# Den norske stats oljeselskap a.s / Annual report and accounts 1975



statoil

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# Den norske stats oljeselskap a.s

## The Board of Directors

Director Finn Lied, Chairman
Member of the Storting Ole Myrvoll, Vice Chairman
Member of the Storting Aksel Fossen
County Officer Ottar Vollan
District Governor Einar H. Moxnes
Engineer Tore Sund
Economist Hans J. Ødegaard

ALTERNATE MEMBERS

Professor H. J. A. Kreyberg
Member of the Storting Kristin Lønningdal
Engineer Erik Kastellet
Secretary Åse Gjerdsjø

The Board members Sund and Ødegaard and the alternate members Gjerdsjø and Kastellet are elected by and among the Statoil staff.

## Auditor

Certified public accountant Karl-Johan Endresen

## Board of Representatives

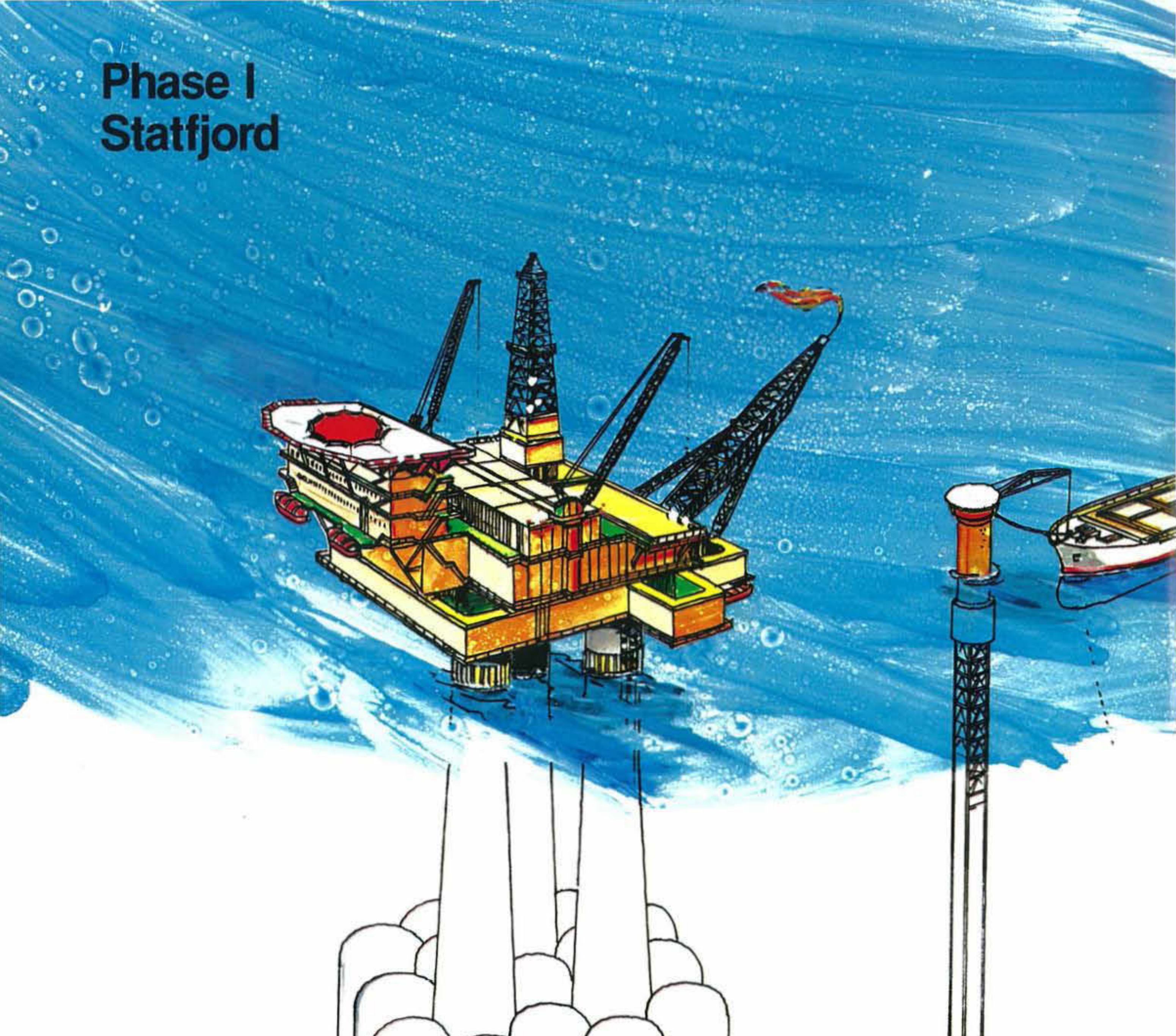
Member of the Storting Egil Aarvik, Chairman
Managing Director Ronald Bye, Vice Chairman
Lord Mayor Arne Rettedal
LO-secretary Odd Bakkejord
Teacher Grethe Westergaard Bjørlo
Member of the Storting Bodil Bjartnes
Construction worker Harald Schjetne
Director Egil Flaatin
Economist Erik Eik
Economist Hans Petter Aas
Geologist Arne Lervik
Engineer Ove E. Huus

ALTERNATE MEMBERS

Secretary Evy Buverud Pedersen
Director of Finance Johannes Andreassen
Lord Mayor Asbjørn Jordal
Economist Einar Slagstad
Engineer Ingebret Gausland

The representatives Eik, Aas, Lervik and Huus and the alternate representatives Slagstad and Gausland are elected by and among the Statoil staff.

# Phase I
# Statfjord



## Highlights

| Amounts in million N. kr. | 1975 | 1974 | 1973 |
|---|---|---|---|
| Sales | 382,3 | 98,2 | — |
| Salaries and social insurance | 20,1 | 8,0 | 2,1 |
| Depreciation | 1,1 | 0,3 | 0,2 |
| Financial expenditures | 7,9 | 7,0 | 7,6 |
| Financial result | — 62,2 | — 29,0 | — 13,7 |

| | | | |
|---|---|---|---|
| Annual investments | 956,8 | 65,3 | 238,3 |
| Total assets | 1491,6 | 502,9 | 359,6 |
| Issued share capital Dec. 31 | 755,0 | 305,0 | 155,0 |
| Number of employees Dec. 31 | 244 | 118 | 54 |

## Ownership

| Company/License | Type Activity | Statoil share | Location |
|---|---|---|---|
| Statfjord | Oil/Gas Find | 50 % | Blocks 33/9 33/12 |
| Heimdal | Gas find | 40 % | Block 25/4 |
| Frigg | Gas find | 5 % | Block 25/1 |
| Statoil/Esso Group | Operator | 50 % | Blocks 15/12 15/11 6/3 |
| I/S Noretyl | Petrochemicals | 33 % | Bamble |
| I/S Norpolefin | Petrochemicals | 33,33 % | Bamble |
| Coast Center Base Ltd. & Co. | Supply Base | 50 % | Sotra |
| Norsk Olje a.s | Distribution Comp. | 15 % | Oslo |
| Rafinor A/S | Refinery | 30 % | Mongstad |
| Norpipe a.s | Pipeline Company | 50 % | Stavanger |
| Norpipe Petroleum UK Ltd. | Landing Terminal | 50 % | Teesside |
| Statex A/S | Seismic processing | 50 % | Stavanger |

*Artist's impression of Statfjord Phase I development. Phase I consists of a combined drilling/production platform of the Condeep type with flare tower and a single point mooring buoy. The flare tower is for emergency flaring only*

# Report for 1975

As in Statoil's first two financial years, 1975 was dominated by substantial investments in production, petrochemical, and pipeline projects in which the company is engaged. These projects, along with other minor investments, totalled 957 million N.kroner in 1975 and were mainly the result of decisions by the Norwegian Parliament or Storting.

