

## Annual Reserves Statement 2008

Noreco's classification of reserves is based on the Society of Petroleum Engineers' (SPE) Petroleum Resource Management System published in 2007. The system is a recognized resource classification system in accordance to the Oslo Børs Circular 2/2007 "Guidelines for the disclosure of hydrocarbon reserves, contingent resources and results from exploration activities". The SPE resource classification system uses "reserves", "contingent resources" and "prospective resources" to classify hydrocarbon resource of varying technical maturity. The maturity within each class is also described to help guide classification of a given asset.

### RESERVES

Noreco reserves are only those resources we consider to fulfil the maturity requirement proposed in the SPE classification system. Reserves are typically those volumes of hydrocarbon that can be expected to be produced from known accumulation with the plans that are approved or are likely to be approved in the near future. Reserves includes those volumes that will be produced by the current development (infrastructure and wells), volumes that will be produced by sanctioned developments, wells and projects, and volumes that will be produced by developments, projects or wells that are deemed justified for development. Justified for development are those investments that are commercially viable at the time of reporting, and where there are no reasonable contingencies that could preclude development.

The Reserves are also classified according to uncertainty or probability of the reserves being produced. Noreco is classifying reserves into the following categories;

1P – Reserves are the hydrocarbon volumes that have a reasonable certainty of being produced (from a field, a development, a well). In Noreco's reserves philosophy, the P1 reserves should be a realistic/conservative expectation of the producible volumes without being too conservative or too optimistic.

2P – Reserves are the hydrocarbon volumes that likely to be produced (from a field, a development or a well). For the producing fields in Noreco's portfolio, the difference between the 1P and 2P reserves are relatively small, reflecting that the 1P reserves are classified as being realistic/conservative. The 2P reserves will have a slightly higher risk of not being produced. Note that 2P reserves include 1P reserves.

3P – Reserves are the hydrocarbon volumes that can possibly be produced (from a field, a development, a well). The 3P reserves will typically include the upside potential in the field, i.e. reserves that have a lower probability of being produced. Note that 3P reserves include 2P reserves.

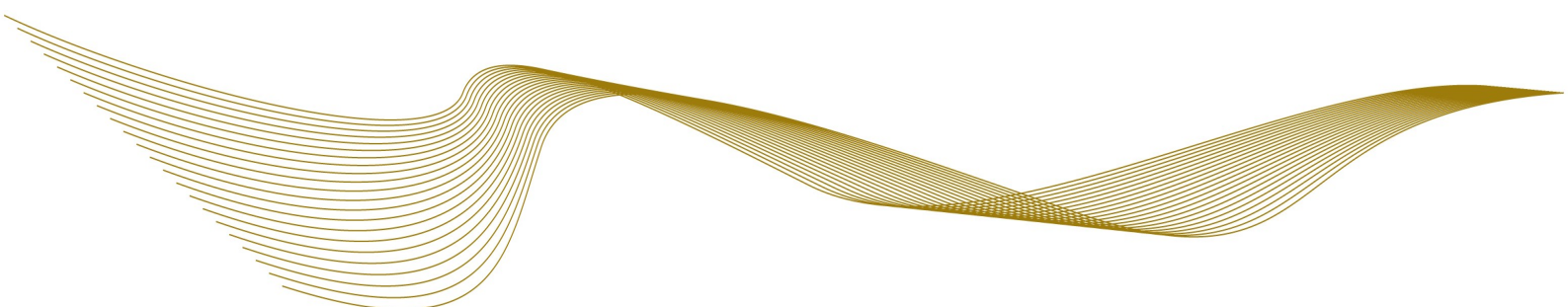
All hydrocarbon volumes classified as reserves in 1P, 2P and 3P must fulfil the maturity criteria for Reserves, as described (in production, sanctioned or justified for development) above.

Reserves are also divided into two categories based on the status of the reserves. Developed reserves are those volumes of hydrocarbons that can be produced from the already executed development, i.e. from existing wells and infrastructure without significant new capital expenditures. Undeveloped reserves are those volumes that are planned to be produced based on new capital expenditures.

### Reserves Portfolio

Noreco has producing reserves from a total of 7 fields. Five fields on the Danish Continental Shelf (DCS) and two fields on the Norwegian Continental Shelf (NCS). More information on the fields are available on Noreco's homepage [www.noreco.com](http://www.noreco.com) and in the 2008 annual report.

