

# Norse Energy Corp. ASA

NEC – Presentation 4<sup>th</sup> Quarter 2005

28 February 2005



# Disclaimer

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise. No assurance can be given that such expectations will prove to be correct. These forward-looking statements are subject to certain risks and uncertainties including, but not limited to, the risk factors discussed in the chapter 9 of the company's prospectus dated February 9 2005. In light of these risks, uncertainties and assumptions, the forward-looking events presented in this documentation might not occur, and the Company's actual results could vary materially from such forward-looking statements. The Company, its management and its board of directors expressly disclaim any obligation to publicly update or revise any forward-looking statements contained herein, whether as a result of new information, future events or otherwise, except as required by law.

## Conversion factors

Natural gas and LNG From	To billion cubic metres NG	billion cubic feet NG	million tonnes oil equivalent	million tonnes LNG	trillion British thermal units	million barrels oil equivalent
	Multiply by					
1 billion cubic metres NG	1	35.3	0.90	0.73	36	6.29
1 billion cubic feet NG	0.028	1	0.026	0.021	1.03	0.18
1 million tonnes oil equivalent	1.111	39.2	1	0.805	40.4	7.33
1 million tonnes LNG	1.38	48.7	1.23	1	52.0	8.68
1 trillion British thermal units	0.028	0.98	0.025	0.02	1	0.17
1 million barrels oil equivalent	0.16	5.61	0.14	0.12	5.8	1

Source: BP's Statistical Review of World Energy 2004

- **Key Financial Figures**
- **Company overview**
- **Segment Information**
  - **Brazil**
  - **USA**
- **Outlook**
- **Enclosures**

## **Key Financial Figures**

**Q4 2005 Highlights**

**Condensed P&L, Balance Sheet and Cash Flow**

**Revenues, EBITDA and Net Profit**

**Value Drivers**

**Segment Split**

**Hedging Positions**

# Operational highlights

- **Brazil:**

- Strengthened presence in BS-3
  - Increased stakes in Estrela do Mar and Cavalo Marinho
  - Pursues strategies to increase control over development
- Received environmental license (IBAMA) on Manati
  - Ensures production start-up in second half of 2006
  - Purchased 20 percent stake in Sardinha in Q1 2006

- **US:**

- Strong operational performance
- Met the target of 25 wells in 2005
- Acquired geoscience team with large database in Q1

# Financial highlights

- **Steady Q/Q development in EBITDA**
  - Lower pre-tax profit
- **Mixed production and price picture**
  - Oil: Lower production and prices
  - Gas: Higher production and prices
  - Pipeline: Strong revenue growth and margin expansion
  - Marketing: Strong growth in sales and EBITDA
- **Secured future sales at high prices**
  - Sold more US gas forward at record prices
  - Bought additional 500 boepd oil put option at USD 50 per barrel
- **Raised additional funding**
  - NOK 125 million in new equity
  - NOK 100 million in new 5-year NOK bond

# Key Financial Figures

## Condensed P&L, Balance Sheet and Cash Flow

USD ('000)	Q1 05	Q2 05	Q3 05	Q4 05	FY 2005
Revenues	10 696	10 836	47 222	60 806	129 560
Trading purchase of oil and gas			-33 822	-48 466	-82 288
EBITDA	5 247	5 656	5 898	5 673	22 474
EBIT	1 341	1 791	2 392	2 108	7 632
Pre-tax profit	1 267	773	1 585	1 517	5 142
Net profit	746	-576	1 635	203	2 007
Total assets					234 542
Equity					96 531
Net interest bearing debt					37 004
					FY 2005
Net Cash Flow from Operations					- 6 070
Net Cash Flow from Investments					-13 619
Net Cash Flow from Financing					44 458
Cash at hand, end of period					31 119

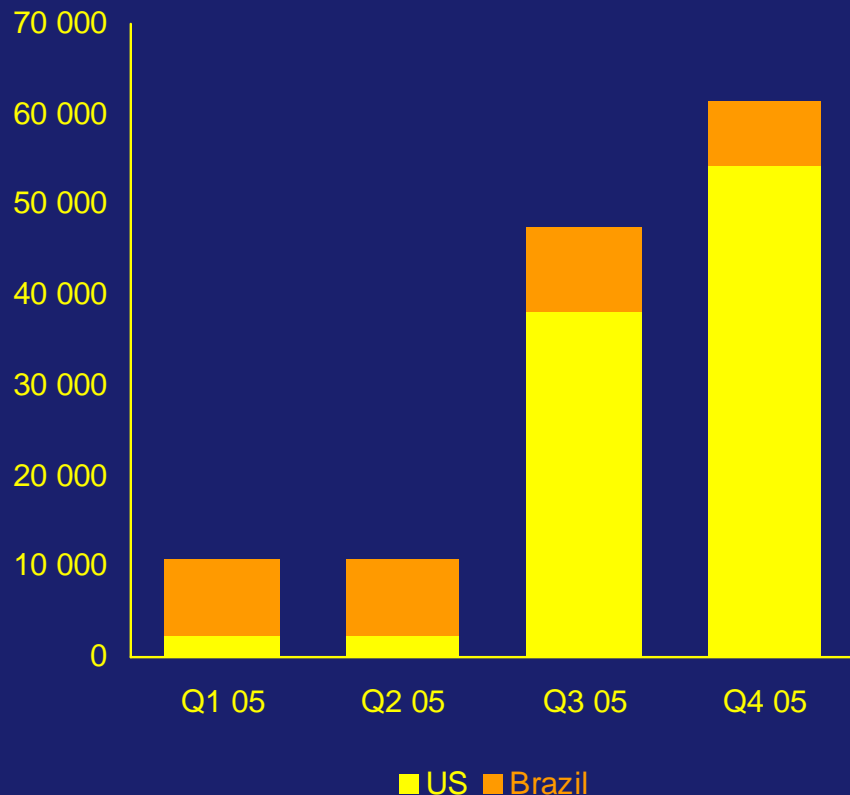
Proforma figures for Q1 and thus for FY 2005



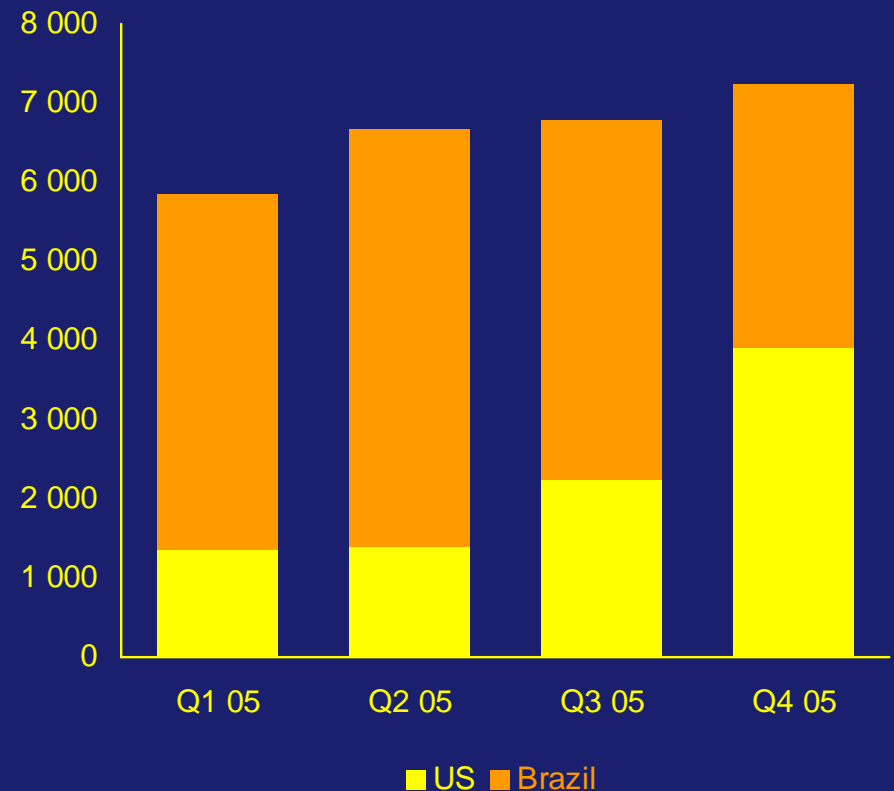
# Key Financial Figures

## Revenues and EBITDA

Revenues (USD '000)



EBITDA (USD '000)

