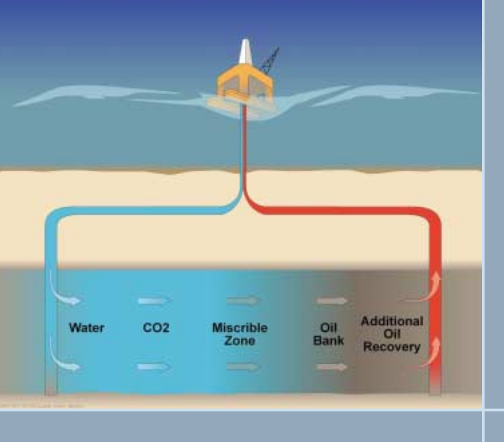
CLAUDE MONET: *Interior of the Gare Saint Lazare,* 1877.

First quarter of 2006

A special project team worked at Petoro in the first quarter to identify fields on the Norwegian continental shelf where carbon dioxide could be injected for improved oil recovery (IOR). Six candidates for possible development within the next few years have been found. Carbon injection is regarded as a "tertiary" IOR method, which works because the gas causes the oil to swell and flow more freely through the reservoir. This illustration from Hydro shows how water and carbon injection can be alternated to maximise oil recovery.



Strong first-quarter results for the SDFI oil and gas portfolio

The State's Direct Financial Interest (SDFI) managed by Petoro has once again produced very good quarterly results. Operating income for the first quarter of 2006 came to NOK 35.9 billion compared with NOK 25.6 billion in the same period of last year. Since the SDFI is exempt from tax, this result corresponds to pre-tax profit for an ordinary company. Net cash flow was NOK 36.6 billion compared with NOK 22.3 billion in the first quarter of 2005. Interests in five new production licences, all in the Barents Sea, were added to the portfolio from the 19th licensing round.

Total production for the first quarter averaged 1 297 000 barrels of oil equivalent per day (boe/d), a reduction of 42 000 boe/d from the same period of last year. This decrease reflects lower oil output from mature fields.

Gas production for the first three months was up by three per cent from same period of 2005. The rise in gas sales was largely supplied from Oseberg, Kvitebjørn and Kristin, and partly offset by operational problems at the Kollsnes receiving terminal and lower gas sales from mature fields in the portfolio.

Oil output declined by seven per cent, primarily as a result of the general fall in production from several mature fields on the NCS. This reduction was strengthened by the shutdown of Visund for repair work after the gas leak on 19 January. The loss of production was offset to some extent by increased volumes from newer fields such as Grane, Kvitebjørn, Kristin and Urd as well as higher output from Snorre.

	First quarter		**Full year**
All amounts in NOK mill	**2006**	**2005**	**2005**
Operating revenue	48 223	34 599	152 683
Total operating expenses	12 288	8 973	39 614
Operating income	35 935	25 626	113 069
Net financial items	(437)	116	103
Income after financial items	35 498	25 741	113 172
Total investment	4 785	4 979	21 343
Net cash flow to the government	36 645	22 327	99 175
Average oil price (USD/bbl)	60.76	46.99	53.03
NOK/USD exchange rate	6.73	6.19	6.48
Average oil price (NOK/bbl)	409	291	344
Oil/NGL production (1 000 b/d)	766	824	788
Gas production (mill scm/d)	84	82	73
Total production (1 000 boe/d)	1 297	1 339	1 244

Financial results

Operating revenue totalled NOK 48.2 billion for the first quarter, an increase of 39 per cent from NOK 34.6 billion in the same period of last year. Oil and natural gas liquids accounted for 59 per cent of total operating revenue, compared with 62 per cent in the first quarter of 2005. The proportions for gas were 38 and 31 per cent respectively. Remaining revenues derived from participation in pipelines and land-based plants, with the SDFI's interest in Gassled as the largest contributor.

Oil and NGL revenues in the first three months came to NOK 28.3 billion from average daily sales of 803 000 barrels. Revenues in the same period of last year were NOK 21.5 billion. The quantities of oil and NGL sold declined by six per cent compared with the first quarter of 2005.

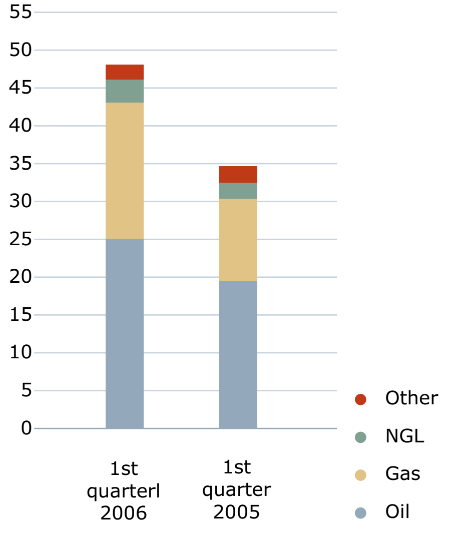
The average realised oil price in Norwegian kroner was 41 per cent higher than in the same period of last year, at NOK 409 per barrel as against NOK 291. The oil price in US dollars averaged USD 60.8 per barrel compared with USD 47 in 2005.

