Den norske stats oljeselskap a.s / Annual report and accounts 1976

statoil

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Den norske stats oljeselskap a.s

The Board of Directors

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

ALTERNATE MEMBERS

Professor H. J. A. Kreyberg
Member of the Storting Kristin Lønningdal
Engineer Tore Sund
Economist Erik Eik

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

Auditor

Certified public accountant Karl-Johan Endresen

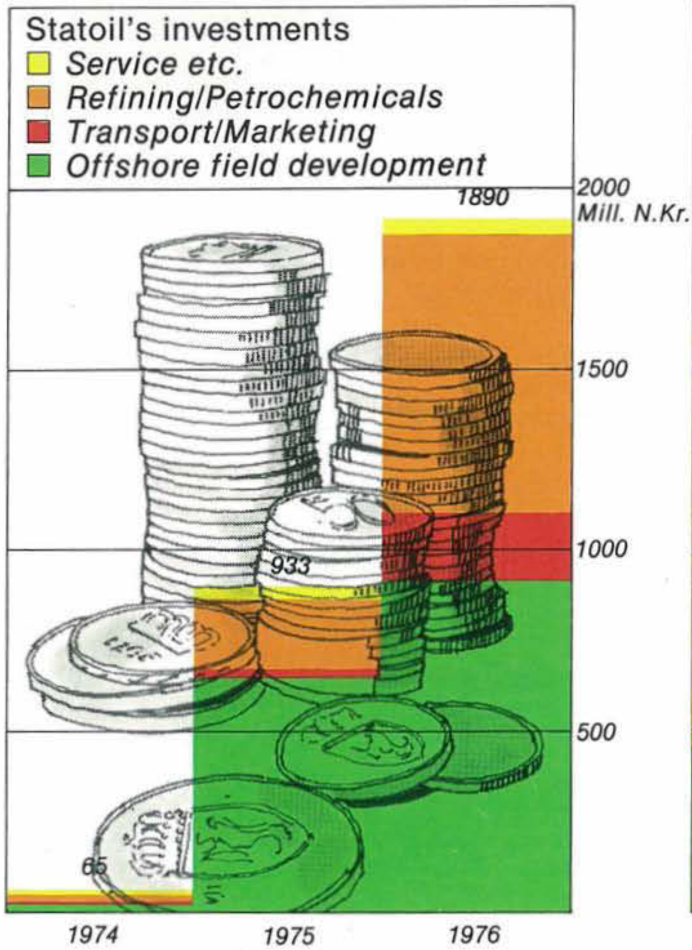
Board of Representatives

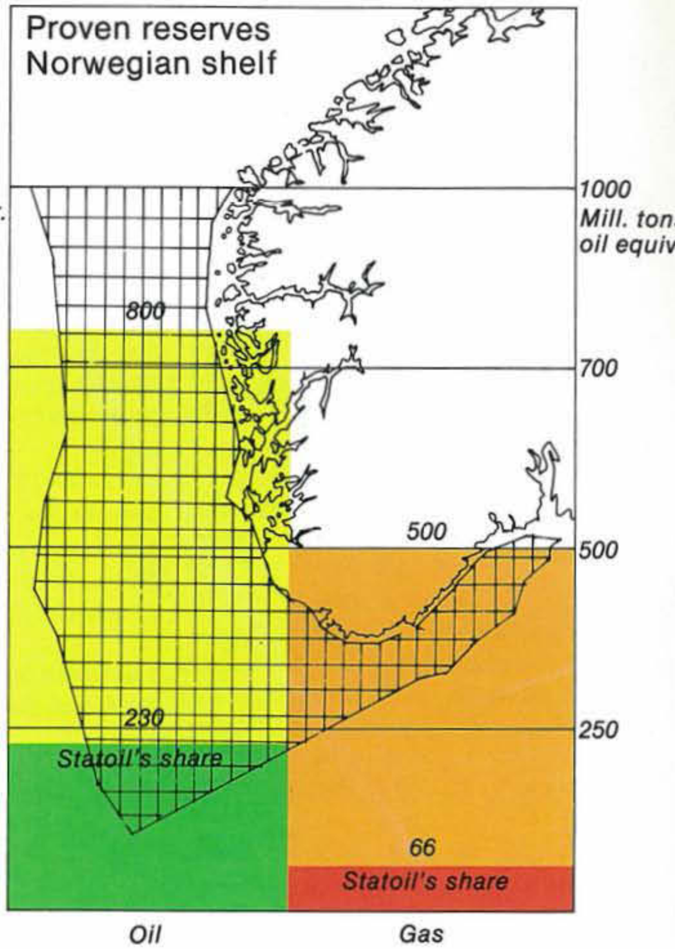
Member of the Storting Egil Aarvik, Chairman
Managing Director Ronald Bye, Vice-Chairman
Lord Mayor Arne Rettedal
LO-secretary Odd Bakkejord
Teacher Grethe Westergaard Bjørlo
Member of the Storting Bodil Bjartnes
Construction worker Harald Schjetne
Director Egil Flaatin
Geologist Arne Lervik
Engineer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

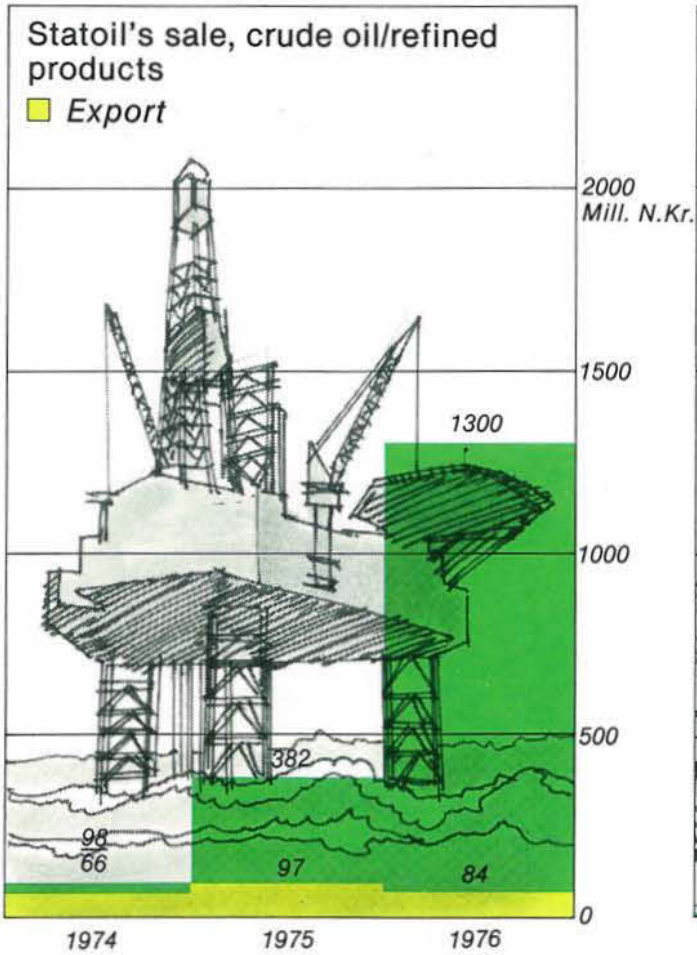
ALTERNATE MEMBERS

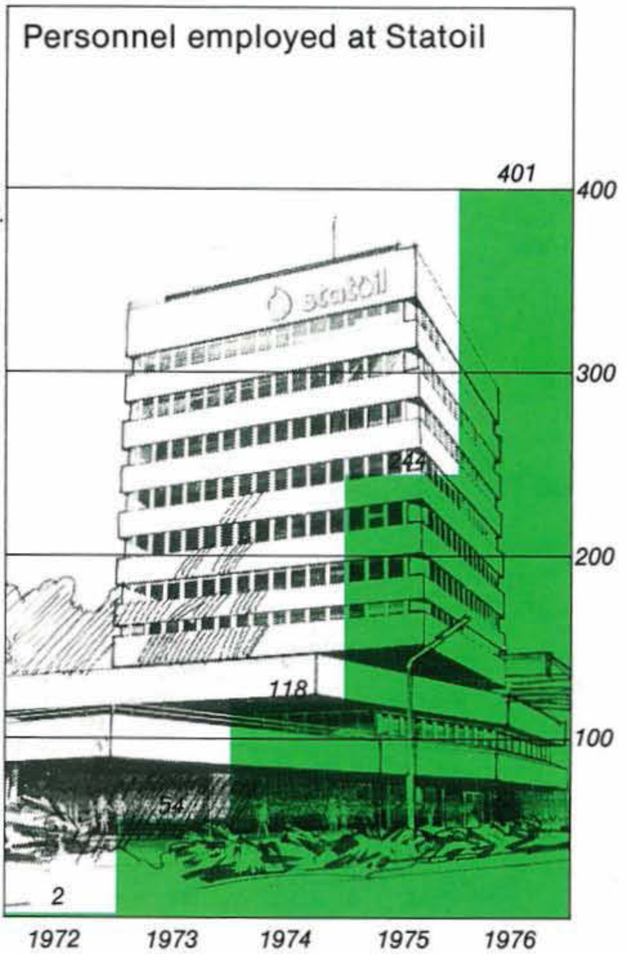
Secretary Evy Buverud Pedersen
Director of Finance Johannes Andreassen
Lord Mayor Asbjørn Jordal
Economist Einar Slagstad
Engineer Ingebret Gausland

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


Statoil's investments
Service etc.
Refining/Petrochemicals
Transport/Marketing
Offshore field development
2000
Mill. N.Kr.
1500
1000
500
1890
933
65
1974
1975
1976


Proven reserves
Norwegian shelf
1000
700
500
250
800
500
230
Statoil's share
66
Statoil's share
Oil
Gas


Statoil's sale, crude oil/refined products
Export
2000
Mill. N.Kr.
1500
1000
500
0
1300
382
98
66
97
84
1974
1975
1976