In 1975, Statoil became more heavily involved in operations, making its debut as an operator in one of the new concession areas and in developing the Statfjord oil and gas field as a major project. The Board, therefore, is stressing the rapid buildup of the company's organization to increase the technological know-how needed for the new projects and to meet the strict safety requirements and severe weather conditions that characterize the North Sea.

The Board has instructed the company to encourage the use of Norwegian goods and services in projects whenever possible, and, of the orders given so far for the first Statfjord field production platform, 70 percent or about 1.3 billion N.kroner have been placed in Norway.

The Storting in 1975 clarified Statoil's role in refining and marketing of petroleum. The company now holds ownership in the Mongstad refinery and in the new national marketing company, Norsk Olje a.s.

### Governmental Supervision of Statoil

After discussion by the Storting in 1974, the government finalized the company's Articles of Association. The Board feels that the Articles have led to a necessary clarification of the different areas of responsibility. An important provision in these Articles is the rule that the company's plans for the coming year shall be approved by the General Meeting, i.e. the Minister of Industry. The Board, accordingly, has presented the plans for 1975 and 1976 to the Ministry.

The government presented the main aspects of Statoil's plans to the Storting. The Storting's discussion of the plans implies that investments and other important decisions of the company are subject to parliamentary supervision and control.

Statoil's 12-member Board of Representatives was appointed in January 1975, and has been functioning ever since. The Representatives have elected a three member Control Committee headed by the Chairman of the Board of Representatives. They have, according to the Articles of Association, discussed the plans for the coming year and commented on the 1974 annual report.

### Development of Statoil's Organization

The Board of Directors feels that high priority should be given to organizational and technological development, and that all activities should be carried out in a responsible and safe manner.

The number of employees has increased from 118 to 244 during 1975. Particular emphasis has been given to developing internal governing systems and ensuring that the company is organized in such a way that it operates effectively and affords opportunities for the personal development of employees.

Most of the projects in which Statoil is engaged are joint ventures with other companies. All important decisions must therefore be made in cooperation with the different partners. The handling of Statoil's interests in these cooperative or joint ventures is clearly the Board's responsibility, and all important matters in joint ventures are discussed by the Board before the different Groups make a decision.

For the most part, experienced international companies have the main responsibility for the technical work in the joint ventures. The Board feels, however, that specific tasks should be given to the Statoil staff as soon as practical. To help employees gain experience, Statoil has placed personnel with the different partners for on-the-job training. In addition, Statoil became operator on one of the new consessions (the blocks 15/11, 15/12, and 6/3).

Since its creation in 1972, Statoil has devoted considerable time to safety , and the Board decided in 1975 to establish a Safety, Environmental Protection, and Quality Control Department. It will work closely with the other departments, and establish safety regulations and

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*1. Drillfloor activity onboard the drilling rig «Norskald» at the Statfjord field*

*2. The drilling rig «Ross Rig» working for the Statoil/Esso Group on block 15/12 during the summer of 1975. Statoil has chartered «Ross Rig» for a period of up to five years, beginning in 1975*

*3. Typical situation on the drillfloor during work at the Statfjord field*

procedures, and also implement these measures in day-to-day activities.

## Petroleum Exploration and Production

### □ Price and Cost

The international price increases and inflation which have taken place in the last three years, have to a large extent affected North Sea investments. In addition, delays in construction have led to higher investments because of increased expenses; the cost of a number of projects has been 100 to 150 percent higher than originally estimated.

The price level of crude oil has been maintained, in spite of the downturn in international trade. The Organization of Petroleum Exporting Countries (OPEC), has even increased nominal prices by about 10 percent.

Even though it is difficult to predict the price picture for petroleum in the coming years, the Board has, after thorough analysis, come to the conclusion that petroleum prices will show a stable development. Not only do all the petroleum exporting countries seem to be interested in price stability, but also a number of petroleum importing countries have a vested interest, because they are in the process of developing high-cost alternative energy resources.

Within the framwork of the International Energy Agency (IEA), a floor price for petroleum has been suggested. The Board is of the opinion that future oil prices will be determined by the cost of developing alternative energy resources. All indications are that price levels of alternative fuels are so high that investments in the petroleum projects in which Statoil is engaged will yield a satisfactory profit.

### □ Statfjord

The Storting approved in 1975 the exercise of Statoil's option for 50 percent ownership in the Statfjord field. This field, with estimated recoverable reserves of 520 million tons of oil and 100 billion cubic meters of associated gas, will probably dominate the company's activities and results in the coming years. The Board has, therefore, stressed the necessity for Statoil to take an active part in the project. Statoil has carried out a feasibility study of the different transportation and landing alternatives for oil, with particular emphasis on the possibility of crossing the Norwegian Trench to Norway with a large diameter pipeline.

The authorities approved the plans for Phase I development of Statfjord, with a production capability of approximately 10 million tons of oil annually. This will be achieved with a Condeep production platform and a single-point mooring buoy loading system.

Production is scheduled to start in late1977 or early 1978.

The Statoil/Mobil Group recently presented their application to the authorities for the Statfjord Phase II development. The oil will be transported either by ship or through a pipeline to Norway. The final decision on this will be taken by the Storting.

The associated gas in the Statfjord field will, during the first stage, be injected back into the reservoir, and can only be produced after a separate gas pipeline is operational. Statoil has been asked by the Ministry of Industry to study the feasibility of such a pipeline system. This is being done in close cooperation with other oil companies.

The future total gross income from the Statfjord oil production is currently estimated at approximately 300 billion N.kroner. On the other hand, full field development, with oil transportation facilities, will require an investment of 20 to 25 billion N.kroner.

### □ Heimdal

The Storting decided in May, 1975 that Statoil should exercise its 40 percent ownership option in the Heimdal field. The licensees have the right to sell the gas to British Gas Corporation. However, it has not been determined if economic conditions for development make production possible.

### □ Frigg

The development of the Frigg field has been delayed, and the first deliveries of gas to British Gas Corporation will probably take place in the latter part of 1977. During 1975, principal agreements were reached between the British and Norwegian authorities for unitization of the field or joint production on both sides of the borderline.

