

Den norske stats oljeselskap a.s
Annual report and accounts 1979



Table of contents

Page 3	The Board of Directors, The Auditor, The Company Assembly.
Page 4	Highlights
Page 6	The Statfjord A stamp
Page 7	Survey of activities
Page 8	Report from the Board of Directors for 1979
Page 21	Statement of profit and loss for 1979
Page 22	Balance sheet as of 31 Desember 1979
Page 24	Comments to financial statements
Page 29	Operating result distributed according to areas of activity
Page 29	Source and application of funds
Page 29	Recommendation from the Company Assembly
Page 29	Auditor's report for 1979
Page 31	Production start on Statfjord: Summary and Perspectives
Page 37	Drilling on the Norwegian shelf in 1979
Page 38	The Articles of Association
Page 39	Survey of Statoil interests in licenses allocated as of January 1980
Page 40	Survey of the Norwegian continental shelf
Page 42	Administration as of 1 January 1980

Den norske stats oljeselskap a.s

The Board of Directors

Director Finn Lied, Chairman
Professor Ole Myrvoll, Vice-Chairman
Trade Union Treasurer Thor Andreassen
District Governor Einar H. Moxnes
Manager of the Secretariat Ottar Vollan
Engineer Trond Bolstad
Engineer Erling Haug

Alternate members

Professor H. J. A. Kreyberg
Housewife Gerd Schanche
Geophysicist Tore Sund
Secretary Åse Gjerdsjø
M. Sc. Øystein Mundheim
Economist Magne Hovda

Auditor

Certified Public Accountant
Karl-Johan Endresen, Stavanger

Company Assembly

Editor Egil Aarvik, Chairman
Managing Director Ronald Bye, Vice-Chairman*)
Trade Union Secretary Evy Buverud Pedersen***)
Trade Union Secretary Odd Bakkejord
Advisor Bodil Bjartnes
Director Egil Flaatin
Lord Mayor Arne Rettedal
Construction Worker Harald Schjetne
Teacher Grethe Westergaard-Bjørlo
Engineer Knut Helle
Engineer Amund Sommerfelt
Dr. of Engineering Atle A. Thunes
Engineer Egil Tveit

Alternate members

Trade Union Secretary Evy Buverud Pedersen**)
Trade Union Secretary Harriet Andreassen***)
Director of Finance Johannes Andreassen
District Governor Alv Jakob Fostervoll
Geologist Arne Lervik
Geologist Klaus Lien
Controller Håvard Berge
Advisor Njål Gjedrem
Personnel Officer Arnlaug Standal
Geologist Stig Bergseth

*) From 1 Jan. 1979 to 8 Oct. 1979

**) From 1 Jan. 1979 to 19 Dec. 1979

***) From 19 Dec. 1979

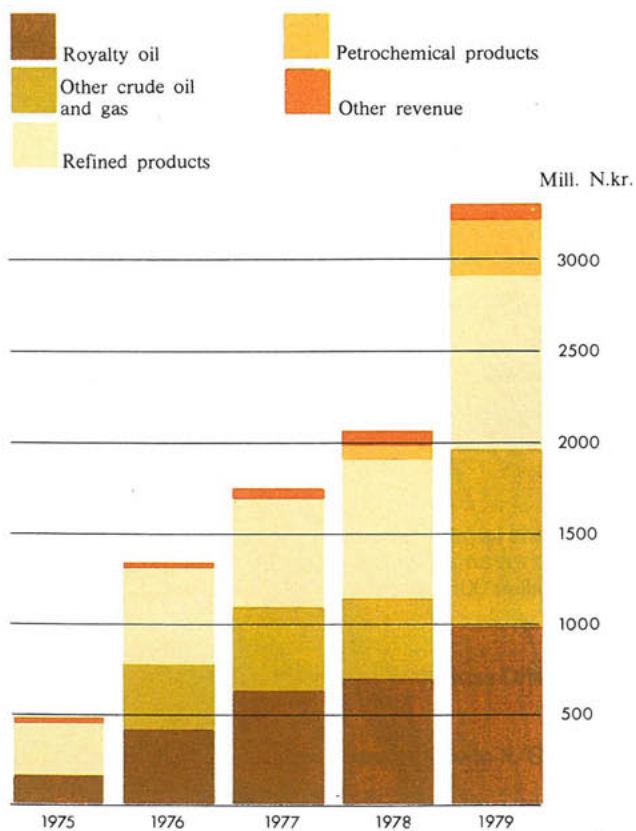


Meeting of the Statoil Board of Directors. Around the table, from the left: Einar H. Moxnes, Erling Haug, Trond Bolstad, Arve Johnsen (President), Finn Lied (Chairman), Ole Myrvoll (Vice-Chairman), Ottar Vollan, and Thor Andreassen.

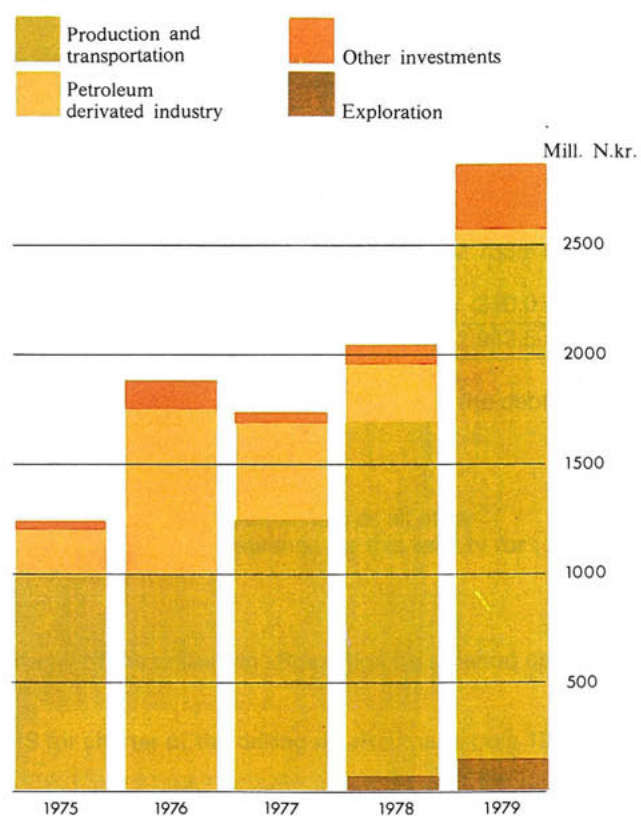
Highlights

Amounts in millions of NOK	1979	1978	1977	1976	1975	1974
Sales	3 254.5	2 001.3	1 685.9	1 298.3	382.3	98.2
Salaries and social costs	96.3	76.8	55.3	36.5	20.1	8.0
Depreciation	319.2	132.8	47.0	32.8	1.1	0.3
Financial expenditures	158.7	88.0	35.6	- 4.8	7.9	7.0
Operating result	13.0	- 96.9	- 77.0	- 140.4	- 49.8	- 20.0
Financial result	- 217.3	- 193.9	- 112.1	- 134.2	- 62.2	- 29.0
Investments	2 850.2	2 046.1	1 718.6	1 889.8	933.1	64.5
Total assets	10 159.1	7 794.5	5 554.8	3 660.9	1 491.6	502.9
Share capital issued as of 31 Dec.	2 943.5	2 733.5	1 851.5	1 551.5	755.0	305.0
Number of employees as of 31 Dec.	745	607	506	401	244	118

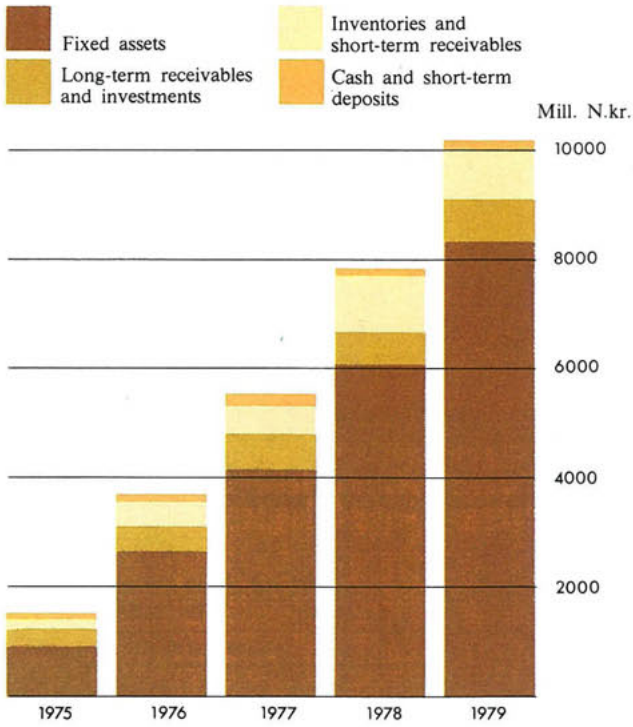
Statoil revenue



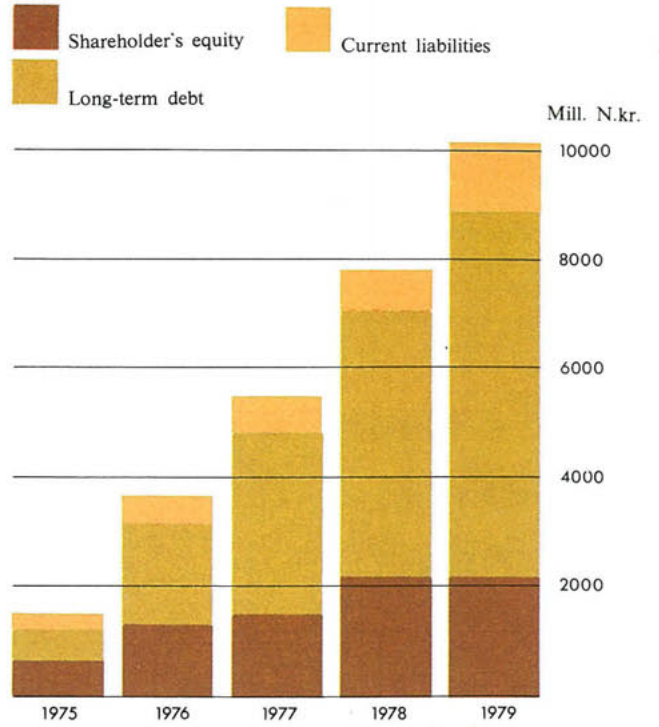
Statoil investments



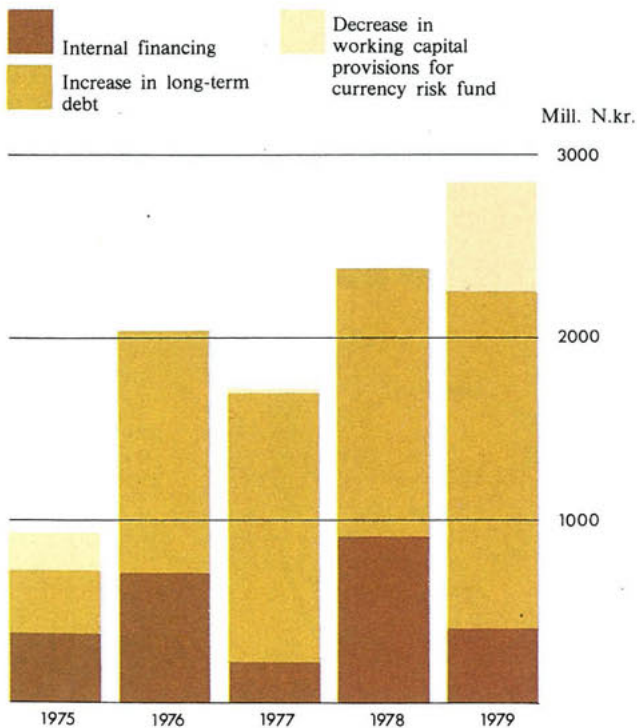
Assets



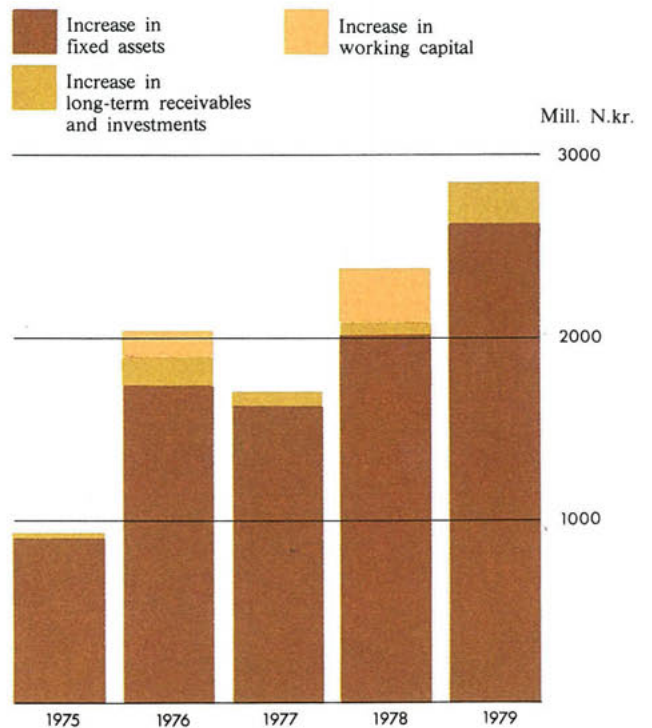
Liabilities and shareholder's equity



Source of funds



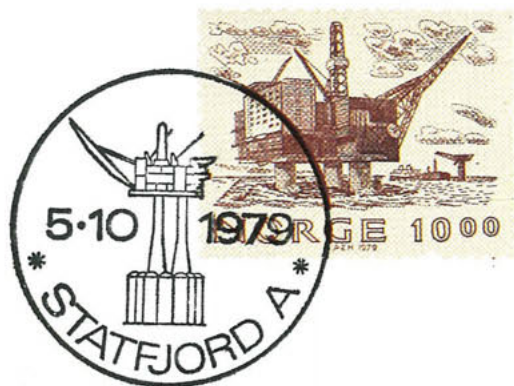
Application of funds



Statfjord A illustrated on stamp

On 5 October 1979, the Norwegian Postal Service established a temporary post office on the Statfjord A platform. That was the day a stamp series was issued in honor of Norwegian engineering in which the Statfjord A is illustrated on the stamp with the highest value, ten kroner. Arne E. Holm designed and drew the stamp and Knut Løkke-Sørensen engraved it.