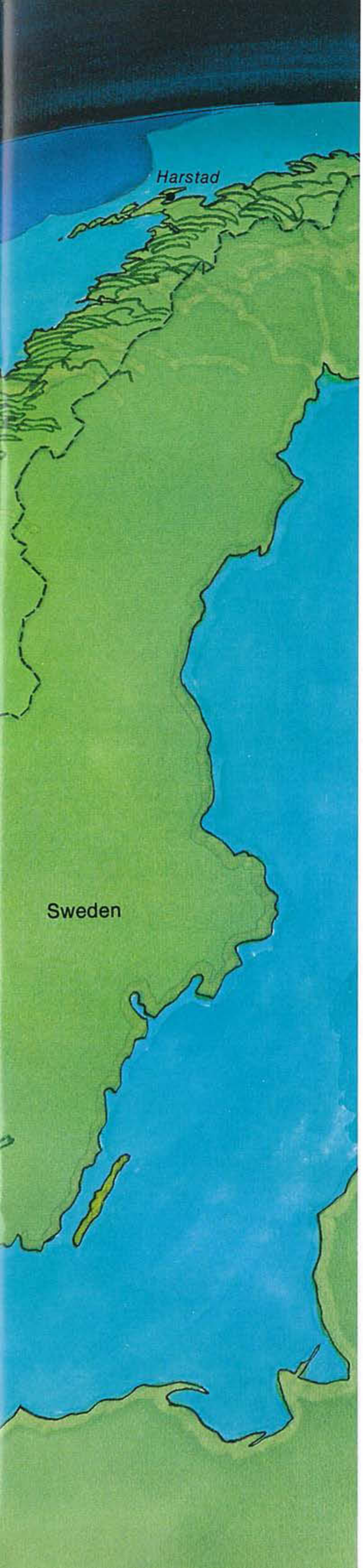

Personnel employed at Statoil
400
300
200
100
401
242
118
54
2
1972
1973
1974
1975
1976

Highlights

Amounts in million N. kr.	1976	1975	1974	1973
Sales	1298.3	382.3	98.2	—
Salaries and social costs	36.1	20.1	8.0	2.1
Depreciation	32.8	1.1	0.3	0.2
Financial expenditures	4.8	7.9	7.0	7.6
Financial result	— 134.2	— 62.2	— 29.0	— 13.7

Annual investments	1889.8	933.1	64.5	238.3
Total assets	3660.9	1491.6	502.9	359.6
Issued share capital Dec. 31	1551.5	755.0	305.0	155.0
Number of employees Dec. 31	401	244	118	54

62 °
Statfjord
Mongstad
Norway
C.C.B.
Bergen
Frigg
Shetland
Oslo
Stavanger
Bamble
St. Fergus
Ekofisk
Scotland
Denmark
Norpipe
Norpipe
Teesside
Emden
England
the Netherlands
West Germany



Projects

Company/License	Type Activity	Statoil share	Location
Statfjord	Oil/gas find	50 %	Blocks 33/9 33/12
Heimdal	Gas find	40 %	Block 25/4
Frigg	Gas find	5 %	Block 25/1
Statoil/Esso Group	Operator	50 %	Blocks 15/12 15/11, 6/3
Statoil/Texaco/Hydro/Saga Group	Operator	50 %	Blocks 24/11, 24/12
Statoil/Phillips Group	Operator	50 %	Block 1/9
Statoil/Esso/Hydro Group	Operator	50 %	Blocks 15/8, 15/9
I/S Noretyl	Petrochemicals	33 %	Bamble
I/S Norpolefin	Petrochemicals	33,33 %	Bamble
Coast Center Base Ltd. & Co.	Supply Base	50 %	Sotra
Norsk Olje a.s	Distribution Co.	15 %	Oslo
Rafinor	Refinery	30 %	Mongstad
Norpipe a.s	Pipeline Company	50 %	Stavanger
Norpipe Petroleum UK Ltd.	Landing Terminal	50 %	Teesside
Statex A/S	Seismic Processing	50 %	Stavanger

Report of the Board of Directors for 1976

General comments

Statoil's fourth year of operations has to a great extent been characterized by participation in the development of the Statfjord field and the carrying out of independent drilling operations on the Norwegian continental shelf. The first results of this drilling activity have been positive, in as much as Statoil as operator has discovered oil and gas in block 1/9. In 1977, it will be accertained as to whether the field is commercial. This find is the first significant discovery made by a Norwegian operator in the North Sea.

High priority has been given to the organization and development of safety and environmental controls, both with respect to the working tasks in the North Sea and with the aim of possible drilling activities north of the 62nd parallel. This work has drawn on all available insight and professional competency.

As of the end of the 1970's, the company projects will lead to significant income and in the early 1980's, to a company profit. One precondition for the flow of income is the investments, which in 1976 amounted to approximately 1.9 billion kroner.

The 1976 financial results of the company show a deficit of about 134 million kroner. This loss must be evaluated in light of the fact that the company is still in a phase of development and investment, in which costs are accrued, and where income will begin to flow only after the company projects gradually move into operational phases. The sale of refined products has to a significant degree contributed to the deficit. Prices of refined products have not approached a level that could cover company refining costs.

By means of direct participation in concessions and operator functions, Statoil is attempting to promote the use of Norwegian goods and services where these are competitive.

Market prospects

□ Market possibilities for Norwegian oil and gas

The annual production of petroleum on a world-wide basis has in recent years been greater than the annual growth of new reserves. In addition, both reserves and production have become more and more geographically concentrated. The members of the Organization of Petroleum Exporting Countries (OPEC) control 60 to 70 per cent of the world's proven oil reserves, and today deliver approximately 90 per cent of all the oil sold on the international market in the non-communist world. The dependency upon imports in certain major industrial countries is steadily increasing. The OECD area, thus represents about 90 per cent of the international demand for petroleum.

Norwegian petroleum consumption is limited. Therefore the major portion of the Norwegian petroleum production in the 1980's will be exported, as crude oil and gas, and partially as refined products.

The main natural market for Norwegian petroleum exports would be Western Europe. Even if the production capacity in the OPEC countries were able to cover the import requirements for petroleum in Western Europe in the next few years, Norway's petroleum would be of some importance in the West European context. The Norwegian continental shelf is centrally located in relation to possible buyer countries. It is reasonable to assume that the consumer countries will attempt to reduce their dependency by securing deliveries from several sources. Therefore, the Board of Directors is of the opinion that the company will have good sales possibilities for the oil and gas at its disposal.

□ The price development for petroleum

The increase in the price of oil from 1973 to the present has on the average corresponded to the general price increases. During the next few years, there is reason to assume that this development will continue, such that petroleum products will maintain their real value.
In the long run, the price development for petroleum will be dependent upon the growth in the world economy. With continued economic progress there will be a constantly greater demand for oil and natural gas. This can lead to a situation in which the price level of these energy-bearers will gradually reach the cost level of alternative sources of energy which can replace oil and natural gas. The cost level is significantly higher than today's oil and gas prices, and it must therefore be considered probable that in the long run petroleum prices will show a gradual but real increase.

□ Reserves and production

At the beginning of 1977, the total recoverable reserves on the Norwegian continental shelf amount to approximately 1300 million tons of oil equivalents. The Statoil share of this is approximately 300 million tons. In 1985 the annual production will be able to reach approximately 70 million tons of oil equivalents, of which the Statoil share will make up 17.8 million.

Exploration

Statoil exploration activities have been extensive in 1976. The company has been engaged both in seismic explorations and drilling, partially as operator and partially as a group participant, together with various licensees.

The company has been in charge of collecting about 13,500 km of seismic profiles. A little more than half of these have been carried out by the two Norwegian companies of Statex and Geco. The major portion of the data processing has also been carried out in Norway. Explorations north of the 62nd parallel have for the most part been concentrated on the charting of possible drilling sites off the coast of Troms, Vest-Finnmark, Møre-Romsdal, Sør-Trøndelag and Nord-Trøndelag.

In 1976 four new concessions were distributed on the Norwegian continental shelf. Statoil is operator on three of them. In one of the concessions in which Norsk Hydro, Saga Petroleum, and Texaco participate, the authorities have decided that Statoil should pay a certain portion of the exploration costs. In all the other concessions which have been distributed in recent years, all costs in the exploration phase have been covered by the other licensees.

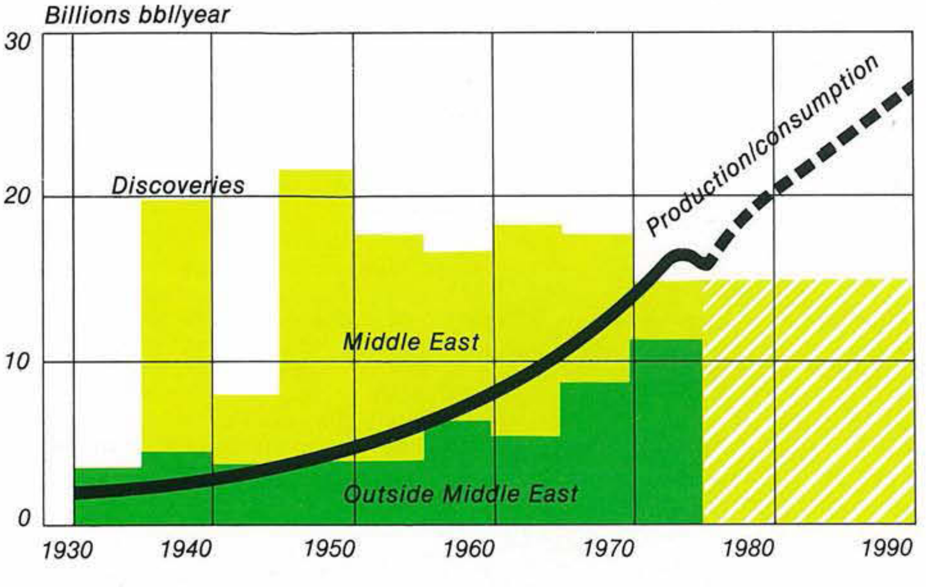
The total exploration activities on the Norwegian continental shelf in 1976 have been substantial, with the drilling of 26 exploration wells. Statoil participated in 16 of these drilling operations. During the course of the year, new hydrocarbon deposits have been discovered in blocks 1/9, 7/12, 25/2 and 33/9. However, several wells must be drilled in order to establish whether these fields are commercial. Statoil participates as a licensee in all these blocks, in two of the blocks with a 50 per cent share or more, depending on the amount of production.