*1. Helicopters are the vital link between shore and the rigs*

*2. The diving bell onboard «Norskald». Divers are an important factor in North Sea work*

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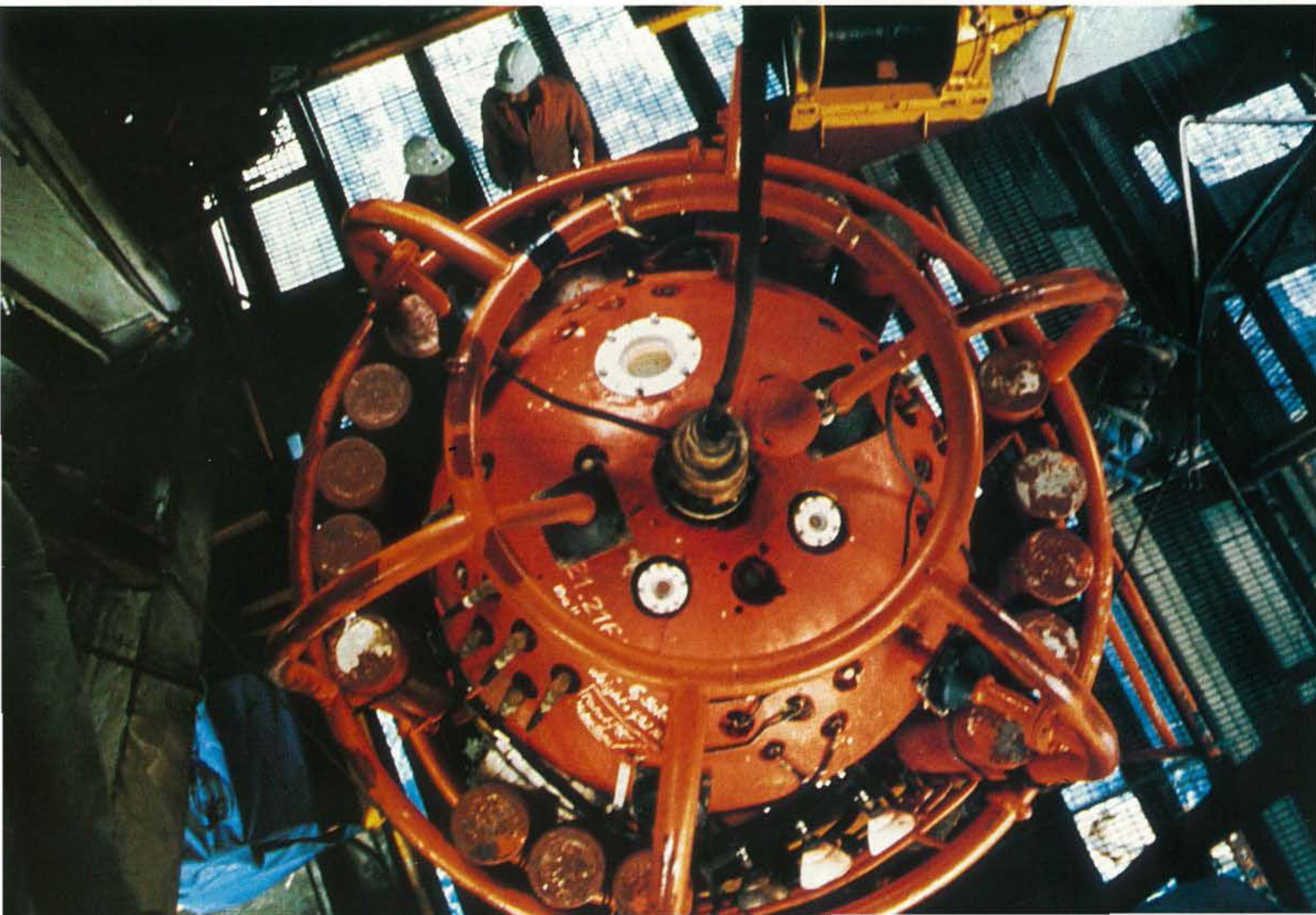


☐ Key blocks

In close cooperation with the Ministry of Industry, discussions continued between Statoil and interested companies for the exploration of the key block 1/9. A clarification of some aspects of the agreement pattern is still needed. The plans for the exploration of the key block 24/12 have been discussed further, and cooperation between the Norwegian companies, Norsk Hydro, Saga Petroleum, and Statoil is envisioned. Negotiations between the companies have begun.

☐ Statex

The financial situation of this company was not satisfactory during the first half of 1975, mainly because of concession delays. The situation improved somewhat during the last half of the year. The owners, Kongsberg Våpenfabrikk and Statoil, decided in October to increase the equity capital from one to two million N.kroner.

☐ Coast Center Base (CCB)

At a General Meeting in March, it was decided that Statoil should accept an offer from the previous owners to buy a 50 percent interest in CCB at Ågotnes, Sotra near Bergen. This decision was influenced by the Statfjord development and other activity on this part of the Continental Shelf.

## Processing and marketing of petroleum

The construction work on the petrochemical plants at Bamble is well under way. I/S Noretyl has progressed fartherest, and it is expected that the ethylene cracker will come on stream during the first half of 1977. The I/S Norpolefin plants will come on stream successively from 1977 to 1979.

☐ Royalty crude oil

On behalf of the State of Norway, represented by the Ministry of Industry, Statoil in 1975, as in 1974, was responsible for the refining and marketing of the State's royalty oil from the Ekofisk field. About 25 percent of the crude oil was delivered to the Mongstad refinery.

☐ Refining and marketing

The Storting approved in January, 1976 the government's plan for the creation of national refining and marketing organizations in Norway, after the purchase of Norsk Brændselolje A/S (the British Petroleum subsidiary in Norway) and Norske OK.

This determined Statoil's role in refining and marketing in Norway. Statoil now owns 15 percent of the shares in the new company, Norsk Olje a.s, and 30 percent of the interest in the refinery at Mongstad (Rafinor). Statoil has the job of securing crude oil not only for its own interest, but also for Norsk Olje's 40 percent share of the refinery. The State's royalty crude from the Ekofisk area will be an important source of the supply.

## Future tasks

In the Government White Paper No. 30 (1973/74) to the Storting, the Government states that Statoil will be entrusted with responsibility for the exploration of the Continental Shelf north of 62 degrees Northern latitude. The Statoil organization has been expanded in order to handle these demanding tasks.

This development will take considerable economic and technical resources, and large economic risks are involved in the opening of a new exploration area.

The first studies are under way for a large pipeline system for the transportation of gas from the Statfjord field and possibly other fields as well, to consumers either on the Continent, in the United Kingdom, or in Scandinavia.

The knowledge Statoil has gained with the Norpipe pipeline system and through the transportation study on the landing of Statfjord oil is of considerable value to Statoil for its further work with the trunk line studies.

## Financing

In the spring of 1975, the Ministry of Industry proposed guidelines for the financing of Statoil. The Storting later approved these guidelines. Henceforth, Statoil, as a general rule, will be financed by the State.

The equity capital was increased in 1975 by 450 million N.kroner. In late 1975, the Storting appropriated an additional 430 million N.kroner for equity capital in 1976.

When it was decided that Statoil should acquire interests in Rafinor and in Norsk Braendselolje (later Norsk Olje), the Storting appropriated an additional 366.5 million N.kroner. Thus in January 1976 the company's equity capital is 1,551.5 million N.kroner.

## Financial Results

The development of the Statfjord field and other projects necessitates large investments. Interest payments will be high and in the coming years the company will, therefore, show deficits until projects are on stream and investments recovered.

The Profit and Loss Account shows a deficit of 62 million N.kroner in 1975. Net operative and administrative costs are 63 million N.kroner. Net depreciation is 1 million N.kroner. Net financial expenditures are 8 million N.kroner. The accumulated deficit was approximately 105 million N.kroner at the end of 1975. The details are given in the financial statement and comments.