The Statfjord workers make sure to get their first-day cover envelopes with the new stamps. Head Postmaster Erik Tveita of Stavanger handles postmarking of the first day cover.



Survey of activities

Activity	Company/license	Operator	Location	Statoil share	Type of activity
Exploration	Prod. license 038	Statoil	Blocks 6/3, 15/11, 15/12	50 %	Exploration
	Prod. license 044	Statoil	Block 1/9	50 %	Evaluation
	Prod. license 045	Statoil	Blocks 24/11, 24/12	50 %	Exploration
	Prod. license 046	Statoil	Blocks 15/8, 15/9	50 %	Exploration
	Prod. license 050	Statoil	Block 34/10	85 %	Exploration
	Prod. license 051	Statoil	Block 30/2	50 %	Exploration
	Prod. license 052	Statoil	Block 30/3	50 %	Exploration
	Prod. license 053	Statoil	Block 30/6	50 %	Exploration
Production and Transportation	Statfjord Prod. license 037	Mobil	Blocks 33/9, 33/12	50 %	Oil production
	Murchison Prod. license 037	Conoco	Block 33/9	50 %	Oil/gas
	Frigg Prod. license 024	Elf	Block 25/1	5 %	Gas production
	Heimdal Prod. license 036	Elf	Block 25/4	40 %	Gas
	Norpipe a.s	Separate adm.	Stavanger	50 %	Pipelines
	Norpipe Petroleum UK Ltd.	Separate adm.	Teesside	50 %	Oil/NGL terminal
	K/S Statfjord Transport a.s & Co.	Statoil	Stavanger	44,4423 %	Transportation of crude oil
Refining and marketing	Rafinor A/S & Co.	Separate adm.	Mongstad	30 %	Refinery
	Norsk Olje a.s	Separate adm.	Oslo	73,62 %	Marketing
	I/S Noretyl	Norsk Hydro	Bamble	33 %	Petrochemicals
	I/S Norpolefin	Saga Petrokjemi	Bamble	33 1/3 %	Petrochemicals
Service company	Coast Center Base A/S & Co.	Separate adm.	Sotra	50 %	Supply base

Report of The Board of Directors

Summary of activities

Production start-up on the Statfjord field was the most important single event for Statoil in 1979. On 24 November 1979, more than five years after the petroleum reserves were proven, the Statfjord A platform began producing oil. M/T «Polytraveller» made Statoil's first delivery of crude oil from Statfjord to the Mongstad refinery on 13 December 1979.

Production start-up on the Statfjord A platform marked the beginning of the operational phase of Norway's largest industrial project, though additional planning and field development continues. Construction of the Statfjord B platform progressed satisfactorily in 1979. Production start-up on this platform is scheduled for the second half of 1982.

Alternative platform types for the Statfjord C were studied and evaluated in 1979. The company has decided that the Statfjord C ought to be an integrated platform.

In 1979, Statoil conducted extensive exploration activities on the Norwegian continental shelf. In the capacity of operator, Statoil started drilling ten exploration wells in 1979.

Statoil is operator on block 34/10, where significant shows of hydrocarbons have been encountered. The company is currently working on the assumption that the field will be declared commercial in 1980. Statoil has an 85 percent interest in block 34/10.

On block 30/6, where Statoil is operator, gas was encountered during the exploration drilling conducted in 1979.

Drilling of the first well on block 31/2 has produced positive results. Exploration indicates that there are significant gas reserves, which probably extend into adjoining blocks.

During 1979, Statoil intensified company efforts within the field of research and development, significant for future operator tasks. In particular, high priority has been given to projects such as production systems for oil and gas recovery at great water depths, development and recovery of potential discoveries on the Northern Norwegian continental shelf, and contingency programs, safety, and environmental protection. Research and development work is conducted in cooperation with other oil companies, Norwegian research institutes, and Norwegian industry.

As a result of the resolution made by the Norwegian Parliament on 27 November 1979, Statoil and Norsk Olje have formed a consolidated company as of 1980.

This form of organization was established when Statoil purchased 200 million kroner in new share capital in Norsk Olje. Thus, Statoil has a 73.62 percent interest in Norsk Olje.

The Statoil financial result for 1979 showed a deficit of 217.3 million kroner. The company refining activities had good financial results for 1979. On the other hand, the financial result from production and sales of petrochemical products was not very satisfactory.

Total Statoil capital investments during 1979 amounted to 2 850 million kroner, of which 71.5 percent is attributable to the Statfjord development.

Exploration

Eight blocks were allocated in the fourth round of concessions in April of 1979. Statoil is operator on blocks 30/2, 30/3, and 30/6. Statoil has been awarded a 50 percent interest in all the fourth round blocks and has the option of increasing its participation up to 75 percent, and in the case of block 30/6 to 80 percent.

In 1979, 28 exploration and delineation wells were spudded on the Norwegian continental shelf. Of these, ten were drilled on blocks where Statoil is operator. The company supervised its first exploration well in 1975. In the following years, Statoil has been re-

sponsible for an increasing share of exploration drilling on the Norwegian continental shelf (Figure 1).

Statoil has operated four drilling rigs on a continuous basis since November 1979. During the year, one of these, «Ross Rig», was the first rig on the Norwegian continental shelf to have an all-Norwegian crew. The drilling rig has been chartered by Statoil for a new three-year period, until the summer of 1982. Statoil has also entered into an agreement to charter a specially-constructed drilling rig for use at great water depths and for handling pockets of high pressure gas. The rig, which will be delivered at the end of 1980 or the beginning of 1981, will, after a trial period in the North Sea, be used in exploration north of the 62nd parallel.

Several of the exploration wells drilled and completed in 1979 gave positive results.

By the end of 1979, six exploration wells had been drilled on block 34/10, four of these in 1979. Significant quantities of oil have been proved on this block. Exploration drilling will continue, so that the 34/10 discovery may be declared commercial in 1980.

In 1979, three exploration wells were drilled on block 30/6 where Statoil is operator. Gas reserves have been proven on this block, and the drilling results will be studied in greater detail during 1980.

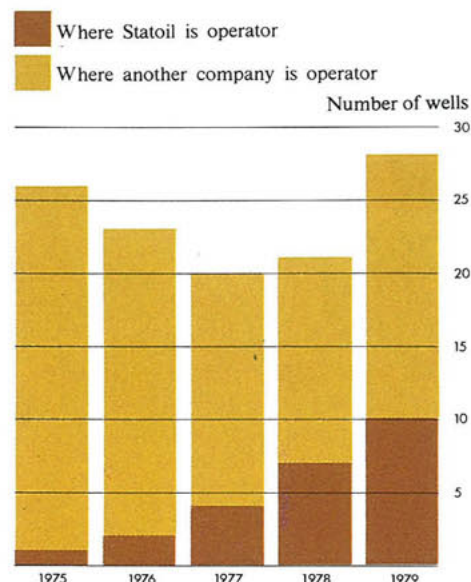
Drilling on blocks 15/6, 15/8 and 15/9, in 1979, has confirmed the gas discoveries previously made. The drilling will continue in 1980, and the possibilities of exploiting the gas discoveries on these blocks will be thoroughly reviewed and evaluated.

On block 1/9, where two small gas condensate reservoirs have been proven, alternative methods of recovery have been studied. Results of the studies will be presented during 1980. Statoil is operator on block 1/9 and has a 50 percent interest in the block.

Exploration drilling on block 31/2 was first conducted in 1979. Shell is operator on the block, and Statoil holds a 50 percent interest in the license. Significant gas reserves were proven. This gas discovery probably extends into the adjoining blocks. As the water depths on block 31/2 exceed 300 meters, it will be necessary to further develop today's technology before field development can begin.

Statoil takes core samples that reveal information about the properties of the reservoir rock.

Figure 1. Exploration and delineation wells spudded on the Norwegian continental shelf.





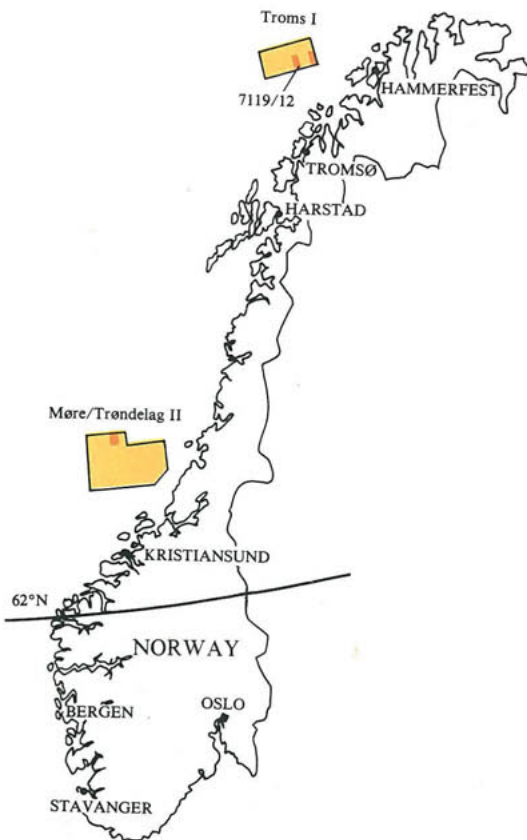


Figure 2. Petroleum activity north of the 62nd parallel.

As a result of recent gas discoveries and rising prices, laying of a new gas trunkline from the Norwegian continental shelf has again become relevant.

In May of 1979, the Norwegian Parliament made a decision in principle to start exploration drilling north of the 62nd parallel in the summer of 1980. Three blocks were awarded early in 1980, and Statoil holds a 50 percent interest in each of these. Statoil is operator on block 7119/12 off the coast of Troms (Figure 2). The company has furthermore been awarded the main responsibility for developing the necessary oil spill contingency programs north of the 62nd parallel. In 1979, the company made preparations for establishment of necessary pollution-control depots and supply bases.

During the summer of 1979, Statoil conducted a geological expedition to Svalbard. The expedition is the second in a series, since the Norwegian state petroleum rights on Svalbard were transferred to Statoil in 1976. The results of the studies will be made available during the first half of 1980.

Production and Transportation Statfjord

A milestone was reached as production from the Statfjord A platform went on stream on 24 November 1979. The production from four wells has increased and has progressed satisfac-

torily. At the end of 1979, average daily production had reached approximately 60,000 barrels per day. Statoil delivered the first crude oil cargo to the refinery at Mønstad on 13 December 1979.

The Statfjord A platform is expected to be completed within the budget margins set at 7.5 billion kroner. Based on a price level for crude oil on the order for USD 30 per barrel, and with normal production development, the investments in the Statfjord A platform will be recovered within approximately two years of production start-up.

The Statfjord B platform is under construction in the Stavanger area. All significant contracts have been signed for delivery of goods and services.

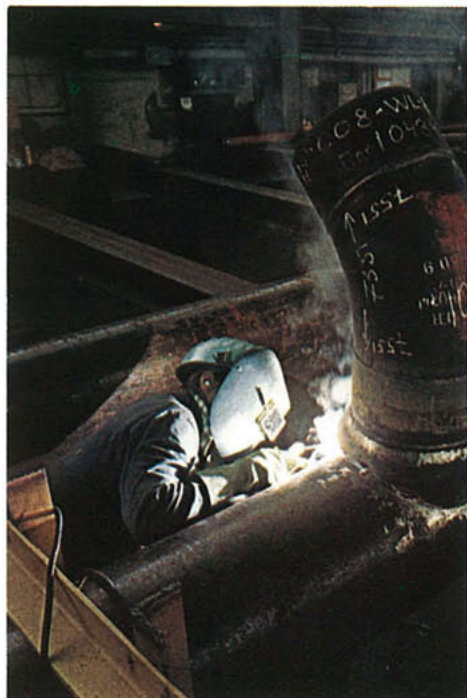
Norwegian firms have been awarded nearly 80 percent of the orders, in competition with foreign companies. By the end of 1979 approximately 80 percent of the work scheduled on the concrete structure was completed. The deck frame is close to completion. Progress on assembly and installation, the modules and the single point mooring buoy was in general satisfactory during 1979. The master schedule for Statfjord B is still tight. The Statfjord Group plans to tow out the B platform fully equipped to the field in 1981. Production start-up is scheduled for the end of 1982.

The total capital expenditure for the Statfjord B platform, complete with single point mooring buoy, is estimated at ten billion kroner. The platform will have an annual production capacity of 7.5 million tons of crude oil.

Mobil, the operator for Statfjord development, has recommended to the group that the Statfjord C platform also be a fully integrated drilling, production, and quarters platform. Statoil endorses this type of platform. Construction of the C platform is expected to start in 1981.