On the basis of the parliamentary decision made in the autumn of 1976, Statoil has been transferred the State petroleum rights on Spitsbergen. The company plans several geological surveys in the years to come. The first expedition will take place during the summer of 1977.

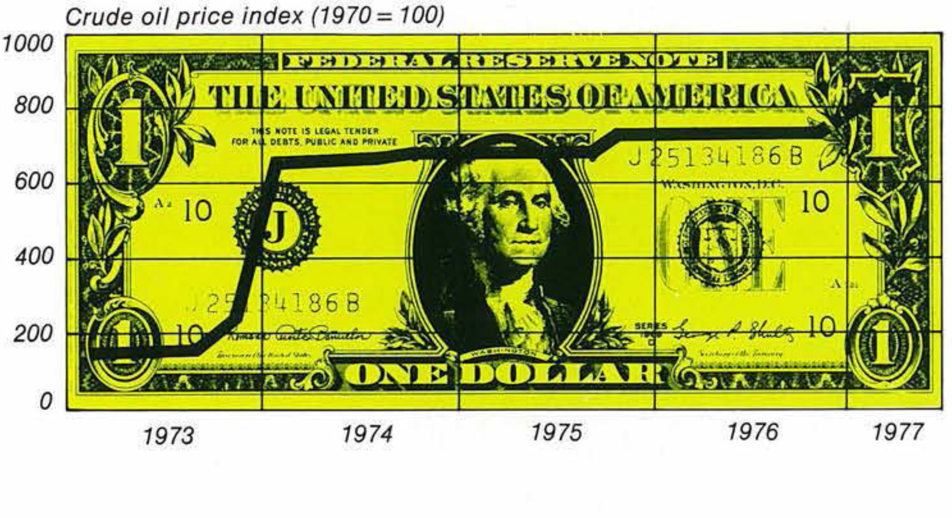
In 1976 Statoil conducted planning work with the aim of a possible

Approximately 60 percent of all goods and services in connection with the Statfjord A platform is Norwegian.

The relationship between oil discoveries and oil consumption on a world-wide basis.



The crude oil price development in recent years.



1978 drilling start-up north of the 62nd parallel. In addition to the preliminary geological surveys, the planning work has been concentrated on the specifications for the drilling platforms, evaluation and procurement of equipment for pollution-control, and the establishment of a supply base.

Field development

☐ Statfjord

Statfjord field development has been the single most important company project in 1976, and it will continue to be so in the years to come.

The Statfjord A production platform, now being built in Norway, is the largest that has to date been planned for construction anywhere in the world. The size of the reserves, optimal production levels, the depth of water, and other factors determined by the location of the Statfjord field have been deciding factors in the choice of this type of platform.

The concrete stucture and the assembly work in the shafts of the A platform were completed in Hinnavåg in Stavanger in the spring of 1976. The structure was towed to Stord Yard in August of 1976. The mating of the deck and the concrete structure took place in September of 1976, and the assembly of modules and other work on deck construction has been going on at Stord Yard throughout the rest of the year.

According to the original schedule, the platform was to be towed out to the field in July of 1976. Because the work on the deck and the outfitting of the platform have proven to be essentially more complicated than anticipated, the tow-out date has now been postponed to May 1977. As a result, the cost of the platform has been greater than originally calculated.

The planning and development of the A platform has offered a significant technical and economic basis for experience with larger, integrated drilling and construction installations. The Board of Directors expects that the practical experience gained here will form the basis for improved realization of further Statfjord development. This experience and know-how will prove useful with respect to other developments on the Norwegian continental shelf.

After the Parliament had debated the application for full field development of Statfjord in June of 1976, the Statfjord Group planned to go on with the building of the B platform. Therefore, during the autumn of

1976, contract negotiations were opened with Norwegian Contractors on the construction of the Condeep type concrete platform. Shortly before the negotiations were concluded, the Norwegian Petroleum Directorate requested that there be a separate living quarters platform for B. This has complicated and delayed the planning work.

Statoil is responsible for the development program which is being conducted for a possible pipeline from the Statfjord field to Sotra. The work is to be carried out over a two-year period, and the results are expected to be placed before the authorities in the autumn of 1978. At the same time as the pipeline project will be evaluated, offshore loading into tankers from buoys will also be studied as a permanent solution to the transportation question. In this manner the Parliament will receive the best possible foundation on which to make the final decision on the solution to be chosen.

Both transportation systems will be able to contribute to the build-up of Norwegian know-how and allow for the possibility of deliveries by Norwegian business and industry.

The Statfjord field extends across the median line onto the British continental shelf. During 1976 and after negotiations with the British licensees, a preliminary agreement was entered into, concerning the distribution of the reserves on the British and Norwegian sides. According to the agreement, the total Norwegian share is fixed at about 89 per cent. The final agreement must be approved by the British and Norwegian authorities. There are a total of twelve licensees for this field. Statoil has a 50 per cent share in the Norwegian part of the field; that is, nearly 45 per cent of the entire unitized field. Mobil Exploration Norway Inc. is the operator for full field development.

☐ Frigg

The progress of Frigg development has been satisfactory in 1976. The first pipeline to Scotland will be ready to go on stream during the summer of 1977, while the other one will be ready for operation by the summer of 1978. Regular gas deliveries to the British Gas Corporation are expected to begin in October of 1977.

☐ Heimdal

During 1976, work has continued on the evaluation of the recoverable reserves and possible technical solution to the plans for production and transportation of gas. There continues to be a certain degree of uncertainty with regard to the profitability of possible field development. The evaluations will therefore continue to be conducted in 1977.

Transportation

Norpipe's oil pipeline from Ekofisk to Teesside has had its first fully operational year in 1976. Considering that this has been a start-up period, operation regularity has been satisfactory, an average of about 90 per cent for the year. The gas trunkline to Emden is expected to be placed on stream during 1977.

About 14 million tons of crude oil was transported through the oil pipeline from the time it was opened in October of 1975 until the end of 1976. The Norpipe companies will give dividends to the owner companies as of 1976.

Refining and sales

☐ The petrochemical complex at Bamble

During 1976 the work at the I/S Noretyl and the I/S Norpolefin plants has for the most part run on schedule.

According to the current plan, the production at the ethylene plant is to begin in medio 1977. There have been delays in the gas condensate deliveries from Teesside. During this period of transition, raw materials therefore have to be purchased from other sources. On a short-term basis, this will mean increased production costs for the ethylene plant.

The polyethylene plant, which makes up the first phase of the Norpolefin facilities, is expected to go into operation as scheduled, toward the end of 1977. The market situation for Norpolefin products is very dependent upon the general situation within the industry. For the time being, the sales possibilities are uncertain, but there is hope for improvement in the future.

☐ Refining and sales

In accordance with the Parliamentary decision of January 1976, Statoil has taken over 30 per cent ownership interest in Rafinor A/S & Co., the refinery at Mongstad, and 15 per cent in Norsk Olje a.s. The other owners of Rafinor are Norsk Olje (40 per cent) and Norsk Hydro (30 per cent).

In accordance with Parliamentary Bill Number 20 for 1975—76, Statoil is responsible for supplying 70 per cent of the crude oil to the Mongstad refinery, making supplies comparable to its own and Norsk Olje's ownership interests. In 1976 this has been maintained partially through the State sale of royalty oil. The additional crude oil was purchased for the most part from the Middle East. In 1976 the company handled a total of 2.3 million tons of crude oil.

In 1976 as in prior years, Statoil also sold the royalty oil from the Ekofisk field in accordance with the task assigned it by the Ministry of Industry. Statoil paid the norm price to the State, and sold the royalty oil without a loss.

Statoil's production of refined products from the Mongstad refinery has been marketed through Norsk Olje a.s. The financial result of the refinery and marketing activities has not been satisfactory.

Service companies

☐ Statex a.s.

The Statex operational results have been very satisfactory in 1976. The company has built up significant competency in collection and processing of seismic data from the shelf. The know-how will be quite important in connection with national as well as an international involvement.

Since the establishment of Statex, the Board of Directors of Statoil has been involved in creating a total environment for collection and processing of seismic data in Norway. It has therefore been desirable to initiate cooperation between the two Norwegian companies of Geco and Statex. Principle agreement was reached in 1976 on a merger of the two companies to take place during the course of 1977. The purpose of the merger will be to cooperate nationally as well as internationally. On the basis of this, the Board of Directors has made a decision to transfer the 50 per cent Statoil share in Statex to Kongsberg Våpenfabrikk. On the assumption that the agreement is approved, the merger company of Geco-Statex will be 50 per cent owned by Det Norske Veritas and 50 per cent by Kongsberg Våpenfabrikk.

☐ A.S. Coast Center Base Ltd. & Co. (CCB)

During 1976, Coast Center Base was expanded to include more storage capacity. Because of the postponement of the Statfjord A platform, there has been less activity than first anticipated, but the situation is expected to improve in 1977.