All the reserves numbers in the annual reserves statement are net of equity to Noreco.



**Cecilie Field, DCS, operated by Dong, Noreco 61%**

The reserves for the Cecilie Field are based on expected decline of the already producing reserves. There are no new reserves development planned for Cecilie.

The 2008 2P reserves evaluation of the Cecilie reserves has not resulted in any significant reserves revision. The year end 2008 reserves are therefore in line with the year end 2007 estimate adjusted for 2008 production.

**Lulita Field, DCS, operated by Dong, Noreco 28.2%**

The 2P reserves for the Lulita Field are based on decline analysis and assessment of the restrictions of producing Lulita across the Harald platform. One additional production well is assumed for Lulita from 2010.

The production performance on Lulita is in line with expectations. The reserves addition of 1 mmbob reflects the expected production from the additional infill well and provides a significant increase in the Lulita remaining reserves.

**Nini Field, DCS, operated by Dong, Noreco 30%**

The reserves assessment of the Nini Field is based on decline analysis of existing wells and drilling of one water injector and one additional producer to the Ty Fm. The injection well is currently being drilled, and will be followed by drilling of the producer in 2Q 2009.

The revised reserves estimate for the existing Nini wells, and the estimated reserves contribution of the ongoing Nini drilling campaign adds 1 mmbob to the Nini reserves, equivalent to a reserves replacement ratio of more than 150% in 2008.

The sanctioned development of the Nini East Field is included as undeveloped reserves for the Nini license. The Nini East development is bringing new reserves across the Siri platform, and is extending the field life for the Siri, Stine and Nini Fields by contributing to lowering the unit operating cost for the fields.

**Siri/Stine Fields, DCS, operated by Dong, Noreco 50%**

The reserves for the Siri and Stine Fields are based on decline analysis of the existing production wells, including the two new wells drilled in 2008. No additional drilling is assumed on Siri.

The reserves are reflecting the acquisition of Talisman Denmark in 2Q of 2008, increasing the Noreco equity in Siri from 20% to 50%.

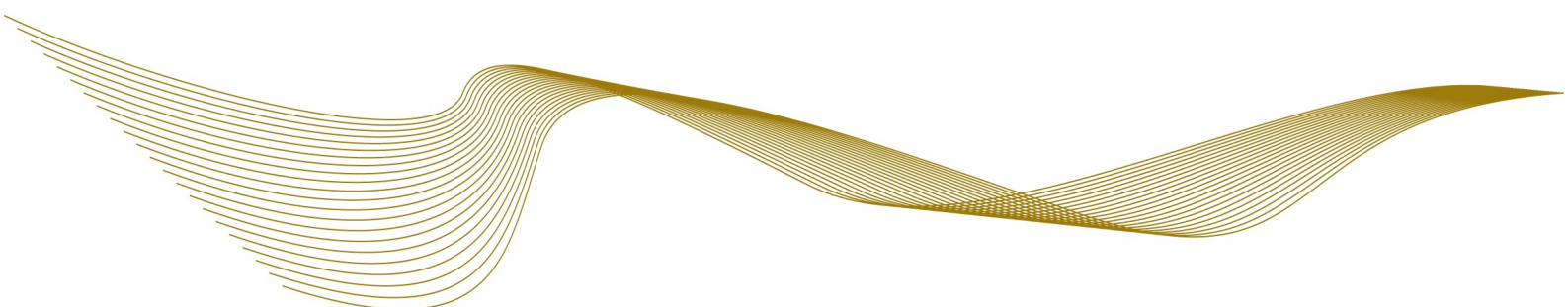
As a result of the increased equity from 20% to 50%, and upwards revision of the Siri reserves based on the results of the 2008 infill drilling campaign, the Siri net reserves to Noreco have been increased by more than 3,2 mmbob. The resulting reserves replacement on Siri is 170% compared to the 2008 production.

**South Arne, DCS, operated by Hess, Noreco 6.56%**

The reserves assessment of the South Arne Field is based on performance assessment of the fields production and review of reservoir modelling results from the South Arne Field. The reserves are based on remedial well activity to restore and improve production from existing wells, as well as drilling of further two production wells in early 2010.

