

18 October 2011

**Faroe Petroleum plc (“Faroe Petroleum”, the “Company”)**

**Oil discovery in Butch exploration well  
Commencement of appraisal side-track**

Faroe Petroleum, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in the Atlantic margin, the North Sea and Norway, is pleased to announce an oil discovery in well 8/10-4S on the Butch prospect (Faroe 15%) located in the Norwegian North Sea.

**Highlights:**

- The 8/10-4S exploration well discovers oil in the Butch prospect
- The well encountered net oil pay of approximately 50 metres in the Upper Jurassic reservoir of the Ula formation
- The entire reservoir section was found to be oil bearing and an oil water contact was not penetrated
- The joint venture has decided to proceed immediately to drill a down-dip side-track well to appraise for additional volumes of oil further down on the large salt induced structure in accordance with the success case contingency plan

The well encountered net oil pay of approximately 50 metres in the Upper Jurassic reservoir of the Ula formation. Preliminary results based on extensive coring, wireline logs and pressure data show that the well has encountered a light oil in good quality reservoir sands with a very high net to gross ratio. The entire reservoir section was found to be oil bearing and an oil water contact was not penetrated. Extensive data have been collected, including the coring of the hydrocarbon bearing zone, and a full formation evaluation is underway. In accordance with the success case contingency plan, the joint venture has decided to proceed immediately to drill a down-dip side-track to appraise for additional volumes of oil further down on the large salt-induced structure and to try to locate the oil water contact in Butch. The Company expects to be in a position to provide a further update from the planned side-track operation in the coming weeks.

The Butch discovery is situated in 66 metres water depth in the Norwegian North Sea, close to significant existing infrastructure with the giant Ula field approximately seven kilometres to the West, Tambar approximately 10 kilometres to the South West and Gyda approximately 20 kilometres to the South.

The other equity holders in this licence are Centrica 40% (operator), Suncor Norge AS 30% and Spring Energy Norway AS 15%.

**Graham Stewart, Chief Executive of Faroe Petroleum plc, commented:**

“We are very pleased to announce a discovery on the Butch Prospect, which is our second successful exploration well this year, following the announcement of the West of Shetland Fulla discovery in August and our sixth discovery from eight exploration wells since 2009. The Butch discovery is very exciting with further upside potential from the planned side-track well. Alongside our joint venture partners in the licence, Centrica, Suncor and Spring Energy, we very much look forward to the further evaluation of this discovery.



As we continue with our significant multi-well drilling programme, we also look forward to our next two exploration wells, both scheduled to be drilled in Norway this year: T-Rex (Faroe 30%), planned to commence at the end of October and Kalvklumpen (Faroe 20%) planned to commence in November.”