Cooperation with Norwegian businesses

The Board of Directors has emphasized close cooperation between Statoil and Norwegian industry. Norwegian industry ought to be given the opportunity of building up necessary competency and to receive real possibilities of participating in the competition for supplying goods and services. Norwegian deliveries have been in the range of 60 per cent for the Statfjord A platform. It is the goal of the company to contribute to the possibilities for the organization of Norwegian industrial participation also as new technological developments are made. The establishment of Norwegian Petroleum Consultants (NPC) is an example of the gathering of Norwegian technical know-how for the purpose of handling these challenges.

The situation on the Norwegian continental shelf has moved in the direction of drilling and field development in deeper and deeper waters. This tendency is expected to continue. New technology must therefore be developed for these types of fields. The company wishes to contribute to the development of this technology, partially in cooperation with other oil companies and with Norwegian industry, and partially on its own. These development tasks are technically, financially and organizationally demanding. On the other hand, on a long-range basis, the solution of these problems will be of greater and greater significance for Norwegian industrial involvement, both nationally and internationally.

During the course of the year, Statoil has initiated a number of research and development projects within the field of deep-water technology, and several Norwegian research institutes and companies have been involved in these projects.

Personnel resources and company organization

In previous years the main emphasis in the development of Statoil's organization was placed on the tasks of recruiting and furthering development of employee competency. Organizational changes are being made in order to obtain an adjustment in the demanding development and operational tasks in which the company is involved. The Board of Directors is of the opinion that the company is now well-equipped in this field, with respect to existing, as well as future company operations.

Testing of the first well on block 1/9, during the winter of 1976-77, for the Statoil/Phillips Group.

Emphasis has been placed on developing good relations between the company employees and management. As is generally the case in Norwegian business, the employees are represented on the Board of Directors, the Board of Representatives, and the Management-Employee Policy Committee. Several cooperative committees have been established in order to discuss and handle special tasks. Among others, the employees are drawn into the work of planning the new Statoil administration center.

In 1976 a labor environment committee was established in order to deal with the tasks set forth in the new laws on safety and labor environment.

At the end of the year, there were approximately 400 employees at Statoil, and applications for new positions have been satisfactory.

Safety and environmental control

The Board of Directors has been concerned with the building up of a comprehensive understanding of and necessary systems within the area of safety and environmental control. With this purpose in mind a special department has been established, having as its responsibility the formulation and control of company requirements and safety procedures, environment and quality control. This department reports directly to the managing director. The personnel employed in this department are especially competent and experienced in these areas, and the department will be strengthened and expanded even more in the coming years.

The newly established labor environment committee will be drawn into the work of creating good, safe places of work both on land and, not least of all, offshore.

Statoil, on behalf of the other operators on the Norwegian continental shelf, has been given the task of coordinating the specifications and the ordering of joint pollution-control equipment for the Norwegian part of the continental shelf. This task is carried out in close cooperation with the State Pollution-Control Authority. This experience is of importance with respect to the plans for a system of preparedness for possible oil spills in connection with activities north of the 62nd parallel.

A number of the research and development projects in which Statoil has participated or has taken the initiative are directed toward safety and environmental control, among others, simulations with oil fences, corrosion and protection of pipelines and other offshore constructions, collection of environmental data on areas off the coast of Troms etc.

Financing

The company share capital increased by 796.5 million Norwegian kroner in 1976. In the autumn of 1976, the Norwegian Parliament allocated 300 million kroner to increase the share capital in 1977. Thus, in January of 1977, the company share capital reached a total of 1,851.5 million kroner.

At the end of the year, the loan totalled approximately 1,340 million kroner. This figure includes an approximately 800 million kroner loan from the Norwegian State.

The accounts for the year 1976

□ Results

As discussed above, the company is still in a period of development. This will influence the financial results for this and the next few years. The balance for 1976 shows a deficit of about 134 million Norwegian kroner.

Sales amounted to a total of approximately 1,300 million Norwegian kroner. For the most part this includes the sale of crude oil and refined products.

Statoil's share of the products from the Mongstad refinery are marketed through Norsk Olje. As already mentioned, the sale of these products has resulted in an unsatisfactory result. Thus, of the deficit on the books about 65 million kroner can be attributed to this activity.

The sales also include crude oil and royalty oil delivered to Norsk Olje's share of the Mongstad refinery, where, in connection with the January 1, 1976, take-over, Statoil was given the responsibility of supplying the Norsk Olje share of the crude oil. Statoil has taken over the royalty oil at the norm price established by the authorities for tax and royalty purposes. The same price has also been utilized with respect to Norsk Olje.

The administrative and operating expenses, including salaries and social costs, total 94 million kroner, and are for the most part for Statoil activities and involvement in the development projects.

About 32.8 million Norwegian kroner is depreciated and these essentially include the Statoil share in the refinery at Mongstad.

In addition, reference is made to the accounts with comments.

□ Prospects for the future

The Board of Directors sees interesting perspectives and possibilities for future development of the company financial results. The development of the financial results will still be somewhat varied for the different areas of company activity. Statoil will be able to secure very good income possibilities for the main company activities, the production of oil and gas. The Board of Directors would also like to point out that the significance of the availability of these important energy resources will increase in the years to come.

Stavanger, March 1, 1977
The Board of Den norske stats oljeselskap a.s

Finn Lied — Ole Myrvoll

Finn Lied
Chairman

Ole Myrvoll
Vice-Chairman

Aksel Fossen — Einar H. Moxnes — Åse Gjerdsjø — Ottar Vollan — Hans J. Ødegaard

Aksel Fossen | Einar H. Moxnes | Åse Gjerdsjø | Ottar Vollan | Hans J. Ødegaard

Statement of profit and loss for the year 1976

	1976 amounts in 1000 N.Kr.		1975 amounts in 1000 N.Kr.	
Operating income and operating expenses				
Sale of crude oil and oil products .... (1)		1 298 398		382 292
Crude oil and direct costs		1 325 078		374 650
		— 26 680		7 642
Other income .... (2)		13 412		2 458
		— 13 268		10 100
Salaries and social costs	36 121		20 142	
Directors' and General Manager's remuneration	422		399	
Other administrative expenses	57 776	94 319	38 277	58 818
Loss before depreciation		107 587		48 718
Depreciation		32 830		1 048
Operating loss		140 417		49 766
Financial income and financial expenses				
Dividends received .... (3)	2 771			
Interest income and other financial income....	17 735		12 182	
Less interest expense	15 687	4 819	20 032	7 850
		−135 598		−57 616
Extraordinary income and expenses				
Various extraordinary incomes.............. (4)	14 892			
Cost of share capital increase.................	7 965	6 927	4 500	4 500
Loss before taxes		128 671		62 116
Taxes....................................... (5)		5 576		105
Net loss......................................		134 247		62 221

Balance sheet as of December 31, 1976

Assets

	1976 amounts in 1000 N.Kr.		1975 amounts in 1000 N.Kr.	
CURRENT ASSETS				
Cash (6)				
Cash in hand	76		58	
Deposits in Norwegian banks	111 367		69 389	
Deposits in foreign currency	7 403	118 846	2 508	71 955
Short-term receivables				
Accounts receivable (7)	278 764		160 780	
Interest earned but not due	53			
Share capital outstanding (14)	60 600	339 417		160 780
Inventories				
Crude oil	44 100			
Products and equipment for sale	67 298	111 398		24 546
INVESTMENT CAPITAL				
Long-term receivables and investments				
Various long-term receivables	8 982		2 687	
Shares in Norwegian companies (8)	387 678		238 178	
Shares in foreign companies (9)	57 373	454 033	48 873	289 738
Fixed assets				
Transportation equipment (10)	2 503		404	
Furniture and fixtures	15 043		5 813	
Installations under construction	526 010		224 026	
Construction projects	446 858		14 790	
Participation in fields (option exercised) (11)	1 617 050		693 096	
Real estate	29 749	2 637 213	6 442	944 571
		3 660 907		1 491 590

Stavanger,

Finn Lied
Chairman

Ole Myrvoll
Vice-Chairman

Aksel Fossen

Åse Gjerdsjø

Liabilities and shareholders' equity

	1976 amounts in 1000 N.Kr.		1975 amounts in 1000 N.Kr.	
Current liabilities				
Accounts payable	452 724		293 709	
Interest payable	2 717		1 258	
Provision for taxes	3 643	459 084	300	295 267
Long-term debt				
Miscellaneous long-term debt (11)	318 689		193 597	
Loan from the State of Norway (12)	951 832		150 000	
Bank and mortgage loans	527 878		198 743	
Export credits	87 188	1 885 587		542 340
Currency risk fund (13)		3 975		3 975
Shareholders' equity				
Share capital (14)	1 551 500		755 000	
Less accumulated losses	239 239	1 312 261	104 992	650 008
Joint liability N.Kr. 89 146 515 (15)				
		3 660 907		1 491 590

December 31, 1976
March 1, 1977

Einar H. Moxnes Ottar Vollan Hans J. Ødegaard

Arve Johnsen
Managing Director

Comments to financial statements December 31, 1976

Accounting policies

Items charged to the profit and loss account

- Expenditures relating to the build-up and operation of the company, including registration fees in connection with increase in share capital.
- All expenditures relating to the purchase, collection and processing of seismic data (except those concerning commercial fields).

Capitalized items

- Expenditures concerning commercial fields where Statoil has exercised its option to participate.
- From the 1976 financial year, Statoil will capitalize interest expenses in connection with development projects. Capitalized interest amounts to 47.8 mill. N.kr. in 1976.

Depreciation

Fixed assets have been depreciated according to rates recommended by Norwegian tax authorities.

Conversion principles for foreign currency

Foreign currency is converted into Norwegian kroner according to the following principles:

- Expenditures/income are entered according to the prevailing exchange rate at the time of payment.
- Current assets and current liabilities are converted at the exchange rate prevailing as of December 31, 1976.
- Investments and long-term receivables and fixed assets are entered at the exchange rate prevailing at the time of procurement.
- Long-term debts are converted at the exchange rate prevailing when the loans were drawn.