Stavanger, February 3, 1976

The board of Den norske stats oljeselskap a.s

Finn Lied
Chairmann

Ole Myrvoll
Vice-Chairmann

Aksel Fossen | Einar H. Moxnes | Tore Sund | Ottar Vollan | Hans Johan Ødegaard

# Statement of profit and loss for the year 1975

| | | 1975 1000 N.Kr. | | 1974 1000 N.Kr. | |
|---|---|---|---|---|---|
| Sale of crude oil and oil products | (1) | | 382 292 | | 98 151 |
| Crude oil and direct costs | (1) | | 374 650 | | 96 276 |
| | | | 7 642 | | 1 875 |
| Other income | (2) | | 2 458 | | |
| | | | 10 100 | | 1 875 |
| Salaries and social costs | | 20 142 | | 7 967 | |
| Directors' and General Manager's remuneration | | 399 | | 306 | |
| Other administrative expenses | | 38 277 | | 13 324 | |
| Registration fees | | 4 500 | 63 318 | 1 500 | 23 097 |
| Loss before depreciation | | | 53 218 | | 21 222 |
| Depreciation | | | 1 048 | | 304 |
| Loss after depreciation | | | 54 266 | | 21 526 |
| Interest income and other financial income | | 12 182 | | 14 576 | |
| — Interest on debt | | 20 032 | 7 850 | 21 535 | 6 959 |
| Loss before taxes | | | 62 116 | | 28 485 |
| Estimated taxes | | 300 | | 500 | |
| — Excess appropriated for 1974 | | 195 | 105 | | 500 |
| Net loss | | | 62 221 | | 28 985 |

# Balance sheet as at December 31, 1975

| Assets | | 1975 1000 N.Kr. | | 1974 1000 N.Kr. | |
|---|---|---|---|---|---|
| **Current assets** | (3) | | | | |
| Cash in hand | | **58** | | 60 | |
| Deposits with Norwegian banks | | **69 389** | | 107 382 | |
| Deposits in foreign currency | | **2 508** | **71 955** | 87 956 | 195 398 |
| **Short term receivables** | | | | | |
| Accounts receivable | (4) | **160 780** | | 3 961 | |
| Interest earned but not due | | | **160 780** | 463 | 4 424 |
| **Inventories** | | | | | |
| Products for sale | | | **89** | | |
| **Investments and long term receivables** | | | | | |
| Long term receivables | | **2 687** | | 951 | |
| Shares in Norwegian companies | (5) | **238 178** | | 192 650 | |
| Shares in foreign companies | (6) | **48 873** | **289 738** | 37 459 | 231 060 |
| **Fixed assets** | (7) | | | | |
| Operation equipment | | **24 457** | | 802 | |
| Transportation equipment | | **404** | | 239 | |
| Furniture and fixtures | | **5 813** | | 3 187 | |
| Installations under construction | | **224 026** | | 28 415 | |
| Construction projects | | **14 790** | | | |
| Participation in fields (options exercised) | (8) | **693 096** | | 32 348 | |
| Real estate | | **6 442** | **969 028** | 6 987 | 71 978 |
| | | | **1 491 590** | | 502 860 |

Stavanger

Finn Lied
Chairman

Ole Myrvoll
Vice Chairman

Aksel Fossen

Einar H. Moxnes

Audited. Auditor's Report submitted March 8, 1976
Karl-Johan Endresen
Certified Public Accountant (Norway)

## Liabilities and shareholder's equity

| | | 1975 1000 N.Kr. | | 1974 1000 N.Kr. | |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Accounts payable | | **293 709** | | 16 866 | |
| Interest payable | | **1 258** | | 1 647 | |
| Provision for taxes | | **300** | **295 267** | 500 | 19 013 |
| **Long term debt** | | | | | |
| Miscellaneous long term debt | (8) | **193 597** | | 32 348 | |
| Loan from the State of Norway | (9) | **150 000** | | | |
| Bank loans | (10) | **194 739** | | 188 575 | |
| Mortgage loan | (11) | **4 004** | **542 340** | 89 | 221 012 |
| Currency risk fund | (12) | | **3 975** | | 606 |
| **Shareholders' equity** | | | | | |
| Share capital | (13) | **755 000** | | 305 000 | |
| Less accumulated losses | | **104 992** | **650 008** | 42 771 | 262 229 |
| Joint liability N.Kr. 46 266 000 | (14) | | | | |
| | | | **1 491 590** | | 502 860 |

December 31, 1975
February 3, 1976

Tore Sund Ottar Vollan Hans J. Ødegaard

Arve Johnsen
Managing Director

# Notes to financial statements December 31, 1975

## General comments

The following items are charged to the profit and loss account
- All expenditures relating to the company's development and operational activities, including registration fees in connection with increase in share capital.
- All expenditures relating to the purchase, collection and processing of seismic data (except those concerning commercial fields).
- All interest charges.
- Research expenditures.

### The following items are capitalized

Expenditures concerning commercial fields where Statoil's option to participate has been exercised.

### Depreciation

Fixed assets have been depreciated according to rates recommended by Norwegian tax authorities, provided the fixed assets in question have come into use during the year.

### Conversion principles for foreign currency

Foreign currencies have been converted to Norwegian kroner according to the following principles:
- Expenditures/income are entered according to the prevailing exchange rate at the time of payment.
- Cash and short term receivables are converted at the exchange rate prevailing at December 31, 1975.
- Long term receivables/investments are entered at the exchange rate prevailing at the time they were made.
- Current liabilities are converted at the exchange rate prevailing at December 31, 1975.
- Long term debts are converted at the exchange rate prevailing when the loans were drawn.

Estimated currency losses and currency gains due to these principles are entered against the currency risk fund See also note 12 concerning allocation to currency risk fund.

### Shares in Norwegian and foreign companies

Shares in Norwegian and foreign companies (none of them quoted on stock exchanges) have been valued at purchase price.

### Joint ventures and partnerships with limited liability

Our share of the results and balance figures in partnerships with limited liability and joint ventures is included in the statement of profit and loss and in the balance sheet. For 1975 this includes ownership in the fields Frigg, Heimdal and Statfjord, the companies I/S Noretyl and I/S Norpolefin, and in K/S A.S Coast Center Base Ltd. & Co.

## Special comments

1. The sales, which are the sale of crude oil and refined products from the State's royalty oil from the Ekofisk field, are as follows:

| Amounts in 1000 N.Kr. | 1975 | 1974 |
|---|---|---|
| **Norway** | | |
| Crude oil ...................... | **126 646** | |
| Refined products............... | **158 454** | 32 000 |
| **Exports** | | |
| Crude oil ...................... | **23 415** | |
| Refined products............... | **73 777** | 66 152 |
| | **382 292** | 98 152 |

Crude oil and direct costs concern payment for the royalty oil to the Government.

2. Other income includes sale of seismic data.

3. Of current assets 2 508 400 N.Kr. are deposits in foreign currency. These deposits are in US dollars and are converted at the prevailing rate Dec. 31, 1975, which was N.Kr. 5,585 per US dollar.

4. 1 361 738 N.Kr. of the short term receivables, is short term financing for emplyees' housing.

**5.** Shares in Norwegian companies have increased, because of share capital increases in Norpipe a.s and Statex a.s, and the purchase of 50 percent of the shares in A.S Coast Center Base Ltd.
The shares in Norwegian companies are:

| Amounts in 1000 N.Kr. | 1.1.75 | Increase in 1975 | Dec. 31. 1975 | Ownership |
|---|---|---|---|---|
| Norpipe a.s .................... | 192 150 | 45 000 | 237 150 | 50 % |
| Statex a.s...................... | 500 | 500 | 1 000 | 50 % |
| A/S CCB Ltd.................... | | 28 | 28 | 50 % |
| | 192 650 | 45 528 | 238 178 | |

**6.** Shares in foreign companies include Statoil's 50 percent share of the equity capital in Norpipe Petroleum UK Ltd., totalling £ 7 415 228. In 1975 the equity capital was increased by £ 2 000 000.

