

Oil Companies at the NCS: How Will the Picture Develop?

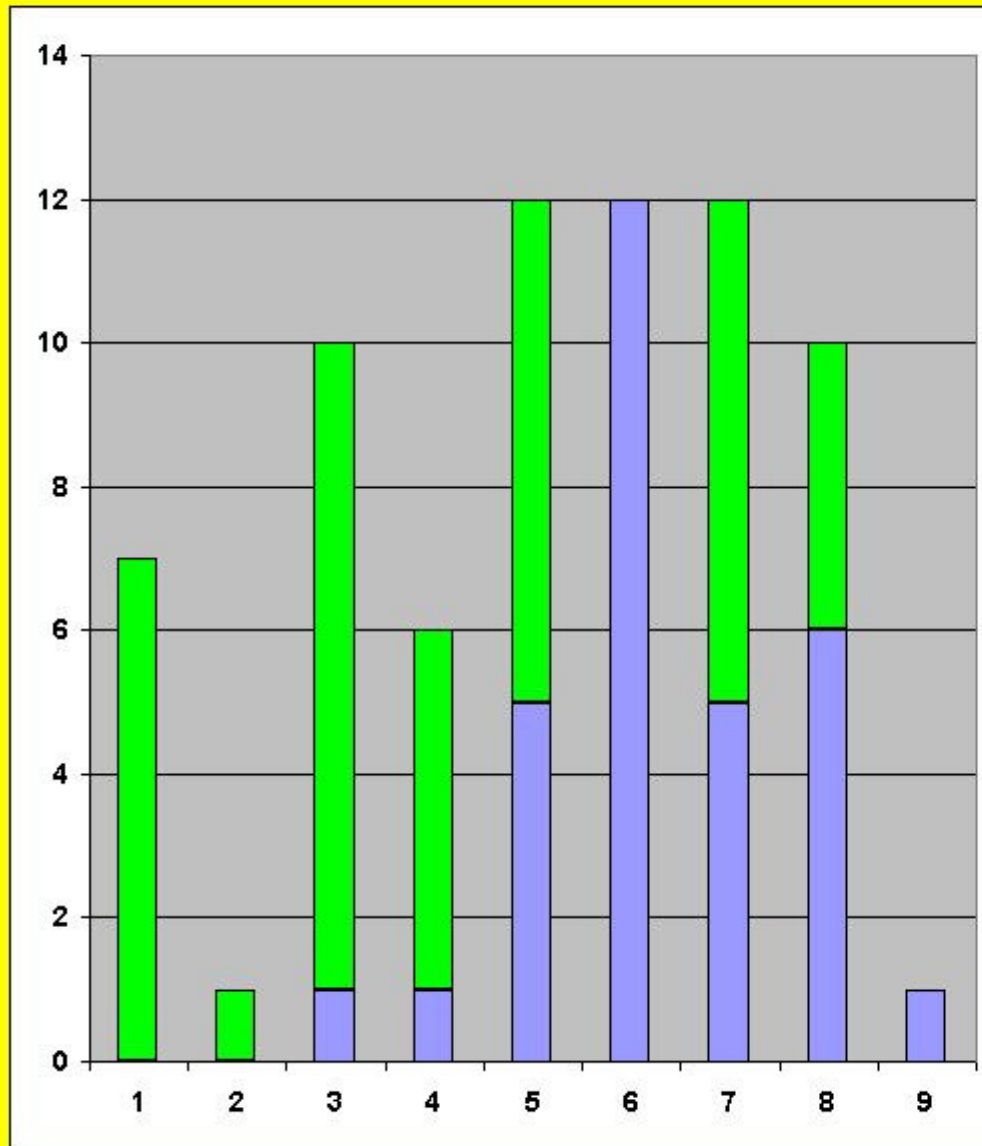
**Including Suggestions for a Strategy to
Improve Diversity**

Hans Henrik Ramm

Ramm Kommunikasjon
Stavanger Chamber of Commerce and Industry
24 January 2008

(Updated 12 February 2008)

OIL COMPANIES AT THE NCS. UPPER PART OPERATORS.



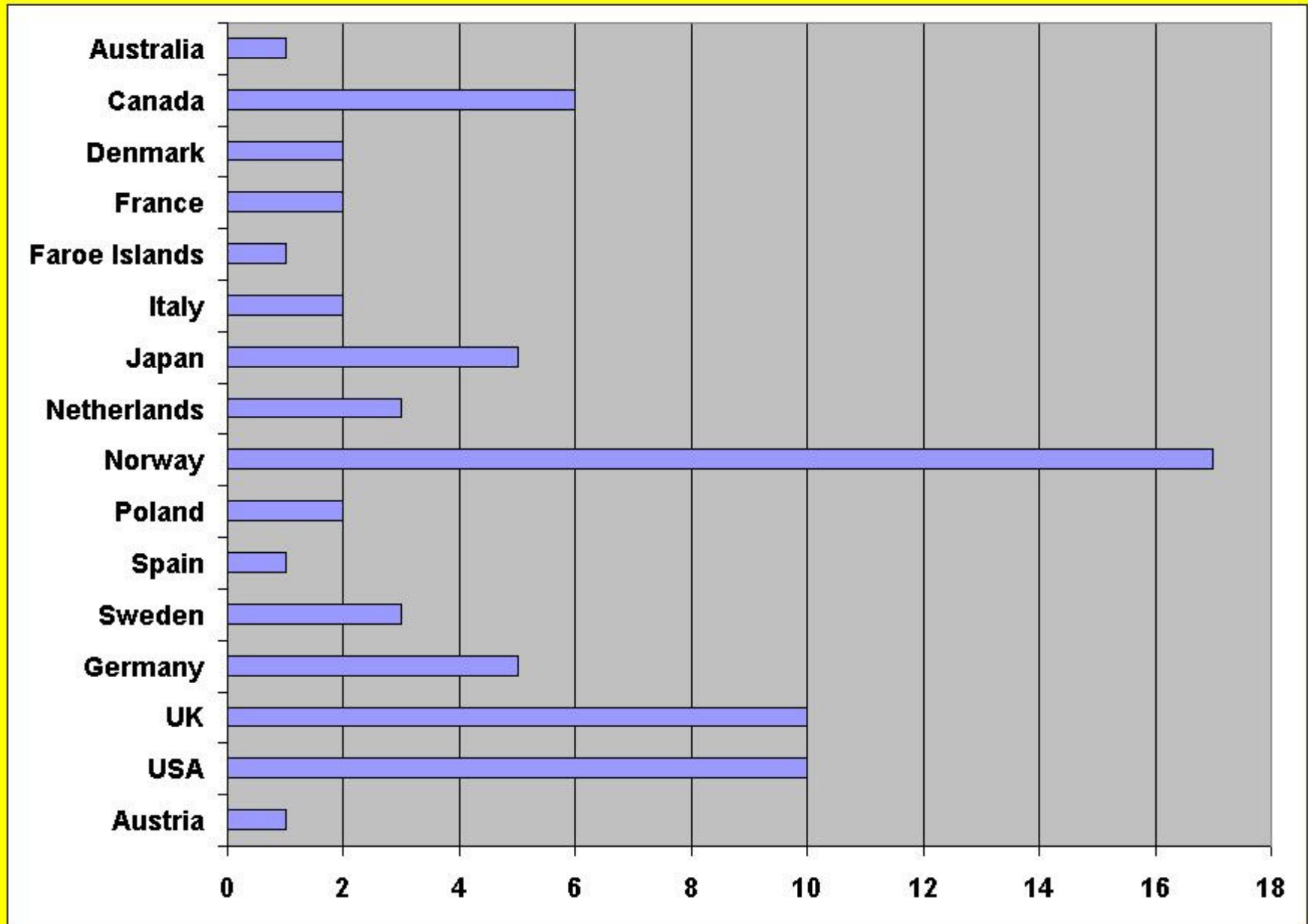
- 1 Majors
- 2 StatoilHydro
- 3 Other mid-cap independents
- 4 Small-cap independents
- 5 Mini-cap independents
- 6 Micro-cap independents
- 7 Downstream companies
- 8 Industrial groups
- 9 Petro/SDFI