Estimated currency losses and gains based on these principles are included in the statement of profit and loss.

Shares in Norwegian and foreign companies

Shares in Norwegian and foreign companies (none quoted on the stock exchange) have been valued at purchase price.

Partnerships and limited partnership companies

Our share of the results and balance figures in partnerships and limited partnership companies is included in the statement of profit and loss and in the balance sheet respectively. For 1976 this includes ownership in the Frigg, Heimdal and Statfjord fields, the partnership companies Noretyl and Norpolefin, as well as the limited partnership companies A/S Coast Center Base Ltd. & Co. and Rafinor A/S & Co.

Inventories

In the balance sheet, the inventories of equipment, crude oil and products are assessed at the lesser of the purchase/production cost or the sale price.

Notes to financial statements

1. Sales income includes sale of the State royalty oil from the Ekofisk field, sale to Norsk Olje a.s of other crude oil and the Statoil share of the products refined at Mongstad.

   Sales income is distributed as follows:

Amounts in 1000 N.Kr.	1976	1975	1974
Norway			
Crude oil	683 136	126 646	
Refined products	531 218	158 454	32 000
Exports			
Crude oil	65 262	23 415	
Refined products	18 782	73 777	66 152
	1 298 398	382 292	98 152

   In connection with sale of products to Norsk Olje a.s, Statoil has taken a loss on its share of the production at the Mongstad refinery, amounting to 26.9 million N.Kr. In addition, Statoil's share of depreciation on the refinery, interest on capital tied to product stock inventories, and Statoil's administrative costs, have been expensed.

2. Other income includes sale of seismic data, etc.

3. Dividends received relate to Norpipe Petroleum UK Ltd.

4. Extraordinary income includes adjustments in accounts in connection with the buy-in of the British group into the unitized Statfjord field (see note 11).

5. Of the N.Kr. 5 576 000 capital tax in 1976, N.Kr. 1 933 000 relates to tax adjustment for 1975. This adjustment was a result of the uncertainty relating to tax assessment of offshore installations/fields.

6. Cash amounts to nearly 119 million N.Kr. Of this amount nearly 7 million N.Kr. is deposits in foreign currency converted at the prevailing rate as of December 31, 1976. The magnitude of the current assets must be seen in context with the 459 million N.Kr. current liabilities.

7. N.Kr. 655 800 of the accounts receivables is short-term financing for employee housing.

8. Purchase of shares in Norwegian companies this year includes share capital increases in Norpipe a.s., 30 per cent of the shares in Rafinor A/S (general partner company) and 15 per cent of the shares in Norsk Olje a.s.

Amounts in 1000 N.Kr.	Dec. 31, 1976	Increase in 1976	Jan. 1, 1976	Ownership
Norpipe a.s	292 150	55 000	237 150	50 %
Statex a.s.	1 000		1 000	50 %
A/S CCB Ltd.	28		28	50 %
Rafinor A/S	3 000	3 000		30 %
Norsk Olje a.s	91 500	91 500		15 %
	387 678	149 500	238 178	

9. Shares in foreign companies include Statoil's 50 per cent of the equity capital in Norpipe Petroleum U.K. Ltd.

The equity capital in Norpipe Petroleum U.K. Ltd. was increased in 1976 by £ 2 000 000 and totalled £ 9 415 228 as of December 31, 1976.

10. Fixed assets

Amounts in 1000 N.Kr.	Transportation equipment	Furniture and fixtures	Installations under construct.	Construction projects	Interest in fields	Real estate	Total
Purchased in 1972		15					15
1973	123	1 835			5 577	335	7 870
1974	151	1 781	28 415		26 771	6 652	63 770
1975	224	3 165	195 611	15 239	660 748	— 545	874 442
1976	2 503	10 527	301 984	463 062	923 954	23 442	1 725 472
Purchased to date	3 001	17 323	526 010	478 301	1 617 050	29 884	2 671 569
Depreciated as of Jan 1, 1976	94	983		449			1 526
Depreciated 1976	404	1 297		30 994		135	32 830
Depreciated as of December 31, 1976	498	2 280		31 443		135	34 356
Net book value as of December 31, 1976 *	2 503	15 043	526 010	446 858	1 617 050	29 749	2 637 213

*Including:

Interest in K.S. Coast Center Base Ltd. & Co.	532	336		20 148		1 368	22 384
in Rafinor a/s & Co.	1 607	1 588	1 885	421 563		9 591	436 234
in I/S Noretyl			396 647				396 647
in I/S Norpolefin			123 780				123 780
Other assets	364	13 119	3 698	5 147	1 617 050	18 790	1 658 168
	2 503	15 043	526 010	446 858	1 617 050	29 749	2 637 213

Specification of interest in fields

Amounts in 1000 N.Kr.	December 31, 1976	Increase in 1976	January 1, 1976	Ownership
Statfjord	1 282 120	794 807	487 313	44.4423 %
Frigg	288 548	125 092	163 456	2.5 %
Heimdal	46 382	4 055	42 327	40 %
	1 617 050	923 954	693 096	

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

11. Interests in fields

Statfjord

Statoil owns 44.4423 per cent of the Statfjord field which extends over the median line between the British and the Norwegian sectors. The capitalized amount of 1 282 million N.Kr. represents the Statoil share of the accumulated expenditures after the field was declared commercial, also including 1976 capitalized interest on financing related to this investment.

In 1976 a preliminary agreement was entered into after negotiations with the British licensees concerning the distribution of reserves on the British and the Norwegian sectors.

In the agreement, the total Norwegian share is for the time being fixed at 88.8846 per cent of which the Statoil share amounts to 44.4423 per cent. In the financial settlement that took place, there was a net payment from the English to the Norwegian group. The payment covered reimbursment of expenses, interest, and price increases.

In Statoil's accounts, the reimbursment of interest is included as a financial income, price increases are accounted for under extraordinary income (see note 4), and the remainder is credited to the investment under participation in fields.

Frigg

Statoil owns 5 per cent of the Frigg field located in the Norwegian sector and 5 per cent of one of the two pipelines which runs from the field to St. Fergus in Scotland. The capitalized amount of 288.5 million kroner represent Statoil's estimated share of the accumulated expenditures, including interest, for this production license.

According to the State participation agreement the Petronord Group finances Statoil's share in full, including interest charges. The same amount is therefore entered as long-term debt. Repayment of the debt is made by crediting the Petronord Group with future production income. If the debt has not been repaid before the license expires, then the outstanding debt will be cancelled.
Statoil has the option of making prepayment on the debt.

Heimdal

Statoil owns 40 per cent of the Heimdal field. The capitalized amount of 46 million N.Kr. represents the estimated Statoil share of the accumulated expenditures for this field, including interest.

The other partners in the Group finance the Statoil share of the expenditures accumulated before the option to participate was exercised. This amount is estimated at 30.1 million N.Kr., and is also entered as long-term debt.

12. The total loan from the State as of December 31, 1976 amounts to 951.8 million N.Kr. Of the appropriation for 1976 amounting to 680 million N.Kr., the unused balance of 378 million N.Kr. will be used in 1977.

13. The allocation to the currency risk fund has not been altered this year. The reason is the average rate of exchange for the long-term debt in the accounts is greater than the actual rate of exchange as of December 31, 1976. In case the entire long-term debt is to be paid according to the current rate of exchange, the company will gain approximately 17 million N.Kr. in addition to the amount of the currency risk fund. Possible realized gains will only arise with the payment of debt and only then will such gains be included as income.

14. In the State budget for 1976, 430 million N.Kr. was appropriated as increase in share capital to the company. The amount has been paid in full.

In connection with the State's transfer to Statoil, of its interests in Rafinor A/S and Rafinor A/S & Co. that the State acquired from Norsk Hydro, and a share of the stock in Norsk Brændselolje A/S (now Norsk Olje a.s), it was decided to increase the share capital in Statoil by an amount which was supposed to correspond to the value of the transferred interests, amounting to approximately 366.5 million N.Kr.

The above-mentioned increase in share capital is partially covered by the transfer of shares which represents 15 per cent of the share capital in Norsk Olje a.s, valued at 91.5 million kroner. In addition, 30 per cent of the interests in the Rafinor companies calculated at 214.4 million N.Kr. was transferred. The parties for the time being have not agreed on the final value of the transferred interests of the Rafinor companies.

When the final transfer value for the Rafinor companies is established, the Statoil share capital will be adjusted accordingly thus removing the 60.6 million N.Kr. share capital outstanding.

The total registered share capital as of December 31, 1976 is as follows:

Capital Jan. 1, 1976	755.0 million kroner
Increase 1976..................	796.5 million kroner
Accumulated capital	1 551.5 million kroner

15. Statoil is together with the other partners in the partnership companies Noretyl and Norpolefin, liable for debt incurred in the partnership companies' name. For the most part, this involves current liabilities.

Liability

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

Charter agreements

Statoil has an agreement with the Sandefjord company Ross Drilling Co. A/S for the charter of the drilling rig "Ross Rig" for a period of up to five years, from June 1975.

Source and application of funds

Amounts in 1000 N.Kr.	1976	1975	1974	1973 and before	Accumulated Dec. 31, 1976
Source of funds					
Increase in share capital	796 500	450 000	150 000	155 000	1 551 500
Less net loss	—134 247	— 62 221	— 28 985	13 786	— 239 239
Plus depreciation	32 830	1 048	304	174	34 356
Total internal financing.........	695 083	388 827	121 319	141 388	1 346 617
Increase in long-term debt......	1 343 247	321 328	26 755	194 257	1 885 587
Currency risk fund		3 369	— 4 154	4 760	3 975
Total source of funds	2 038 330	713 524	143 920	340 405	3 236 179
Application of funds					
Increase in fixed assets	1 725 472	874 442	63 770	7 885	2 671 569
Increase in long-term receivables and investments	164 295	58 678	688	230 372	454 033
Total investment capital........	1 889 767	933 120	64 458	238 257	3 125 602
Change in working capital......	148 563	— 219 596	79 462	102 148	110 577
Total application of funds	2 038 330	713 524	143 920	340 405	3 236 179

Recommendation from the Board of Representatives

To the General Meeting concerning the Annual report and accounts for 1976

At a meeting on April 22 1977, the Board of Representatives discussed the Board of Directors' annual report and the proposed accounts for 1976.

