

10 January 2012

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

**End of Butch South West exploration side-track well**

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, announces that due to technical difficulties the drilling of a side-track well on the Butch South West exploration prospect has been brought to a close short of its exploration objective.

As announced on 7 December 2011 following the Butch discovery and first side-track appraisal, the licence partnership decided to drill a second side-track well from the same surface location. The objective of this side-track well was to target additional oil volumes in an exploration prospect located to the south of Butch within a new segment containing the same reservoir. However hole instability problems were encountered whilst drilling the section above the main reservoir and given that this exploration target can be drilled more efficiently and with significantly lower technical risk from a new well located closer to the prospect, the partnership has decided to curtail drilling operations on this side-track. Accordingly the well is being plugged and abandoned.

The Butch discovery, announced on 18 October 2011, has opened an exciting new oil play. An appraisal side-track was drilled successfully, directly following the discovery well, proving up light oil in excellent quality reservoir. The operator (Centrica) has calculated a preliminary resource estimate of 30 to 60 million barrels of oil equivalent. The discovery is situated in 66 metres water depth in the Norwegian North Sea, close to significant existing infrastructure with the producing fields Ula, Tambar and Gyda located approximately 7 kilometres to the west, 10 kilometres to the south west and 20 kilometres to the south respectively.

The Butch South West exploration target remains un-tested and is an attractive stand-alone exploration opportunity, together with several other new exploration prospects within the PL405 and PL405B licences around the large Butch salt structure. Planning is underway to design a new appraisal and exploration campaign to test the additional resource potential in this exciting new play.

Equity holders in the Butch licence are Faroe 15%, Centrica 40% (operator), Suncor Energy Norge AS 30% and Spring Energy Norway AS 15%.

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

“Drilling the side-track on Butch South West represented an opportunity to test an additional exploration target to the south of the new discovery, whilst recognising that drilling it from this location would be challenging. Although it is disappointing that we failed to reach the reservoir target due to drilling difficulties, we remain excited about the prospect, and subject to availability of a suitable rig we hope to be back drilling again in Licence PL405 in 2012 or 2013. Butch is an attractive discovery in its own right, and it has de-risked several additional attractive exploration opportunities on similar prospects around the large Butch salt structure.”

“Meanwhile, drilling operations on the T-Rex well in Norway continue and we look forward to providing further updates on progress over the coming period, as we commence our very active 2012 exploration



drilling programme which will include Kalvklumpen (Norway), North Uist (UK, west of Shetlands), Clapton (Norway), Cooper (Norway) and Santana (Norway).”



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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 for 15 years, has read and approved the technical disclosure in this regulatory announcement.

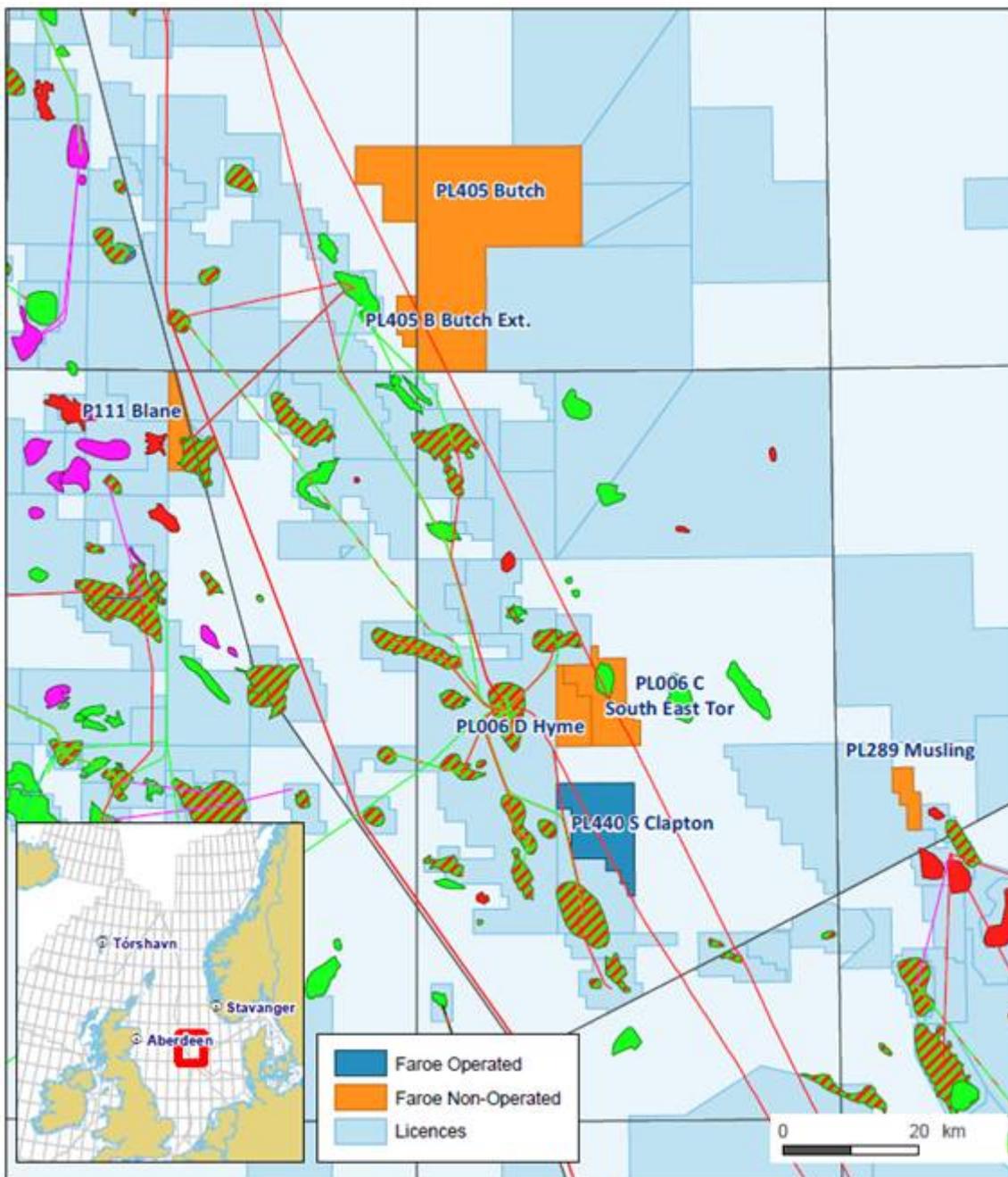
All reserve and resource estimates have been compiled in accordance with the 2007 Petroleum Resources Management System produced by the Society of Petroleum Engineers.

### **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 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 now has interests in 10 producing oil and gas fields in the UK and Norway, including the 2011 acquisitions of an interest in the Blane oil field in the UK and interests in the Brage, Hyme, Njord, Ringhorne East and Jotun fields in Norway.

Faroe Petroleum plc 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 a highly experienced technical team 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**