**7.** Fixed assets

| Amounts in 1000 N.Kr. | Operation equipment | Transportation equipment | Furniture and fixtures | Installations under construct. | Construction projects | Interest in fields | Real estate | Sum |
|---|---|---|---|---|---|---|---|---|
| Purchased 1972 | | | 15 | | | | | 15 |
| 1973 | | 123 | 1 835 | | | 5 577 | 335 | 7 870 |
| 1974 | 802 | 151 | 1 781 | 28 415 | | 26 771 | 6 652 | 64 572 |
| 1975 | 23 655 | 224 | 3 165 | 195 611 | 15 239 | 660 748 | — 545 | 898 097 |
| Total purchase | 24 457 | 498 | 6 796 | 224 026 | 15 239 | 693 096 | 6 442 | 970 554 |
| Depreciated per. Jan. 1. 1975 | | 35 | 443 | | | | | 478 |
| Depreciated 1975 | | 59 | 540 | | 449 | | | 1 048 |
| Accumulated depreciation | | 94 | 983 | | 449 | | | 1 526 |
| Net book value Dec. 31. 1975 | 24 457 | 404 | 5 813 | 224 026[a)] | 14 790[b)] | 693 096[c)] | 6 442 | 969 028 |

a) Participation in I/S Noretyl N.Kr. 175 580 700, and in I/S Norpolefin N.Kr. 40 394 600.
b) Concerns K/S A.S Coast Center Base Ltd. & Co. (CCB).
c) Statoil's interest in fields where participation options are exercised.

| Amounts in 1000 N.Kr. | Book value Jan. 1. 1975 | Added 1975 | Book value Dec. 31. 1975 | Ownership |
|---|---|---|---|---|
| Statfjord Prod. licence 037 | | 487 313 | 487 313 | 50 % |
| Frigg Prod. licence 024 | 32 348 | 131 108 | 163 456 | 5 % |
| Heimdal Prod. licence 036 | | 42 327 | 42 327 | 40 % |
| | 32 348 | 660 748 | 693 096 | |

In the joint ventures where Statoil participates, the company has, according to the accounting agreements, the right to audit the operator's accounts within two years after the end of the accounting year. Possible corrections resulting from such audits might change the development costs for installations under construction and interests in fields.

**8.** Interest in fields

Statfjord
Statoil owns 50 percent of the Statfjord field. The capitalized amount of 487,3 million N.Kr. represents Statoil's 50 percent share of the accumulated expenditures after the field was declared commercial.

The expenditures accrued before the field was declared commercial, are carried in total by the other partners in the Group, according to the State participation agreement.

Frigg
Statoil owns 5 percent of the Frigg field. The capitalized amount of 163,5 million N.Kr. represents Statoil's estimated share of the accrued expenditures for the production licence.

According to the State participation agreement (the Petronord agreement) the Petronord Group will finance Statoil's share in full, including interest charges. The same amount as mentioned above is therefore entered as long term debt. According to the agreement this debt is repaid by Statoil's share of the net income from future production. If the debt has not been repaid before the licence expires, the then outstanding debt will be cancelled. Statoil has the option to make prepayment of the debt, and thus take over its share of the financing.

Heimdal
Statoil owns 40 percent of the Heimdal field.
The capitalized amount of 42,3 million N.Kr. represents Statoil's estimated share of the accrued expenditures for this field as per. Dec. 31, 1975.

According to the State participation agreement the other partners in the Group will finance Statoil's share of the expenditures accrued before the option to participate was exercised. This amount is estimated at 30,1 million N.Kr., and is also entered as long term debt.

According to the agreement, up to 50 percent of Statoil's share of the future income from production will be credited the other partners in the Group, as repayment of the debt. Statoil has the option to repay the debt in cash.

The rest of the entered amount, 12,2 million N.Kr. is development costs, and these are financed in full by Statoil.

**9.** 650 million N.Kr. was appropriated over the State budget for 1975 as loan to Statoil. On Dec. 31, 1975 150 million N.Kr. had been paid to Statoil. The rest of the loan will be used in 1976.

**10.** Bank loans include loans in Norwegian currency amounting to 31,1 million N.Kr., and loans of 30 millions US dollars. Dollar loans are converted at the rate prevailing at the time the loans were drawn, N.Kr. 5,4525 per US dollar. The exchange rate at Dec. 31, 1975 was N.Kr. 5,585.

**11.** This is mainly Statoil's share of mortgage loans in partnerships with limited liability.

**12.** The allocation to the currency risk fund covers the difference between dollar loans converted to N.Kr. at the rate at the time the loans were drawn and conversion to N.Kr. at the rate at Dec. 31, 1975.

**13.** 450 million N.Kr. was appropriated over the State budget for 1975 as increase in share capital for Statoil. Total issued share capital on Dec. 31, 1975 was 755 million N.Kr.

**14.** Statoil, together with the other partners in I/S Noretyl and I/S Norpolefin, is jointly liable for the joint venture companies' debt. This is mainly contractor debt etc.

**Liability**
In connection with activities on the continental shelf, including transportation systems, the Ministry of Industry can decide that a licensee should post a guaranty for a possible liability which might occur with respect to his activity (Royal Decree of Dec. 8, 1972 § 52). Statoil has, as all licence holders, an unlimited liability for possible indemnity damages exceeding those covered by insurance agreements.

**Charter agreements**
Statoil has an agreement with the Sandefjord company Ross Drilling Co. A/S for the charter of the drilling rig "Ross Rig" for a period of up to five years.

# Analysis of changes in financial position

| Amounts in 1000 N.Kr. | 1975 | 1974 | 1973 and earlier | Accumulated per. Dec. 31, 1975 |
|---|---|---|---|---|
| **Capital provided by:** | | | | |
| Increase in issued share capital | **450 000** | 150 000 | 155 000 | 755 000 |
| — Net loss | **— 62 221** | — 28 985 | — 13 786 | —104 992 |
| + Depreciation | **1 048** | 304 | 174 | 1 526 |
| Total internal financing | **388 827** | 121 319 | 141 388 | 651 534 |
| Increase in long term debt | **321 328** | 26 755 | 194 257 | 542 340 |
| Currency risk fund | **3 369** | — 4 154 | 4 760 | 3 975 |
| Total | **713 524** | 143 920 | 340 405 | 1 197 849 |
| **Capital used for:** | | | | |
| Investment in fixed assets | **898 097** | 64 572 | 7 885 | 970 554 |
| Increase in long term investments | **58 678** | 688 | 230 372 | 289 738 |
| Total long term investments | **956 775** | 65 260 | 238 257 | 1 260 292 |
| Change in working capital | **—243 251** | 78 660 | 102 148 | — 62 443 |
| Total | **713 524** | 143 920 | 340 405 | 1 197 849 |

# Recommendation from the Board of Representatives

**To the General Meeting concerning the Annual report and accounts for 1975**

At a meeting on March 19, 1976, the Board of Representatives has discussed the Board of Directors' Annual report and the proposed accounts for 1975.

The Board of Representatives recommends that the General Meeting approves the submitted Annual report and the accounts according to the Board of Directors' recommendation.

Stavanger/Oslo, March 19, 1976

Egil Aarvik

Egil Aarvik
Chairman, Board of Representatives

# Auditor's report for 1975

**To the General Meeting of Statoil, Den norske stats oljeselskap a.s**

I have audited the company's accounts for 1975 according to prevailing auditing rules and in accordance with good auditing practices.

I find that the accounts are kept and the books are closed according to the generally accepted accounting principles.

In my opinion, the accounts and the Board of Directors' report express the company's position on December 31, 1975 and the results of the 1975 operations, in accordance with conservative and proper business practice.