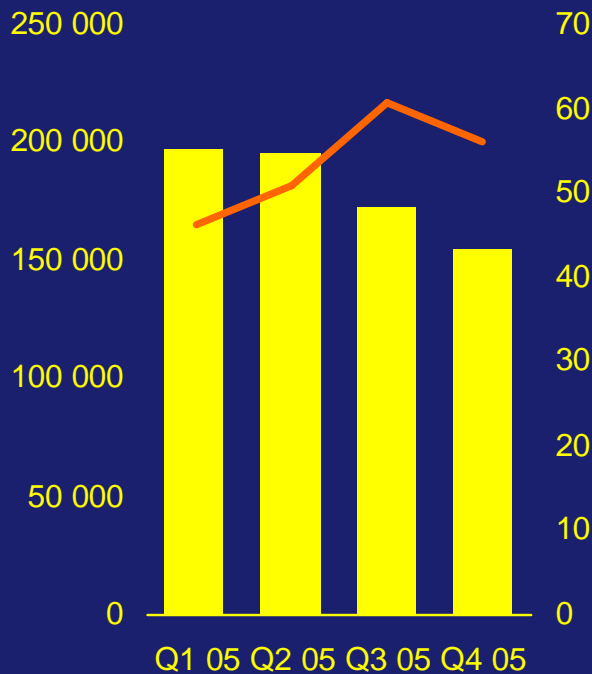


Segment reporting, excluding corporate costs and elimination

# Key Financial Figures

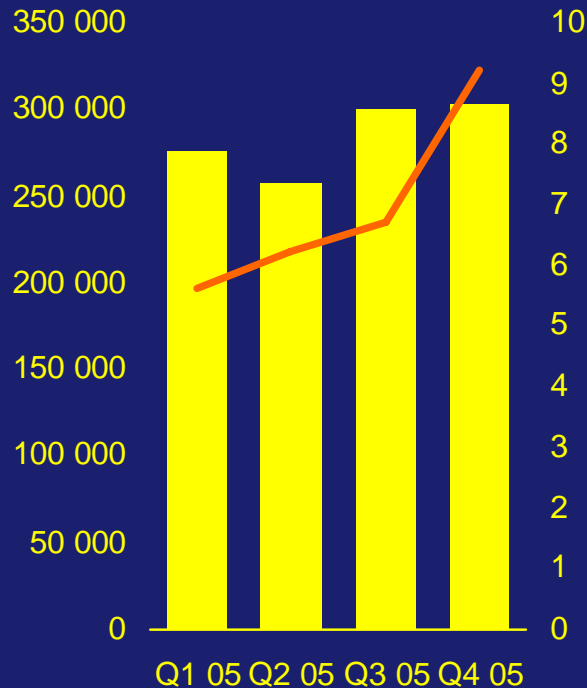
## Value Drivers

### Oil production and price



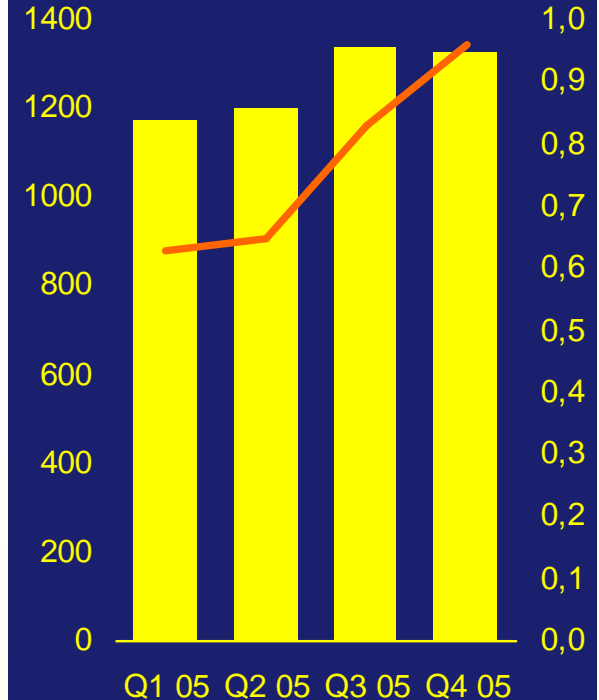
■ Oil production, bbl  
— Oil price, USD/bbl (r.h. scale)

### Gas production and price



■ Production natural gas, Mcf  
— Gas prices, USD/MMbtu (r.h.)

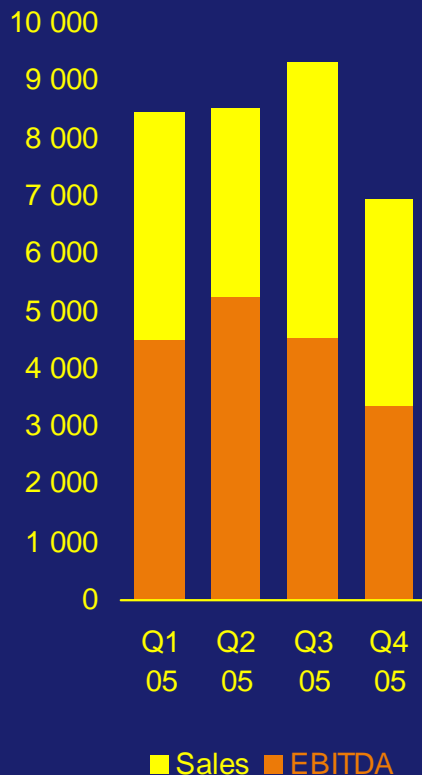
### Throughput and Income per unit



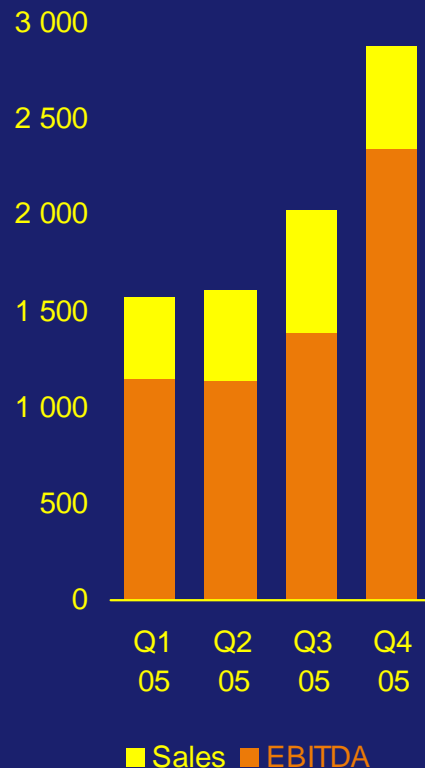
■ Throughput, MMcf  
— Income \$/Mcf

# Key Financial Figures Segment Split

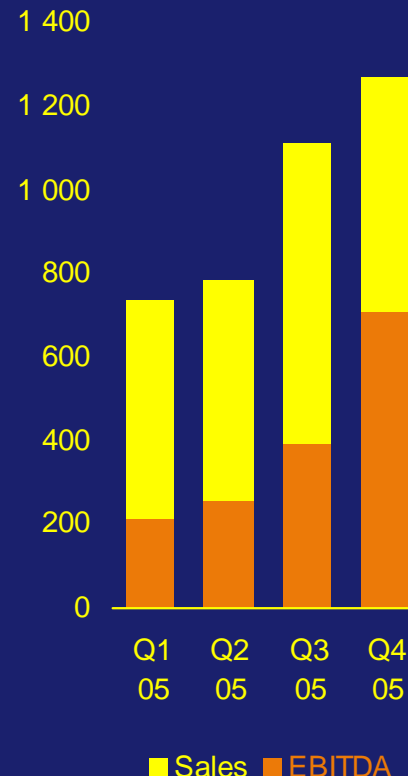
**Brazil E&P (USD '000)**



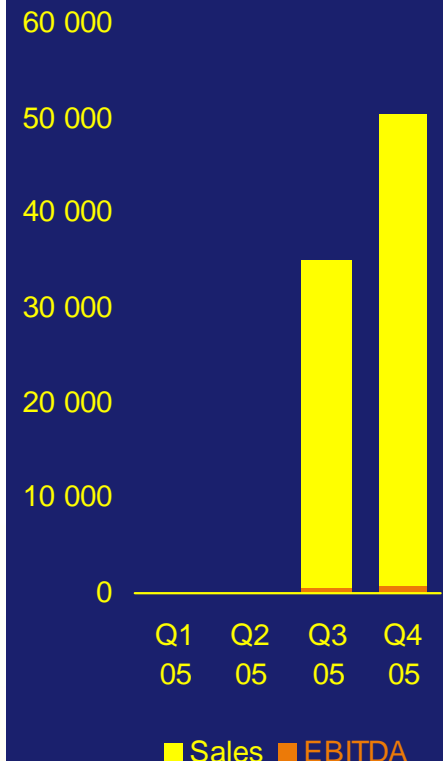
**US E&P (USD '000)**



**US G&T (USD '000)**



**US Mkt & Pipeline  
Management (USD '000)**



Note that the scale of the graphs differ between divisions

# Key Financial Figures

## Hedging Positions

- **Realized oil price in Brazil in Q4: USD 56.08 per barrel**
  - 8% below Q3 – all spot
  - Three year put options for 1 000 bopd at USD 50 –starting Q1 2006
- **Realized gas price in the US in Q4: USD 9.23 per MMbtu**
  - 37% increase over Q3 – part hedged
- **Gas hedging contracts going forward:**
  - Hedged in excess of 50% of budgeted 2006 production