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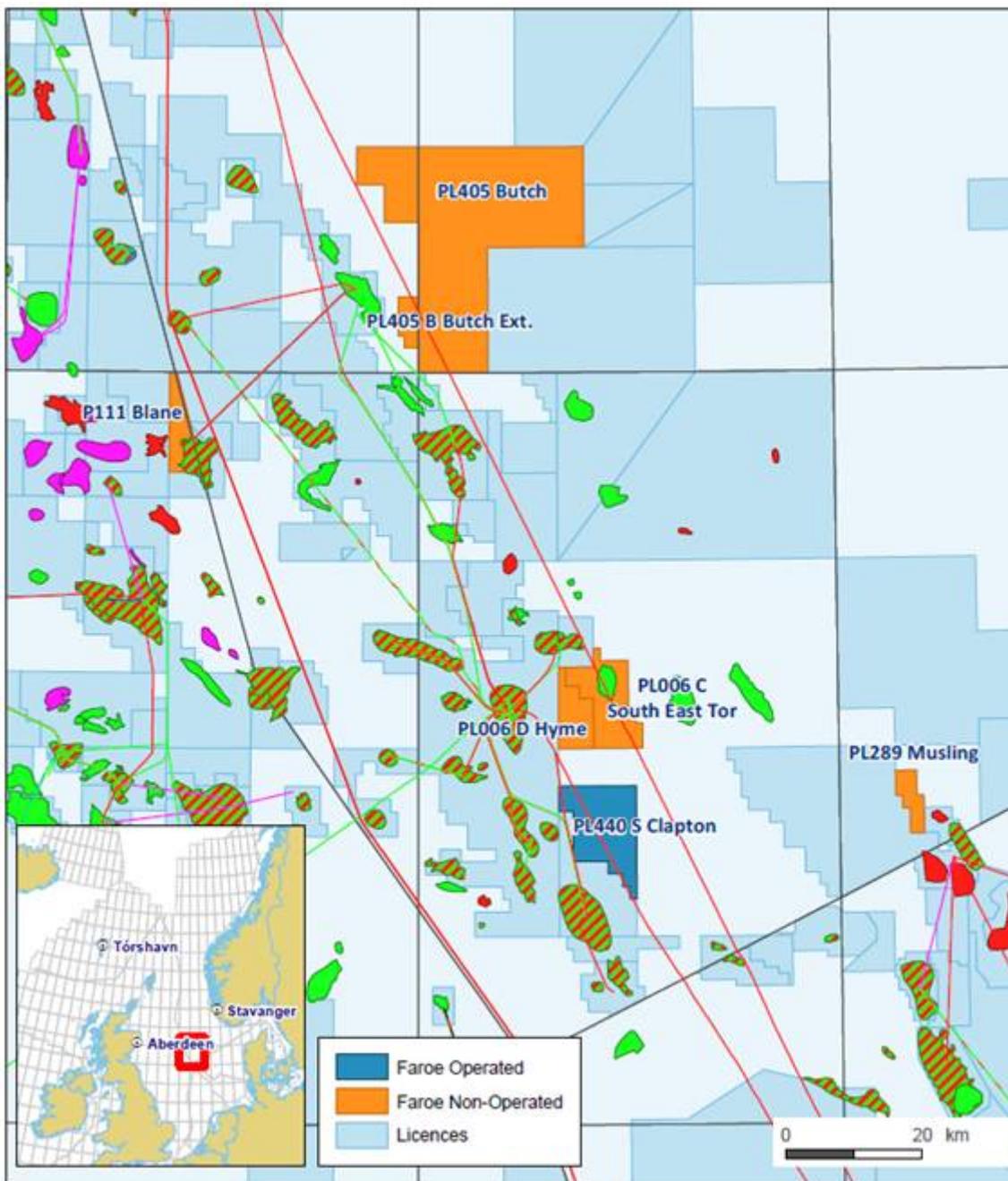
Jan-Tore Paulsen, Exploration Manager Norway of Faroe Petroleum and a Geophysicist (MSc. in Geophysics from University of Bergen), who has been involved in the energy industry 15 years, has read and approved the technical disclosure in this regulatory announcement.

#### **Notes to Editors**

The Company has, through successive licence applications and acquisitions, built a substantial portfolio of exploration, appraisal, development and production assets across the Atlantic Margin, the UK and Norwegian North Sea and the Norwegian Sea. Faroe Petroleum has extensive experience working with major oil companies and its joint venture partners include BP, Chevron, DONG, ENI, E.ON Ruhrgas, GDF, OMV, RWE Dea, Statoil and Wintershall.

The Company's licence portfolio provides considerable spread of risk and reward, encompassing over 40 licences located in the West of Shetlands, offshore the Faroe Islands, the UK North Sea and Norway. In addition Faroe Petroleum currently has interests in six producing oil and gas fields in the UK and Norway, including the recently completed acquisition of an 18% equity interest in the Blane oil field in the UK. Faroe Petroleum announced in April 2011 the swap of its 30% interest in the Maria discovery in Norway for interests in the producing Njord, Brage and Ringhorne East fields in Norway, in a transaction with state-owned Petoro.

Faroe Petroleum is quoted on the AIM Market of London Stock Exchange plc with offices in Aberdeen, Stavanger and Torshavn. The Company is well financed with a fully funded drilling programme extending into 2013 and has highly experienced technical teams at the leading edge of seismic and geological interpretation, reservoir engineering and field development, focused on creating exceptional value for its shareholders.



**Location Map for licences PL405 & 405BS**

**Showing location of Butch well**