I do not know of conditions which could have significance for the judgement of the company's position and operations, outside those noted in the submitted accounts and in the Board's report.

I recommend that the submitted accounts are approved as Statoil's accounts for 1975.

Stavanger, March 8, 1976

Karl-Johan Endresen

Karl-Johan Endresen
Certified Public Accountant
(Norway)

# Review of the Projects

### Seismic Surveys
Statoil planned the shooting of 15,650 kilometers of seismic lines during 1975. The company also participated in 5,400 kilometers of lines shot on Third Round licenses and on former licenses with State participation.

In addition, the Ministry of Industry asked Statoil to carry out semi-detailed studies involving 7,600 kilometers outside the Møre-Trøndelag region north of 62 degrees North.

Except for the shooting of 1,250 kilometers south of 62 degrees North, which had to be postponed until 1976, the program was carried out as planned. During the year, six different vessels were used for data collection; five of these were Norwegian.

Satellite navigation and other advanced positioning methods were used for data collection. Exact positioning was stressed especially on the UK-Norwegian border blocks in the North Sea.

The collected data has to a large degree been processed by Statex, a 50 percent owned subsidiary of Statoil. The Norwegian company Geco, and the American company Western Geophysical also had substantial contracts. The 1975 data, which was of better quality than in previous years, is currently being interpreted by Statoil.

### Record Exploration Activity
In 1975, a total of 26 wells were spudded on the Norwegian Continental Shelf. This is a new record for a single year. Of the 26 wells, five were on the new consessions granted in March. A total of nine drilling rigs worked simultaneously, a new high for the Norwegian shelf.

Except for the drilling on the Statfjord field, which for the most part was successful, the 1975 drilling must be characterized as disappointing.

The wells did not result in any new commercial discoveries, but the drilling was nevertheless very important to Statoil. For the first time, the company had responsibility for operations on the Shelf. The delivery of **Ross Rig**, a Norwegian-built semi-submersible rig, capable of drilling in 1,000 foot waters, and its drilling of the first well in block 15/12, were important events, especially since the drilling from a technical standpoint was wery successful. The **Ross Rig** has shown itself to be very suitable.

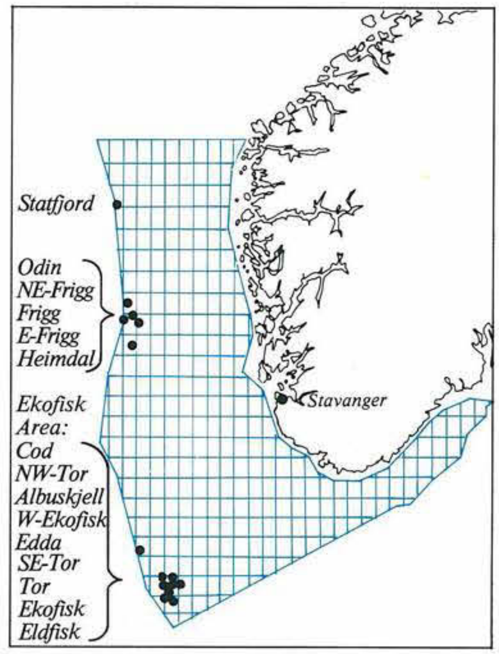
### Field Development, Production and Transportation of Petroleum

#### □ Statfjord becomes the North Sea's largest field
The development of the Statfjord field is Statoil's largest and most important project so far. From August on, Statoil became a paying member of the Statoil/Mobil Group, following a decision in the Norwegian Parliament (Storting) to exercise the 50 percent participation option.

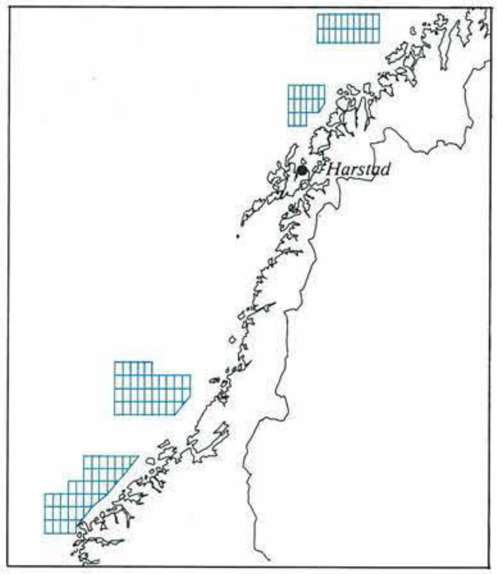
Drilling activity in the Statfjord field was largely successful. In the beginning of 1975, recoverable reserves were estimated at two billion barrels (265 million tons) of oil and 50 billion cubic meters of natural gas. At the end of the year, reserves were estimated at 3.9 billion barrels (520 million tons) of oil and 100 billion cubic meters of gas.

The development pattern for the field is emerging. The authorities have approved the plans for Phase I development, consisting of a concrete production platform and a single-point mooring buoy. The platform, of the Condeep type, is currently under construction in Stavanger and at Stord, Norway. It is an 800-foot-high production platform capable of drilling up to 40 wells and has a storage capacity of 1.3 million barrels. Construction is on schedule, and installation at the field will take place during the summer of 1976.

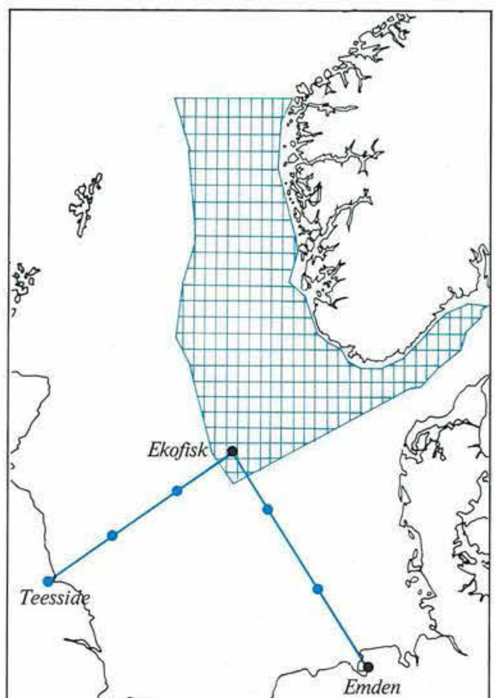
An order for a mooring buoy of the French CFEM design will be placed during the first half of 1976. By the end of 1975, orders for 1.3 billion N.kroner had been placed with Norwegian firms.




*1. The main finds on the Norwegian Continental Shelf*




*2. Alternate areas for drilling north of the 62nd parallel*




*3. The Norpipe pipelines from Ekofisk to Teesside and Emden. The oil pipeline to Teesside came on stream in October 1975*

Inflation and cost escalation will also affect the Statfjord development. It is clear that the development of Phase I will necessitate substantially larger investments than originally anticipated.

At the beginning of 1976, plans for total development of the Statfjord field were finalized, including permanent transportation facilities.

Statoil has had the task of assessing the different transportation possibilities, and a special task force has carried out a detailed study.

Four transportation possibilities have been studied in detail: A pipeline to western Norway, across the deepwater area called the Norwegian Trench; a pipeline to the Shetlands; a pipeline to the Orkneys, and permanent offshore loading.

Statoil wants to study further the possibilities of a pipeline to Norway, while the other partners in the Group want to develop a permanent offshore loading system. The decision on the development plan, including transportation, will ultimately be taken by the Storting.