The Board of Representatives recommends that the General Meeting approves the submitted Annual report and accounts in accordance with the draft made by the Board of Directors.

Stavanger/Oslo, April 22, 1977

Egil Aarvik

Egil Aarvik
Chairman, Board of Representatives

Auditor's report for 1976

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

I have examined the financial statements of the Company for the year ended December 31, 1976 in accordance with prevailing regulations of auditing and generally accepted auditing standards.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. In my opinion the financial statements together with the report of the Board of Directors present fairly the financial position of the Company at December 31, 1976 and the results of its operations for the year then ended.

I am not aware of any matters in addition to the information included in the financial statements and the report of the Board of Directors which, in my opinion,are of significance in the evaluation of the financial position and the results of the operations of the Company.

I recommend that the financial statements presented be approved.

Stavanger, April 13, 1977

Karl-Johan Endresen

Karl-Johan Endresen
Certified Public Accountant
(Norway)

More about the Activities

Exploration

□ New production licenses

Four new concessions were distributed on the Norwegian continental shelf in 1976. These concessions are:

043 The Statoil/BP Group, blocks 29/6 and 30/4,
044 The Statoil/Phillips Group, block 1/9,
045 The Statoil/Texaco/Hydro/Saga Group, blocks 24/11 and 24/12,
046 The Statoil/Esso/Hydro Group, blocks 15/8 and 15/9.

Furthermore, in January 1977, the 047 concession for blocks 33/2 and 33/5 was granted to the Statoil/Petronord/Deminex Group.

Statoil is the operator for the following concessions: 044, 045 and 046.

□ Exploratory drilling

In 1976 drilling on the Norwegian continental shelf was begun on 23 wells and concluded on 26 wells. Statoil had interests in 16 of these 26 wells. An oil discovery was made in block 7/12. The discovery is interesting because it is located in an area where no discovery of oil has previously been made. Statoil has a 12.5 per cent interest in the concession. Additional drilling must be done to ascertain whether the find can be developed.

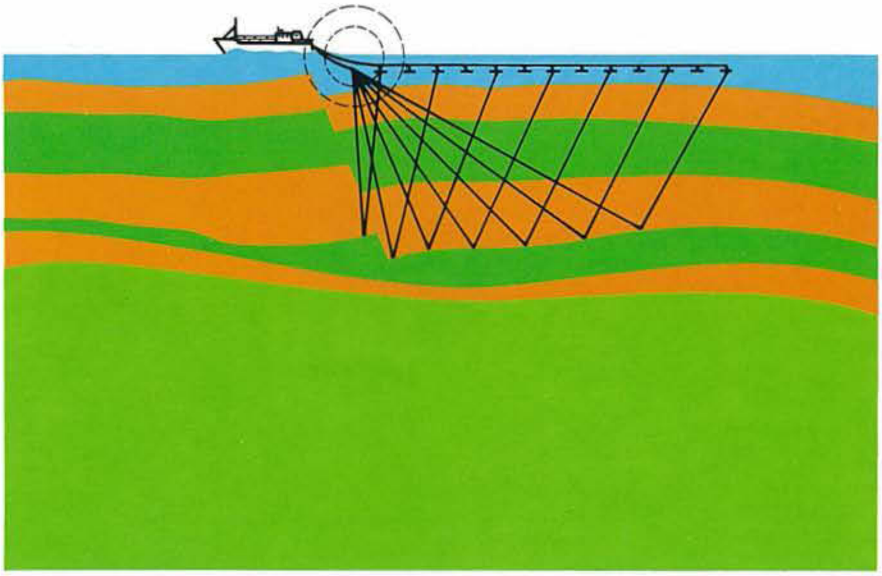
In block 33/9, the northernmost of the Statfjord blocks, oil has been discovered in two structures which are not directly connected with the Statfjord field. It is too early to be certain about the size of these finds.

Statoil is the operator in block 1/9. Oil was discovered in the first well. The well was still being tested at the end of 1976. The extent to which the discovery is commercial will probably be determined during the course of 1977. The find is interesting because it has been made at a water depth of 70 meters and is located in the vicinity of the Norpipe transportation system. The possibilities of profitable operation of smaller fields in this area are therefore present.

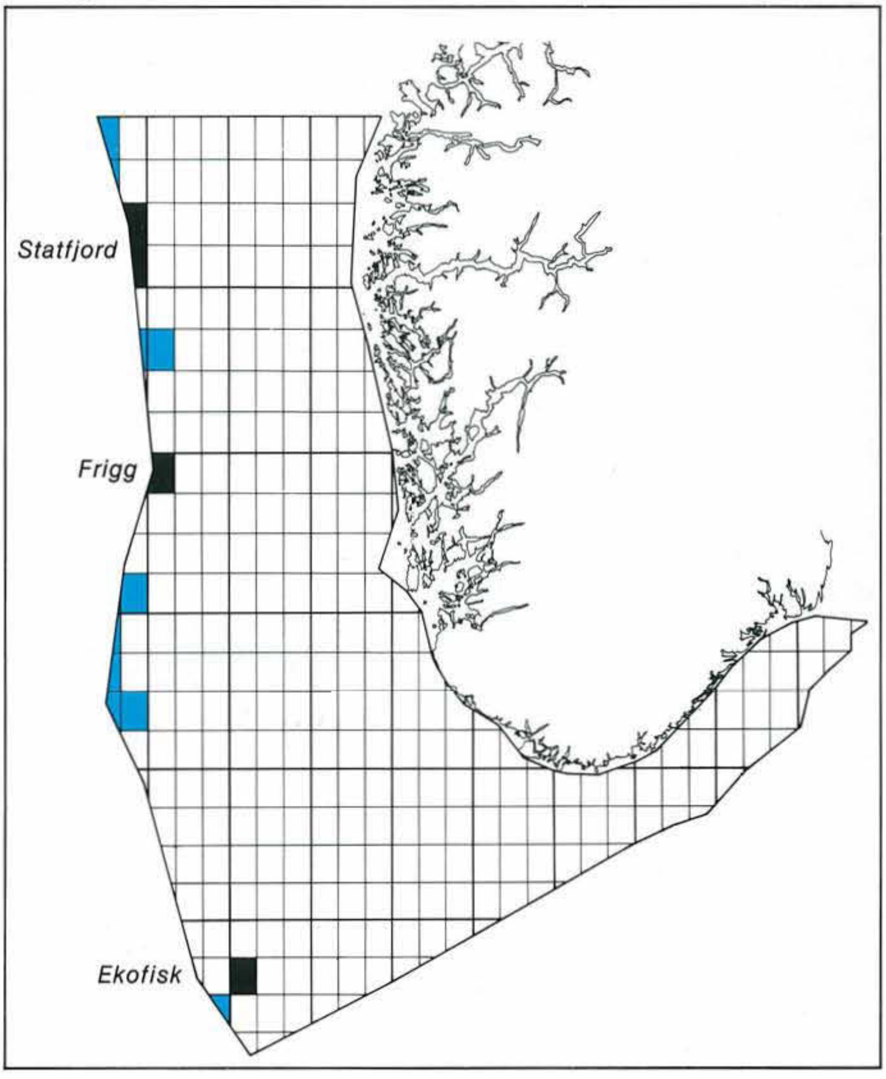
□ State petroleum rights on Spitsbergen

The Ministry of Industry has transferred to Statoil the State petroleum rights on Spitsbergen. These rights include:

- 28 claims on Grimfjellet.
- 3 claims on Kovalskifjellet.
- 24 claims on Agardhfjellet.
- the right to participate by 25 per cent in the 29 claims distributed to Norsk Polarnavigasjon A/S in



1. An artist's impression of seismic surveys.
2. New consessions leased during 1976-77 (blue) and the Statfjord, Frigg and Ekofisk areas marked in black.



1965, in accordance with the conditions established on May 19, 1967 by the Commissioner of Mines on Spitsbergen.
— the right to participate by 25 per cent in the operation of 51 claims distributed to Norsk Polar-navigasjon A/S in 1966, in accordance with the conditions established on October 29, 1968 by the Commissioner of Mines on Spitsbergen.

Geological field work at Grimfjellet will be conducted in 1977. Later, it might be of interest to start drilling. Statoil has established close co-operation with the Norsk Polarinstitutt and with the University of Bergen, among others.

□ Preparations for drilling north of the 62nd parallel

The company has worked out detailed specifications for a drilling platform and the necessary safety equipment on the basis of the geological and geophysical information available on the areas in question. It is assumed that the company will upgrade a drilling rig so that it will be capable of drilling at a water depth of up to 300 meters and be able to control possible extreme pressure in the formation during drilling.

On the basis of negotiations and discussions with the State Pollution-Control Authority, a basis for specifications has been worked out, dealing with the equipment to be used in case of a possible pollution-control action. In this connection, the company has undertaken evaluation studies and development work on oil fences and oil suction and pumping equipment, plans for preparedness, and a program for the up-keep of this equipment. Detailed specifications and plans for procurement of the pollution-control equipment and the station are worked out. The pollution-control station will be located at the supply base.

Larsneset in Harstad, Northern Norway, has been designated as the temporary operations and supply base during the exploration phase, and the necessary construction and technical work in this connection is planned. It is presumed that there be established a permanent base in the Harstad region in order to take over some of the Larsneset base activities as soon as conditions there dictate such a step.