Gas sales for the first three months rose by three per cent compared with the same period of last year. Revenues from dry gas totalled NOK 18.1 billion as against NOK 10.9 billion in the first quarter of 2005. The volume of equity gas production sold during the period was 7.6 billion standard cubic metres, or an average of 531 000 boe/d as against 515 000 in 2005.

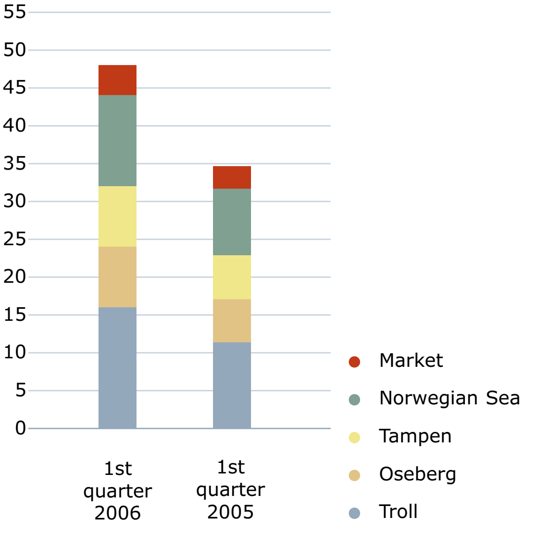
Operating expenses amounted to NOK 12.3 billion for the first quarter as against NOK 9 billion in the same period of last year. The increase primarily reflects the increased cost of buying gas for onward sale. Depreciation also rose because of new investment in mature fields. Operating expenses were further boosted by the high cost of injection gas on Grane and the start-up of Kristin and Urd.

Investment in the first three months fell by four per cent from the same period of last year to NOK 4.8 billion. A decline in capital spending on Snøhvit, Langeled, Gassled, Kristin and Visund was almost wholly offset by higher investment for Ormen Lange, Troll Oil, Heidrun and Gullfaks.

Revenue by product
NOK bn



Revenue by area
NOK bn



Activities in the first quarter

The 19th licensing round added interests in five new production licences, all in the Barents Sea, to the SDFI portfolio. Petoro will manage these holdings, and has thereby become a substantially larger licensee in the Barents Sea. Its activity in these waters has so far been concentrated on managing the SDFI's interest in the Snøhvit field.

Carbon injection in fields on the NCS was a focus of attention at Petoro during the first quarter. The company worked to identify fields on the NCS where carbon dioxide could be injected for improved oil recovery (IOR). More than 20 were found to have a technical potential for IOR based on such injection. Seven were considered to be candidates for early adoption of this solution. Projects for continued studies have already been launched on four of these – Draugen in the Norwegian Sea, Oseberg East and Brage in the northern North Sea and Volve in the Sleipner area. Another couple of fields could also be relevant.

Petoro's project team has concluded that the required investment would be in the order of NOK 1-5 billion per field.

The results of the company's work will be incorporated in the report due to be submitted by Gassco to the Ministry of Petroleum and Energy in June. This will compare the financial capability of the fields in question with the costs involved in carbon capture at relevant gas-fired power stations and other plants plus transport by pipeline or possibly by ship. In that way, the report will provide a basis for forming an overall picture of the economics of various value chains for carbon capture, transport and injection on the NCS.

Extending the Vigdis field is an important IOR measure. Sanctioned by the partnership during the first quarter, this project will improve the recovery factor for the Vigdis East reservoir from 29 to 42 per cent. Plans call for one oil producer and one water injection well to be drilled through a subsea template tied back to existing seabed installations on Vigdis. Production is scheduled to begin in the summer of 2007.

The Snøhvit project organisation completed the drilling of 10 production wells on the field during February. This work has been executed without harmful discharges to the sea, and to the original budget and schedule.

The Oseberg west flank, which lies 10 kilometres north-west of the Oseberg field centre, came on stream during February from the first of three planned wells. When fully developed, the west flank is due to produce 25 000 barrels of oil per day. Recoverable reserves are put at 27 million barrels of oil and 3.5 billion cubic metres of gas. The oil is being processed on the Oseberg field centre. The SDFI has a 33.6 per cent interest.

Ringhorne East came on stream in March from the first of four planned wells. Daily production will be around 15 000 barrels of oil. All the wells have been drilled through existing slots on the Ringhorne platform. Estimated recoverable reserves total 47 million barrels of oil. The SDFI has a 7.8 per cent interest.

The Kvitebjørn field has had its estimated recoverable reserves upgraded by 50 per cent compared with the plan for development and operation. That corresponds to an increase of 29 billion cubic metres of gas and roughly 70 million barrels of condensate, to a total of 81 billion cubic metres and 205 million barrels respectively. The SDFI has a 30 per cent interest.

Visund remains shut down after the gas leak on 19 January. The daily loss of production from this field totals about 35 000 barrels of oil and roughly five million cubic metres of export gas. The SDFI has a 30 per cent interest.

Stavanger, April 2006
The board of directors of Petoro AS

petoro

P O Box 300 Sentrum, NO-4002 Stavanger
Telephone +47 51 50 20 00, telefax +47 51 50 20 01, e-mail post@petoro.no
www.petoro.no