In addition to the transportation study, the development plan calls for the installation of two production platforms to supplement the one already under construction. The two new platforms, providing the plan is approved, will be installed in 1979 and 1980.

The total cost of full field development is currently estimated at 19 billion N.kroner including offshore loading, and with a pipeline to Norway, the estimate is 24 billion N.kroner. Since transportation costs with an offshore loading system are larger than with a pipeline, the difference in expenditures over the lifetime of the field is almost negligible. With a pipeline, heavy investments in the project would have to be made before large scale production is attained.

During 1975, it was also proven that a small part of the Statfjord field stretches into British waters. Unitization proceedings have been initiated with British authorities and with the concession holders on the British side of the borderline.

Drilling on the British Shelf also indicated that the possibility exists that the find in block 211/19 might stretch into block 33/9 on the Norwegian side.

### □ Heimdal: Considerable uncertainty

The Storting decided in May, 1975 to exercise the option for State participation in the Heimdal gas field. Subsequently, Statoil now owns 40 percent of the field.

In late September, a contract was signed for the sale of possible production with British Gas Corporation, subject to approval by the Storting. The gas could be produced through the Frigg transportation system.

During 1975, a continual evaluation of the field was in progress, and there are substantial uncertainties concerning the reserve estimates of the field. No final decision has been made concerning field development.

### □ Frigg: Progress in platforms and pipelines.

The development of the Frigg gas field progressed during the year. Substantial portions of the two pipelines to St. Fergus in Scotland were laid, and completion could take place in 1976.

Since the first production platform for the Frigg field was lost, the booster platform under construction at Åndalsnes, Norway, was converted to a production platform. This converted platform was successfully installed in early September. The steel quarter platform was installed in July. The original production platform was salvaged during the summer, but it was so heavily damaged that it could not be used for its original purpose. To replace the booster platform a new booster has been ordered from a Swedish yard.

The platform difficulties and other problems have delayed the Frigg project, and it is now expected that gas deliveries to British Gas Corporation will start in 1977.

Due to cost escalation and delays, the project has become substantially more expensive than anticipated. The total development costs are now estimated at approximately 14 billion N.kroner.

Statoil has a five percent share of the Norwegian part of Frigg.
Elf Norge A/S is operator for field development, while Total Oil Marine UK is operator for the pipelines.

## Transportation

### □ First pipeline for the Norpipe companies

The two Norpipe companies are owned 50 percent each by Statoil and the Phillips Group. Norpipe a.s. owns the oil and gas pipelines from the Ekofisk field to Teesside in UK and Emden in West Germany, respectively. In Teesside, Norpipe Petroleum UK Ltd. owns the process plant for separation of natural gas liquids from the oil as well as the tank farm for oil storage and terminal facilities.

The oil pipeline came onstream on October 15, 1975, after a delay of some months. The landing terminal at Teesside was inaugurated on October 21. Since it opened, the pipeline has transported an average of 250,000 barrels of oil a day. Maximum transportation capability in 1976 will be approximately one million barrels a day or about 50 million tons a year of oil and natural gas liquids.

At Teesside, only the tank farm and the loading facilities have been completed. The other parts of the terminal will come onstream during 1976.

The gas pipeline to Emden in West Germany is almost complete, but there is substantial work remaining on the two booster platforms. It is expected that gas transportation will start during the autumn of 1976. The maximum transportation capability of the gas pipeline will be about 60 million cubic meters of gas daily.

The Norpipe organization has been under constant development in Stavanger and at Teesside.

Phillips Petroleum Company Norway, Inc. is operator for Norpipe. Total investments for the project, including shore facilities, are estimated at 7.7 billion N.kroner. This project also felt the effects of cost escalation during 1975.

*The Statfjord A platform under construction in Gannsfjorden near Stavanger, Norway*

*1. Travelling block and pipe rack onboard "Norskald"*

*2. The Statfjord A platform under construction near Stavanger*

*3. The deck for the Statfjord A platform under construction at the Stord yard, Norway. The platform will be mated and towed to the field during the summer of 1976*

*4. The supply ships probably have the toughest jobs in the North Sea. Here «Ibis Two» at the Statfjord field*

*5. The Norpipe terminal at Teesside, England*

## Petrochemicals and Marketing

### □ Construction going ahead at Noretyl and Norpolefin

Statoil owns 33 percent of I/S Noretyl and 33-1/3 percent of I/S Norpolefin, the two companies which are principally responsible for development of the petrochemical complex at Bamble, Norway.

Construction work at the Noretyl cracker is on schedule, and it is now expected that the plant will come onstream in early 1977. In late 1975, about 600 construction workers were employed there, and the work force should increase substantially during 1976. Considerable emphasis has been placed upon developing satisfactory housing and recreational facitities, for the work force.

The Norpolefin part of the plant is also progressing according to plans. Norpolefin is responsible for developing the polyethylene and polypropylene units. The original plans have been changed somewhat, so that the two production facilities for polyethylene production now will be completed almost simultaneously. Therefore, the last unit is somewhat ahead of schedule.

On the other hand, no final decision has been taken on the type of process that will be used for the production of high-density polyethylene. This decision should be made in 1976. The polypropylene plant is progressing according to plans.

The petrochemical complex has also been hit by cost escalation, and will be substantially more expensive than originally estimated.

### □ Interest in Rafinor refinery acquired

From 1976 on, Statoil owns 30 percent of Rafinor, the company which in turn owns the oil refinery at Mongstad, north of Bergen. In addition, Statoil is responsible for supplying 70 percent of the refinery's crude oil needs.

Because of a fire at the refinery on November 1 1975, production was interrupted but began again in February, 1976.

### □ New marketing company

Statoil owns 15 percent of the new state-controlled marketing company, Norsk Olje a.s, which the Storting voted to establish at the beginning of 1976. The new company consists of the former British Petroleum subsidiary in Norway, Norsk Brændselolje A/S as well as Norske OK and Norsk Hydro's marketing division.

The new company, which has more than 20 percent share of the Norwegian market, will be supplied from the Mongstad refinery. During the transition period, the company will market under the old "BP" insignia.

### □ Marketing of royalty oil

In 1975 as in 1974, Statoil was responsible for transportation, refining, and marketing of royalty oil from the Ekofisk field. This is 10 percent of the field's total production. In 1975, this amounted to approximately 925,000 tons of crude. Well over half was refined at the Shell refinery outside Stavanger, while approximately 200,000 tons were sold to Norsk Brændselolje for refining at Mongstad. A small amount was also refined outside Norway.

Most of the products have been sold in Norway, and the remainder mainly in other Scandinavian countries.

## Other Activity

### □ Coast Center Base (CCB)

Statoil acquired a 50 percent stake in A/S Coast Center Base Ltd. and Co. (CCB) outside Bergen in the spring of 1975, for seven million N.kroner. At the same time, Statoil assumed responsibility for half of CCB's debt, or 10 million N.kroner.

Subsequently there was a change in ownership among the other interests. The owners of CCB now are: Statoil 50 percent, A/S Investa 25 percent, Bergen Bank 25 percent. CCB has developed satisfactorily, and the base is currently undergoing expansion, mainly to provide berthing for more ships and to provide more outdoor storage space. Equity capital has been increased to finance the expansion. For Statoil, this amounted to 2.25 million N.kroner. In addition, a construction loan of 8.5 million N.kroner has been secured, of which Statoil is responsible for half.

The base will have a central position in the Statfjord development, providing supplies, transportation, service, and assembly work for the field.