	Q1		Q2		Q3		Q4	
	Prices	Volume	Prices	Volume	Prices	Volume	Prices	Volume
2006	\$9.20	3,300	\$7.59	3,278	\$7.56	3,257	\$7.47	2,278
2007	\$8.01	2,300	\$7.24	2,289	\$7.23	2,278	\$7.40	2,278
2008	\$7.66	2,300	\$6.98	2,289	\$6.99	2,278	\$8.04	2,068
2009	\$8.84	2,000	\$8.14	1,978	\$8.03	1,630	\$8.26	1,630
2010	\$8.58	1,667	\$7.76	1,648	\$7.77	1,630	\$8.02	1,630

Hedging as operator. Includes all partners in all wells

## Company Overview

Organization

Geographical presence

# Company Overview

## Organization

### NEC ASA

#### Norse Energy do Brasil

E&P

#### Norse Energy Corp USA

E&P

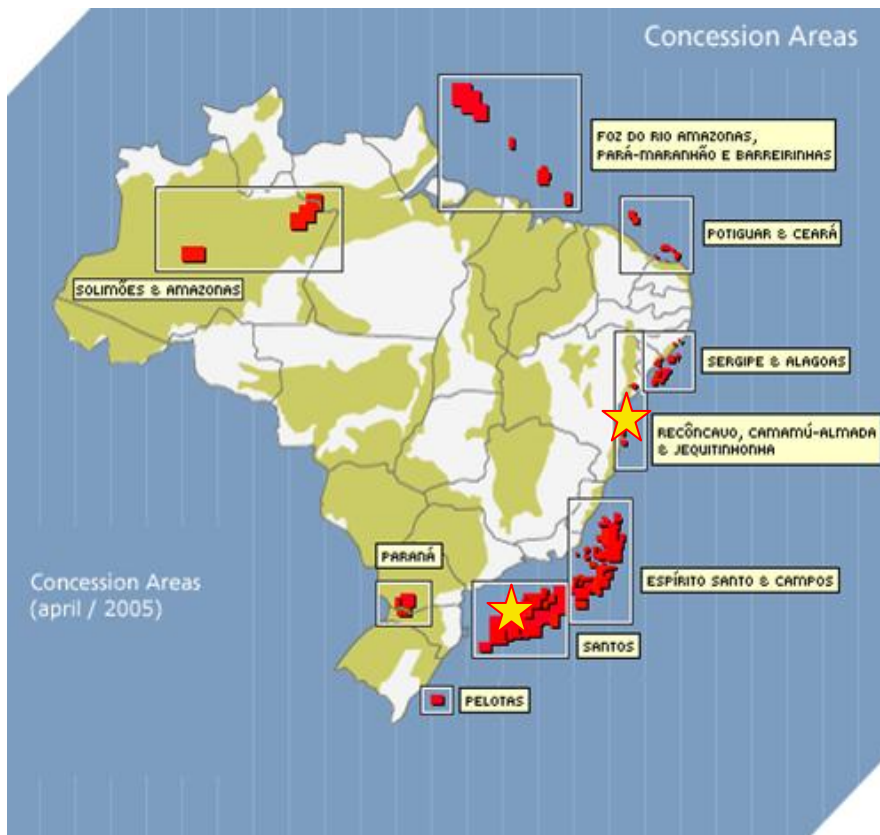
Pipeline

Marketing and trading

- **Headquartered in Oslo**
  - CEO Øivind Risberg
  - CFO Anders Kapstad
- **Listed on Oslo Stock Exchange**
  - Ticker: NEC
- **Market capitalization: NOK 1.4 bn**
- **Offices in:**
  - Rio de Janeiro, Brazil
  - Houston, Texas
  - Buffalo, New York
  - Jamestown, New York
  - Norwich, New York
  - Erie, Pennsylvania
  - Pittsburgh, Pennsylvania

# Geographical Presence

## Brazil



## USA



# Geographical Presence

## Brazil

- Early mover in a major market
- Top-5 in undiscovered reserves
- Oil market deregulated in 1999
- Gas deregulation ongoing
- Few players – NEC was fourth largest producer in 2005
- NEC holds large reserves and significant upside in exploration licenses
- Synergies from the US gas production, operation and pipeline business

## USA

- The world's largest energy consumer
- Still large undiscovered reserves
- Appalachia basin is the highest priced energy market in the world
- Low-risk business, long reserve life
- Large inventory of drilling prospects
- Upside in the current low utilisation of the transmission pipeline