The South Arne reserves represents a reduction of 1,7 mmbob compared to the 2008 reserves statement. The reduction does not represent degradation in field performance, but rather the delay in the South Arne Northern Extension (SANE) development project. At its current status the SANE project fails at this time to meet the maturity criteria in the SPE reserves guidelines as practiced by Noreco. The plans for SANE is still being matured in the license, and the SANE reserves will be rebooked to 2P reserves when a development plan for SANE is submitted.

On the southern flank of the South Arne Field, a successful exploration well (South Tor Pod) was drilled in 2008. The resources discovered are included as contingent resources.



**Brage, NCS, operated by StatoilHydro, Noreco 12,26% in Brage Unit, 13,2% in Sognefjord**

The reserves assessment for the Brage Field is based on detailed decline analysis of the Brage and Sognefjord wells. For the newly drilled Bowmore and Knockandoo producers, detailed reservoir models have been used to estimate reserves. The reserves are based on continued drilling on Brage into 2010, with drilling of a Bowmore injector, and 3 additional infill producers to Fensfjord and Statfjord Formation (Fm).

The Brage Unit and Sognefjord harmonization agreement was not completed in 2008, and 2008 reserves statement now reflects the equity in Brage Unit (12,2575%) and Sognefjord (13,2%) as opposed to last years statement where a combined estimate equity was reported for the Noreco Brage interests.

The Brage reserves have been increased by 1,7 mmboe in 2008. The reserves addition reflects upwards revision of the Bowmore reserves resulting from well strong production performance in 2008, as well as addition of Knockandoo reserves resulting from the Knockandoo appraisal/production well drill in 4Q 2008. The Knockandoo well was completed as a producer in November 2008. The revised Brage reserves also include a downwards adjustment of the reserves associated with the gas blow down at the end of field life.

The resulting reserves replacement on Brage in 2008 is more than 100% in spite of very strong 2008 production..

**Enoch, NCS, operated by Talisman, Noreco 4.36%**

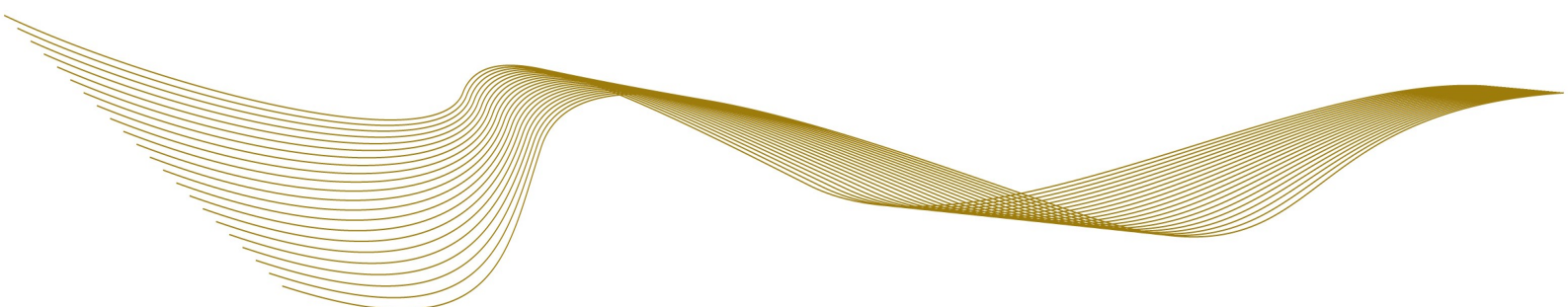
The Enoch Field reserves are based on the expected production performance for the Enoch development with the existing development.

The Enoch reserves oil reserves are revised upwards by almost 30% as a result of the very favourable production performance observed in the field in 2008, resulting in 150% replacement of the oil reserves from the year end 2007 estimates. The gas reserves has been adjusted downwards, reflecting a less adverse GOR development in the field and improved preservation of reservoir pressure and energy than previously anticipated.