Total: 71

Operators: 40

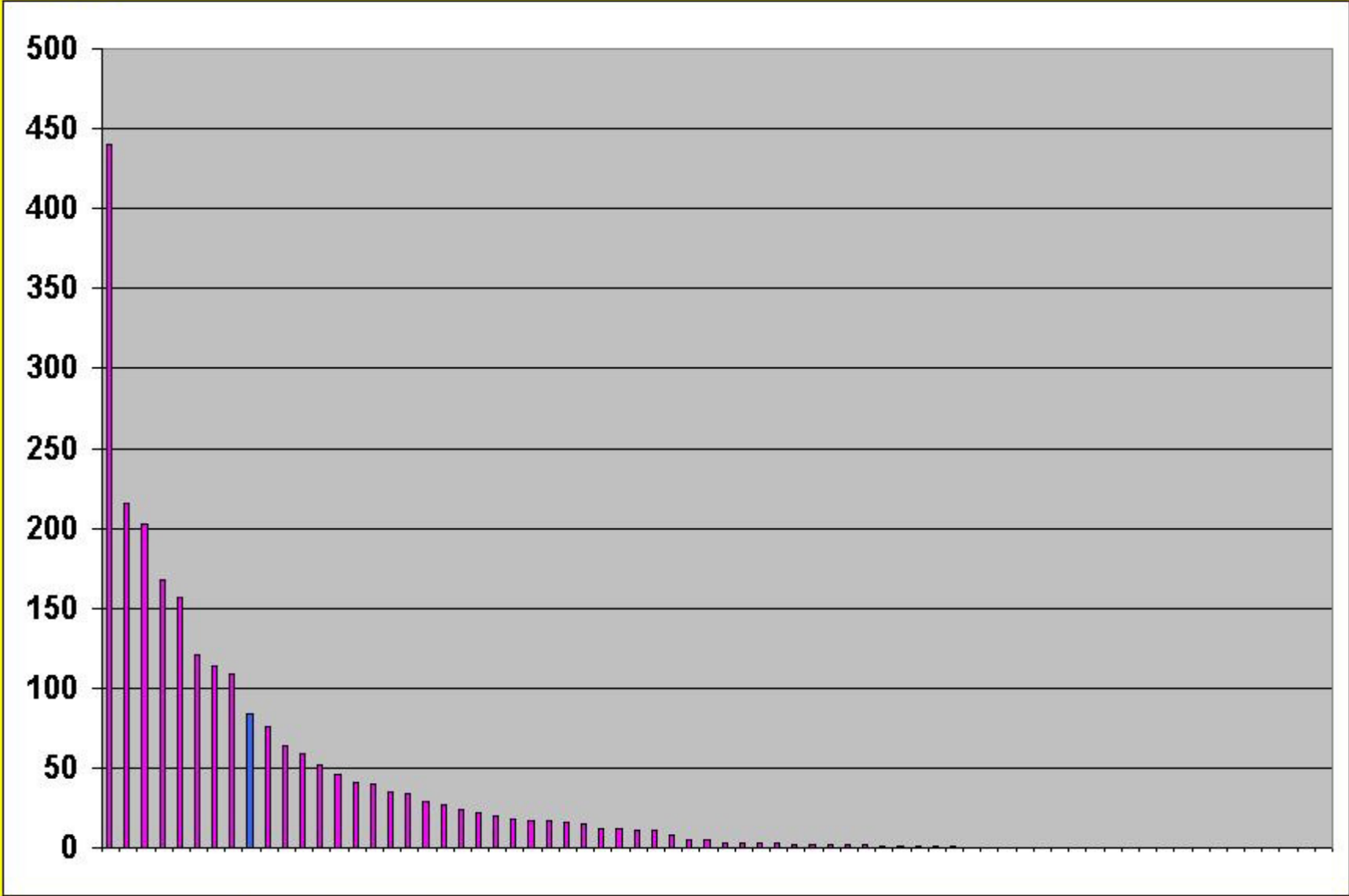
Companies applying for pre-qualification are included in all graphs; here categorized according to their own application.

OIL COMPANIES' NATIONALITIES (MAIN OFFICE)



ALL COMPANIES AT THE NCS. GLOBAL MARKET CAP.