3

4

5

## □ Dusavig base

The construction work on a storage facility at Dusavig near Stavanger commenced in August, 1975 for completion in March, 1976.

This facility will be used to store equipment for the semisubmersible rig, **Ross Rig**, and provide office space for rig supervision.

## □ "Ross Rig"

Statoil chartered **Ross Rig** for a period of up to five years, beginning in 1975. Technical cooperation agreements were reached with three foreign oil companies for the use of the rig during certain periods. Drilling supervisors are currently being trained for the rig.

## □ Statex

Statoil owns 50 percent of Statex A/S, which collects and interprets data from the Continental Shelf.

The financial results of the operation of Statex were not satisfactory during the first half of 1976, largely because of the delay in granting of new concessions, and a slower activity rate than anticipated. The activity and financial results improved during the last half of the year.

Equity capital of Statex was increased from one million to two million N.kroner in October 1975.

## □ Office building and administration

Construction of a new office building in Stavanger began in early 1975. The building reached its total height before the end of the year. The first offices will be occupied in early 1976, and completion of the building will take place in late spring. Even after the building is fully occupied, Statoil will continue to occupy other offices in the Stavanger area.

Therefore, during 1975 Statoil considered several locations in the Stavanger area for a permanent administration center large enough to accomodate most of its office staff. Statoil decided to locate the center at Forus, between Stavanger and Sandnes. An agreement with Forus Industritomteselskap A/S for the purchase of land was reached early in 1976. The first stage of the center may be completed by 1978.

# Articles of Association

**Art. 1** The corporate purpose of Statoil is either by itself, or in participation or cooperation with other companies, to carry out exploration, exploitation, transportation, refining and marketing of petroleum and related products, and other activities in close relationship with this.

**Art. 2** The registered office of the Company is in Stavanger.

**Art. 3** The share capital of the Company is N. kr. 1 551 500 000 divided into 15 515 000 shares of N. kr. 100 each.

**Art. 4** The Company's Board of Directors, including Chairman and Vice Chairman, is elected by the General Meeting. The Board shall be composed of seven Directors.
Two Directors shall be appointed by the General Meeting from among six nominees elected by and from among the employees in accordance with the rules then in force. For the two Directors appointed from among the six nominees who are elected by and from among the employees, one first and one second alternate shall be appointed from among the four other nominees.

For the other Directors, two alternates shall be elected, one first and and one second alternate member.

**Art. 5** Any two Directors jointly may sign for the Company. The Board may grant power of procuration.

**Art. 6** The Board shall appoint the Company's General Manager (Managing Director) and stipulate his salary.

**Art. 7** The Company shall have a Board of Representatives consisting of 12 Representatives. Eight Representatives are elected by the General Meeting and four Representatives by and from among the employees in accordance with the rules then in force.
The Board of Representatives shall meet at least twice a year.

The normal term of office of the Representatives is two years.

**Art. 8** An ordinary General Meeting shall be held each year before the end of May. General Meetings are held in Stavanger or in Oslo.

Extraordinary General Meetings shall be summoned whenever so demanded by the shareholder or the Board.

**Art. 9** The ordinary General Meeting deals with:

a) The annual report, annual accounts and the auditor's report.
b) The question of adopting the annual accounts.
c) The appropriation of profit.
d) The election of the Company's officers and alternate officers, and their remuneration.
e) The election of the auditor and his remuneration.
f) Any other matters that are specified in the agenda accompanying the notice of meeting or that are taken up pursuant to the Companies Act, Section 69A, fourth paragraph.

**Art. 10** The Board shall submit to the General Meeting, ordinary or extraordinary, all matters which are presumed to involve significant polical questions or questions of principle and/or which may have important effects on the nation and its economy.
Such matters shall be deemed to include, inter alia:

a) Plans for the next following year with economic surveys, including plans to cooperate with other companies.
b) Essential changes of such plans as mentioned in a) above.
c) Plans for future activities, including participation in activities of major importance in other companies or cooperation ventures in which the Company participates or plans to participate.
d) Matters which seem to necessitate additional appropriation of Government funds.
e) Plans for establishing new types of activity and localization of important elements of the Company's operations.
f) Plans to participate in the exploration for petroleum resources outside Norway, including the exercise of government participation option rights.
g) Semi-annual reports on the Company's operations, including operation of subsidiaries and cooperation ventures with other companies of importance.

Matters which the Board submits to the General Meeting pursuant of this Article and, if possible, matters which the Ministry has announced that it wishes to consider at such a General Meeting, shall, if possible, be set out in writing and delivered to the Ministry in good time before the General Meeting. If there has been no opportunity to submit matters as mentioned above to the General Meeting in advance, the General Meeting shall promptly be notified of the Board's resolutions.
Whenever possible, matters as mentioned in a) and g) above should be submitted to the Board of Representatives for their opinion.
The General Meeting decides whether to take note of the Board's submissions under this Section, to approve them or alter them.

**Art. 11** The provisions of the Companies Act shall be supplementary to these articles of association.

# Participation Agreements

## Norwegian Continental Shelf

| | Group | Agreement type | Block | Statoil's share | Max. share |
|---|---|---|---|---|---|
| **Statfjord** | Statoil/Mobil | Carried interest | 33/9-33/12 | 50 % | |
| **Frigg** | Petronord | Carried interest | 3/7-15/3-25/1-25/2 | 5 % | |
| **Heimdal** | Pan Ocean/Petronord | Carried interest | 25/4 | 40 % | |
| **Other Agreements** | Statoil/Esso | Carried interest | 6/3-15/11-15/12 | 50 % | 75 % |
| | Statoil/Conoco/Hydro | Carried interest | 24/9 | 50 % | 75 % |
| | Statoil/Petronord | Carried interest | 29/9-30/7 | 50 % | 66 % |
| | Statoil/Saga/BP | Carried interest | 35/3 | 50 % | 70 % |
| | Statoil/Amoco/Mobil | Carried interest | 36/1 | 55 % | 70 % |
| | Amoco/Noco | Net Profit | 2/9-2/11 | 10 % | |
| | Esso | Net Profit | 25/8-25/10-30/10 | 17,5 % | |
| | Phillips | Carried interest | 2/10 | 17,5 % | |
| | Murphy | Carried interest | 2/3-3/1-3/5-9/10 | 5 % | |
| | Conoco/Texaco/Socal | Carried interest | 2/3-3/3-8/6<br>8/9-8/12-9/4<br>9/9-9/11-10/5<br>10/10-10/12 | 10 % | |

## Dutch Shelf

| | Group | Agreement type | Block | Statoil's share | Max. share |
|---|---|---|---|---|---|
| | Conoco/Petroland | Carried interest | F/7-F/9-K/18-L/16 | 7,5 % | |

# Administration

Arve Johnsen, Managing Director
Henrik J. Ager-Hanssen, Assistant Managing Director
Olav K. Christiansen, Manager, Technical Department
Hans M. Daastøl, Manager, Procurement
Tor Espedal, Manager, Finance and Economic Planning Department
Philip H. Halstead, Manager, Exploration Department
Arne H. Halvorsen, Manager, Public Affairs and Information Department
Christian Halvorsen, Manager, Administration Department
Jose A. C. Kauffmann, Manager, Technical Department
Jon Rud, Manager, Legal Department
Erik Schanche, Manager, Marketing Department
Helge Skinnemoen, Manager, Technical Department


*Statoil's office building in Stavanger, Norway. It will come into use during 1976*

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OTTESEN S.L.A.