3. Crude oil inventory at Teeside

As at December 31, 1988, the inventory is valued at production cost.

## 4. Administrative costs

Administrative costs relating to construction work on the Valhall and Hod Fields have been capitalized, with NOK 0.6 million for Valhall and NOK 1.4 million for Hod.

## 5. Depreciation and reserves

Depreciation in these accounts is based on the «unit of production» method. This means that depreciation is provided to the extent of NOCO's current sold production in relation to remaining recoverable reserves from the field. Oil reserves are reduced by the amount of royalty oil accrued to the Norwegian State.

The book value at December 31, 1989 of the NOCO share of the Tor and Valhall Fields, NOK 12,4 million and NOK 985 million, respectively, were obtained after deduction of unit of production depreciation of NOK 61 million and NOK 759.4 million respectively.

NOCO's share of recoverable reserves (excluding royalty oil) in 1,000 tons of oil equivalents:

	Tor	Valhall	Total
Reserves at December 31, 1988	458.6	5,166.4	5,625.0
Add reserve adjustment	25.4	213.6	239.0
Adjusted reserves at January 1, 1989	484.0	5,380.0	5,864.0
Less sold in 1989	30.7	661.0	691.7
Reserves at December 31, 1989	453.3	4,719.0	5,172.3

The depreciation percentage this year is 6% for Tor and 12% for Valhall.

After the Valhall Field came on stream, for purposes of depreciation, NOCO has used the operator AMOCO's estimates less a safety margin of 10%. Phillips' estimate less 10% is used for the Tor Field. The estimate on recoverable reserves for these fields were increased during the year.

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## 6. Currency exchange gains and losses

Items in foreign currencies are converted to NOK in accordance with the following principles:

- Bank deposits are converted at the prevailing year-end rate.
- Receivables are converted at the lower of book value or the prevailing year-end rate.
- Long-term debt is converted at the higher of book value or the prevailing year-end rate. Current liabilities are booked at the prevailing year-end rate.

Realized exchange losses of NOK 3,845,000 have been expensed in connection with the partial repayment of the Company's new USD loan. The balance of this debt was USD 39 million at year-end, and an unrealized exchange loss of NOK 1,950,000 has been expensed, based on a rate of NOK 6.57 at December 31, 1988 and a year-end rate of NOK 6.62 at December 31, 1989. Working capital has yielded a net realized exchange loss of NOK 7,513,414 during 1989.

## 7. Floating interest

The dispute with Svenska Petroleum A/S related to the payment of "floating interest", (originating from a financial agreement of 1978), has been settled amicably by NOCO paying a lump-sum settlement of USD 4.2 million.

## 8. Long-term liabilities

NOCO's USD loan has been reduced by a USD 18 million repayment during the year, resulting in a balance of USD 39 million at December 31, 1989. At year-end, USD 17 million was booked as a short-term liability.

## 9. Contribution from limited partners

The committed limited partners' capital amounts to NOK 256 million. NOK 101 million of this capital has been paid-in.

## 10. Norwegian Oil Consortium A/S (The general partner)

The general partner, Norwegian Oil Consortium A/S, is fully liable to the extent of its assets for the limited partnership's obligations. The general partner holds a 1/21 interest in the limited partnership. In accordance with the partnership agreement, the general partner manages the limited partnership.

The general partner's balance sheet at December 31, 1989 is included in this report.

## 11. Payment to the owners

NOK 62,153,938 of the accumulated earnings have been paid to NOCO's owners in 1989.

## 12. Guarantees and mortgages

NOCO has provided a guarantee of NOK 25 million to the Norwegian State for the fulfillment of its obligations with respect to production licences and possible liabilities which might arise in connection with the operations.

NOCO's members have provided counter guarantees for the same amount. NOCO has insurance which covers this.

NOCO has placed its share of production licences 006, 032 and 033 with installations, plus its current assets, as security for the USD 130 million loan.

In accordance with the licence terms, the licencees have an obligation to remove production facilities from the North Sea should this be demanded by the authorities. The present value of this obligation is uncertain, and no reserve has been reflected in the accounts to meet such cost.

## Auditor's Report

To the general meeting of Norwegian Oil Consortium A/S & Co.

I have examined the financial statements of Norwegian Oil Consortium A/S & Co. for 1989 in accordance with generally accepted auditing standards.

The financial statements are prepared according to the statutes of the Accounting Act and in my opinion present fairly the financial position and results of operations for 1989 in conformity with generally accepted accounting principles.

I recommend that the financial statements be adopted as the company's accounts for 1989.

*Slependen, February 14, 1990*

Tor Hjelmaas Larsen  
Chartered Accountant (Norway)

## Norwegian Oil Consortium A/S

### Balance Sheet

December 31

	1989 NOK	1988 1000 NOK
<b>Assets</b>		
<b>Current assets</b>		
Bank deposits	2,910,211	0
Current receivable NOCO A/S & Co	1,036,837	266
	283,773	487
<b>Total current assets</b>	<b>4,230,821</b>	<b>753</b>
<b>Fixed assets</b>		
Long-term receivables	0	237
Automobiles	44,201	63
Computer equipment	134,133	145
Share of office buildings, etc.	5,978,828	6,094
Share of assets in NOCO A/S & Co	51,586,408	55,315
<b>Total fixed assets</b>	<b>57,743,570</b>	<b>61,854</b>
<b>Total assets</b>	<b>61,974,391</b>	<b>62,607</b>
<b>Liabilities and owners' equity</b>		
<b>Current liabilities</b>		
Accrued taxes	1,300,000	0
Various current liabilities	42,468	1,245
<b>Total current liabilities</b>	<b>1,342,468</b>	<b>1,245</b>
<b>Long-term liabilities</b>		
Share of loans in office buildings, etc.	2,489,012	2,871
Share of liabilities in NOCO A/S & CO	12,820,097	19,389
Subordinated loan	3,000,000	3,000
<b>Total long-term liabilities</b>	<b>18,309,109</b>	<b>25,260</b>
<b>Total debt</b>	<b>19,651,577</b>	<b>26,505</b>
<b>Capital reserve</b>	<b>36,657,910</b>	<b>42,186</b>
<b>Owners' equity</b>		
Share capital	4,600,000	4,600
Reserve fund	1,064,904	0
Accumulated net loss	0	(10,684)
<b>Total owners' equity</b>	<b>5,664,904</b>	<b>(6,084)</b>
<b>Total liabilities and owners' equity</b>	<b>61,974,391</b>	<b>62,607</b>

Norwegian Oil Consortium A/S & Co.

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**New address from  
July 1, 1990**

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