MRD USD

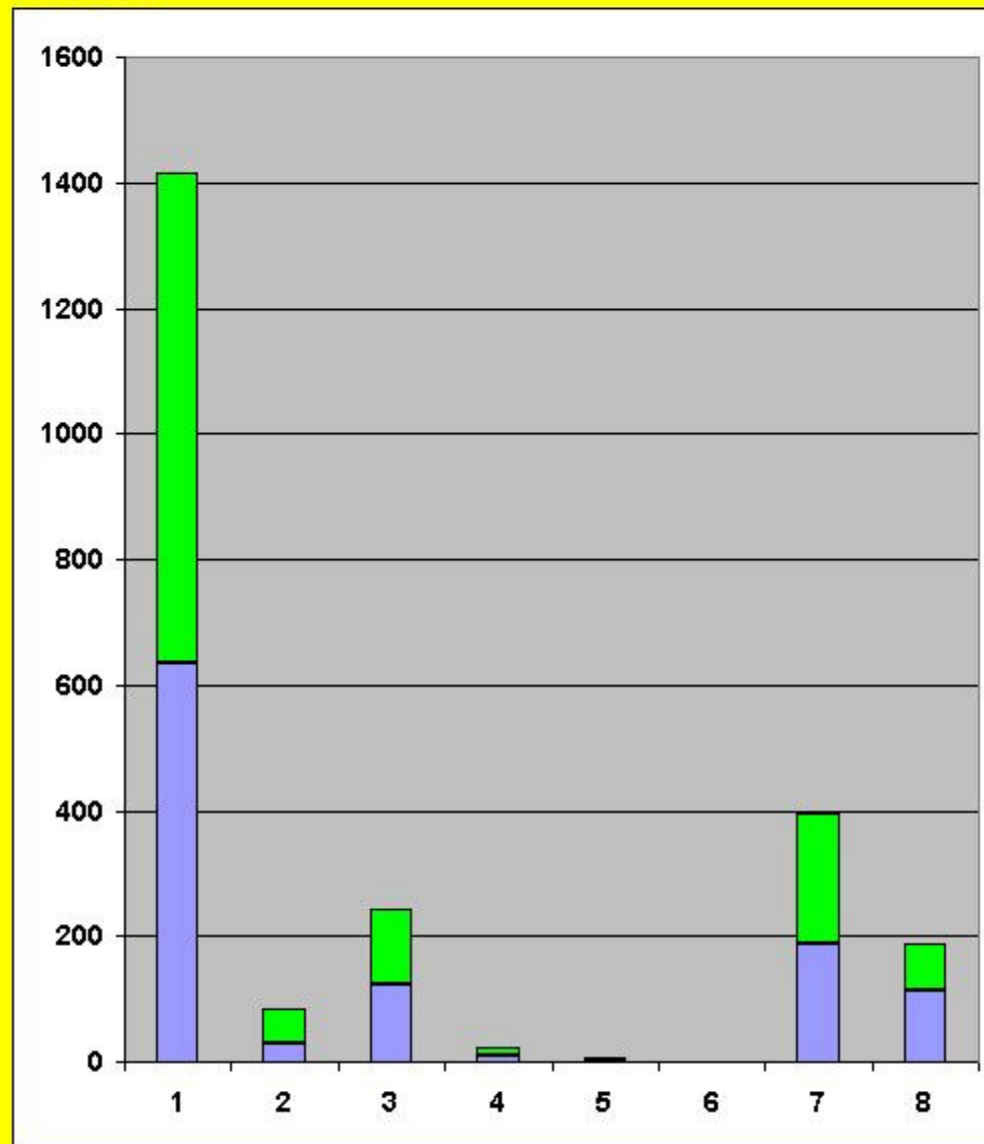


↑ StatoilHydro

StatoilHydro share: 19 %

GLOBAL MARKET CAP. "KNOWLEDGE CAPITAL" UPPER PART.

MRD USD



1 Majors

2 StatoilHydro

3 Other mid-cap independents

4 Small-cap independents

5 Mini-cap independents

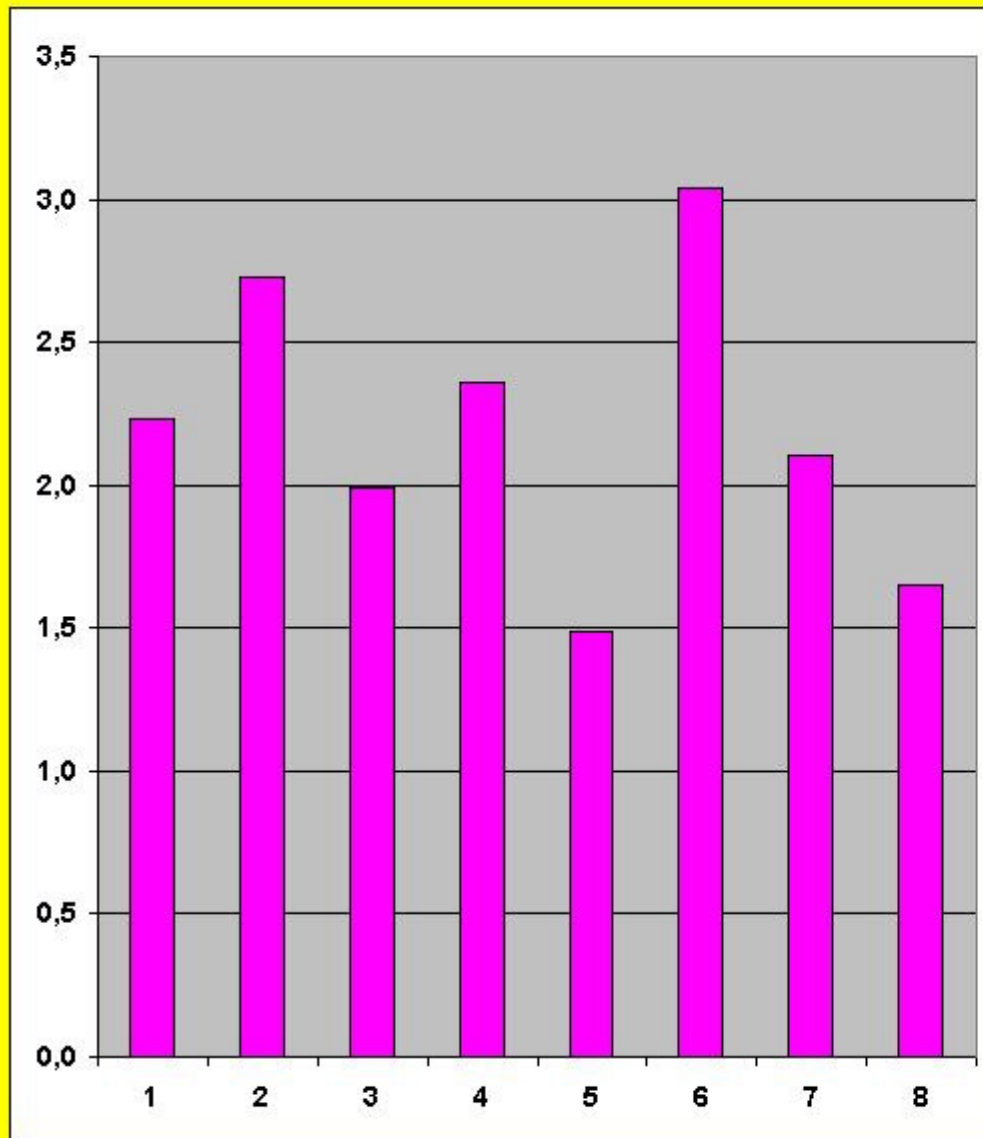
6 Micro-cap independents

7 Downstream companies

8 Industrial groups

"Knowledge capital" is defined as the difference between market cap and book value. It is seen as an indicator of capacity for value creation from intangibles.

AVERAGE PRICE/BOOK FOR CATEGORIES OF NCS COMPANIES.