## Segment Information

### Brazil

#### Reserve Profile

Comments on Cavalo Marinho

#### Production Profile

Comments on Cavalo Marinho

#### Strategic Review

Santos Basin – BS3

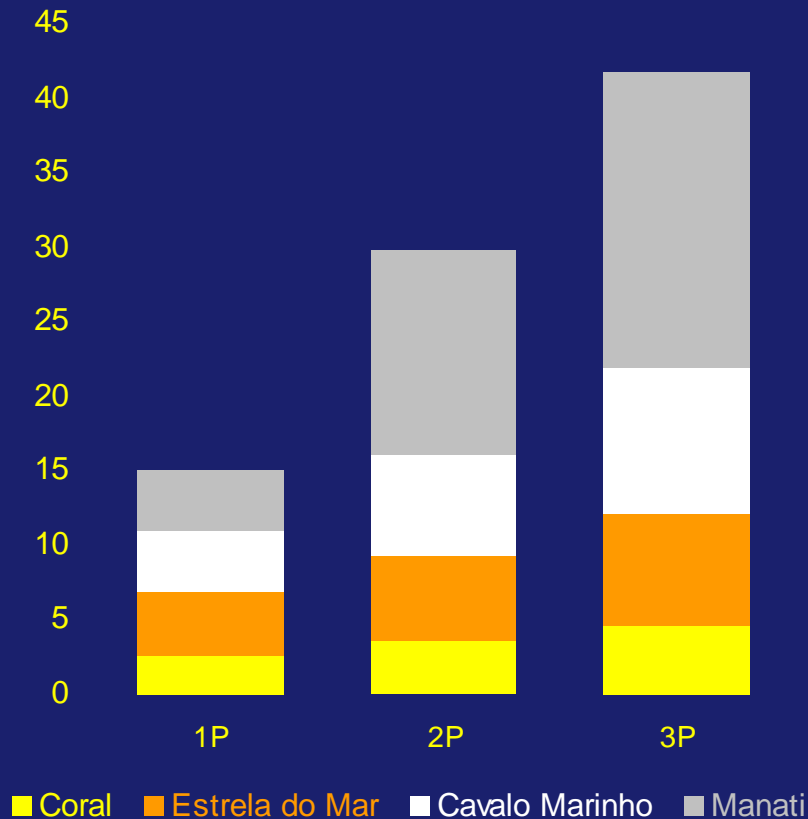
Camamu-Almada - Manati

Exploration

Sardinha acquisition

# Brazil E&P Reserve Profile

Reserves, MMbbl

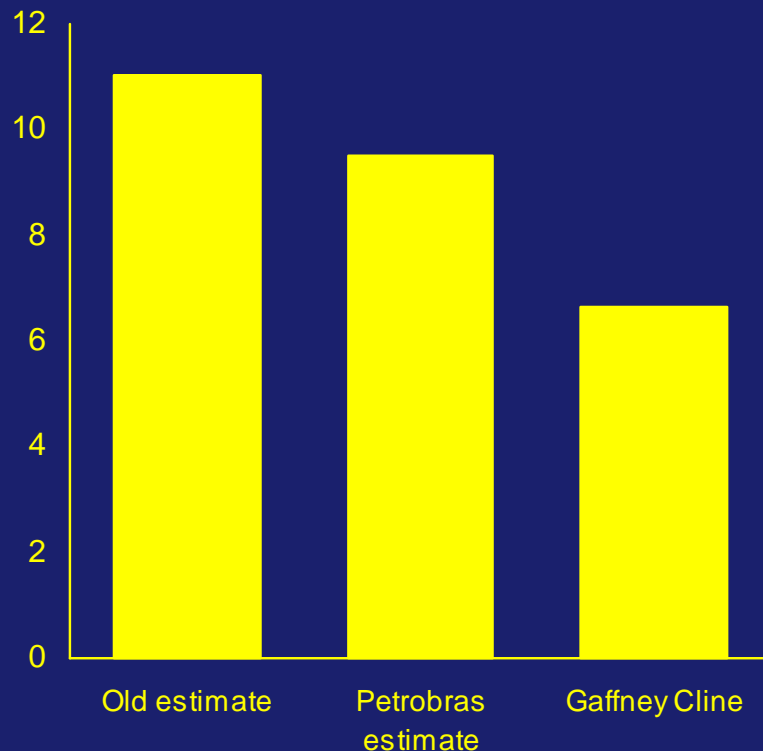


- 1P reserves: 15.1 mbbl
- 2P reserves: 29.8 mbbl
- 3P reserves: 41.7 mbbl
- Reserve estimates have been cut compared with Q3 2005, primarily due to a revision of Cavalo Marinho by Gaffney Cline
- The acquisition of 20 percent of Sardinha, which holds 5.8 MMboe of gas and an estimated 3.8 MMboe of oil is not included in the above numbers

Source: Gaffney Cline Report 31 Dec 2005

# Cavalo Marinho – reserve estimates

Cavalo Marinho -NEC's share  
2P reserve estimates, MMbl

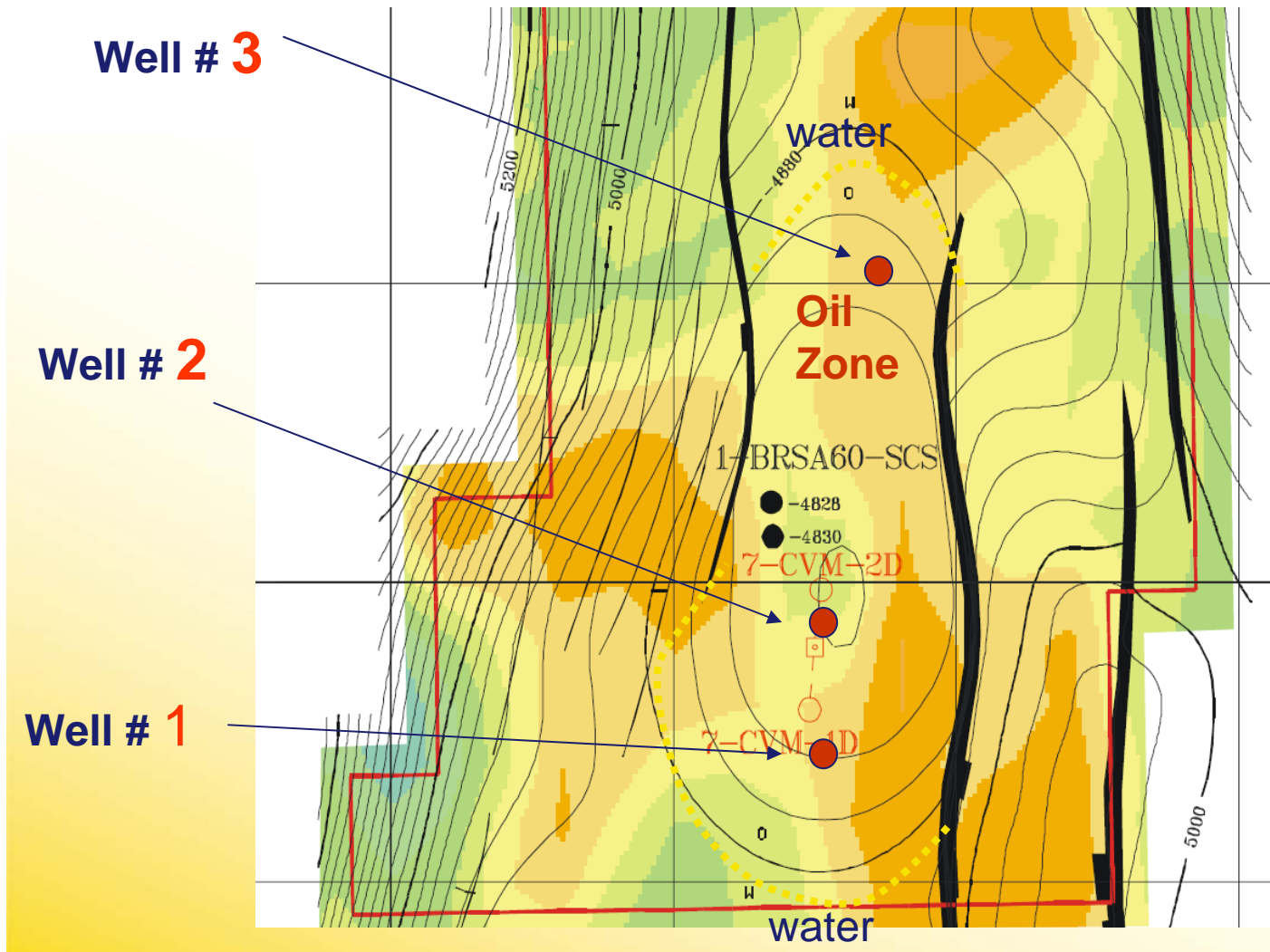


- Gaffney Cline's reserve figures appear to be conservative
- In the field development plan submitted in August, Petrobras had 43 percent higher 2P estimates for Cavalo Marinho

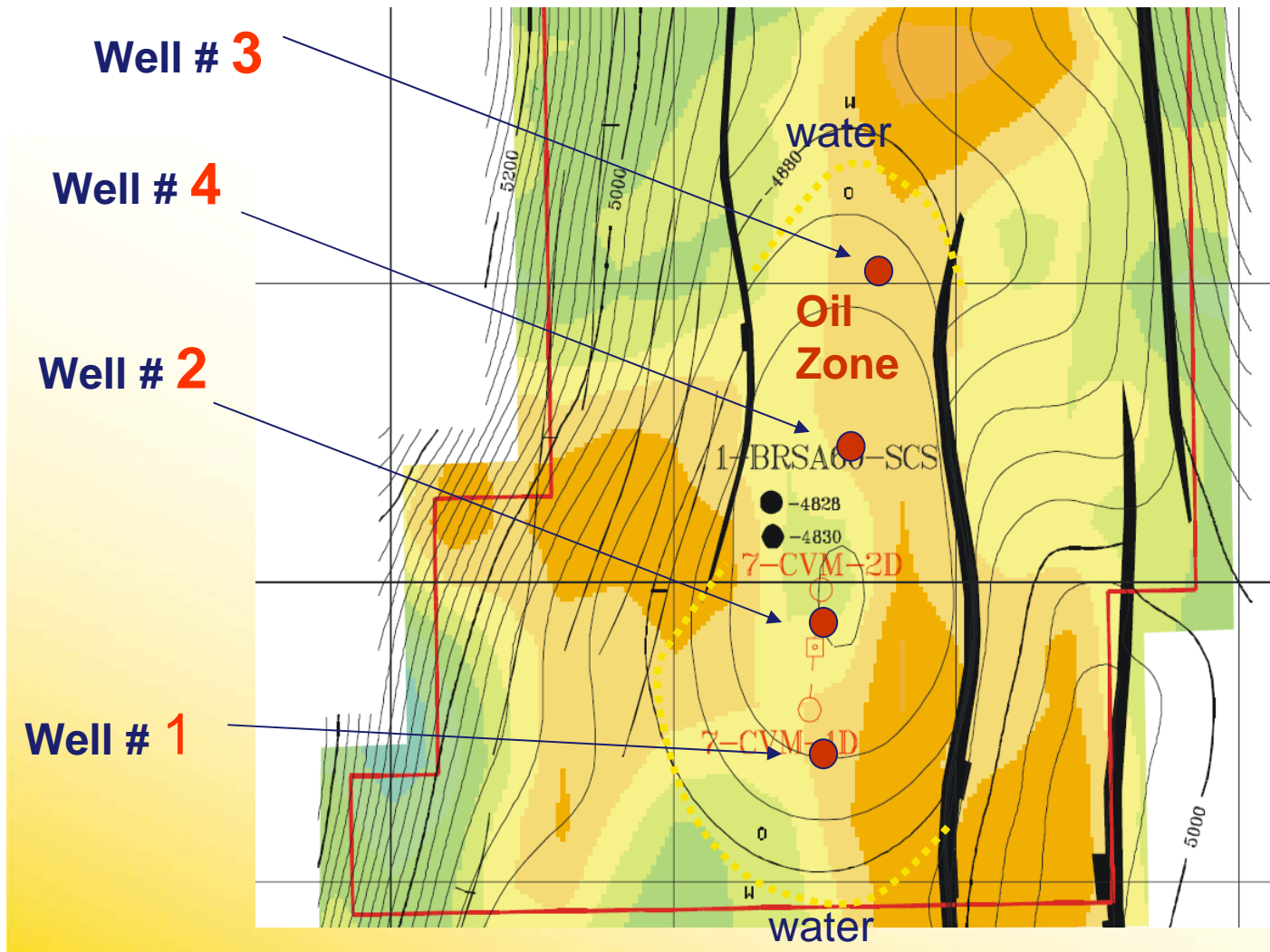
Sources: Petrobras August 2005, Gaffney Cline Report 31 Dec 2005