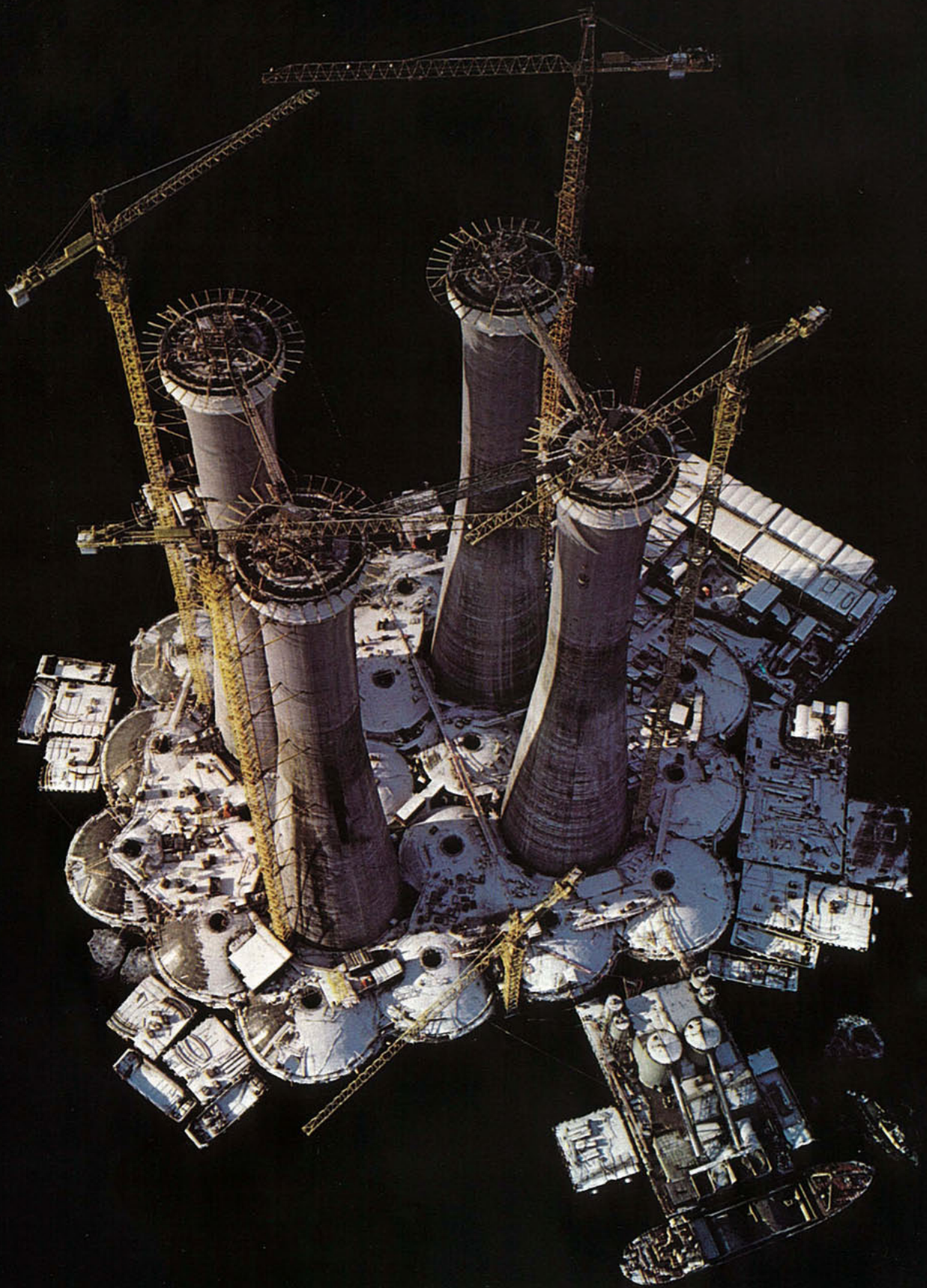
It is the aim of the Statfjord Group to clarify in 1980 the transportation and marketing possibilities for the associated gas produced with the crude oil from the Statfjord field, in order for a transportation system to be in operation around 1985. Until then, the gas will be re-injected into the reservoir.

Total recoverable petroleum reserves in the Statfjord field are estimated by the operator at more than 470 million tons of oil and approximately 70 billion cubic meters of gas. In 1979 the Norwegian share of the field was adjusted to 84.0932 percent, of which Statoil owns half. According to the agreement, the distribution of reserves will be the





Above: The concrete gravity base structure of the Statfjord B is being cast in Stavanger by Norwegian Contractors. Below, this page: Modules are lifted into the steel deck frame of the Statfjord B, under construction at Moss Rosenberg Verft in Stavanger. Below, opposite page: Pipeline welding for Statfjord B.



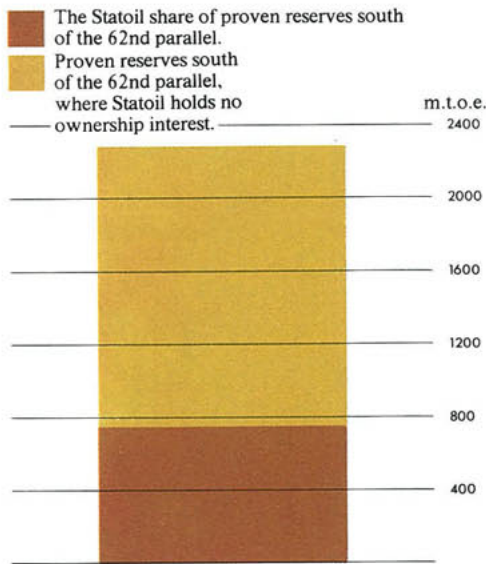
subject of re-evaluation at regular intervals during the life-span of the field.

In 1979, Statoil evaluated a series of conditions in connection with a possible takeover from Mobil as operator of the Statfjord field in 1984 or 1985, based on the conditions set forth in Production License 037.

Statfjord Transport

Statfjord Transport, owned by the Statfjord Group, is responsible for transportation of crude oil by tanker from the Statfjord field. Statoil is operator and handles the day to day administration of the company.

Figure 3. Proven reserves on the Norwegian continental shelf south of the 62nd parallel.



Loading of crude oil from the Statfjord A, at a single point mooring buoy, and into tankers on the field began in December of 1979. Start-up of the loading and transportation system on Statfjord was satisfactory despite inhospitable weather conditions.

The two tankers operated by the transportation company were rechartered until production started on Statfjord.

In 1979 Statfjord Transport entered into a charter agreement for a third vessel. This tanker will be delivered in December of 1980.

The casting of the concrete shafts of the Statfjord B was completed in the beginning of March 1980.



Samples are being taken during the Statoil geological expedition to Svalbard in 1979.

The steel jacket for the platform on the Murchison field is towed out.

Murchison

In 1979, the British and Norwegian licensees signed an agreement regarding unitization of Murchison reserves. Recoverable reserves are estimated at 45 to 50 million tons of oil and about four billion cubic meters of gas. The Norwegian share is currently fixed at 16.25 percent, of which Statoil owns half.

Field development was initiated by the British licensees in 1976, with Conoco as operator. A combined drilling, production, and quarters platform of the steel jacket type was towed out to the field in August of 1979. Production equipment is currently being installed. The operator plans production start-up during the second half of 1980.

Field development, which is calculated to be about six billion kroner, will yield an annual peak production of about five to six million tons of crude oil. Crude oil and gas condensate will be landed through the British Brent pipeline system, at the Sullom Voe terminal on the Shetland Islands.

Frigg

During 1979 the last phase of Frigg field development was concluded. The field reached full production in October, at a level which is expected to be maintained until the end of the 1980's. In 1979, the Norwegian share of deliveries from the Frigg field amounted to about 8.5 billion cubic meters of gas. Statoil owns five percent of the Norwegian share of the field. The Frigg project made a positive contribution to the Statoil financial result in 1979.

The operator on the Frigg field, Elf Aquitaine, began a detailed engineering study during the autumn of 1979 to obtain basic data to decide upon possible development of the Northeast Frigg area. This is a small gas discovery close to Frigg. Statoil is participating in this study, which is to be concluded in 1980.

The development of block 7/12

Block 7/12 is located approximately 65 kilometers north of Ekofisk Center (Figure 4). The water depth there is about 70 meters. The block was awarded in 1965. The licensees are now BP (operator) with a 57.5 percent share in the field, Conoco with 25 percent, Statoil with 12.5 percent, and Pelican with 5 percent.

Four exploration wells have been drilled and completed on block 7/12. Oil and gas have been proven. The operator estimates that recoverable reserves are about 20 million tons of oil.

In addition, there are smaller amounts of gas.

The operator, BP, declared the 7/12 discovery commercial on 21 September 1979, and the other private oil companies have joined in the declaration of commerciality. In accordance with the state participation agreement, Statoil has 12 months from the time of the operator's declaration of commerciality, in which to exercise its option for a 12.5 percent interest in field development.

The operator has suggested a simple development model: a steel jacket to house processing and quarters facilities, linked to a satellite drilling platform. Production is scheduled to start at the end of 1983. Peak production is expected to be in the range of three million tons annually. The plans for transportation of crude oil and possible exploitation of gas reserves will be evaluated in greater detail in 1980.

The Norpipe companies

The regularity of the Norpipe transportation systems was good during 1979. Approximately 19.5 million tons of crude oil were transported through the oil pipeline, and this is an increase of 26 percent over 1978.

About 12 billion cubic meters of gas were transported through the Norpipe gas pipeline from the Ekofisk fields to Emden. This was an increase in volume of more than 28 percent over 1978. Covering of the pipeline on the Danish shelf was completed in 1979, at a total cost of 526 million kroner. This figure represents an additional cost of nearly 15 million kroner per kilometer on the Danish shelf.

Operation of the facilities for processing, storage, and shipment of crude oil at Teesside proceeded satisfactorily during 1979. Stabilization facilities for separation of NGL from the crude oil went into operation in the spring of 1979. Regular shipments of NGL to the petrochemical facilities at Bamble were started during the summer.

The total revenue of the Norpipe companies amounted to nearly 2000 million kroner in 1979. Statoil received dividends totalling 62.7 million kroner in 1979 for its 50 percent interest in Norpipe a.s. and Norpipe Petroleum UK Ltd.

Supply base activities

Statoil has its own supply base at Dusavik in Stavanger, and also holds a 50 percent interest in Coast Center Base (CCB) at Sotra near Bergen. Both bases experienced a high level of activity in 1979.

In 1979 Statoil undertook a great deal of work in connection with the establishment of supply bases and depots for the necessary pollution-control equipment. This was in preparation for start-up of exploration drilling north of the 62nd parallel during the summer of 1980.

Refining and marketing

The crude oil market

1979 saw a major increase in crude oil prices on the world market. Contract prices for light, low sulfur crude oil grades produced in the North Sea doubled in 1979. The price rose from about USD 15 per barrel at the end of 1978 to approximately USD 30 per barrel at the beginning of 1980 (Figure 5).

Figure 4. Survey of petroleum activities on the Norwegian continental shelf south of the 62nd parallel.

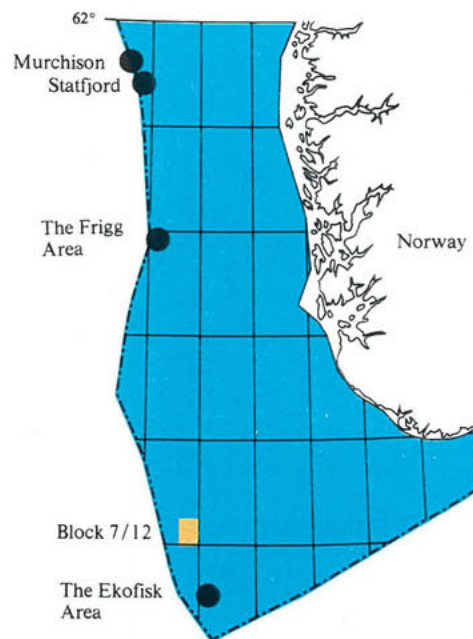
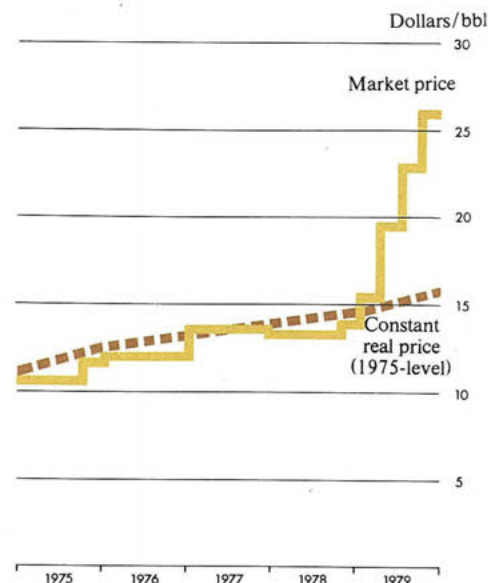


Figure 5. Price development for light, low-sulfur crude oil.



This increase in crude oil prices is attributable to several factors. The political upheaval in Iran led to an international shortfall in crude oil supplies. To some extent, reduced supplies of crude oil from Iran have been compensated for by increased supplies from other OPEC countries. At the same time, there was a certain increase in crude oil production from regions outside OPEC, especially Alaska and the North Sea. Total crude oil production throughout the world increased by nearly five percent from 1978 to 1979. However, the demand for petroleum products was also high during 1979. This was primarily due to build-up of stocks in the oil-importing countries. The level of activity in the industrialized countries of the West also increased during 1979.

Future development still seems unclear. At the meeting in Caracas in mid-December 1979, the OPEC countries were unable to agree upon a common reference price for crude oil in 1980. Consequently, supply and demand on the international crude oil market will be decisive for the price level in the near future. This could mean further price increases. In this respect, politically controlled levels of production in the OPEC countries will be a critical factor.

Figure 6. Statoil supply of crude oil

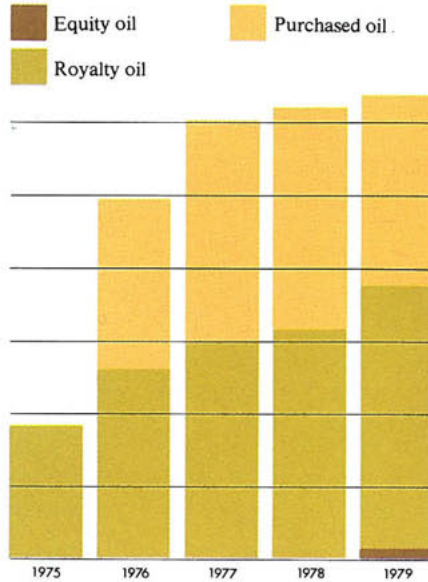
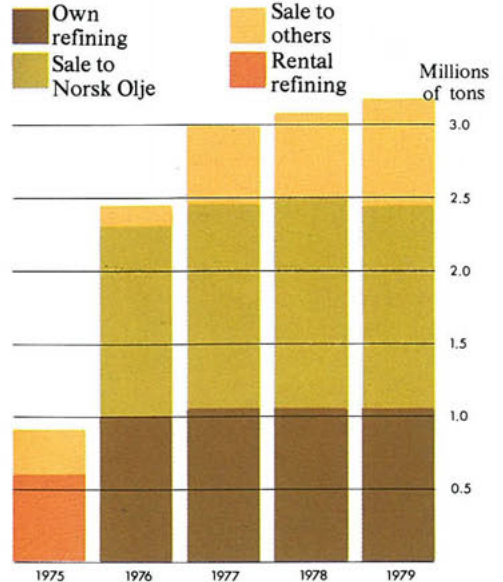


Figure 7. Crude oil marketed by Statoil



Refining and marketing

The supply of crude oil from the Statfjord field ensures feedstock for the company refining and marketing activities.

During 1979, Statoil's total supply of crude oil was approximately 3.2 million tons, of which almost 1.8 million tons was royalty oil from the Ekofisk fields (Figure 6).