1 Majors

2 StatoilHydro

3 Other mid-cap independents

4 Small-cap independents

5 Mini-cap independents

6 Micro-cap independents

7 Downstream companies

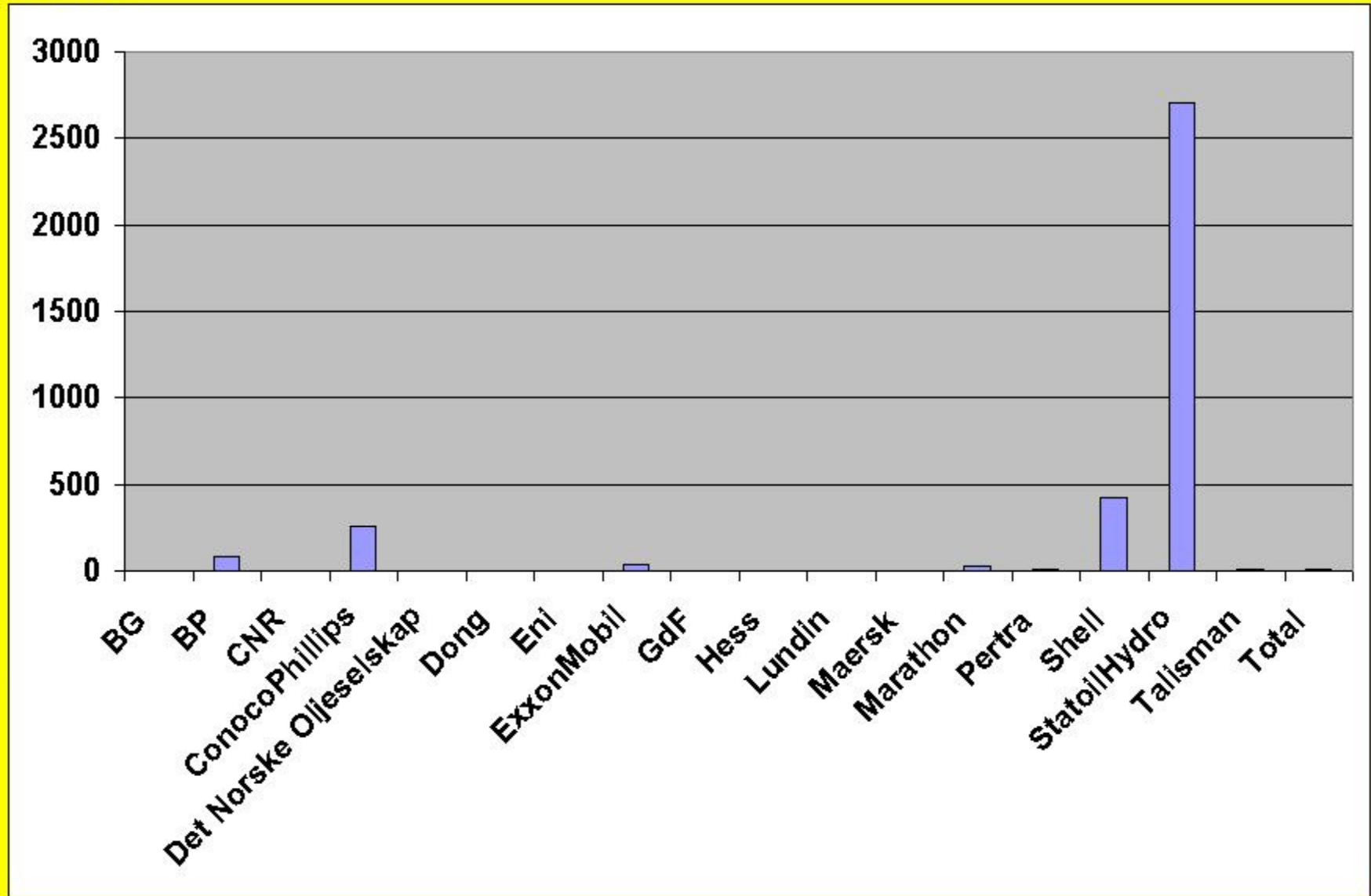
8 Industrial groups

P/B may be seen as an indicator of the company's knowledge intensity. The knowledge may be highly specialized, and the human capital part limits the capacity.

PRODUCING FIELDS BY OPERATOR.

REMAINING RESERVES.