# Cavalo Marinho

## 3-well scenario- B2 zone

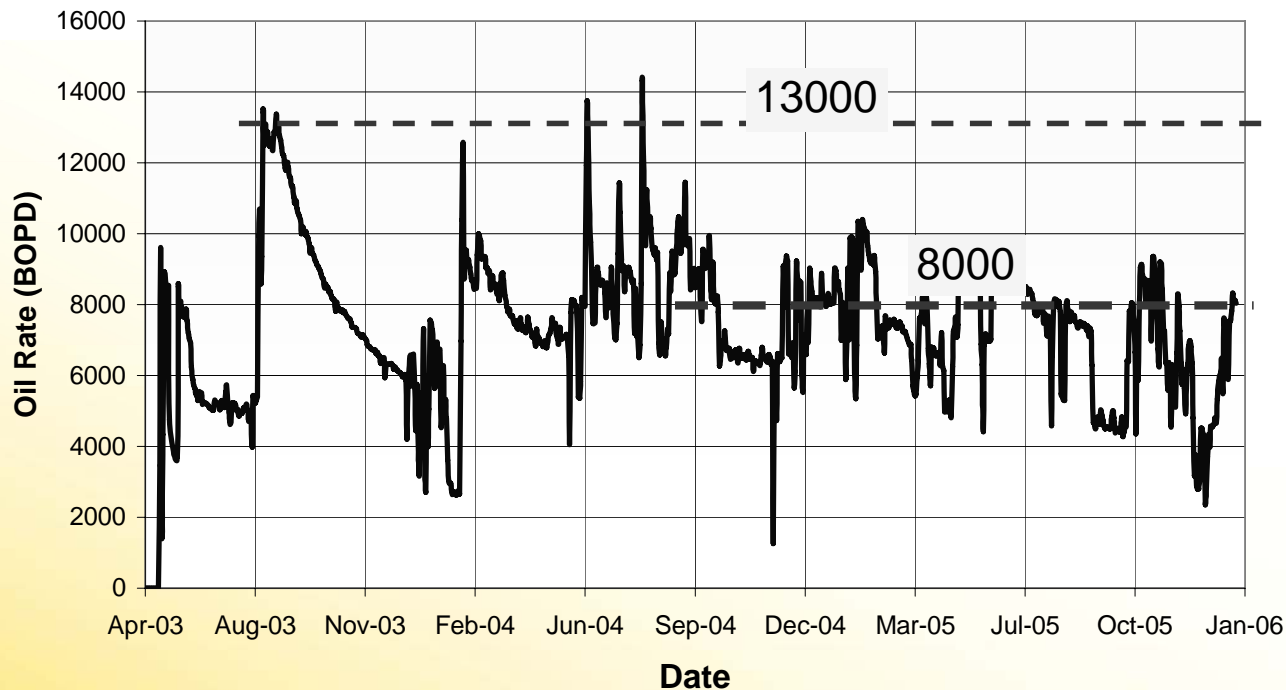


# Cavalo Marinho 4-well scenario- B2 zone



# Lessons to learn from Coral?

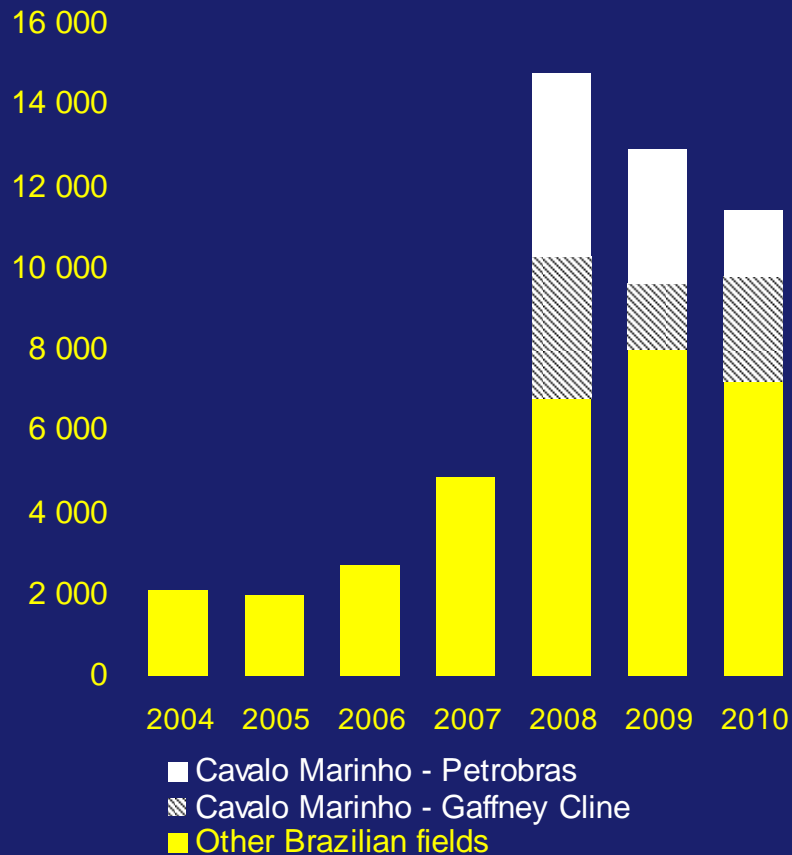
Coral Field Production ( 3 Wells)