**NORECO ANNUAL RESERVES STATEMENT (Year End 2008)**

Field	Equity	Ultimate Recovery		Cumulative Production		Proved Reserves (1P)		Proved + Probable (2P)	
		Oil (mmstb)	Gas (BCF)	Oil (mmstb)	Gas (BCF)	Oil (mmstb)	Gas (BCF)	Oil (mmstb)	Gas (BCF)
Cecilie	61,00%	4,56	0,00	3,56	0,00	0,87	0,00	1,00	0,00
Nini/Nini East	30,00%	15,43	0,00	6,70	0,00	5,04	0,00	8,73	0,00
Siri	50,00%	40,67	0,00	34,55	0,00	5,51	0,00	6,13	0,00
South Arne	6,56%	12,16	21,53	7,81	9,75	3,41	3,11	4,35	11,78
Lulita	28,20%	2,55	9,88	1,56	5,58	0,58	2,44	0,99	4,30
Brage Field	12,26% <sup>1</sup>	48,88	17,36	41,76	12,16	4,90	3,03	7,12	5,21
Enoch	4,36%	0,69	0,24	0,19	0,09	0,38	0,08	0,50	0,14
<b>TOTAL</b>		<b>124,94</b>	<b>49,01</b>	<b>96,13</b>	<b>27,58</b>	<b>20,70</b>	<b>8,66</b>	<b>28,81</b>	<b>21,43</b>

1 consists of Brage Unit and Sognefjord Reserves calculated at 12,26 and 13,2% equity respectively



## CONTINGENT RESOURCES

Contingent resources are those volumes of recoverable hydro-carbons that are in discoveries (known accumulations) where development has not yet been sanctioned or is for other reasons uncertain (new technology needed, resources requiring further evaluation, limited market/export solutions etc).

In the SPE Petroleum Resource Management System the probability of the contingent resources is classified into category 1C, 2C and 3C, in a classification scheme corresponding to the scheme used for reserves (1P, 2P, 3P).

For the Noreco contingent resource the full range of resources are not reported (1C to 3C) for each discovery, as the discoveries are in a varying degree of technical maturity and definition.

The resource estimates reported below are considered to be representative of a 2C resource estimate, unless stated otherwise the resource commentary for the specific fields.

The Contingent Resources are based on deterministic evaluations of the recoverable volumes.

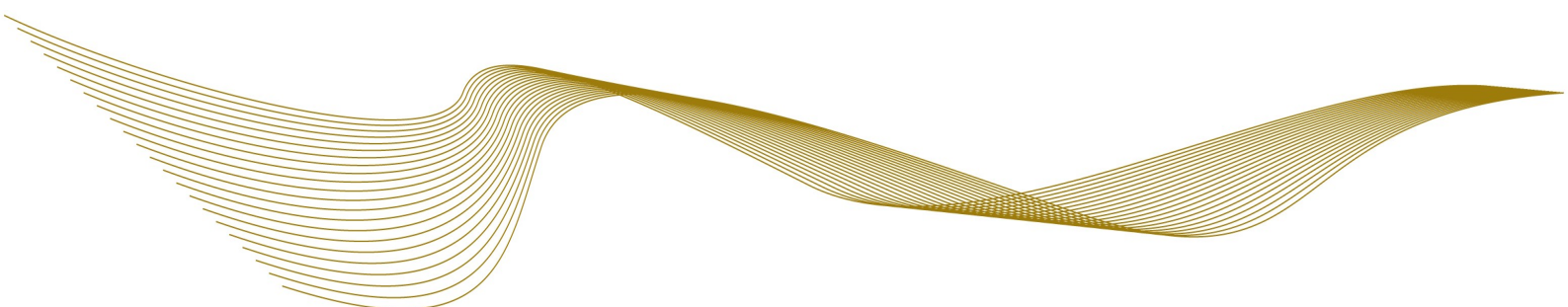
## NORECO ANNUAL CONTINGENT RESOURCE STATEMENT

Field	Equity	Contingent Resources NET mmBOE
Huntington Deep	20,00%	21,8
Huntington Forties	20,00%	18,9
Amalie	29,92%	10,5
Oselvar	15,00%	7,8
S.E. Tor	15,00%	6,4
Flyndre	13,34%	4,9
Frigg East Gamma	20,00%	4,8
Rau	40,00%	4,7
Galtvort	17,50%	4,3
Nemo	20,00%	4,2
25/6-1 Disc	40,00%	4,2
Ipswich	15,00%	2,3
South Tor Pod	6,56%	1,8
6406/1-2 Sklinna	10,00%	1,8
U1	21,80%	0,6
Connie	61,00%	0,5
Tau	17,50%	0,3
Sofie	20,00%	0,2
TOTAL		100,0

### Contingent resources portfolio

Noreco contingent resources are from discoveries in various stages of maturation towards development on the Norwegian Continental Shelf, Danish Continental Shelf and UK continental shelf.