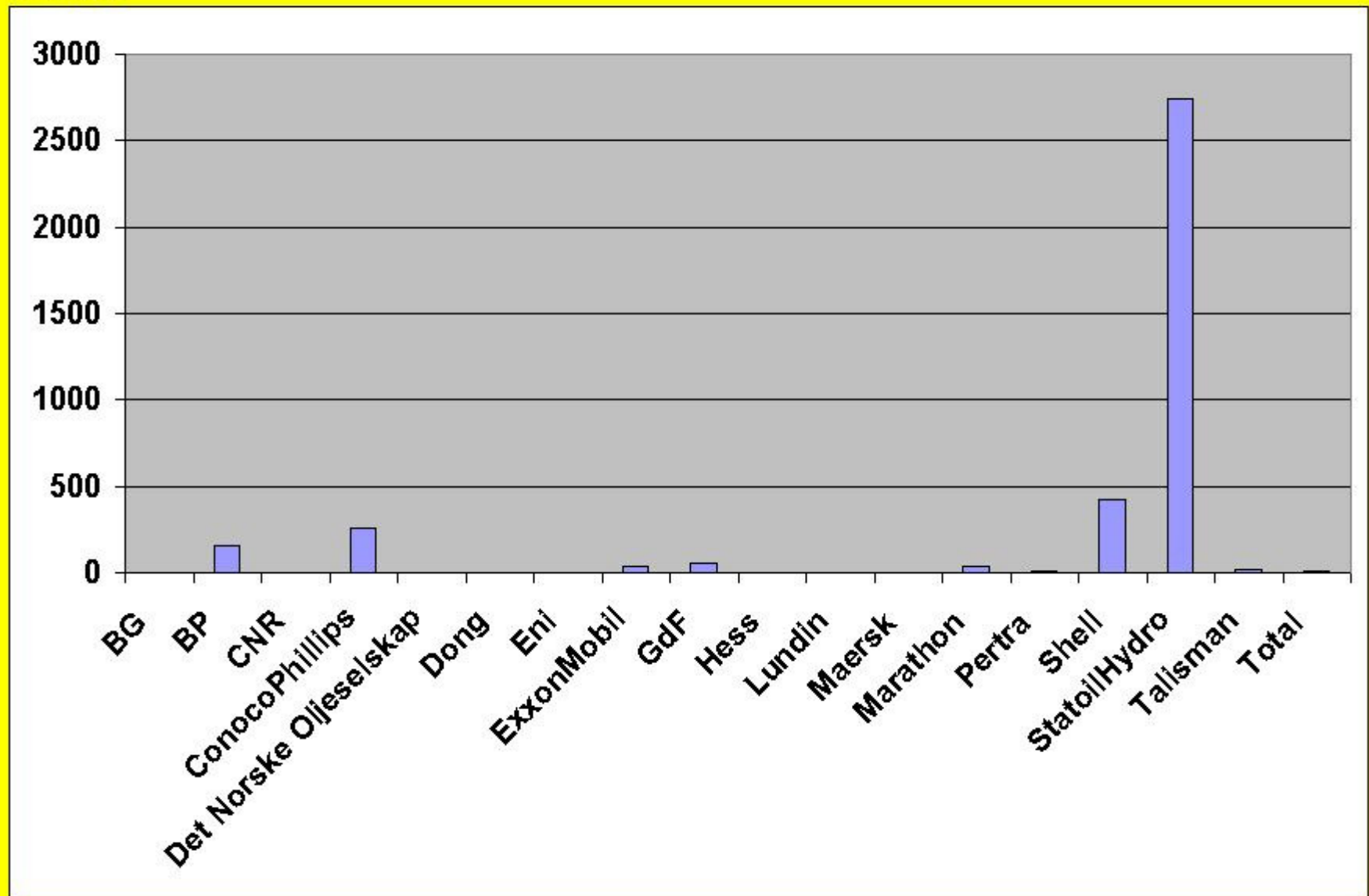
Mill Sm3oe



StatoilHydro share: 76 %

PRODUCING FIELDS AND FIELDS UNDER DEVELOPMENT BY OPERATOR

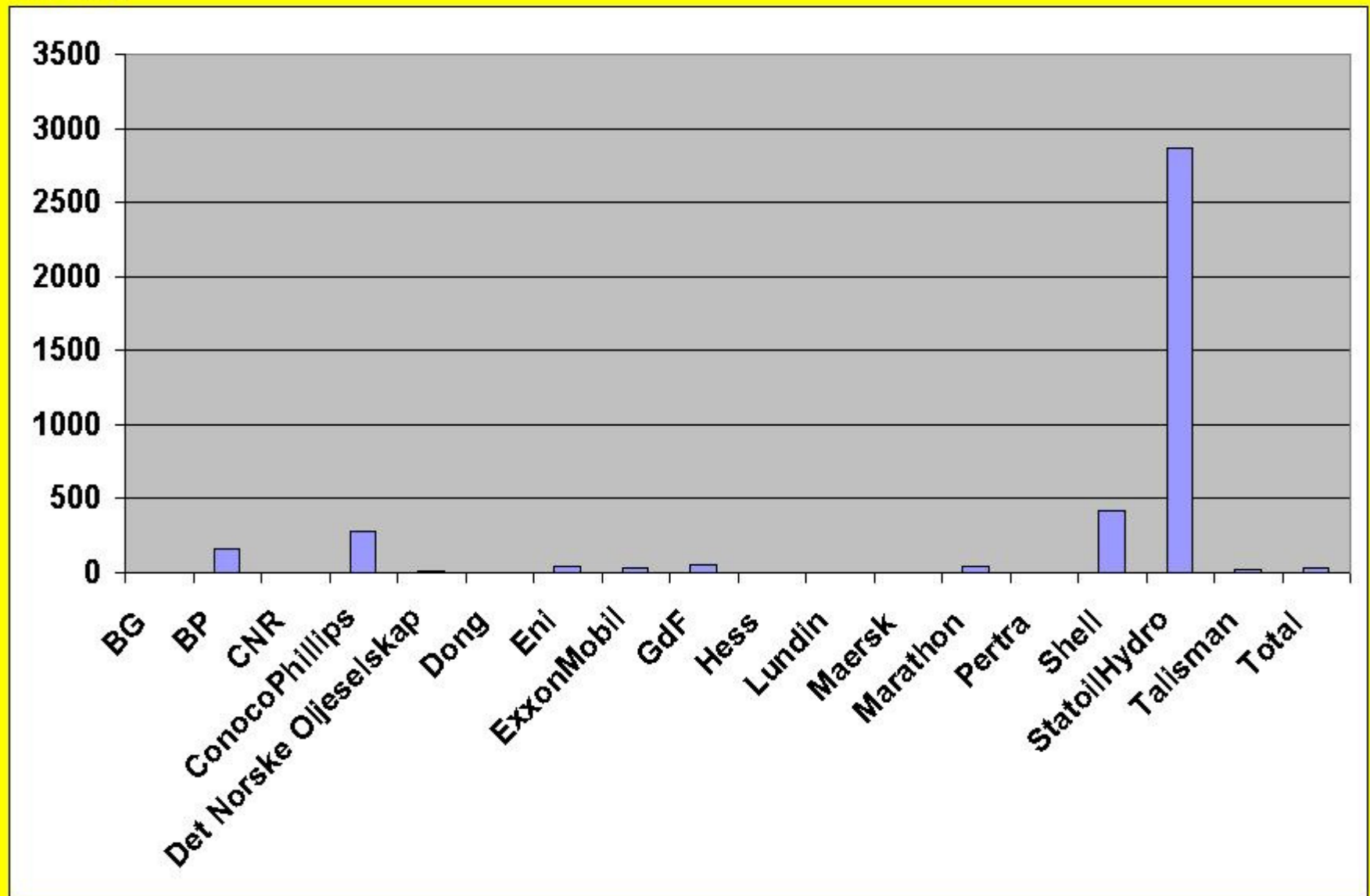
Mill Sm3oe



StatoilHydro share: 73 %

PRODUCING FIELDS + FIELDS UNDER DEVELOPMENT AND PLANNING