Field development

□ Statfjord

Appraisal wells in the Statfjord structure itself were concluded during the spring. A total of 10 wells were drilled on the structure. The licensees estimate the total recoverable reserves to be 520 million tons of oil and 100 billion cubic meters of natural gas.

Mobil Exploration Norway Inc. is the operator for field development. The preliminary distribution of the reserves between Norway and Great Britain are fixed at 88.8847 per cent for the Norwegian and 11.1153 per cent for the British parts of the shelf. The unitization agreement is valid only for the producing zones in Statfjord. It has therefore been agreed to call the cooperative group the Statfjord Group, in which ownership interests are as follows:

On the Norwegian side:

Statoil	44.4423 %
Mobil Exploration Norway Inc. (Operator)	13.3327 %
Conoco Norway Inc.	8.8885 %
Esso Exploration and Production Norway Inc.	8.8885 %
A/S Norske Shell	8.8885 %
Saga Petroleum A/S & Co.	1.6665 %
Amerada Corporation of Norway	0.9259 %
Amoco Norway Oil Company	0.9259 %
Texas Eastern Norwegian Inc.	0.9259 %

On the British side:

BNOC (Exploration) Ltd.	3.7051 %
Conoco North Sea Inc.	3.7051 %
Gulf Oil Corporation	3.7051 %

The outfitting and assembly work on the Statfjord A platform is now taking place at Stord Yard, and outfitting work has been considerably delayed.

The drilling of production wells from the platform is expected to be able to start early in 1978. The Statfjord production is expected to start early in 1979.

The total development plan for the Statfjord field was discussed and approved in Parliament in June of 1976. On the basis of the development plan, contract negotiations with Norwegian Contractors were entered in the autumn of 1976, concerning the construction of a four-legged concrete platform of the Condeep type (the Statfjord B). The operator has also negotiated with the Aker Group on the option for a steel deck construction.

1.


2.


1. Statoil's petroleum claims on Spitsbergen (orange), and those in which Statoil holds interest (green).
2. The Statfjord A platform under tow from Stavanger to Stord, Norway.
3. The mating of the steel deck to the concrete caisson of the Statfjord A platform.

Page 23:
The Statfjord A platform being outfitted at Stord, Norway during the winter of 1977.


STATFJORD A

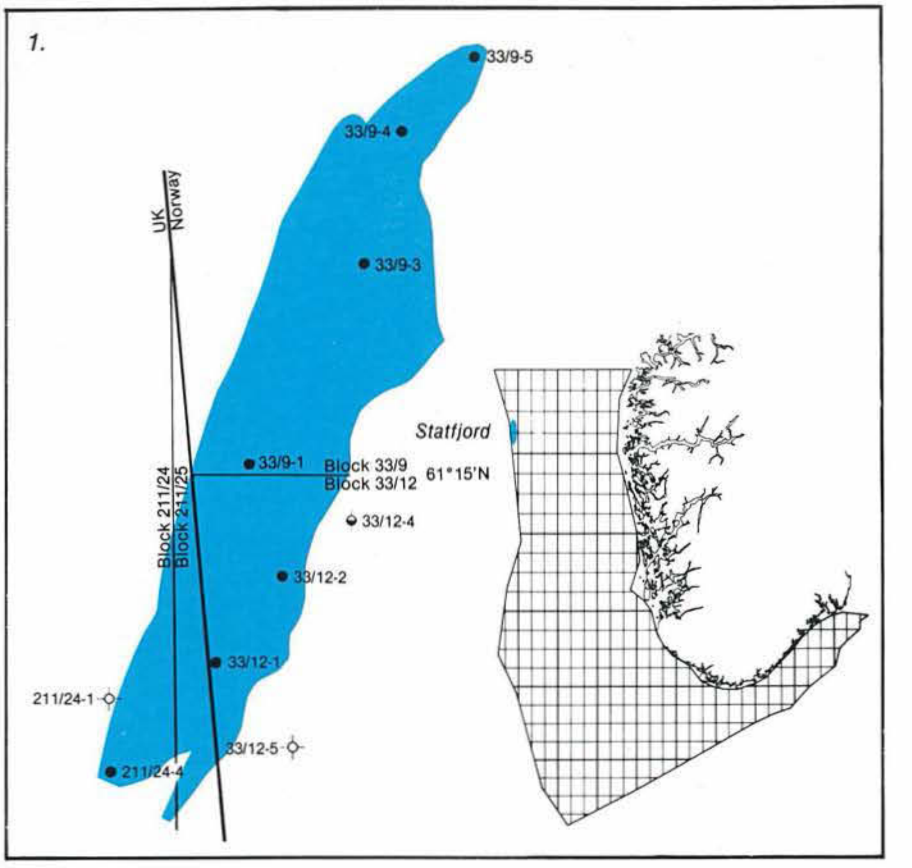
However, in November the Norwegian Petroleum Directorate gave an order that there should be a separate living quarters platform for the Statfjord B. As a result of the new requirements, the Group had to postpone the Statfjord B platform order. Evalution work is still under way, and it is estimated that the platform order will be able to be made at the earliest at the end of the first half of 1977. It is also clear that the alterations will result in a significant increase in the costs involved in field development. The Group has also been requested to re-evaluate the safety aspects of the Statfjord A platform. This evaluation is still in progress.

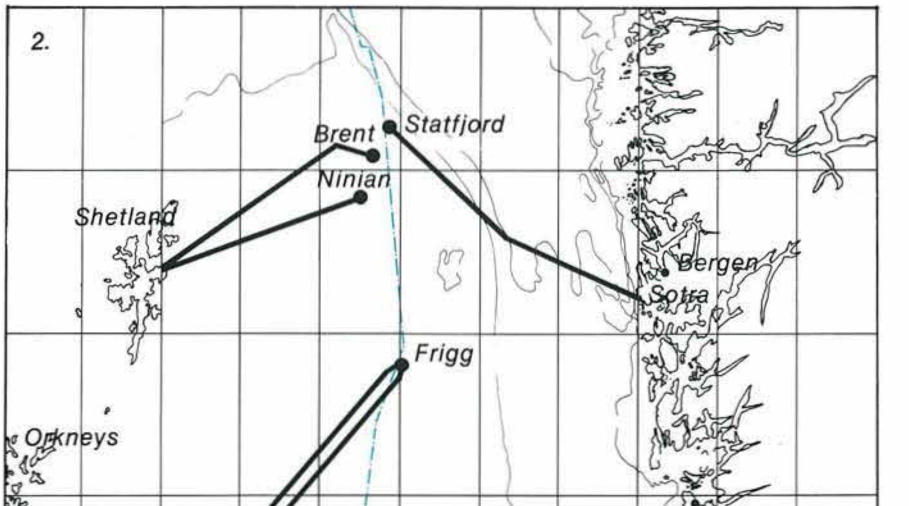
Before the requirement for a separate living quarters platform for the Statfjord B was raised, the estimates for full field development on both sides of the border and for the oil pipeline to Norway, the landing terminal and the gas condensate terminal were estimated at approximately 32 billion kroner. Field development itself, including drilling of production wells, is calculated to total approximately 23 billion kroner.

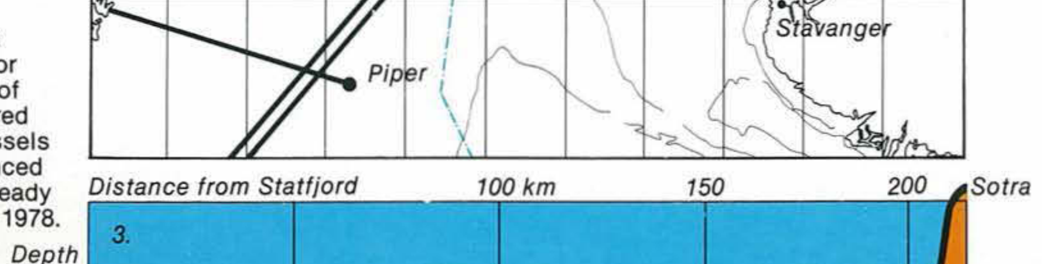
The value of the recoverable reserves in Statfjord is significant, and the profitability of the project is still good.

On behalf of the licensees of the Statfjord Group, Statoil is heading a testing program for a possible oil pipeline to Norway. The work also includes a preliminary study for a landing terminal for oil and gas and a condensate plant at Sotra outside Bergen. Statoil has done its utmost to keep the local population at Sotra and the local and regional authorities informed at all times of the plans and the alternatives with which work is being done.

During phase I of the Statfjord development, the oil production will be transported by tanker. For this purpose, Statoil, on behalf of the Statfjord Group, has chartered two Norwegian tankers. The vessels will be outfitted with very advanced loading equipment and will be ready for operation toward the end of 1978.







1. *The size and location of the Statfjord field.*
2. *Pipeline routes in the northern part of the North Sea, including a possible pipeline to Sotra.*
3. *The sea bed profile between the Statfjord field and Sotra, Norway.*

□ Frigg

The work on Frigg field development has made good progress in 1976.

Of the pipelines to St. Fergus in Scotland, just 3.5 kilometers remained to be laid by the end of 1976 and the beginning of 1977. The first pipeline will be ready to go on stream by the summer of 1977, while the others will be ready for use by the summer of 1978. Three platforms, a gas flare boom and a pumping platform have now been installed. The last platform, a processing platform, will be installed during the summer of 1977.

During 1976, there have been as many as 1000 persons at work on the platforms. A number of crane vessels, pipelaying barges, and other vessels have been engaged in work. The drilling of production wells will begin early in 1977, and it is assumed that production will commence in October of 1977. A final clarification of the distribution of the reserves, between the British and the Norwegian continental shelf, has not yet been made. An independent report by a committee of experts is to be delivered early in 1977.

Elf Norge A/S is the operator for field development, while Total Oil Marine Ltd. is the operator for the pipelines and the landing terminal at St. Fergus in Scotland.