The volumetric evaluation of the contingent resources are reassessed at various stages through the maturation of the discoveries. There is not a full reassessment of all discoveries for the annual reserves statement, but new estimates are provided for the discoveries where new studies and assessment has been completed during 2008, and comments are provided to selected discoveries based on activities in 2008.



## **Huntington**

An extensive appraisal program was completed in 2008 of the Forties Fm, followed by a full development assessment and planning. The development activities was paused in 4Q 2008, following drilling of two additional Forties Fm discoveries in the 22/14a block to the east and southeast of the Huntington field. One of the 22/14a wells proved the Huntington Forties accumulation to extend across the block boundary, requiring a unitization of the field in parallel with the development activities.

Noreco has through 2008 performed extensive subsurface studies of the Huntington Forties discovery, including seismic interpretation, full geological and reservoir modelling, as well as drilling and development studies to quantify recoverable resources and developability.

The evaluations are currently at a fairly mature stage and resource evaluation can be performed with a reasonable degree of accuracy. It should still be noted that key reservoir engineering data related to saturation modelling (Special Core Analysis) is still outstanding with expected reporting late 2Q 2009.

The on block recoverable resource is by Noreco estimated to 18.9 for the Huntington Forties development. The estimate is considered to be between 2C and 3C in the resource classification. 11,7 mmbob is expected to be bookable at sanction, while the remaining upside will require additional performance data prior to booking.

The Huntington Forties Fm development is based on a 3 to 5 wells development. Issuing of a Field development plan and sanction of the Huntington Forties development is expected in 3Q/4Q 2009, at which time the resources for the Forties development will be moved to reserves as per the Noreco reserves policy.

Further appraisal of the Fulmar reservoir is being planned by the Huntington license. New seismic data is currently being processes, and the recommendation for the next Fulmar appraisal well is expected in late 2Q 2009.

Further appraisal of the Triassic reservoir will also be required, but and is expected to follow Fulmar appraisal.

Noreco is evaluating the Fulmar and Triassic resources to be less mature than the Forties resources, and the combined resource potential for the Fulmar and Triassic reservoirs are estimated to be 21,8 mmbob. The reported resource potential for the Fulmar / Triassic reservoirs are currently considered to be a 3C estimate, but could be moved to 2C following successful appraisal activities.

## **Oselvar and Ipswich**

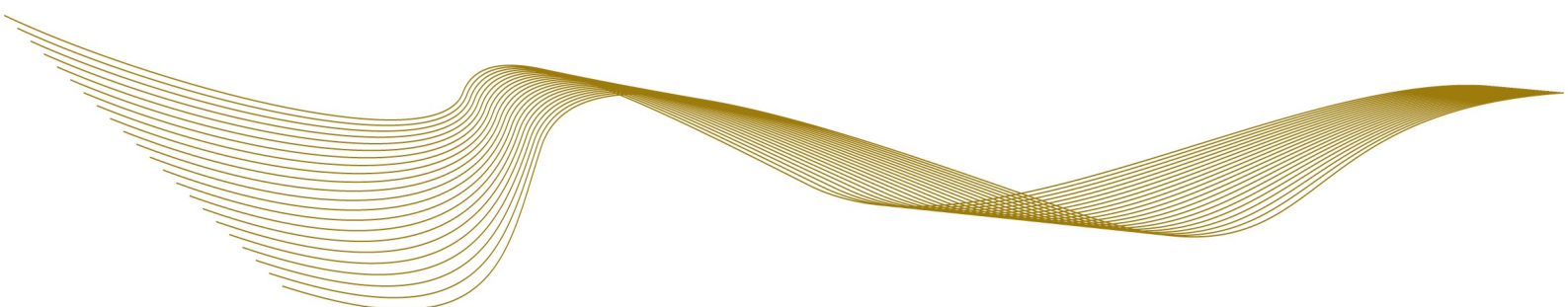
A successful appraisal well was completed in February 2008, and based on this the license partners has conducted development studies through 2008, and decided in March 2009 to submit a field development plan for the Oselvar development as a tieback to the Ula field.