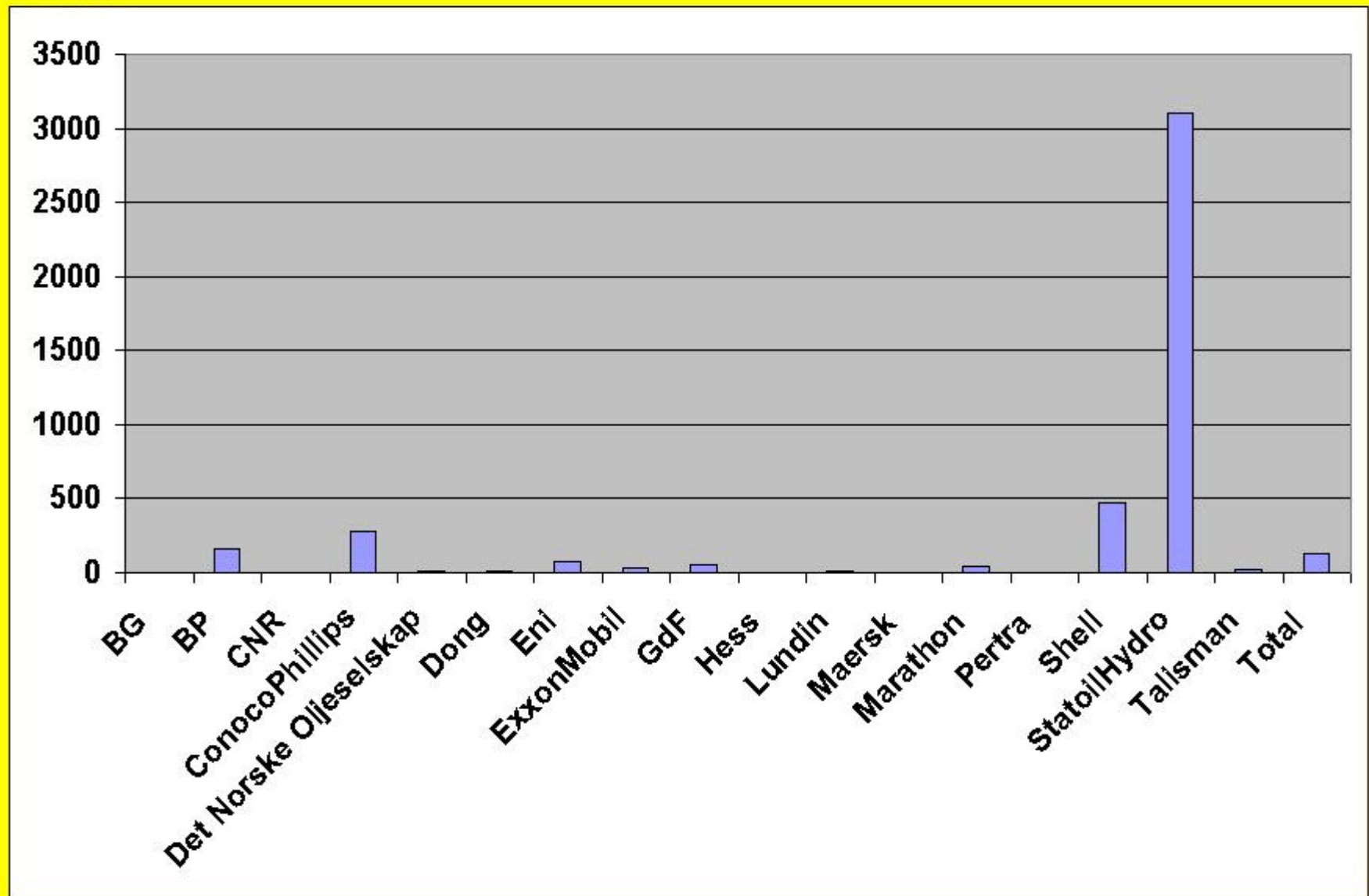
Mill Sm3oe



StatoilHydro share: 72 %

PRODUCING FIELDS + ALL FIELDS EXPECTED TO BE DEVELOPED

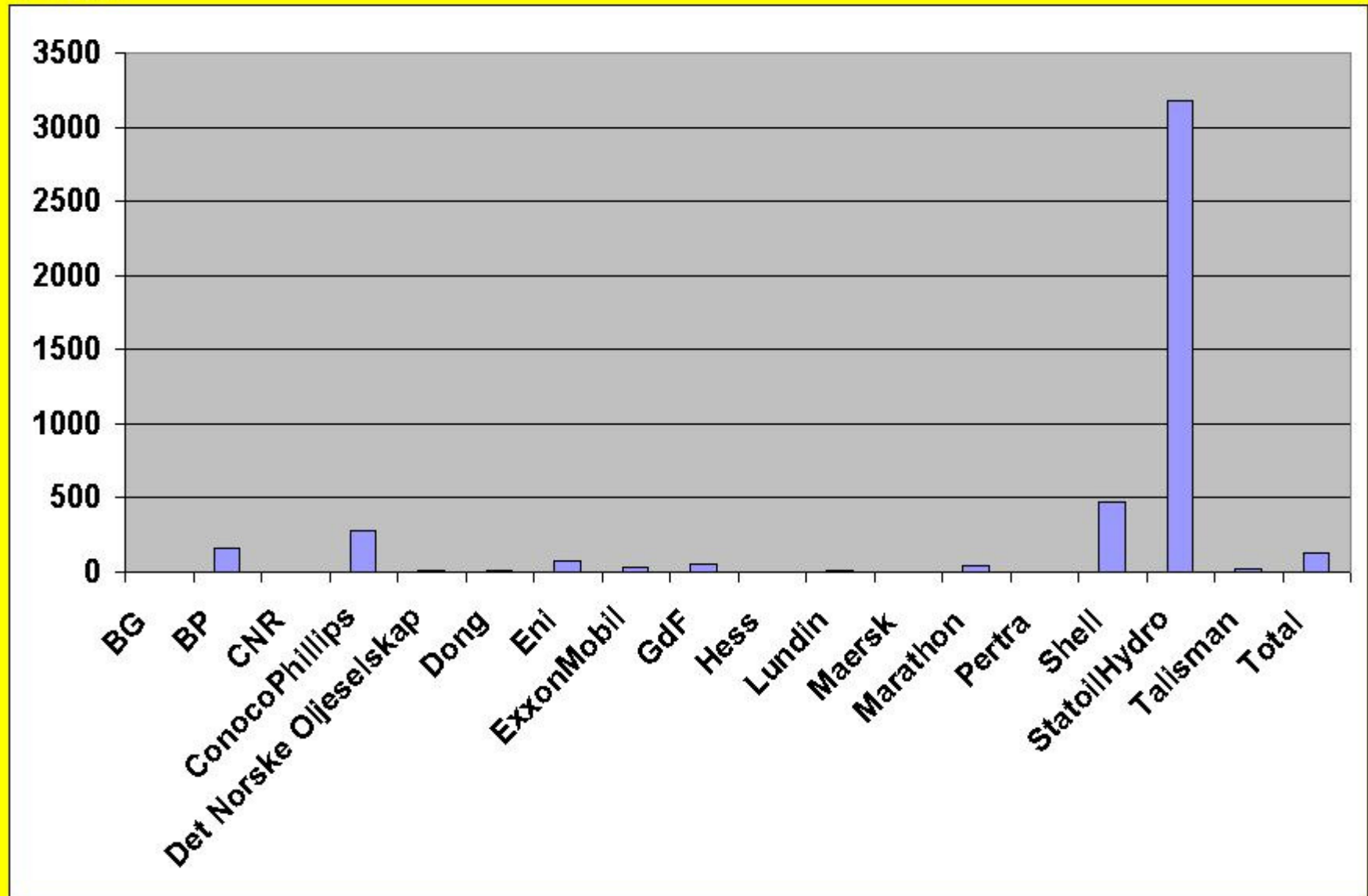
Mill Sm3oe



StatoilHydro share: 70 %

PRODUCING FIELDS + ALL DISCOVERIES NOT DISCARDED

Mill Sm3oe

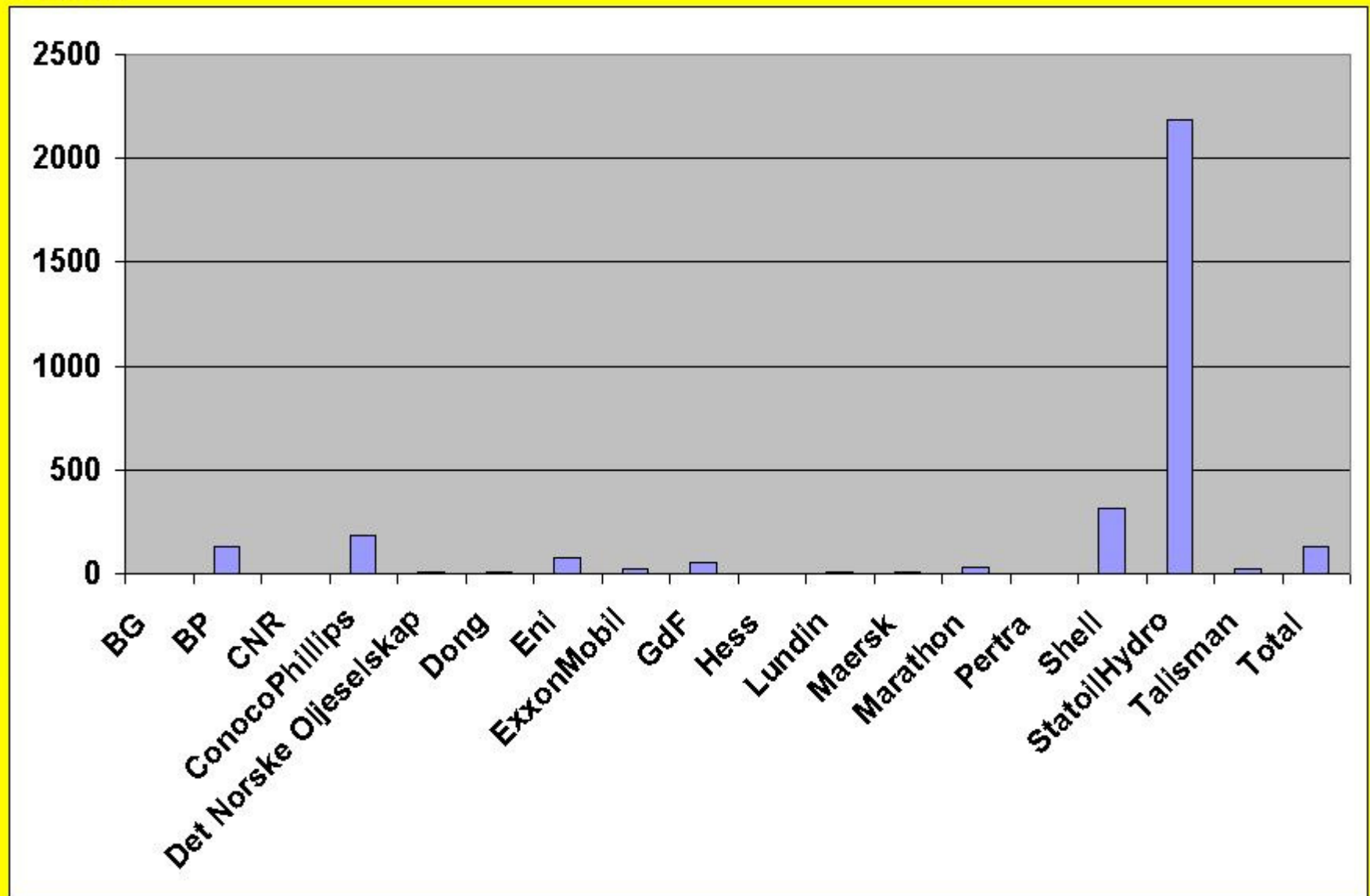