The Frigg field under development, during the autumn 1976.

Transportation

☐ Norpipe

The pipeline from the Ekofisk area to Teesside has been in operation for the entire year, with an average regularity of approximately 90 %. Essentially, the operational halts are planned pauses during the start-up period. The regularity must therefore be characterized as fully satisfactory.

The gas trunkline to Emden in West Germany has been laid and the compressor platforms have been assembled; but there still remains final work and testing and control before the system can be ready for operation. The transportation of gas is expected to begin in 1977. After the operation is begun, production during the year will be increased to 50 per cent of the planned total capacity for the system. On an annual basis this will be comparable to a production in the order of 10 billion cubic meters of gas.

In 1976 Norpipe transportation income amounted to approximately 500 million Norwegian kroner, and according to plan, it should more than double in 1977.

Refining and sales

☐ I/S Noretyl

Only minor installation and assembly work remains on the ethylene factory before the operations can be started. The general facilities are nearly finished, but problems with tunnelling and blasting have caused delays and cost increases.

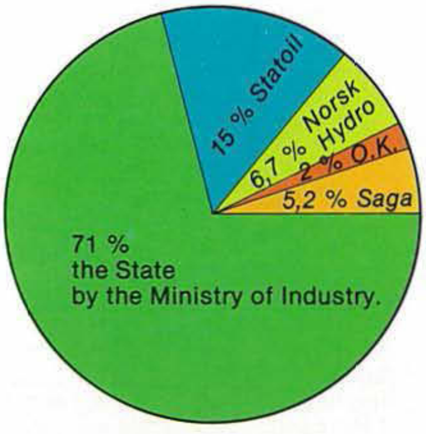
During the course of the year, the labor force at Noretyl has reached a total of as many as 1130 persons at the ethylene plant and 525 at the general facilities.

☐ I/S Norpolefin

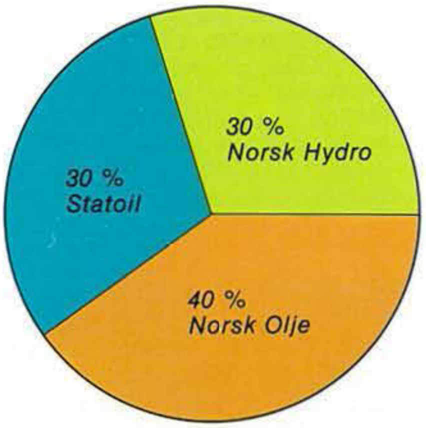
The main contractors have concluded the planning work for polypropylene, and light polyethylene plants and for the general facilities. Construction work has begun at Rønningen. At the end of the year, the labor force numbered about 550 persons.

Phillips Petroleum has been granted the right to allot the license for the production process for heavy polyethylene. The engineering and planning work has already begun. The plants will start up gradually during the period from the autumn of 1977 until 1979.

Ownership of Rafinor (the Mongstad refinery) and Norsk Olje



Norsk Olje



Rafinor

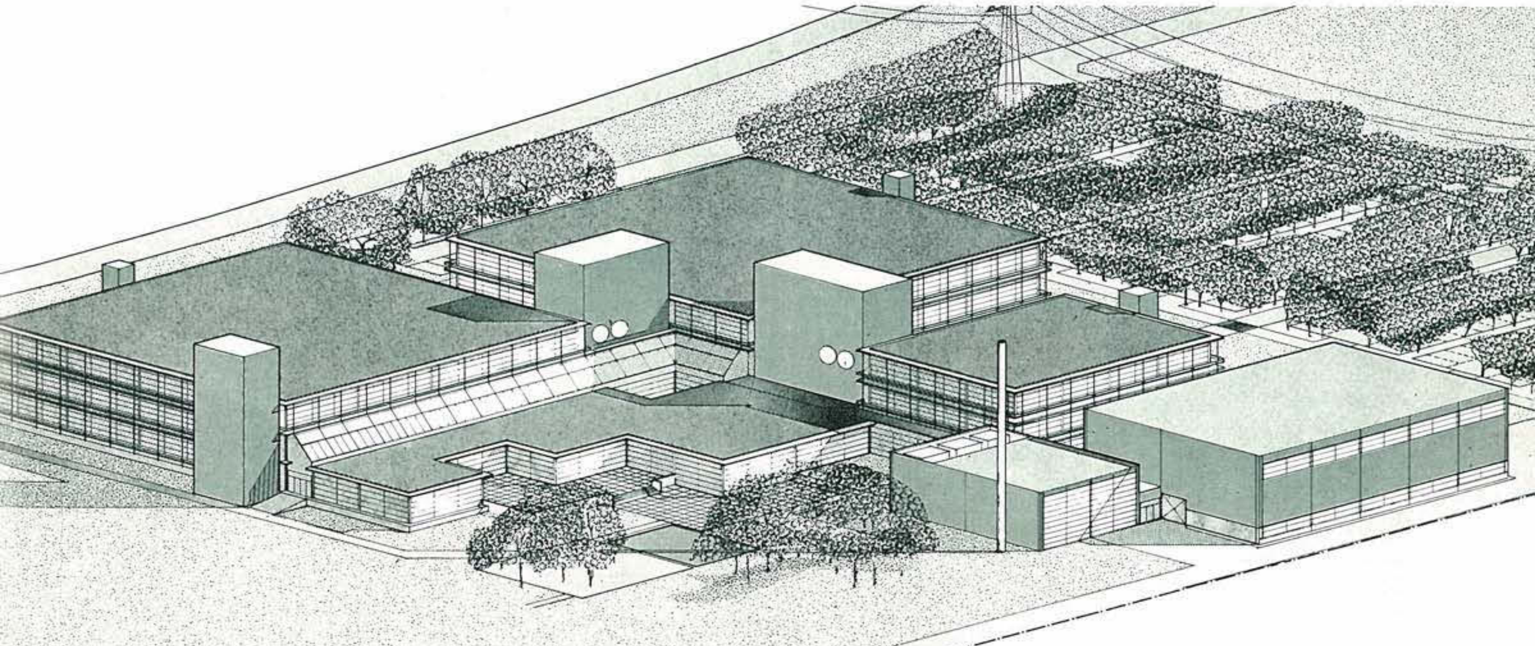
The petrochemical complex in Bamble undergoing final testing during the winter of 1977. There will be no smoke emitted during normal operations.

☐ Rafinor A/S & Co.
Because there is an excess refinery capacity on a world basis, and the prices of refined products are low, it has been difficult to operate refinery activities with satisfactory financial results. Nonetheless, with the aid of the petroleum-coke plant to up-grade heavier oil fractions to products more highly valued and in greater demand, it has been possible to obtain a high degree of utilization of plant capacity.

Statoil production at Mongstad is and will be marketed through Norsk Olje a.s.

☐ Norsk Olje a.s
When Norsk Olje a.s was established in January 1976, Statoil was transferred 15 per cent of the shares. The establishment of the firm took place when the authorities took over what was previously Norsk Brændselolje a.s, Norsk O.K. and the Norsk Hydro marketing organization for petroleum products. The Ministry of Industry on behalf of the Norwegian State, has approximately 71 per cent of the shares in the company.

The Administration building
In 1976, Statoil moved into its new administration building at Lagårdsveien 78 in Stavanger. The building houses 170 employees. The additional employees are placed at five other office locations in Stavanger, a situation which involves a series of practical difficulties. With the aim of being able to assemble the administration at one site, the Board of Directors decided to construct an administration building at Forus, half-way between Stavanger and Sandnes. The groundwork for the first phase of construction was begun at the end of 1976, and the new administration center will go into use as of the spring of 1979. The first phase will allow space for 600 persons, but this will not cover the total Statoil needs at that point in time. It will therefore be necessary to make a decision concerning further building and expansion of the center. Statoil has secured the real estate that will make this expansion possible.



Statoil's planned administration center at Forus near Stavanger.Construction work was commenced late in 1976 and the center will be finished in early 1979.

Articles of Association

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

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

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

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

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

The normal term of office for the Directors is two years.

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

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

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

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

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

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

Art. 9 The ordinary General Meeting deals with:

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

Art. 10 The Board shall submit to the General Meeting, ordinary or extraordinary, all matters which are presumed to involve significant 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 cooperation ventures in which the Company participates or plans to participate.
d) Matters which seem to necessitate additional appropriation of Government funds.
e) Plans for establishing new types of activity and localization of important elements of the Company's operations.
f) Plans to participate in the exploration for petroleum resources outside Norway, including the exercise of government participation option rights.
g) Semi-annual reports on the Company's operations, including operation of subsidiaries and cooperation ventures with other companies of importance.

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

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

Participation Agreements

Norwegian Continental Shelf

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

Dutch Shelf

	Group	Agreement type	Block	Statoil's share	Max. share
	Conoco/Petroland	Carried interest	F/7-F/9-K/18-L16	7,5 %	

Administration

Arve Johnsen, Managing Director
Henrik J. Ager-Hanssen, Deputy Managing Director
Martin Bekkeheien, Manager, Personnel Department
Olav K. Christiansen, Manager, Development Department for Statfjord
Hans M. Daastøl, Manager, Procurement Department
Tor Espedal, Manager, Finance and Economic Planning Department
Stein A. Halse, Manager, Engineering Department
Philip H. Halstead, Manager, Exploration Department
Arne H. Halvorsen, Manager, Public Affairs and Information Department
Christian Halvorsen, Manager, Administration Department
Jose A. C. Kauffmann, Manager, Production Department
Kai Killerud, Manager, Safety and Environmental Protection Department
Jon Rud, Manager, Legal Department
Erik Schanche, Manager, Marketing Department
Helge Skinnemoen, Manager, Refining and Petrochemicals Department

Statoil's office building in Stavanger. The building was completed in the spring of 1976.

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