Much of the royalty oil went toward covering the Statoil and Norsk Olje requirements for low-sulfur crude oil needed at the Mongstad refinery. Due to availability of royalty crude oil, it was possible to enter into exchange agreements to obtain the additional crude oil grades required for operation of the refinery (Figure 7).

The refinery at Mongstad, Rafinor A/S & Co.



The Mongstad refinery operated at normal capacity throughout 1979. Phase one in the construction of the projected gas recovery plant was started in 1979 and is expected to be finished in 1980.

Gas will be recovered in the form of propane and butane. The LPG plant will yield improved utilization of energy and will reduce pollution from the refinery. Total capital expenditures for the first construction phase are estimated at approximately 80 million kroner. Statoil is preparing plans to expand the Mongstad refinery.

The Statoil share of products from the Mongstad refinery is marketed through Norsk Olje. Statoil's involvement in refining and marketing has made a positive contribution to the company's financial result for 1979. This is primarily due to high prices of refined products on the international market, reliable crude oil supplies, and use of crude oil purchased previously at lower prices.

In recent years Statoil has cooperated closely with Norsk Olje, both through operation of the Mongstad refinery and also through marketing of refined products in Norway and abroad. Norsk Olje is among the leading marketing companies for petroleum products in Norway. In 1979 Norsk Olje had about a 25 percent share of the Norwegian market. On 27 November 1979 the Norwegian Parliament resolved to bring about closer co-ordination between Statoil and Norsk Olje. As of January 1980, Statoil and Norsk Olje were consolidated through Statoil's subscribing to new share capital in Norsk Olje in the amount of 200 million kroner. Thus, Statoil now has a 73.62 percent ownership interest in Norsk Olje. Statoil and Norsk Olje combined have a 70 percent interest in the refinery at Mongstad.

The Board of Directors is of the opinion that the consolidated companies of Statoil and Norsk Olje will be well-prepared to serve the business interests of the Norwegian State in all phases of Norwegian petroleum activities. Cooperation between Statoil and Norsk Olje will lay the groundwork for further development of the personnel and organizational resources of the companies and will offer their employees challenging and interesting work.

Petrochemical activities

Statoil is involved in the petrochemical industry at the facilities at Bamble in Telemark, southwest of Oslo. The company has a 33 percent interest in

I/S Noretyl, which owns the ethylene cracker operated by Norsk Hydro. In addition, Statoil has a one-third interest in I/S Norpolefin at Rønningen. I/S Norpolefin is comprised of three factories which produce polypropylene, light and heavy polyethylene. Saga Petrokjemi is operator for these facilities.

The third plant in this petrochemical complex was completed in the spring of 1979. By the end of 1979, total Statoil capital expenditures in the petrochemical facilities at Bamble came to approximately 1240 million kroner. Regular deliveries of NGL from Teesside were started in July. Thus 1979 was the first year in which all the petrochemical plants at Bamble were in operation.

By and large, activities during this first stage progressed satisfactorily in spite of certain problems during the initial phase. The plants are expected to operate at normal capacity from 1980 onwards.

For several years, the petrochemical product market has been characterized by over-capacity and low prices. The price of petrochemical products increased considerably in 1979 while marketing possibilities improved somewhat. The price level is still too low to generate satisfactory financial results from Statoil's petrochemical activities. However, the possibilities are considered promising from a long-range viewpoint.

Research and development

Petroleum activity on the Norwegian continental shelf requires great technological insight and expertise. In 1979, Statoil increased its efforts in the areas of research and development. A separate department has been established to co-ordinate the company's work in these fields. Furthermore, this department will help recruit and train qualified personnel within the company.

A master plan has been drawn up for Statoil's research and development work. The plan calls for a sharp increase in activity in the years to come. Special attention is given to questions concerning the company's responsibilities as operator. The development of platform types and production systems for oil and gas recovery at great water depths is important in this connection. In addition, emphasis is placed on further development of pipeline systems for simultaneous transportation of various types of hydrocarbons. Other high priority fields include contingency programs, safety, and environmental protection.

In 1979 Statoil has participated in a number of research and development projects within the various areas of company activity. These projects are conducted in cooperation with other oil companies, Norwegian research institutes, and Norwegian industry.

Safety and quality assurance

Safety is given high priority at Statoil, and the expansion of the Department for Safety and Quality Assurance has continued in 1979.

Statoil has become heavily involved in research and development work, with a view to controlling the risk of blow-outs. The risk can be controlled even more through preventive safety measures and preparedness. Efforts are partly directed toward arriving at measures that reduce the possibilities of blow-outs occurring. Furthermore, efforts are directed toward developing oil spill contingency equipment to minimize the consequences, should a blow-out actually occur.

Preventive safety measures include installation of special technical equipment in the oil and gas wells to ensure greater control of the flow of petroleum and thus reduce the possibility of a blow-out. Additional development of this type of equipment is being studied in a project led by Statoil. Existing pollution-control equipment is being improved. Statoil has also initiated studies for the purpose of developing alternative types of equipment to fight a possible blow-out.

In 1979, Statoil was also actively involved in aspects of safety in connection with preparations for production start-up on the Statfjord A. Safety systems have been evaluated and equipment has been inspected. Systematic emergency drills have also been conducted on the Statfjord A.

Scheduled drilling start-up north of the 62nd parallel will place major demands on safety routines and preparedness for pollution-control. In accordance with the guidelines established in Parliamentary Report Number 57 for 1978-79, Statoil has carried out the necessary preparations regarding preparedness for oil spills. Statoil participated in 1979 in further development and testing of new pollution-control equipment based on the contingency program, which was essentially approved by the Pollution-Control Authorities. Statoil ordered 4000 meters of heavy oil booms and ten skimmers, which will be stored at the pollution-control depots currently being established in Kristiansund N and Hammerfest. The company has supervised



In accordance with the resolution adopted by the Norwegian Parliament, Statoil and Norol will comprise a consolidated company as of 1 January 1980. The picture shows the Norol gas station at Lagårdsveien 123, Stavanger.

the establishment of a mobilization organization which will include the necessary contingency fleet to service pollution-control equipment. A safety and contingency program has now been established for exploration drilling north of the 62nd parallel scheduled for the summer of 1980, and this program satisfies the requirements set by the authorities.

During the first drilling season north of the 62nd parallel, in the summer of 1980, Statoil will be operator on block 7119/12 off the coast of Troms. There

Statoil will use the Norwegian semi-submersible drilling rig «Ross Rig», which the company has utilized for several years in the North Sea. This will ensure that the equipment has stood the test and that the crew is well qualified for the tasks ahead.

At the request of the Mexican State Oil Company, Pemex, Statoil assisted with Norwegian personnel and equipment, in connection with the pollution-control action after the blow-out in the Gulf of Mexico.

Organization and administration

In 1979 the build-up of Statoil's organization was characterized by preparation for becoming an operator for future development projects on the continental shelf. Part of this work involves preparations for a possible takeover of operator responsibilities on the Statfjord field.

The company had 607 employees at the beginning of the year; and by the end of 1979, the figure had grown to 745. Of these, over 700 worked at company headquarters in Stavanger.

The Statoil central administration will be located in Stavanger. The first group of buildings at the new administration center at Forus was occupied in 1979. The center consists of two office buildings, with space for about 500 employees, as well as a third building housing technical support functions. The second phase of construction of this new center will house about 400 employees. Construction was started in the autumn of 1979, and the buildings are scheduled for occupancy by the end of 1981 or the beginning of 1982.

With its central administration assembled in Stavanger, Statoil will have laid the foundation for decentralization of the operative functions of exploration, development, and operation. During 1979, it was decided that separate drilling operation offices be established at Sotra near Bergen and at Harstad in the north. At first the office near Bergen will be staffed by about 25 people, most of whom are already employed. This office is to be responsible for the operation of two drilling rigs during exploration.

The office at Harstad will supervise exploration activity off the coast of Northern Norway. According to plans, 12 employees will be working at this office in 1980.

Statoil places a great deal of emphasis on development of technology and expertise required to handle operator tasks for development projects in the North Sea. The company recruits well-qualified personnel with relevant experience. In 1979, about 65 percent of Statoil employees had a higher education. Of the company's 745 employees, more than 300 are engineers (Figure 8). In order for company personnel to acquire broad experience, Statoil makes use of the possibilities available to it, through agreements with other oil companies. These agreements provide for placement of Statoil personnel within other organizations, on installations in the North Sea, at administrative headquarters, or in project

organizations.

During 1979, a total of 20 meetings were held by the Statoil Working Environmental Committee and the Company Assembly. Through these organizations the employees have been involved in planning and designing the administration center at Forus and other offices related to company activities. The Working Environmental Committee and ombudsmen have also been involved in planning and designing the special drilling rig currently under construction, adapted for greater water depths and for handling pockets of high-pressure gas. The company and the employee organizations, NOPEF, NIF, and NITO, have co-operated closely on issues of salary and working conditions. Agreement has been reached on the issues which have been discussed.

The Norwegian Operator Company Employee Association — NOAF — was established in 1979. All the oil companies currently exercising key operator tasks on the Norwegian continental shelf have joined this association. Statoil considers it important to work through NOAF for improved coordination of salary and working conditions, and also for further Norwegianization of the oil industry regarding organization, cooperation, and mediation.

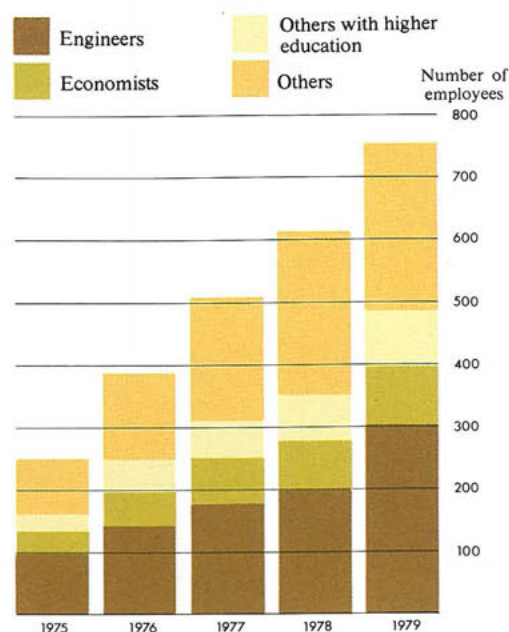
The Board of Directors of Statoil would like to take this opportunity to thank all its employees for their hard work and dedicated efforts in 1979.

Financing

Total capital expenditure for Statoil during 1979 amounted to 2850 million kroner, of which Statfjord development represented 71.5 percent. As the most important company projects gradually commence operation, the company will greatly improve its ability to become self-financing. However, the most important sources of financing for the company now are loans guaranteed by the Kingdom of Norway on the international financial markets and injection of new share capital.

The Statoil share capital was increased by 500 million kroner in 1979. This increase was approved at the Company General Meeting in December 1978 and included in the Statoil balance sheet as of 31 December 1978. In November 1979 the Norwegian Parliament appropriated an additional 210 million kroner in share capital for 1980. This increase was approved at the Statoil General Meeting in December 1979. As of 31 December 1979 the Statoil share capital amounted to

Figure 8. Employees according to category of education.



2 943.5 million kroner. After deduction of accumulated losses, net equity amounted to 2 181 million kroner at the end of the year. Hence, share capital equals 21.5 percent of company liabilities.

During 1979 Statoil negotiated five new foreign loans, guaranteed by the Kingdom of Norway, equivalent to approximately 2 310 million kroner. In February the company raised a new bond issue for DEM 150 million, and in March a bank loan of USD 200 million was raised on the euromarket. In July, Statoil finalized its first eurodollar bond issue, which was for USD 100 million.

All three loans are to be repaid over a period of ten years. During November and December the company raised two bank loans. The first is for CHF 75 million and the second for USD 50 million, and both mature over a period of eight years.

There has been a keen interest in participating in Statoil financing during 1979. The company name is well-established on the international financial markets.

The Norwegian Parliament has approved a guarantee authorization for Statoil to borrow up to 1 420 million kroner in 1980.

In 1979 the money markets were also characterized by fluctuating exchange and interest rates. However, Statoil did not incur currency losses in 1979. Long-term debt is recorded at rates indicating unrealized currency gains of 84 million kroner. However, dollar loans at a low rate of exchange



Statoil's administration center at Forus in Stavanger has been in use since 1979. The picture below is from the foyer.

during 1979 might lead to currency losses later on, dependent on increases in the value of the dollar relative to the Norwegian kroner.

Statoil's 1979 loans reflected the company policy of borrowing in various currencies, with emphasis on the dollar. In the years to come, Statoil will borrow primarily in those particular currencies where future export revenues are anticipated.

The 1979 accounts

In 1979 Statoil had a total turnover of 3 255 million kroner, of which approximately 28 percent was export-related. The company revenue increased by almost 63 percent from last year.

Revenue from crude oil and gas came up to 1 836 million kroner and was 56 percent of Statoil's total turnover. For the first time this year, Statoil received income from its own crude oil production at the Statfjord field.

The Statoil turnover of refined products approached 1 049 million kroner in 1979, which was also the first year of ordinary production at the petrochemical complex at Bamble. The Statoil share of the turnover on petrochemical products amounted to 350 million kroner.

After depreciation, the Statoil operating result for 1979 shows a profit of 13 million kroner. After financial costs and special items are deducted, Statoil's 1979 result shows a net loss of 217.3 million kroner.

Sales of Statfjord oil resulted in a net loss because the produced quantity was too small in relation to the depreciation and interest expenses charged to the accounts.

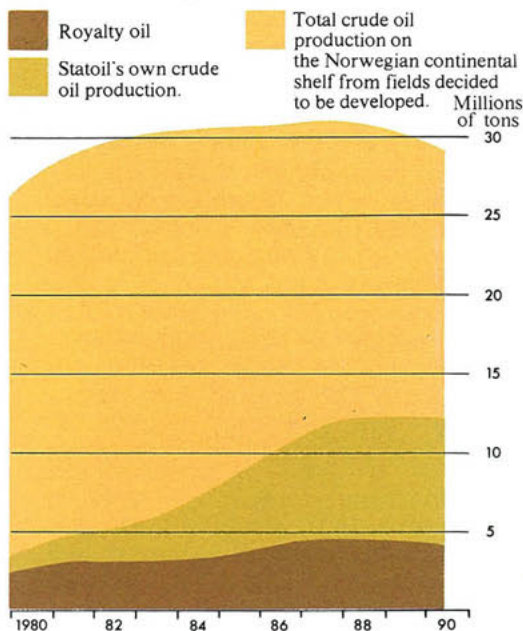
Refining has made a positive contribution to the company result in 1979. Company petrochemical activities gave a less satisfactory financial result for 1979. However, market prospects are somewhat better for petrochemical products.