StatoilHydro share: 71 %

PRODUCING FIELDS + DISCOVERIES - 5 YEARS OF PRODUCTION

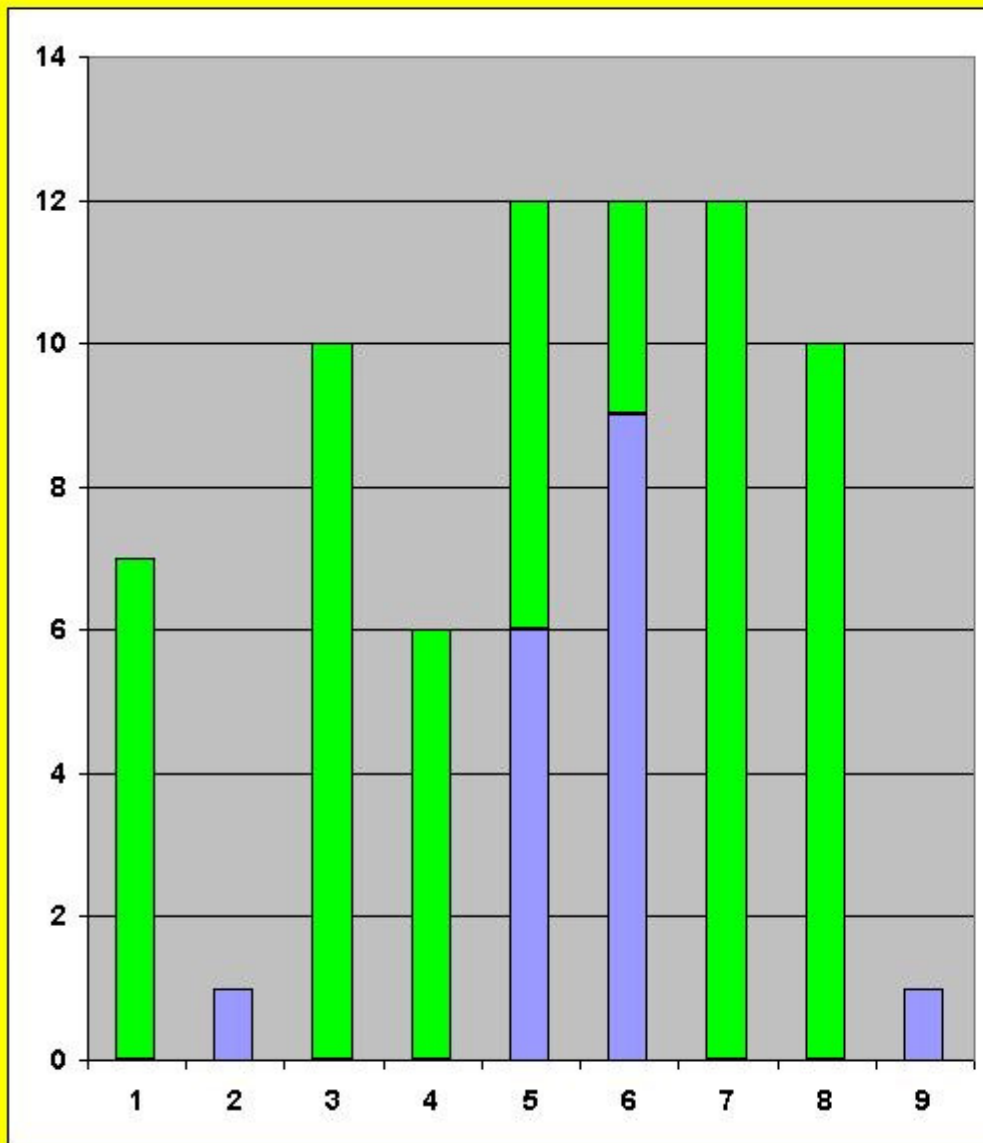
APPROX. 37% OF REMAINING RESERVES IN PRODUCING FIELDS DEDUCTED PROPORTIONALLY

Mill Sm3oe



StatoilHydro share: 69 %

OIL COMPANIES AT THE NCS. LOWER PART NORWEGIAN.