**Gaffney Cline's conservative production profile for Cavalo Marinho is based on Coral, but Coral peak was 13 000 Bopd**

# Brazil E&P Production Profile

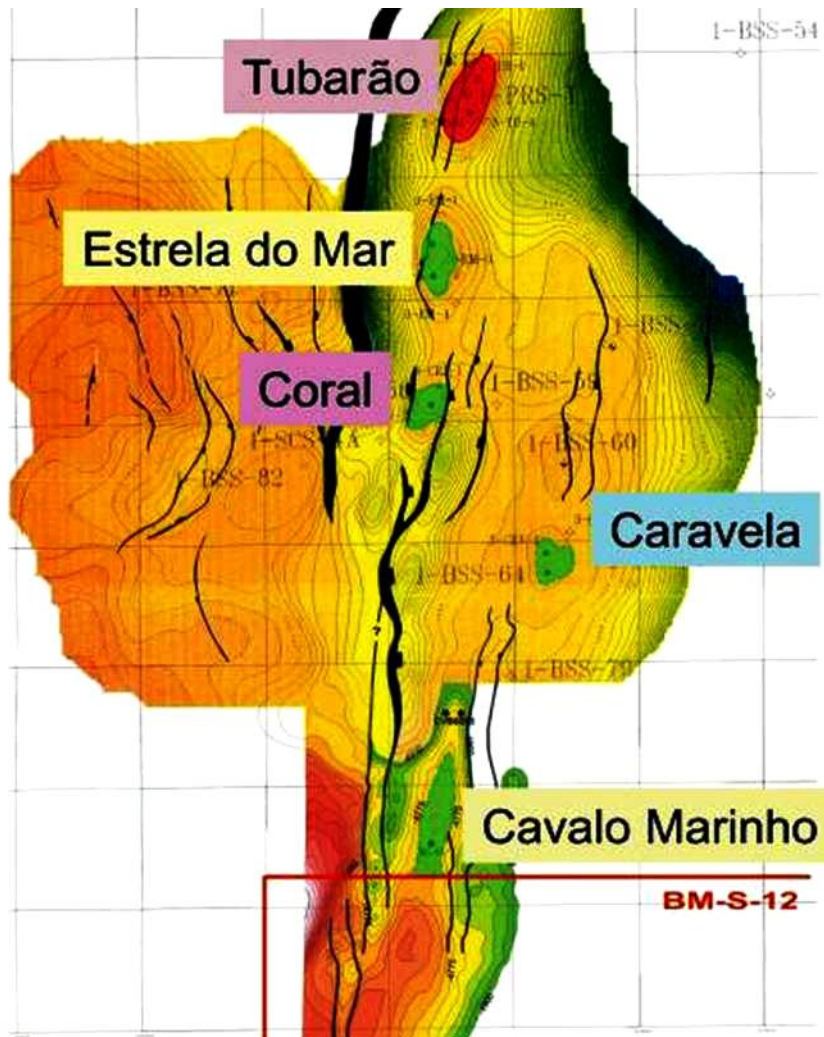
NEC's share of production, boepd



- Production estimates have been downgraded since Q3 2005
- The downgrade primarily reflects Cavalo Marinho
- Estimates vary significantly depending on source - Gaffney Cline or Petrobras

Sources: Petrobras August 2005, Gaffney Cline Report 31 Dec 2005

# BS3- Santos Basin Strategy

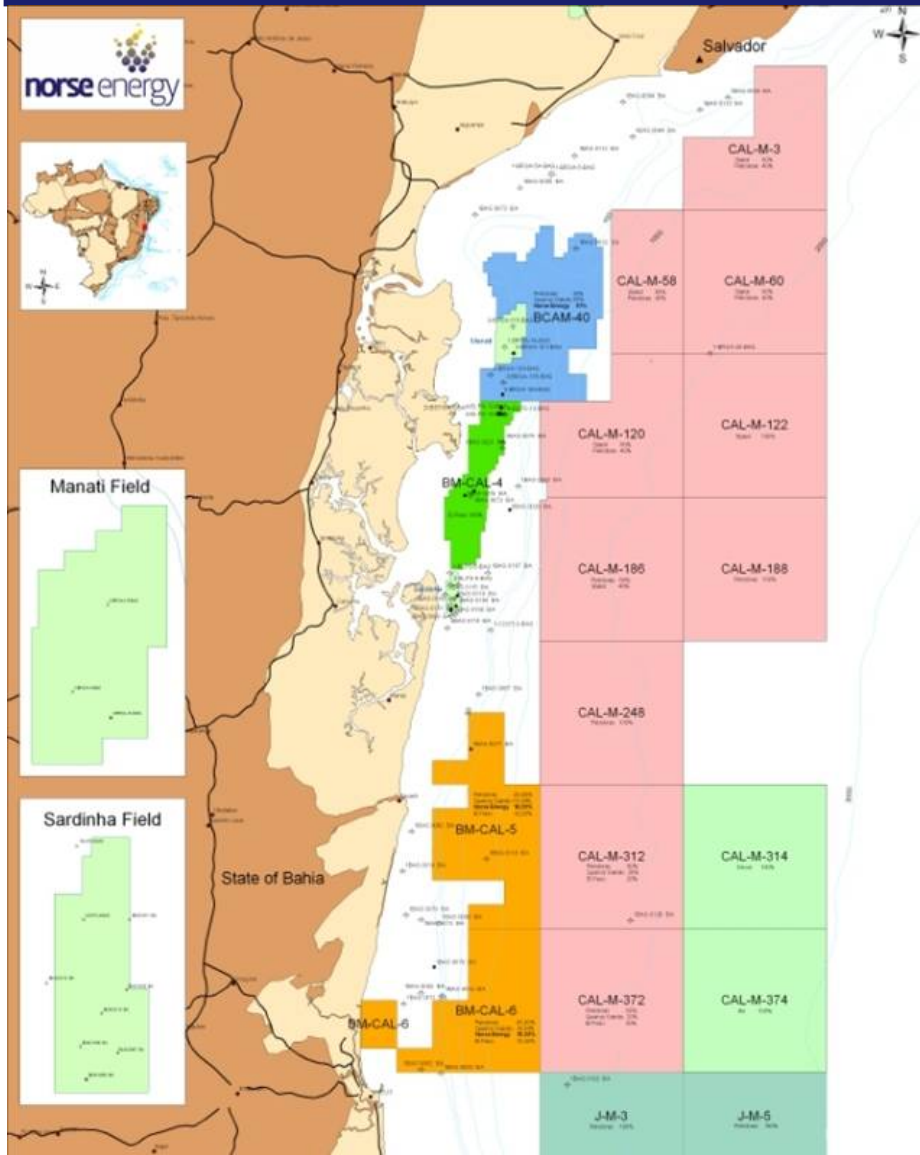


- **Focus on timely development of the fields**
  - Ownership structure
  - Decide on development schemes
  - Focus on securing rig/platform capacity
- **Evaluate optimal recovery solutions**
  - Subsea
  - Water injection
  - Gas injection
  - Artificial lift
  - Additional drilling – vertical and horizontal
  - Strategies for commercialising gas reserves
- **Additional drilling opportunities**
  - Coral #4
  - Cavalo Marinho
  - Deeper structures



# Brazil E&P

## Camamu-Almada basin



- **Manati (10%)**
  - Received all licences – development drilling about to start
  - Scheduled first gas in Q3 2006
- **Exploration licenses**
  - Awaits environmental license (IBAMA)
  - BCAM 40 (10%)
    - 2-3 wells in 2006
  - BCAL 5 (18.3%)
    - 2 wells in 2006
  - BCAL 6 (18.3)
    - 1 well in 2006
- **Sardinha (20%)**
  - Shallow water gas field
  - South of Manati

# Brazil E&P Exploration Opportunities

Block	Ownership	Prospect	Unrisked reserves MMbbl	NEC' share MMbbl
Camamu-Almada:				
BCAM 40	10.0 %	Gengibre	72	7.2
		Dende	54	5.4
		Cravo	102	10.2
		Pimenta	96	9.6
		Canela	108	10.8
BCAL 5	18.3 %	Copaiba	324	59.2
		Jequitiba	120	22.0
BCAL 6	18.3 %	Peroba	342	62.5
Reconcavo:				
REC-T 106	30.0 %		10	3.0
REC-T 165	30.0 %		10	3.0
Total identified			1 238	193.0

## Brazil E&P

# Sardinha acquisition

- **Acquired 20 percent of Sardinha**
  - Farm-in agreement with Petroleo Ipiranga
  - Other owners: Petrobras (40%) and El Paso (40%,operator)
  - Located between Manati and BCAL 5
  - Subject to development plan approval and IBAMA license
- **Indicated total associated gas of 250-300 Bcf**
  - 160 Bcf anticipated to be recovered
- **Operator estimate of 126 MMbl high viscosity oil in place**
  - Estimated recovery of 15 percent
- **11 wells drilled to date – 6 discoveries**

## Segment Information

### US E&P

Positioning

Expected Production Profile

# US E&P Positioning

## Appalachian basin:

- The least explored major US basin
- Closest to the highest priced gas market in the US
- Low-risk drilling