In 1979, salary and other remunerations to the Company Assembly were 51,600 kroner, to the Board of Directors 102,600 kroner, and to the President 327,531 kroner.

The Board of Directors suggested that the net loss for 1979 of 217.3 million kroner be carried forward.

More details are given in the 1979 accounts and accompanying notes.

Figure 9. Expected crude oil production from fields decided to be developed on the Norwegian continental shelf.



Perspectives

At the end of 1979, Statoil had invested about 9 740 million kroner in its various areas of activities. Statoil investments in the fields currently being developed will also for the next few years amount to between two and three billion kroner annually.

The return on investments from Statfjord, Frigg, and Murchison will constitute the backbone of Statoil's eco-

nomy in the new decade. The year 1980 marks the first year in which Statoil handles significant quantities of crude oil produced by the company. The company share of Statfjord production will be in the range of 1.3 million tons in 1980. This figure will increase to just under five million tons annually in the mid-1980's (Figure 9).

However, it will be necessary to develop new petroleum discoveries in the 1980's in order to maintain the level of activity and production on the Norwegian continental shelf, which has been reached through the Ekofisk, Frigg, and Statfjord discoveries.

That is why the preliminary results of exploration drilling on fourth round blocks are encouraging. Statoil, as operator, has made a discovery on block 34/10. The possibilities of developing new finds with Statoil as operator are good. The Board of Directors is of the opinion that Statoil currently possesses the technology and the expertise required of an operator for a major field development project. The income from the company crude oil production from the Statfjord field will give Statoil a sound financial foundation on which to base new development projects.

The rise in the price levels of oil and gas will make it possible to develop small oil fields previously considered marginal.

The gas discovery on block 31/2 and the possibilities for a gas trunkline from

the Norwegian continental shelf point toward interesting perspectives in the 1980's. That is why Statoil has initiated a significant effort in the areas of research and development, in order to ensure that the necessary technology is available.

Statoil will maintain a high level of activity in the years to come, so that a long-term supply of raw materials from the Norwegian continental shelf can be ensured. The company will be operator for 30 to 40 percent of all exploration drilling on the shelf. Drilling start-up north of the 62nd parallel in 1980 offers possibilities and challenges.

Norwegian industrial firms, consultants, and service companies have been awarded work for approximately 12 to 13 billion kroner in connection with construction of the Statfjord A and B platforms. Norwegian and foreign companies will soon be able to bid on delivery of goods and services for the Statfjord C. Statoil is of the opinion that this will represent the beginning of a gradual, moderate development on the Norwegian continental shelf in the 1980's. This will create challenges and possibilities for Norwegian industry in hard international competition.

The year 1980 marks the beginning of a long period of income for Statoil. The turnover this year will exceed five billion kroner, and the profit after taxes is expected to be in the billion-kroner range toward the mid 1980's.

Stavanger, 21 February 1980

The Board of Den norske stats oljeselskap a.s

Finn Lied *Ole Myrvoll*

Finn Lied
Chairman

Ole Myrvoll
Vice-Chairman

Thor Andreassen *Trond Bolstad* *Erling Haug* *Einar H. Moxnes* *Ottar Vollan*

Thor Andreassen

Trond Bolstad

Erling Haug

Einar H. Moxnes

Ottar Vollan

Statement of profit and loss for the year 1979

	1979 Amounts in 1000 NOK	1978 Amounts in 1000 NOK
Operating Revenue		
Sales (1)	3 254 466	2 001 330
Other revenue (2)	<u>53 714</u>	<u>42 023</u>
	3 308 180	2 043 353
Operating Costs		
Direct costs	2 827 569	1 917 111
Salaries and social costs	96 331	76 833
Other costs (3)	52 060	13 535
Depreciation	<u>319 204</u>	<u>132 785</u>
Operating result	3 295 164	2 140 264
	13 016	- 96 911
Financial income and financial costs		
Dividends received (4)	62 712	29 708
Interest income and other financial income	13 174	20 280
Less: interest costs (5)	<u>234 604</u>	<u>138 005</u>
	158 718	88 017
	- 145 702	- 184 928
Extraordinary income and costs		
Extraordinary income (6)	27 290	
Extraordinary costs (7)	96 739	
Cost of share capital increase	<u>2 100</u>	<u>9 000</u>
	71 549	9 000
Net income	<u>- 217 251</u>	<u>- 193 928</u>

Balance sheet as of 31 December 1979

	1979 Amounts in 1000 NOK		1978 Amounts in 1000 NOK	
Assets				
CURRENT ASSETS				
Cash and term deposits				
Cash	118		88	
Deposits in Norwegian kroner (8)	86 034		51 524	
Deposits in foreign currencies (9)	48 043	134 195	37 930	89 542
Short-term receivables				
Interest earned, not due	2 266		192	
Subscribed share capital, not paid (16)	210 000		500 000	
Other short-term receivables (10)	492 366	704 632	408 666	908 858
Inventories				
Crude oil	50 380		28 737	
Petroleum products and equipment for sale	159 345	209 725	91 182	119 919
INVESTMENT CAPITAL				
Long-term receivables and investments				
Shares in Norwegian companies (11)	684 971		469 971	
Shares in foreign companies (12)	95 751		82 057	
Long-term receivables	12 818	793 540	9 071	561 099
Fixed assets (13)				
Offshore				
Facilities in production	4 370 770		446 840	
Construction in progress	2 217 371		3 895 498	
Onshore				
Furniture, equipment, etc.	67 228		35 463	
Plants	1 498 274		976 279	
Construction in progress	130 373		732 630	
Real estate	33 017	8 317 033	28 381	6 115 091
		10 159 125		7 794 509

Stavanger, 21 Febr

Finn Lied
Chairman

Ole Myrvoll
Vice-Chairman

Thor Andreassen

Trond Bolstad

Liabilities and shareholder's equity

Current liabilities

Short-term bank credits				
Provisions for taxes	65 516		48 712	
Interest incurred, not due	74 307		33 768	
Other short-term debt	<u>1 057 122</u>	1 196 945	<u>595 529</u>	678 247

Long-term debt (14)

Export credits	268 105		270 338	
Bank loans	2 324 489		1 340 264	
Bonds and notes outstanding	1 673 237		758 320	
Other long-term debt	459 547	(15)	503 286	
Loans from the Norwegian State	2 051 832		2 051 832	
Currency risk fund	<u>3 974</u>	6 781 184	<u>3 975</u>	4 928 015

Shareholder's equity

Share capital (29 435 000 shares at NOK 100 each)	2 943 500		2 733 500	
Less: Accumulated loss as of January 1	545 253		351 325	
Net loss of the year	<u>217 251</u>	2 180 996	<u>193 928</u>	2 188 247
Joint and several liability 70 487		(17)		

10 159 125

7 794 509

ary 1980

Erling Haug

Einar H. Moxnes

Ottar Vollan

Arve Johnsen
President

Comments to financial statements 31 December 1979

Accounting policies (general principles)

The following items are charged to profit and loss account

- Expenditures for development and operation of the company.
- Expenditures for purchase, collection and processing of seismic data (except those related to commercial fields).
- Expenditures for exploratory drilling which have neither resulted in commercial discoveries of hydrocarbons nor positively indicated the existence of such commercial deposits.
- Expenditures for research and development projects.

The following items are capitalized and subject to later depreciation

- Expenditures related to commercial fields where Statoil has exercised its option to participate in the field development.
- Interest and other financial expenditures related to construction in progress onshore and offshore.
- Expenditures for exploration drilling which have proved hydrocarbon deposits assumed to be commercial. Expenditures for drilling of exploration wells still in progress at the end of the accounting year are provisionally capitalized.

Depreciation

Fixed assets onshore are depreciated according to rates recommended by Norwegian tax authorities. For offshore installations straight line depreciation over 6 years is used. This is the maximum rate according to the Norwegian Petroleum Revenue Tax Act.

Conversion principles for foreign currency

Items in foreign currency are converted into Norwegian kroner according to the following principles:

- Expenditures/revenues are entered according to the prevailing exchange rate at the time of payment.
- Current assets and current liabilities are converted at the rate of exchange prevailing as of December 31.
- Long-term receivables and investments and fixed assets are entered at the exchange rate prevailing at the time of procurement.
- Long-term debts are converted at the exchange rates prevailing when the loans were drawn. If the value in NOK of long-term debt in foreign currencies at year end exceeds the value as recorded at the time of drawdown, a provision equal to the difference is made to the currency risk fund. Such provisions for unrealized exchange losses are charged to the profit and loss account. Unrealized currency gains are not treated as income. Realized currency-losses are charged to the profit and loss account to the extent not covered by previous provisions to the currency risk fund.

Shares in Norwegian and foreign companies

Shares in Norwegian and foreign companies (not quoted or listed) have been booked at cost.

Partnerships and limited partnerships

Statoil's shares in partnerships and limited partnerships are included in the respective items in Statoil's statement of profit and loss and in the balance sheet.

In the limited partnerships in which Statoil participates, the partners, according to existing accounting agreements, have the right to audit the accounts of the operators within two years after the end of the financial year. Corrections which might be the consequence of such audits will lead to changes in Statoil's accounts.

Inventories

Inventories of crude oil, petroleum products, and equipment are valued at the lower of purchase/production cost and current net market price.

Notes to financial statements for 1979

1. Sales are distributed as follows:

Amounts in 1000 NOK	1979	1978	1977	1976	1975
Norway					
Crude oil and gas	1 132 734	784 909	771 990	683 136	126 646
Refined products	1 048 925	695 712	606 439	531 218	158 454
Petrochemical products, etc.	154 344	67 099	3 219		
Exports					
Crude oil and gas	705 175	442 187	304 212	65 262	23 415
Refined products				18 782	73 777
Petrochemical products, etc.	213 288	11 423			
	3 254 466	2 001 330	1 685 860	1 298 398	382 292

Sale of royalty crude oil represents a substantial part of the company's revenue from crude oil sales. In 1979 these sales amount to 1,120 million kroner.

2. Other revenue refers to sale of seismic data.
3. According to the production licenses for those blocks where Statoil has an interest, the company is wholly or partially exempted from expenditures in the exploration phase. For 1979 Statoil was charged for 132.8 million kroner distributed as follows:

Total exploration costs for 1979	132.8 million kroner
Amount capitalized	129.8 million kroner
Exploration costs expensed	3.0 million kroner

Of the capitalized amount 112.1 million kroner relates to Production License 050 (block 34/10).

4. The term dividends received refers to dividends for the financial year 1978 of 45,8 million kroner from Norpipe a.s and 6.6 million kroner from Norpipe Petroleum UK Ltd. In addition there is 10.3 million kroner in advance dividends for 1979 from Norpipe Petroleum UK Ltd.
5. Total interest incurred is distributed as follows:
- | | |
|---|----------------------|
| Total interest expense in 1979 | 578.9 million kroner |
| Less: Capitalized interest related to fixed assets under construction | 344.3 million kroner |
| Interest expense related to operations | 234.6 million kroner |
6. Through repayment of investments in connection with redetermination of the ownership interests in the Staffjord field from 44.4423 percent to 42.04661 percent (ref. note 12), the company has received an interest compensation of 53.7 million kroner. Of this amount 30.1 million kroner refers to previously capitalized interest costs which have now been reduced by this amount. Net interest allowance of 23.6 million kroner is included in the item "Extraordinary income". In this item a paid-in gain from the sales of «net profit» interest in a gas structure in license 030 (block 30/10) of 3.7 million kroner has also been included.
7. The company has charged to the profit and loss account previously capitalized expenses which amount to 96.6 million kroner. This is in connection with the termination of the development project which the Statoil/Mobil Group was instructed to carry out in order to study the possibilities for transportation of oil and NGL through a pipeline from the Staffjord field to Norway.
8. Short-term deposits in Norwegian kroner include a total of 4.7 million kroner of withheld employee income tax, payable to the tax authorities.
9. Deposits in foreign currencies are as follows:

Amounts in millions	Currency deposit	Exchange rate	Norwegian kroner
U.S. dollar (USD)	7.5	4.9195	37.0
Deutsche mark (DEM)	1.1	284.95	3.3
Pound sterling (GBP)	0.3	10.955	3.5
Finnish mark (FIM)	0.7	132.75	0.9
Swedish kr. (SEK)	2.1	118.75	2.6
Italian lire (ITL)	105.0	0.613	0.7
			48.0

10. Other short-term receivables include 1.9 million kroner of short-term financing related to sale of houses to employees.

11. Shares in Norwegian companies have increased in 1979 following a share capital increase in Norsk Olje a.s of 200 million kroner which has been subscribed by Statoil exclusively, and in Norpipe a.s of 15 million kroner (Statoil's share).

The shares are distributed as follows:

Amounts in 1000 NOK	Book value	Par value	Number of shares	Statoil's ownership interest	Total company share capital
Norpipe a.s	390 000	390 000	3 900 000	50%	780 000
Norsk Olje a.s	291 500	213 500		73.62%	290 000
Rafinor A/S	3 000	3 000	3 000	30%	10 000
A/S Coast Center Base Ltd.	27	27	110	50%	55
Statfjord Transport a.s	444	444	888 846	44.4423%	1 000
	684 971	606 971			

All shares are recorded at cost. This also applies to shares in Norsk Olje a.s which showed an accumulated loss as of 31 December 1979, of ca. 60 million kroner. The result for 1979 was positive. Consequently, the Board of Directors has chosen not to change the booked value of the shares.

New share capital in Norsk Olje a.s has been paid in and registered in January 1980. Thus the consolidation has been formally established and goes into effect from the financial year 1980. Statoil's interests in Statfjord Transport a.s will be changed to correspond to the company's interests in the Statfjord field. This implies that the share will be reduced from 44.4423% to 42.04661% (see note 12).