1 Majors

2 StatoilHydro

3 Other mid-cap independents

4 Small-cap independents

5 Mini-cap independents

6 Micro-cap independents

7 Downstream companies

8 Industrial groups

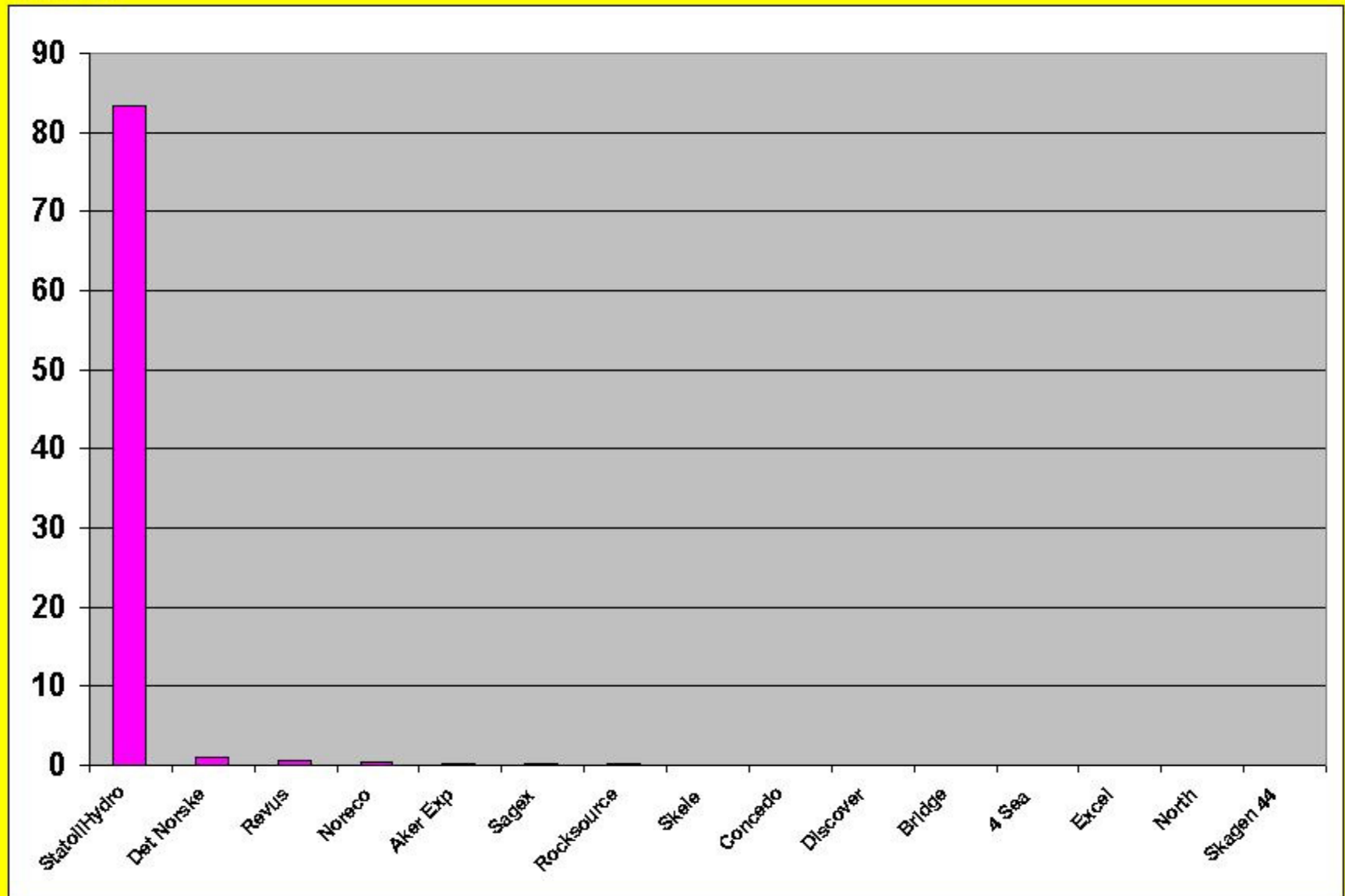
9 Petoro/SDFI

Total: 71

Norwegian: 31

NORWEGIAN COMPANIES AT THE NCS. GLOBAL MARKET CAP.

MRD USD



StatoilHydro share: 97 %

Note About Background Data

- ⇒ Stock market data collected around 10 Feb, 2008.
- ⇒ Company equity data taken from most recent annual or quarterly report.
- ⇒ Market cap for non-public companies emulated by benchmarking with peer companies.
- ⇒ A couple of companies do not publish financial data. Equity/market cap estimated/emulated from other sources and benchmarking.
- ⇒ All data relate to final mother company.
- ⇒ Field reserves/resources taken from NPD's 2006 Resource Report or more recent data from operators etc
- ⇒ Fields placed in categories based on NPD Fact Pages or information from operators.
- ⇒ Fields without any reserve/resource estimates not included
- ⇒ Errors are always possible; friendly corrections are appreciated!

How to Improve Post-Merger Diversity?

1: Grow outside Norway, reduce inside

- ◇ Unavoidable as main strategy
- ◇ Likely to be investigated if new government in 2009
- ◇ Good idea for StatoilHydro to be prepared

2: Simulate diversity within StatoilHydro.

- ◇ Official Government/company answer
- ◇ "Expectations" and promises
- ◇ Must try, but violates commercial instincts and will not be sufficient.

3: Cluster and company policies

- ◇ Incentives for new technology, R&D
- ◇ Emerging technology firms
- ◇ Intellectual property rights
- ◇ Supply industry ownership

4: Amendments to petroleum policy etc

- ◇ Access to acreage
- ◇ Licensing policies?
- ◇ Second-hand license market
- ◇ Petroleum tax
- ◇ Strengthening of regulatory bodies

How to Shift Size Abroad?

- ⇒ We all want StatoilHydro to grow abroad
- ⇒ But it should reduce its size in Norway
- ⇒ Both objectives hard to achieve
 - ⇒ Ethical standards limit opportunities in "3rd World"
 - ⇒ Leverage problem limits opportunities in "the West"
 - ⇒ Barrel in ground costs 2-3 times more than in Norway
 - ⇒ Human capital strongly attached to NCS assets
 - ⇒ Hard to quit in the middle of the job
 - ⇒ Many project organisations will soon have been through one operatorship change, new changes harder the more time is lost
- ⇒ Most political means already lost
- ⇒ State as owner can still use guidelines
- ⇒ But we want to avoid more political interference in internal decision-making
- ⇒ Can we find something not painful to the company?

Suggestions for a "shift abroad" strategy:

- ◇ Leverage problem:
 - ◇ State should be willing to invest equity if helpful for M&A
 - ◇ Guarantee general share issue or similar
 - ◇ Invitation must come from General Meeting
 - ◇ Conditional on divestment etc at home
- ◇ No growth at home commitment:
 - ◇ No major NCS acquisitions unless at least compensated by divestments
 - ◇ No SDFI hunting
 - ◇ No major onshore acquisitions or mergers
- ◇ "3rd World" problem:
 - ◇ Clarify owner ethics policy
 - ◇ Relative impact, not "guilt by association"
 - ◇ Ex: Canadian tar sands, human rights
 - ◇ Government support (tie-in to aid etc)
- ◇ Human capital problem:
 - ◇ Major tax revision for expats in both directions
 - ◇ Owner acceptance for generous incentives
- ◇ NCS operatorship problem:
 - ◇ StatoilHydro commitment to transfer non-critical operatorships
 - ◇ Area restructuring around other operators
 - ◇ Exploration, pre-development, tail-end, good partners
 - ◇ External evaluation
 - ◇ Reports to the MPE
 - ◇ Joint program for facilitating transfers