## Q4 production:

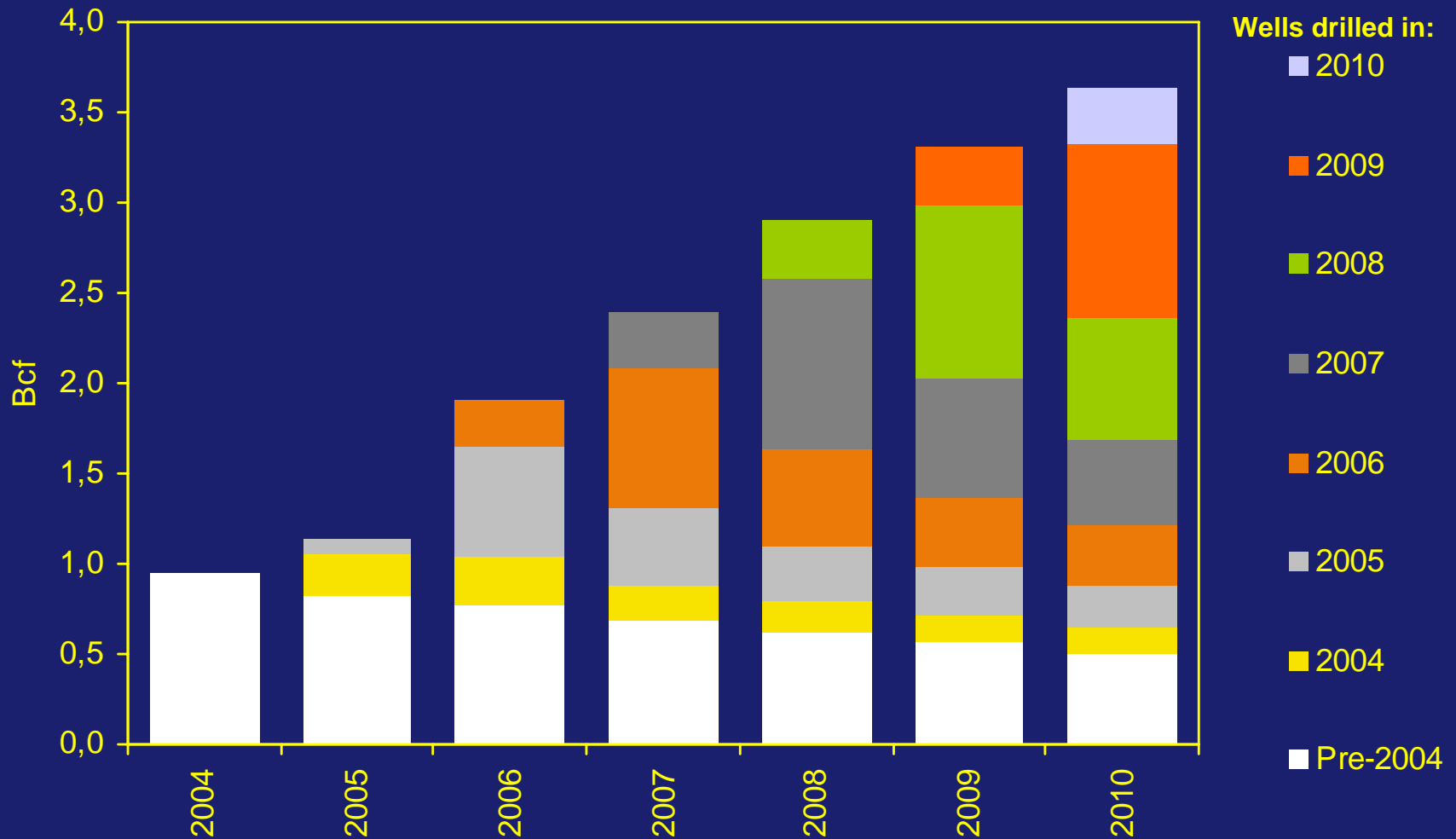
- 588 boepd
- Average production of 68 Mcf/day from wells drilled and online by end of Q4

## Exploration program:

- 25 wells in 2005 – 15 online by year-end
- 60 scheduled for 2006
- 400-600 wells in drilling inventory
  - Continues land leasing program
- Further potential in deeper zones



# US E&P Expected Production Profile



- **Brazil: Continued growth**
  - Manati development on stream in Q3 2006
  - Active year ahead in exploration
  - Finalise development plan and secure rigs in the Santos basin (BS3)
- **USA: Low-risk drilling to increase gas production by >70%**
  - Increase drilling program further
    - First horizontal wells
    - Geoscience-driven exploration drilling in Appalachia
  - Continued growth in the Pipeline and Marketing divisions
- **Set for increased profitability and a high level of activity**

## **Enclosures**

**Combined reserves, Brazil and US**

**Investment profile**

**Financial figures**

**Profit & Loss Account**

**Balance Sheet**

**Cash Flow Statement**

**Segment Information**

**Production figures**

**Key Financial Figures**

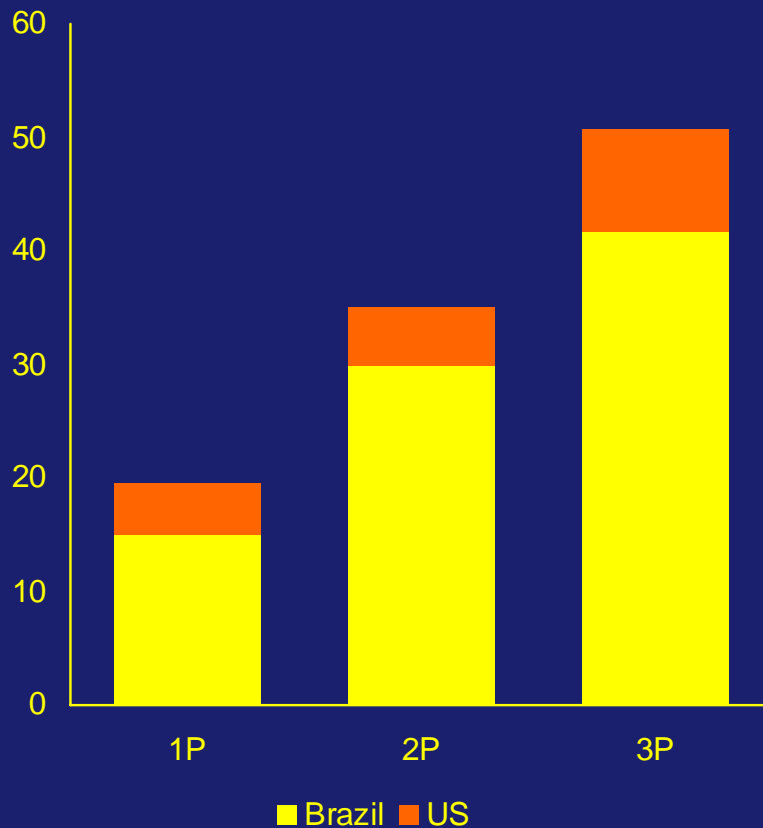
**Shareholder Structure**



# Company Overview

## Reserves

Reserves, Mbbbl

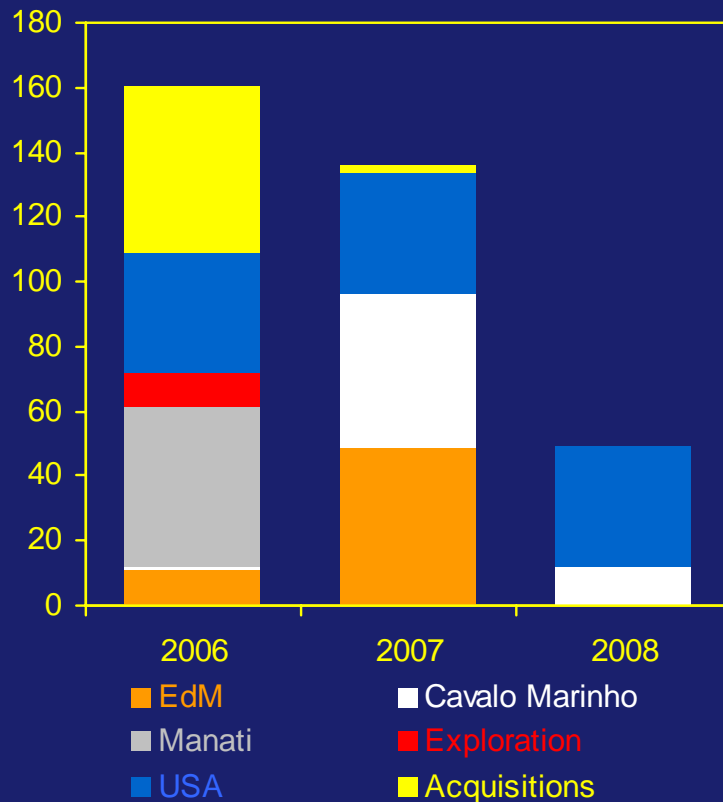


- 1P reserves 19.7 mbbbl
- 2P reserves 35.0 mbbbl
- 3P reserves 50.8 mbbbl
- Does not include the acquisition of 20 percent of Sardinha

# Company Overview

## Investments

Company's share of Investments,  
USDm



- 2006: Fully funded
- Further funding requirements will mainly be covered by debt financing
- Investment timing depend on development timing