12. Shares in foreign companies include Statoil's 50% share of the equity in Norpipe Petroleum UK Ltd. recorded at cost, 95.7 million kroner. Paid in equity capital in this company was increased in 1979 by GBP 2.5 million to a total of GBP 16 915 228.
13. Specification of fixed assets:

Amounts in millions of NOK	Investment as of 1 Jan. 1979	Additions during the year	Disposed of during the year	Accumulated depreciation as of 31 Dec. 1979	Book value as of 31 Dec. 1979
Offshore					
Facilities in production	516.9	4 164.2		310.3	4 370.8
Construction in progress	3 895.6	2 106.6	3 784.8	0	2 217.4
Onshore					
Furniture, equipment, etc.	49.2	41.9	1.4	22.4	67.2
Plants	1 106.3	684.6		292.6	1 498.3
Construction in progress	732.5	32.7	631.1	3.8	130.3
Real estate	28.8	5.1	0.2	0.7	33.0
	6 329.3	7 035.1	4 417.5	629.9	8 317.0

Investments distributed by year:

Amounts in millions of NOK	1975 and before	1976	1977	1978	1979	Total gross investments as of 31 Dec. 1979
Offshore						
Facilities in production			427.4	89.5	4 164.2	4 681.1
Construction in progress	693.2	924.0	714.1	1 564.3	-1 678.2	2 217.4
Onshore						
Furniture, equipment, etc.	7.3	13.0	12.3	16.6	40.5	89.7
Plants	15.2	463.1	51.4	576.6	684.6	1 790.9
Construction in progress	224.0	302.0	435.4	-228.9	-598.4	134.1
Real estate	6.4	23.4	- 2.2	1.2	4.9	33.7
	946.1	1 725.5	1 638.4	2 019.3	2 617.6	8 946.9

The net book value of the above fixed assets is distributed to partnerships, limited partnerships, and wholly owned fixed assets as follows:

Amounts in millions of NOK	Ownership interest %	Net book value as of 1 Jan. 1979	Additions in 1979	Depreciation in 1979	Net book value as of 31 Dec. 1979
Offshore activities					
Statfjord	42.0466	3 784.7	2 039.1	152.0	5 671.8
Frigg	3.0410	446.8	44.4	88.2	403.0
Heimdal	40.000	51.9	3.8		55.7
Murchison	8.1250		263.8		263.8
Production License 050	85.0000	58.9	117.2		176.1
Production License 052	50.0000		1.0		1.0
Production License 053	50.0000		7.9		7.9
Production License 054	50.0000		1.8		1.8
Production License 055	50.0000		1.1		1.1
Production License 057	50.0000		5.9		5.9
Onshore activities					
Rafinor A/S	30	420.2	16.9	39.3	397.8
I/S Noretyl	33	546.5	4.8	59.6	491.7
I/S Norpolefin	33 1/3	629.1	30.8	63.1	596.8
A/S Coast Center Base Ltd.	50	22.8	2.1	1.0	23.9
Diverse	100	154.1	77.2	12.6	218.7
		6 115.0	2 617.8	415.8	8 317.0

Statfjord

As a consequence of a redistribution of the Statfjord field reserves between the British and Norwegian side, Statoil's ownership interest in the field has been reduced from 44.4423% to 42.04661%, effective from production start-up late 1979. As a result, Statoil's investment in the Statfjord field has been reduced by 261.7 million kroner.

Murchison

In 1978 Statoil exercised its option for 50 percent of the interest in the Norwegian part of the Murchison field. The Norwegian part has been provisionally estimated at 16.25 percent.

Production License 050

Statoil has an 85 percent interest in Production License 050 (Block 34/10), but according to the state participation agreement, the company finances 77.5 percent of the exploration costs. Considerable quantities of hydrocarbons have been proved in the block. Exploration will continue in 1980, and the field is expected to be declared commercial during the current year.

Production License 052

Statoil has a 50 percent interest in this license (block 30/3) and pays, in accordance with the state participation agreement, five percent of the exploration costs. One well has been drilled during 1979 and has temporarily been abandoned. Phase two of this well will be drilled during 1980.

Production License 053

Statoil has a 50 percent interest in Production License 053 (block 30/6) and pays ten percent of the exploration costs. Hydrocarbons have been discovered in the two wells drilled during 1979, and exploration drilling continues.

Production License 054

Statoil has a 50 percent interest in this license (block 31/2) and pays 2.5 percent of the exploration costs. Considerable quantities of gas were found in the well drilled during 1979, and the prospects for a commercial discovery are considered to be good.

Production License 055

Statoil has a 50 percent interest in this license (block 31/4) and pays 7.5 percent of the exploration costs. One well was drilled during 1979 without any shows of hydrocarbons. The expenditures of 2.5 million kroner are provisionally capitalized.

Production License 057

Statoil has a 50 percent interest in this license (block 34/4) and pays 7.5 percent of the exploration costs. One well is drilled, and hydrocarbons have been proved. Further drilling is necessary to determine the size of the discovery.

Ula Production License 019

The operator, British Petroleum, declared the field commercial on 21 September 1979. 21 November 1980 has been set up as the deadline for Statoil to exercise its option of 12.5 percent participation.

14. The long-term debt amounts to 6 781 million kroner. This debt includes the company's share of the long-term debt in the limited partnerships Rafinor A/S & Co. and A/S Coast Center Base Ltd & Co., totalling 215 million kroner.

Amounts in millions	Currency value	Average rate of exchange	Booked amount in NOK
U.S. dollar (USD)	536.3	5.2222	2 801.1
Deutsche mark (DEM)	300.0	269.325	808.0
Swiss franc (CHF)	108.6	306.774	333.3
Pound sterling (GBP)	14.0	9.5148	133.2
French franc (FRF)	72.0	109.1383	78.4
Currency risk fund (NOK)			4.0
Norwegian kroner (NOK)			2 623.1
			6 781.1

The debt in foreign currencies, converted into Norwegian kroner at the exchange rates prevailing at the end of 1979, would have amounted to 4 073.6 million kroner. The company would have realized a profit of 84.4 million kroner, including the previous provisions to the currency risk fund amounting to four million kroner, if the total debt had been repaid at the exchange rates as of 31 December 1978. Currency gains will be credited to the profit and loss account only when realized.

15. Other long-term debt comprises financing extended to Statoil by the partners in the Frigg and Heimdal fields. Specification of this debt:

Amounts in million NOK	Debt as of 1 January, 1979	Increase during 1979	Payment in 1979	Debt as of 31 December, 1979
Frigg	473.2	141.0	184.8	429.4
Heimdal	30.1			30.1
	503.3	141.0	184.8	459.5

Frigg

In accordance with the state participation agreement, the Petronord Group finances Statoil's share of investments in the Frigg field, including of interest charges. Repayment of the debt is to be made by crediting income from production to the Petronord Group.

If the debt is not repaid by the time the production license expires, the outstanding debt will be cancelled. Statoil has the option of prepaying the debt.

Heimdal

Expenditures incurred prior to the option being exercised (estimated at 30.1 million kroner) are financed for Statoil by the other partners in the group in the same way as for the Frigg field (see above).

16. In the approved state budget for 1979, 500 million kroner was appropriated as increase of the share capital in Statoil. This amount has been paid in during 1979. For 1980, the Norwegian Parliament has appropriated 210 million kroner as share capital increase for the company. This increase was approved at a Statoil General Meeting on 19 December 1979.

Share capital as of 1 January 1979	NOK 2 733.5 mill
Increase approved in 1979 to be paid in during 1980	NOK 210.0 mill
Share capital as of 31 December 1979	NOK 2 943.5 mill

17. Together with the other partners in I/S Noretyl and I/S Norpolefin, Statoil has a joint and several liability for the debt incurred in the name of the partnerships. This is mainly accounts payable, etc.

Liability

In connection with the activities on the continental shelf, including transportation systems, Statoil has, as all other licensees, an unlimited liability for possible claims for compensation. Statoil has taken out insurance for this liability for compensation up to a total of approximately 500 million kroner for each incident.

Charter agreements

In 1979, Statoil extended an agreement with Ross Drilling Co. A/S for charter of the drilling rig «Ross Rig» for a period up to June 1982.

In addition Statoil entered into an agreement with K/S Dyvi Drilling III A/S for charter of the drilling rig «Rauma Repola 12» for up to eight years.

The semi-submersible drilling rig «Deepsea Saga» was chartered by Statoil in 1979 for a period of three years to June 1982. The owner is Deep Sea Company A/S.

Statoil has entered into an agreement with the municipality of Kristiansund N to establish a supply base in Kristiansund N for a period of 15 years from 1979.

Operating result distributed according to areas of activity

Amounts in million NOK	Production of oil and gas	Refining and marketing	Petro-chemical activities	Administration and supporting functions	Total
Operating revenue	278.5	2 609.1	349.6	71.0	3 308.2
Operating costs	101.3	2 486.4	257.4	130.9	2 976.0
Ordinary depreciation	143.7	39.3	122.7	13.5	319.2
Operating result	33.5	83.4	— 30.5	— 73.4	13.0

Administration and supporting functions refer to joint functions for the company's activities. At this point in time a distribution of these costs is not regarded as appropriate.

Source and application of funds

Amounts in 1000 NOK	1979	1978
Source of funds		
Increase in share capital	210 000	882 000
Less: net loss	— 217 251	— 193 928
Plus: depreciation	415 853	132 785
Total internal financing	408 602	820 857
Increase in long-term debt	1 853 169	1 569 341
Total source of funds	2 261 771	2 390 198
Application of funds		
Increase in fixed assets	2 617 795	2 019 271
Increase in long-term receivables and investments	232 441	26 823
Total capital expenditures	2 850 236	2 046 094
Change in working capital	— 588 465	344 104
Total application of funds	2 261 771	2 390 198

Recommendation from the Company Assembly

The recommendation of the Company Assembly to the General Meeting regarding the Annual Report and Accounts for 1979.

At the meeting on 3 March 1980 the Statoil Company Assembly discussed the Annual Report submitted by the Board of Directors and the proposed Accounts for 1979, including the Statement of Profit and Loss, the Balance Sheet, and the settlement of the loss.

The Company Assembly of Statoil recommends that the General Meeting approve the Annual Report submitted, and establish the Accounts in accordance with the draft made by the Board of Directors.

Stavanger/Oslo, 3 March 1980

Egil Aarvik
Egil Aarvik

Chairman, Company Assembly

Auditor's Report for 1979

to the Shareholder of Statoil, Den norske stats oljeselskap a.s

I have audited the Accounts for 1979 according to generally accepted auditing standards.

The Annual Financial Statements are in compliance with the Companies Act and in my opinion present the result of the year and the financial position of the company on the basis of generally accepted accounting principles.

The Board's proposal for settlement of the loss complies with the Companies Act.

The Statement of Profit and Loss and the Balance Sheet submitted may be adopted as the Accounts of Statoil for 1979.

Stavanger, 23 February 1980

Karl-Johan Endresen

Karl-Johan Endresen
Certified Public Accountant (Norway)

*In 1979, oil production started on the Statfjord field. **Polytraveller** loads oil at the single point mooring buoy. The Statfjord A is visible in the background.*





Production start on Statfjord: Summary and perspectives

Saturday, 24 November 1979, was a red-letter day in Norwegian oil history. That was the day crude oil production on the Statfjord field went on stream.

On Thursday, 13 December, M/T «Polytraveller» arrived in a Norwegian port with the first load of crude oil from Statfjord. The 94,000 ton crude oil cargo was delivered by Statoil to the refinery at Mongstad.

Production start-up toward the end of the year 1979 marks a new phase for Statfjord. The A platform will deliver increasing amounts of crude oil, while field development continues.

During the five years or so, between the discovery of the field and the start of production, development work connected with the project has been intensive. In extent as well as in cost, the Statfjord field development ranks among the largest industrial projects in the world. An undertaking of such magnitude represents a major challenge for a small country like Norway, and has significant effects upon the country's national economy and social development.

Production start-up is a milestone, and at this time it is appropriate to sum up past activities and to look at the future.

The Statfjord field on Norwegian and British blocks

In 1973 the Norwegian authorities decided to explore blocks 33/9 and 33/12 on the Norwegian side of the boundary between the Norwegian and British part of the continental shelf. These particular blocks were chosen

first, to find out whether the newly-discovered Brent field on the British shelf extended onto the Norwegian side.

These blocks were awarded to a group of oil companies, later known as the Statfjord Group. Today, this group consists of 13 companies. Mobil is operator, and Statoil is the largest shareholder.

Exploration drilling was conducted on the blocks in 1973 and 1974 with the semi-submersible drilling rig «Waage Drill I». Testing of the exploration wells proved significant deposits of oil and gas. The discovery was declared commercial in August of 1974, after two wells were tested. It was also shown that there was no connection between the Brent and the Statfjord fields.

The Statfjord field consists of two separate oil and gas-bearing zones of sandstone. At one point there are three such zones. The upper zone is called the Brent formation, and the lower zone the Statfjord formation. The intermediate zone is known as the Dunlin formation.

Statfjord, located about 180 kilometers west of the mouth of Sognefjord, also extends onto the British shelf, on blocks 211/24 and 211/25. The reservoir is 25 kilometers long and 4 kilometers wide, and is located at a depth of between 2400 and 2800 meters below the sea bed.

Norway and Great Britain have agreed on unitization of the field. According to the unitization agreement, distribution of reserves between the two countries can be adjusted at certain

The Statfjord Group consists of the following companies:

Statoil	42,04661 %
Mobil Exploration Norway Inc. (operator)	12,61400 %
Conoco Norway Inc.	8,40932 %
Esso Exploration and Production Norway Inc.	8,40932 %
A/S Norske Shell	8,40932 %
BNO (Exploration) Ltd.	5,30226 %
Conoco North Sea Inc.	5,30226 %
Gulf Oil Corporation. . .	2,65113 %
Gulf (UK) Offshore Investments Limited . .	2,65113 %
Saga Petroleum A/S & Co.	1,57674 %
Amerada Petroleum Corporation of Norway	0,87597 %
Amoco Norway Oil Company	0,87597 %
Texas Eastern Norwegian Inc	0,87597 %

regular intervals, to take account of the most up-to-date calculations of the size and extent of the reservoir, and the shares attributable to Norway and Great Britain. Currently, 84.0932 percent of the field is estimated to be located on the Norwegian side, while the British share is estimated at 15.9068 percent.

The Statfjord field is the largest discovery made to date in the North Sea, and it is among the largest offshore petroleum finds made anywhere in the world. Recoverable reserves are calculated at 470 million tons of oil and 70 billion cubic meters of gas. The oil reserves on the Statfjord field alone will be able to cover Norwegian oil needs for the next 50 years, based on today's level of consumption.