The Oselvar resources are estimate to 7,8 mmbob, and will be booked to reserves in 2Q 2009 resulting from the sanctioning of the development and submittal of a PDO to the Norwegian Authorities. The resource estimate is considered to be a 2C estimate. The PL274 license containing the Oselvar development, also includes the Ipswich discovery which Noreco believes to be commercial.

## **Nemo**

A successful appraisal well was completed in March 2008 and the license completed key subsurface studies in the fall of 2008. The license is currently reviewing development options and economics to decide if a plan for development should be submitted in the last half of 2009.

The Nemo resources are estimated to 4,2 mmbob based on the development assessment incorporating the results of the last appraisal well, in addition there is a significant upside potential downdip of the Nemo discovery well. The resource estimate is considered to be a 2C estimate.



## **Rau**

Through 2008 Noreco has performed extensive subsurface and development studies to screen and quantify development options for the discovery. The most likely development option is as a unmanned wellhead platform tied back to the Nini platform, with processing and oil export through the Siri facilities. Project sanction is pending final economic analysis and completion of commercial negotiations with the Siri owners.

The Rau resource estimate is 4,7 mmbob based on the 2008 development assessment. The resource estimate is considered to be a 2C estimate.

## **Amalie**

There are currently no direct evaluation activity ongoing on Amalie. The development of the field is pending a commercial gas off take solution in the Amalie area. Exploration is ongoing on the neighbouring block to Amalie (Gita/Maja prospects) and accelerate Amalie forward towards a development. Based on this, Amalie is currently classified as a contingent resource and the resource estimate is considered to be a 2C estimate.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The reported reserves estimates for the Danish producing fields have been prepared by experienced professionals in Noreco. The evaluations are based on standard industry practices and methodology such as decline analysis, reservoir modelling and geological and geophysical analysis. The evaluations and assessments have been performed by engineers with 10-20 years of industry experience, and the results and methodology have been discussed with Noreco management.

A third party independent assessment has been performed by Degolyer and MacNaughton based on input data from Noreco, as well as information from the field operators on field performance and forward plans. The results of the independent assessments confirm the Noreco net reserves in Norecos portfolio.

The information included herein may contain certain forward-looking statements that address activities, events or developments that Noreco expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by Noreco, which are beyond its control and are subject to certain additional risks and uncertainties. As a result of these factors, actual events may differ materially from those indicated in or implied by such forward-looking statements.

The Noreco total 1P reserves are 22,2 mmbob, compared to 18,8 mmbob at year end 2007, representing an increase in 1P reserves of 8,6 mmbob adjusted for 2008 production. The main additions are from the acquisition of an additional 30% of the Siri field through the acquisition of Talisman, as well increased reserves from the South Arne and Brage fields. The increase in 1P reserves represents an 168% reserves replacement on 1P reserves.

The 2P reserves estimate represents the expected outcome for the fields based on the performance observed to date, our understanding of the fields and the planned activities in the license. The 2P reserve estimate for the Noreco portfolio is 32.6 mmbob compared to 31,0 mmbob in the year end 2007 reserves statement. Adjusted for 2008 production this represents an increase in 2P reserves of more than 6,8 mmbob in 2008, and a 2P reserves replacement ratio of more than 130%.

The increases in 2P reserves are dominated by the contribution from Siri field acquisition and reserves revision and the Brage field reserves additions resulting from the Bowmore and Knockandoo wells. The Siri and Brage field accounts for 6,8 mmbob in reserves additions. Reserves increases in other fields are offset by a downwards revision in South Arne 2P reserves resulting from delays in the South Arne Northern Extension development.

Contingent resources in 15 discoveries are included in this annual reserves statement. Several of the discoveries are in the process of being proposed for development, and are expected to be promoted from contingent resources to reserves in the near term and by the end of 2009. Specifically, the Oselvar and Huntington Forties reserves will be moved from Contingent Resource to Reserves in the 1H and 2H of 2009 respectively. The reserves additions from the Oselvar and Huntington should enable continued growth in the Noreco reserves position also in 2009.

Scott Kerr  
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