# Profit & Loss Account

## Profit and loss statement

<i>(Dollars in thousands)</i>	Q1 2005 <sup>(1)</sup>	Q2 2005 <sup>(2)</sup>	Q3 2005 <sup>(2)</sup>	Q4 2005	12 months 2005 <sup>(1)</sup>
Total revenues	10 696	10 836	47 222	60 806	129 560
Trading purchase of oil and natural gas	-	-	(33 822)	(48 466)	(82 288)
Production expenses	(4 029)	(3 561)	(4 185)	(4 597)	(16 372)
Sales, administrative & general expenses	(1 386)	(1 574)	(2 885)	(2 083)	(7 928)
Exploration costs	(34)	(45)	(430)	13	(497)
<b>EBITDA</b>	<b>5 247</b>	<b>5 656</b>	<b>5 898</b>	<b>5 673</b>	<b>22 474</b>
Depletion and depreciation	(3 906)	(3 865)	(3 506)	(3 565)	(14 842)
<b>Operating income (EBIT)</b>	<b>1 341</b>	<b>1 791</b>	<b>2 392</b>	<b>2 108</b>	<b>7 632</b>
Interest costs	(1 439)	(1 304)	(1 615)	(1 619)	(5 977)
Other financial items (net)	1 365	286	808	1 028	3 487
<b>Results from continued operations</b>	<b>1 267</b>	<b>773</b>	<b>1 585</b>	<b>1 517</b>	<b>5 142</b>
Taxes	(426)	(1 317)	149	(1 258)	(2 854)
<b>Net profit before minority interests</b>	<b>841</b>	<b>(544)</b>	<b>1 734</b>	<b>259</b>	<b>2 289</b>
Minority interests	(95)	(32)	(99)	(57)	(282)
<b>Net profit after minority interests</b>	<b>746</b>	<b>(576)</b>	<b>1 635</b>	<b>203</b>	<b>2 007</b>
<i>Earnings per share (\$)</i>	<i>0,00</i>	<i>0,00</i>	<i>0,00</i>	<i>0,00</i>	<i>0,01</i>
<i>Diluted earnings per share (\$)</i>	<i>0,00</i>	<i>0,00</i>	<i>0,00</i>	<i>0,00</i>	<i>0,01</i>

<sup>(1)</sup> Pro forma consolidated figures, as if Northern Oil and NaturGass had been consolidated for the full period.

<sup>(2)</sup> Depreciation figures have been restated due to adjusted purchase price analysis.

# Balance Sheet

## Balance sheet <sup>(1)</sup>

<i>(Dollars in thousands)</i>	As of			
	March 30 2005	June 30 2005	Sep 30 2005	Dec 31 2005
Property and equipment	142 750	145 526	144 950	142 550
Intangible assets	-	6 319	8 990	6 541
Other current assets	10 545	74 111	37 792	52 345
Inventory	983	1 398	1 077	1 988
Cash and cash equivalents	8 752	12 465	28 032	31 119
<b>Total Assets</b>	<b>163 030</b>	<b>239 819</b>	<b>220 841</b>	<b>234 542</b>
Equity	50 341	99 993	101 259	96 531
Minority interests	1 770	1 799	1 893	1 575
Other long term liabilities	1 202	1 202	1 202	6 673
Deferred tax from acquisition	23 488	23 281	22 966	17 062
Long term debt	47 209	71 959	51 778	57 389
Short term debt	24 103	7 318	8 612	10 734
Other current liabilities	14 917	34 267	33 131	44 579
<b>Total liabilities and equity</b>	<b>163 030</b>	<b>239 819</b>	<b>220 841</b>	<b>234 542</b>

<sup>(1)</sup> Pro forma consolidated figures, as if Northern Oil and NaturGass had been consolidated for the full period.

# Cash Flow Statement

## Statement of cash flows

Pro forma basis

<i>(Dollars in thousands)</i>	Q4 2005	Jan-Sep 2005	12 mos.2005
<b>Cash flows from operating activities</b>			
Net profit/ (loss) for the period	202	1 805	2 007
Minority interests	(276)	226	(50)
Profit/(loss) from operations held for sale	-	-	-
Write down investments	-	-	-
<b>Profit/(loss) from operating activities</b>	<b>(74)</b>	<b>2 031</b>	<b>1 957</b>
<b>Adjustments to reconcile the loss with net cash from operating activities</b>			
Depreciation and depletion	3 566	11 277	14 843
Change in accounts receivable and other short-term receivables	(14 553)	(18 010)	(32 563)
Change in inventory	(911)	70	(841)
Change in accounts payable and other current liabilities	10 003	(4 473)	5 530
Change in other accruals and currency effects	1 448	3 556	5 004
<b>Net cash flow from operating activities</b>	<b>(521)</b>	<b>(5 549)</b>	<b>(6 070)</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of Mid American, net of cash acquired	-	(1 021)	(1 021)
Investments in fixed assets	(4 660)	(7 403)	(12 063)
Field investments	(135)	(400)	(535)
<b>Net cash flow from investing activities</b>	<b>(4 795)</b>	<b>(8 824)</b>	<b>(13 619)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of shares	-	44 124	44 124
Proceeds from loans obtained	10 326	31 866	42 192
Debt issue costs	-	(769)	(769)
Repayment of loan	(1 923)	(39 165)	(41 088)
<b>Net cash flow from financing activities</b>	<b>8 402</b>	<b>36 056</b>	<b>44 458</b>
<b>Change in cash and cash equivalents during the period</b>	<b>3 086</b>	<b>21 683</b>	<b>24 769</b>
Cash and cash equivalents at the beginning of the period	28 033	6 350	6 350
Cash and cash equivalents at the end of the period	31 119	28 033	31 119

# Segment information

## Production figures

### Segment information

#### Production figures

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	12 mos. 2005
<b>Brazil E&amp;P</b>					
Oil Production, barrels (100%)	715 978	711 042	628 221	563 827	2 619 068
Oil Price, \$/bbl	\$ 46,40	\$ 50,99	\$ 60,85	\$ 56,08	\$ 52,56
<b>USA E&amp;P</b>					
Production natural gas, Mcf	276 636	257 785	300 741	303 732	1 138 894
Gas Prices, \$/Mcf	\$ 5,64	\$ 6,22	\$ 6,74	\$ 9,23	\$ 6,21
<b>USA G&amp;T</b>					
Throughput	1 172 148	1 200 540	1 336 511	1 327 538	5 036 737

# Segment information

## Key financials

### Segment information per quarter <sup>(1)</sup>

<i>(Dollars in thousands)</i>	Q1 2005	Q2 2005	Q3 2005	Q4 2005	12 mos. 2005
<b>Brazil E&amp;P</b>					
Oil revenues	8 443	8 548	9 313	6 969	33 273
EBITDA	4 491	5 259	4 537	3 344	17 631
EBIT (Operating profit)	1 351	1 415	1 414	1 292	5 473
<b>USA E&amp;P</b>					
Natural gas revenues	1 579	1 611	2 027	2 880	8 097
EBITDA	1 157	1 140	1 393	2 352	6 042
EBIT (Operating profit)	789	842	952	1 649	4 232
<b>USA G&amp;T</b>					
Income from gathering & transmission	736	784	1 114	1 273	3 907
EBITDA	214	255	393	707	1 569
EBIT (Operating profit)	18	73	188	484	763
<b>USA Marketing and Pipeline</b>					
Oil & natural gas revenues, net of royalties			35 022	50 290	85 312
EBITDA			465	837	1 302
EBIT (Operating profit)			462	832	1 294

<sup>(1)</sup> Sum of segments excludes corporate overhead and intercompany eliminations.

# Shareholder Structure

## Per 24 February 2006

Shareholder	%of total	24.02.2006
Camillo Energy	13,3	46 907 233
Goldman Sachs	4,85	17 097 954
Camillo Trading	4,05	14 282 832
Teigen Frode	2,84	10 000 000
Solodden as	2,11	7 454 000
Viksund as	2,09	7 372 116
State St bank	1,97	6 957 785
Farstad Sverre	1,82	6 404 000
Teigen Ole	1,7	6 000 000
Nestor Shipping	1,61	5 671 000
Viksund as	1,55	5 474 884
Tyrholm & Farstad	1,43	5 029 616
UBS London	1,38	4 877 000
Credit Agricole	1,12	3 950 000
Deutsche Bank	0,99	3 494 198
Farstad Jan	0,97	3 407 616
Morgan Stanley	0,95	3 345 000
Øivind Risberg	0,79	2 803 394
Nordea Bank of Denm	0,74	2 616 709
Gavhyn AS	0,72	2 546 606
	46,98	165 691 943