Three platforms for field development

Development of the Statfjord field was started just after the field was declared commercial. It soon became clear that several platforms would be required to exploit the long reservoir formation. Today, the Statfjord A is on stream, the Statfjord B is under construction, and the Statfjord C is in the planning phase.

Both the Statfjord A and B platforms are Condeeps. The Condeep is a combined drilling, production, and quarters platform. It consists of two main components: a concrete gravity base structure and a steel deck section. The plat-



1) March 1974: *Waage Drill I* discovered the Statfjord field. The field was declared commercial in August of the same year.



2) August 1976: The concrete gravity base structure of the Statfjord A platform was towed from Stavanger to Stord.



3) September 1976: The steel deck and the concrete structure were mated at Stord Verft.



4) May 1977: The platform was towed out to the field under good conditions.



7) November 1979: General Manager E. J. Medley of Mobil Exploration Norway Inc. officially started production on the Statfjord A on 24 November.



5) September 1977: Construction work continued on the field. Modules are lifted into place by **Seatroll**.



8) December 1979: The first oil from the single point mooring buoy on the Statfjord field is loaded into **Polytraveller**.

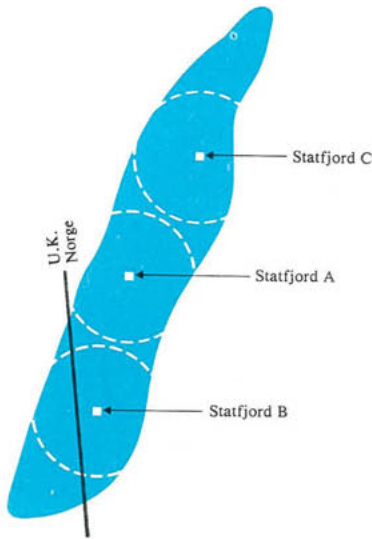


6) November 1977: The platform was christened «Statfjord A» on 22 November 1977, and Oddbjørg Kloster, Stord, was godmother.



9) December 1979: The refinery at Mongstad received the first delivery of Statfjord oil on 13 December 1979.

The three platforms on the Statfjord field are to be placed as illustrated in this figure.



The Statfjord A Project

Licensees awarding contract	The Statfjord Group.
Operator	Mobil Exploration Norway Inc.
Main contractor for: Building the concrete structure, towing operations, mating of the concrete structure and the deck, and placing the platform on the field.	Norwegian Contractors
Main contractor for: Building the steel deck, mounting and assembling the preassemblies and modules.	Aker Stord
Manufacture and installation of mechanical equipment in the shafts.	Aker Offshore Contracting.
Suppliers of modules and other preassemblies.	Bodø Mekaniske Verksteder. Nordland Offshore, Sandnessjøen. Kværner Sterkoder, Kristiansand. Kværner Brug, Egersund. Strømmen Staal, Eydehavn. CFEM, Rouen, Paris, Dunkirk, Lauterbourg. Wilson Walton, Middlesbrough. RSVM, Rotterdam.
Supplier of living quarters.	Leirvik Sveis.
Supplier of other equipment.	350 different companies in Norway.

form is fixed on the sea bed and remains in place by virtue of its own weight.

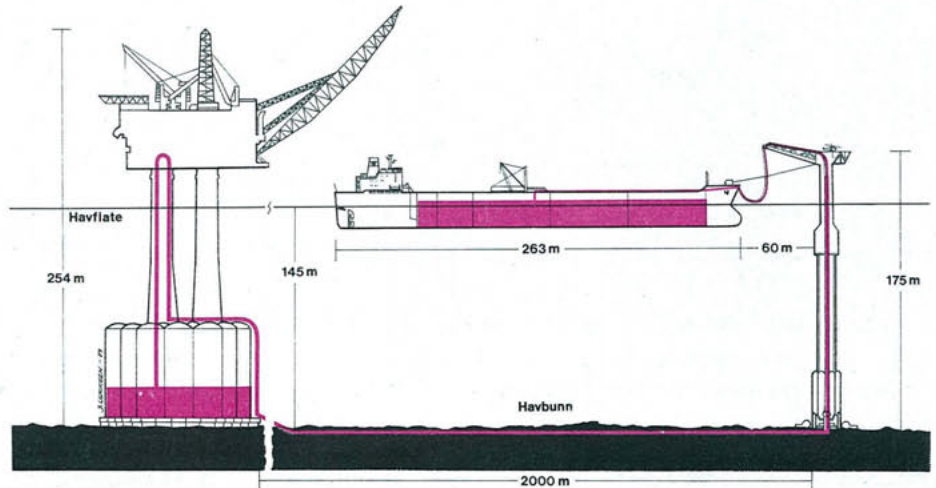
The Statfjord A gravity base structure was built by Norwegian Contractors in Stavanger. Stord Verft was responsible for building the steel deck. The platform was towed out to the field in May of 1977. Norwegian Contractors was responsible for all maritime operations.

Until production began in November of 1979, a significant amount of installation work on production systems and equipment was carried out offshore. Offshore work is estimated to have required 6.6 million man-hours of the 21 million man-hours needed to build the platform.

When production began on the Statfjord A platform, four wells were completed. Three of these went on stream on 24 November 1979. The production forecast for 1980 is about 3.4 million tons of crude oil. Peak production is projected to reach a level of about 13 million tons of crude oil annually by the end of the 1980's.

The oil produced is first taken through the oil and gas separation equipment on the platform. The oil then flows into storage tanks in the lower part of the concrete gravity base structure. From there it is pumped through the pipeline on the sea bed to a single point mooring buoy (SPM), built by Kværner Brug, Egersund. From this SPM oil is loaded onboard tankers.

From the spring of 1980, the first gas-injection well will go into opera-



The oil (shown in red) flows from the storage cells in the concrete structure of the Statfjord A platform, through the pipeline, to the single point mooring buoy, and further on to the tanker.

About the Statfjord Platforms

	A	B
Total height	254m	271m
Height above sea level	109m	126m
Weight	650 000t	816 000t
Deck area	21 600 m ²	18 200 m ²
Number of shafts	3	4
Numbers of storage cells	19	24
Water depth	145	145
Number of production and injection wells	32	32
Production capacity	300 000 bbl/day	180 000 bbl/day
Storage capacity	1,3 mill. bbl	1,9 mill. bbl

tion. The gas will be re-injected into the reservoir so that the reserves can be conserved until a decision is made on a gas system.

Construction of the Statfjord B has been in progress since 1978. Norwegian Contractors is responsible for building the concrete gravity base structure, while the steel deck is being assembled at Rosenberg Verft in Stavanger. The deck frame was delivered by Fredrikstad Mek. Verksted and by Kværner Brug in Egersund. The modules and equipment units are being delivered by various yards.

The tow-out of the B platform is scheduled for August of 1981, and production start-up for the end of 1982. The Statfjord B is to be almost entirely completed before tow-out.

Statfjord B will be somewhat different from the Statfjord A, even though both the platforms are designed along the same principles. Statfjord B will have a maximum production capacity of 180,000 barrels of crude oil a day, compared with 300,000 barrels a day for the Statfjord A. However, the B platform will be physically larger than the Statfjord A, and the deck of the B platform will rest on four concrete shafts, rather than three as with the A platform. Changes have also been made in deck construction.

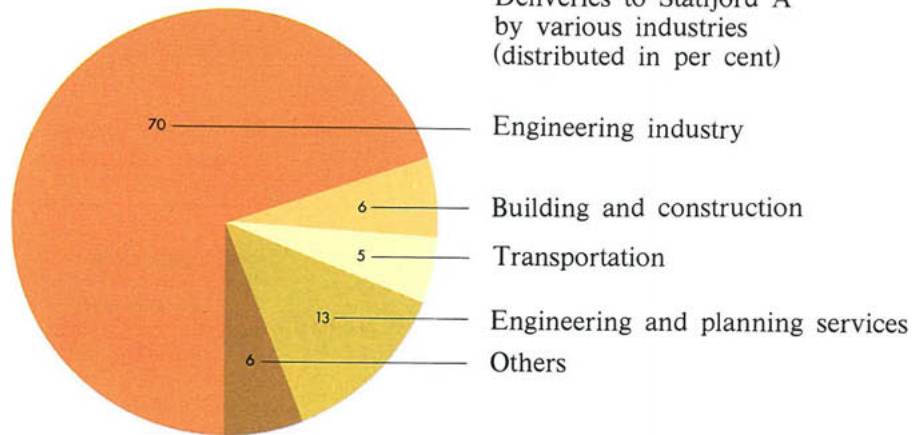
The Statfjord B has two deck levels, as opposed to the three on the A platform. Statfjord B design ensures the greatest possible distance between the production area and the quarters area, which is further protected by a series of fire-proof walls. This is part of the continuing program to improve safety during production.

In 1980 a decision will be made on the type of structure to be chosen for the third platform on the Statfjord field. Various alternatives have been evaluated. The Statfjord Group wants to build a platform similar to the Statfjord B. Construction of the C platform will begin as soon as possible, in order to achieve greater production and increased income during the second half of the 1980's. This will also contribute to maintaining a stable level of activity in the Norwegian oil industry.

Norwegian business participates in development

Statfjord field development is the largest industrial project in Norway. The period of investment will last for more than ten years, and total investments are currently estimated at about 38 billion kroner. To date, contracts have been signed, and goods and services

The Statfjord B Project	
Licensees awarding contract.	The Statfjord Group.
Operator.	Mobil Exploration Norway Inc.
Main consultant.	Brown & Root/Norwegian Petroleum Consultants J.V.
Main contractor for: Building the concrete structure, towing operations, mating of the concrete structure and the deck, and placing the platform on the field.	Norwegian Contractors.
Main contractor for: Building the steel deck, mounting and assembling the preassemblies and modules. Manufacture and installation of mechanical equipment in the shafts.	Moss Rosenberg Verft.
Supplier of Truss I for the deck frame.	Fredrikstad Mek. Verksted.
Supplier of Truss II for the deck frame.	Kværner Brug, Egersund.
Suppliers of modules and other preassemblies.	Aker Trøndelag. Stord Verft. Tangen Verft. Nylands Verft. Bodø Mekaniske Verksted. UIE/Sterkoder. CNIM, Toulon. CMP, Dunkerque.
Supplier of living quarters and helideck.	Leirvik Sveis.
Suppliers of other equipment.	More than 200 companies, of which about 150 are Norwegian.



have been delivered for 12 to 13 billion kroner. The estimate of 38 billion kroner does not include investments in connection with transportation of gas. Over 12000 work-years have already been invested in Statfjord A, during the actual construction and commissioning of the platform. In addition one must consider the production of the goods delivered. This comes to about 17 percent of the total cost of the Statfjord A platform. The Norwegian share of deliveries to Statfjord A is estimated at about 60 percent of the platform value. For the Statfjord B, this share is currently calculated at about 80 percent.

Development of Statfjord has coincided with a period of general international economic decline. Thus, con-

Deliveries to Statfjord A by various industries (distributed in per cent)

struction of the A and B platforms have contributed to a reduction of the problems experienced by Norwegian engineering industries in this connection. Seventy percent of the deliveries to the Statfjord A came from this industrial sector, both at home and abroad. Aker Group involvement in the Statfjord A platform, alone, was equivalent to the number of man-hours required to construct five 285,000 dwt tankers.

It is not just the engineering industry which has contributed to the Statfjord project. Nearly 400 companies have delivered goods and services to Statfjord A, and the distribution of deliveries to the Statfjord B is likely to be more widespread.

Statfjord development is not merely

a gigantic industrial project. It is also the most extensive industrial cooperation project to be conducted in Norway. This cooperation transcends national boundaries and cuts across various sectors of the economy. The contributions come from all over Norway and from a number of other countries. Clearly, this manner of production sets special demands upon planning and coordination.

Norwegian companies have gained experience through cooperation, and this can be useful for further development of Norwegian business. It should be emphasized that Norwegian industry has had an ongoing influence on this form of cooperation. Norwegian participants have carried out key operations. The Condeep patent has been developed in Norway; the concrete gravity base structure and the platform decks are produced in Norway. The complex towing operations and mating of the deck and shafts is supervised and conducted by Norwegian experts. Norwegian industry has shown great competence and ability to adjust in connection with Statfjord development.

Investments, production, and revenue

By the end of 1979 total capital expenditures in connection with Statfjord A had reached seven billion kroner, and in connection with Statfjord B they came to 3.7 billion kroner. The Statoil share of these expenditures is 2.95 and 1.55 billion kroner, respectively. When completed, it is estimated that the A platform will cost 7.5 billion kroner and the B platform approximately ten billion kroner.

Construction of the Statfjord A and B platforms has given the company experience, which will be drawn upon and contribute further to field development. This applies to measures to increase cost efficiency as well as to safety improvements.

Total production from Statfjord will increase during the next decade. A peak production of 25 to 30 million tons annually will be achieved by the end of the 1980's.

Estimating the size of future revenues from Statfjord is difficult, considering the uncertain price situation prevailing today on the world crude oil market. Based on today's prices of approximately USD 30 per barrel, peak

production can bring in an annual revenue of 32 billion kroner.

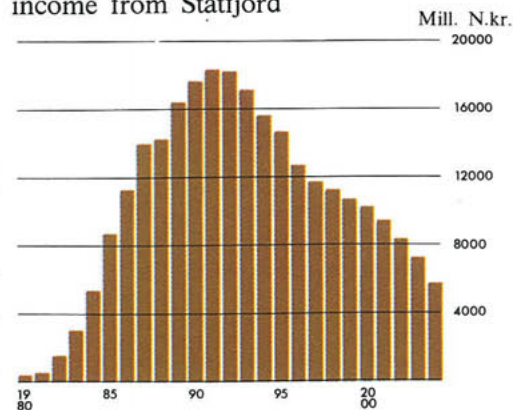
The backbone of Statoil

Statfjord has rightly been called the backbone of Statoil. Involvement in Statfjord assures the company major supplies of crude oil, as well as substantial revenues. In the mid-1980's, Statoil will receive eight to ten million tons of oil annually from Statfjord. This is equivalent to more than Norway's total consumption in 1979. In addition to this Statoil will get its share of the production and sale of gas.

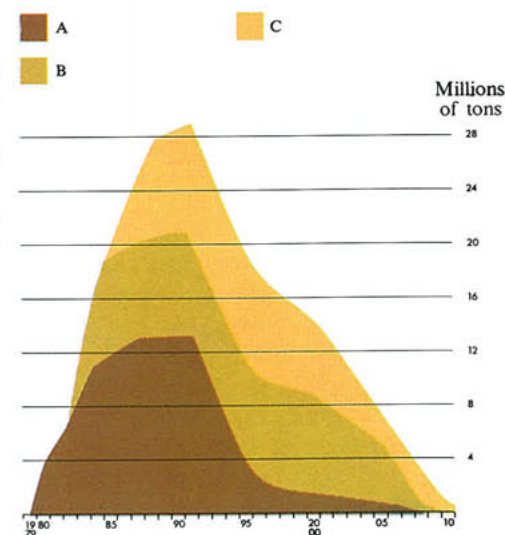
Consequently, Statoil will begin making a profit early in the 1980's. Even using conservative estimates of the price development of crude oil, the company's gross revenue from Statfjord could be about eight to nine billion kroner annually.

Up to now Statoil has invested about 5.2 billion kroner in Statfjord. This project is primarily financed through foreign loans and to some extent, share capital granted by the Norwegian Parliament. The company expects to invest another ten billion kroner in Statfjord during the 1980's.

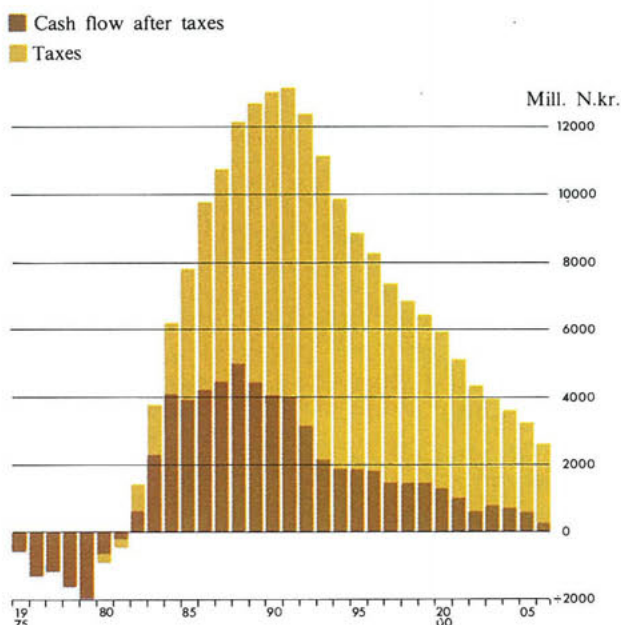
Norwegian tax and royalty income from Statfjord



Production forecasts for the Statfjord A, B, and C platforms



Statoil cash flow



In 1980-kroner
Price of oil in 1980: 30 USD
Constant real price

Wells drilled on the Norwegian shelf in 1979

Exploration and delineation wells

Operator	Block	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	
----------	-------	----------	----------	----------	----------	--

Operated by Statoil

Statoil	30/6			30/6-1 Deepsea Saga	30/6-2 Deepsea Saga	30/6-3 Deepsea Saga
Statoil	30/2 30/3			30/3-1 1. fase Norskald		
Statoil	15/9	15/9-3 Ross Rig	15/9-4 Ross Rig			15/9-5 Norskald
Statoil	34/10		34/10-3 Norskald	34/10-2 Ross Rig	34/10-4 Ross Rig	34/10-5 Ross Rig
						34/10-6 Borgny Dolphin

Statoil participation

BP	30/4	30/4-1 Sedco 707			30/4-2 Sedco 707	
Norsk Hydro	30/7	30/7-7 Treasure Seeker				
Elf	15/3	15/3-3 Pentagone 84				
Agip	33/6		33/6-1 Fernstar			
Norsk Hydro	33/5			33/5-1 Treasure Seeker		
Norsk Hydro	31/4			31/4-1 Nor- skald	31/4-2 Norskald	31/4-3 Treasure Seeker
Shell	31/2			31/2-1A Borgny Dolphin		
Saga	34/4			34/4-1 Byford Dolphin		
Amoco	2/11		2/11-5 Dyvi Alpha			
Amoco	2/9			2/9-2 Dyvi Alpha		
Amoco	34/2					34/2-1 Byford Dolphin
BP	2/1					2/1-3 Sedco H
Norsk Hydro	15/5					15/5-2 Treasure Seeker
Elf	18/10					18/10-1 Dyvi Alpha

Wells in which Statoil has not participated

Phillips	2/7	2/7-12 Dyvi Beta	2/7-13 Dyvi Beta	2/7-14 Håkon Magnus		
Phillips	17/12					17/12-3 Nortrym
Esso	25/11			25/11-8 Dyvi Alpha		

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, production, transportation, refining and marketing of petroleum and petroleum-derived products, as well as other activities reasonably related thereto.

Art. 2

The registered seat of the Company is in Stavanger.

Art. 3

The share capital of the Company is N.kr. 2 943 500 000 divided into 29 435 000 shares of N.kr. 100 each.

Art. 4

The Board of Directors shall be composed of seven Directors. Five of the directors, including Chairman and Vice-Chairman, are elected by the General Meeting. Two of the Directors are elected by and among the employees in accordance with regulations made under provisions of the Companies Act concerning the rights of employees to be represented on the Board of Directors and in the Company Assembly.

Four alternate Directors shall be elected in respect of the two Directors elected by and among the employees, and these alternates shall be summoned in the order in which they are elected. Two alternate Directors shall be elected in respect of the other Directors, one first alternate and one second alternate. The normal term of office for the Directors is two years.

Art. 5

Any two Directors jointly may sign on behalf of the Company. The Board may grant power of procuration.

Art. 6

The Board shall appoint the Company's President and stipulate his salary.

Art. 7

Statoil shall have a Company Assembly consisting of 12 members. Members and alternates shall be elected for two years at a time. The General Meeting shall elect eight members and three alternate members for these eight. Four members and alternates for these four are to be elected by and among the employees of the Company in accordance with regulations made under provisions of the Companies Act concerning the rights of employees to be represented on the Board of Directors and in the Company Assembly.

The Company Assembly elects a chairman and a vice-chairman from among its members.

The Company Assembly shall hold at least two meetings annually.

Art. 8

The ordinary General Meeting shall be held each year before the end of June. General Meetings are held in Stavanger or in Oslo.

Extraordinary General Meetings shall be summoned whenever so demanded by the shareholder, the Board, or two members of the Company Assembly.

Art. 9

The ordinary General Meeting shall consider:

- a) The annual report, annual accounts and the auditor's report.
- b) The question of adopting the annual accountants.
- 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 18-4, second paragraph.

Art. 10

The Board shall submit to the General Meeting, ordinary or extraordinary, all matters which are presumed to involve significant political 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 joint 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 operations.

f) Plans to participate in the exploration for petroleum resources in or outside Norway, including the exercise of state participation option rights.

g) Semi-annual reports on the Company's activities, including activities of subsidiaries and important joint ventures with other companies.

Matters which the Board submits to the General Meeting pursuant to 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 presented in writing and delivered to the Ministry in good time prior to the General Meeting.

If there has been no opportunity to submit the above mentioned matters in advance to the General Meeting, the General Meeting shall promptly be notified of the Board's resolution.

Whenever possible, matters as mentioned in a) and g) above should be submitted to the Company Assembly for comments.

The General Meeting decides whether to take note of the Board's proposals under this Article, to approve them or to alter them.

Art. 11

The provisions of the Companies Act shall be supplementary to these Articles of Association.

Statoil interests in licenses allocated as of 1 January 1980

Production license and year allocated	Blocks	Operator	Statoil share in %		Type of agree- ment*	Type of dis- covery	Fields	
			Ordinary	Maximum				
Norwegian continental shelf								
005 - 1965	7/3	Union		10	1			
008 - 1965	18/10, 2/6	Elf		2	1		Gye	
019A - 1965	7/12	BP		12,5	1	Oil/Gas	Ula	
019B - 1977	2/1, 7/12	BP		50	72	1		
020 - 1965	16/8	BP		12,5	1			
022 - 1965	2/3, 3/5	Gulf		11	1			
023 - 1969	3/7	Elf		5	2			
024 - 1969	25/1	Elf		5	4	Gas	Frigg, NE Frigg	
025 - 1969	15/3	Elf		6	2			
026 - 1969	25/2	Elf		5	2	Gas	E Frigg, SE Frigg	
027 - 1969	25/8	Esso		17,5	3	Oil	Balder	
028 - 1969	25/10	Esso		17,5	3	Oil	Balder	
029 - 1969	15/6	Esso		17,5	3	Gas	Sleipner	
030 - 1969	30/10	Esso		17,5	3	Gas	Odin	
031 - 1969	2/10	Phillips		17,5	2			
032 - 1969	2/9	Amoco		10	3			
033 - 1969	2/11	Amoco		10	3	Oil/Gas	Valhall/Hod	
036 - 1971	25/4	Elf		40	4	Gas/condens.	Heimdal	
037 - 1973	33/9, 33/12	Mobil		50	4	Oil/Gas	Statfjord, Murchison	
038 - 1974	6/3, 15/11, 15/12	Statoil		50	75	1		
039 - 1974	24/9	Conoco		50	75	1		
040 - 1974	29/9, 30/7	Norsk Hydro		50	66	1	Gas	
041 - 1974	35/3	Saga		50	70	1		
042 - 1974	36/1	Amoco		55	70	1		
043 - 1976	29/6, 30/4	BP		50	70	1		
044 - 1976	1/9	Statoil		50	75	1	Gas/condens.	
045 - 1976	24/11, 24/12	Statoil		50	75	5		
046 - 1976	15/8, 15/9	Statoil		50	75	1	Gas/condens.	Sleipner
047 - 1977	33/2, 33/5	Norsk Hydro		50	66	1		
048 - 1977	15/2, 15/5	Norsk Hydro		50	75	1	Gas/condens.	
049 - 1977	33/6	Agip		50	70	1		
050 - 1978	34/10	Statoil		85	85	5	Oil/Gas	
051 - 1979	30/2	Statoil		50	75	1		
052 - 1979	30/3	Statoil		50	75	5		
053 - 1979	30/6	Statoil		50	80	5	Gas/condens.	
054 - 1979	31/2	Shell		50	75	5	Oil/Gas	
055 - 1979	31/4	Norsk Hydro		50	75	5		
056 - 1979	34/2	Amoco		50	75	1		
057 - 1979	34/4	Saga		50	75	5	Oil	
058 - 1979	35/8	Gulf		50	70	1		
Dutch continental shelf								
L/16-B 1968	K/18, L/16	Cities Service		7,5	1	Gas		

*1) Carried interest

2) Option for direct participation

3) Net profit

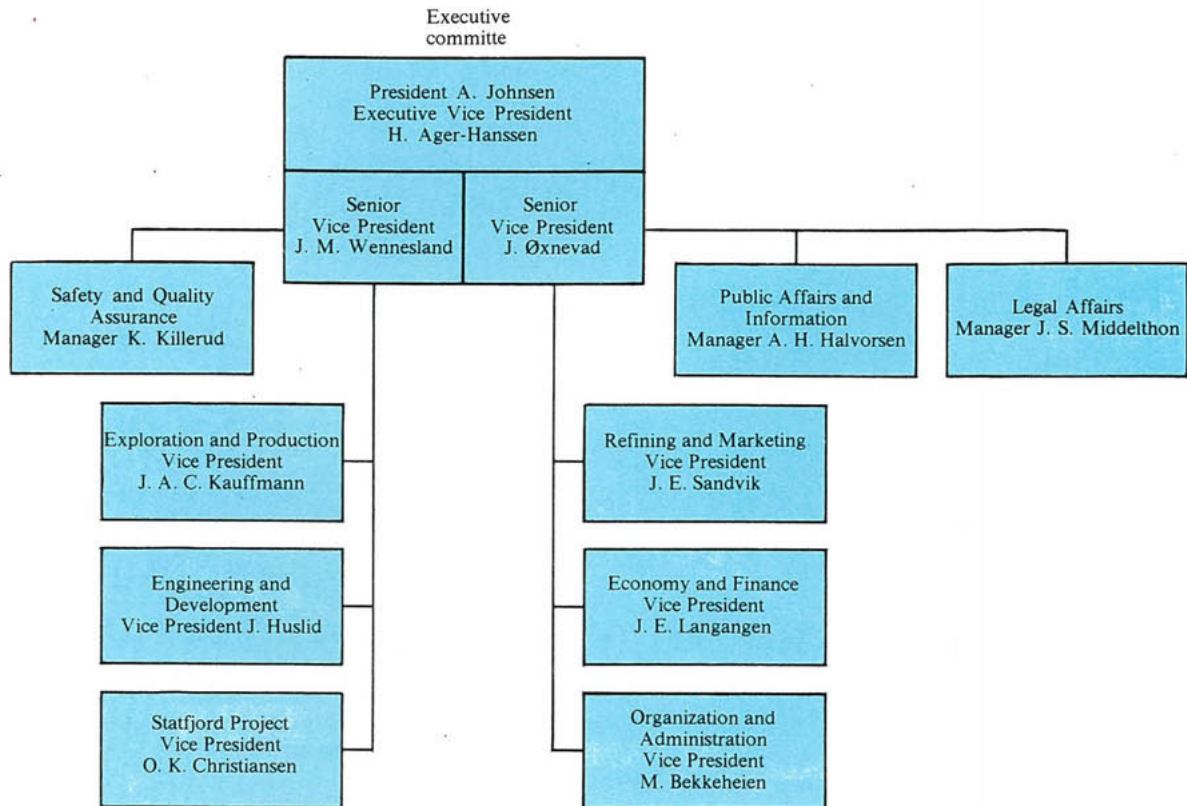
4) Option exercised

5) Statoil cover a percentage of the exploration costs.

Administration

Arve Johnsen	— President
Henrik Ager-Hanssen	— Executive Vice President
Jacob Øxnevad	— Senior Vice President
Jan M. Wennesland	— Senior Vice President
Martin Bekkeheien	— Vice President
Olav K. Christiansen	— Vice President
Jon Huslid	— Vice President
José A.C. Kauffmann	— Vice President
Jan Erik Langangen	— Vice President
Jarle Erik Sandvik	— Vice President
Arne H. Halvorsen	— Manager
Kai Killerud	— Manager
Jacob S. Middelthon	— Manager

Statoil's Organization as of 1 January 1980



Map of the Norwegian Continental Shelf

Arr.: Ottesen-Bates
Printed by Litografen
Most photos: Statoil

