

2 June 2014

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

**Butch South West exploration well commences drilling in the Norwegian North Sea**

Faroe Petroleum, the independent oil and gas company focusing principally on exploration, appraisal and production opportunities in Norway, the Atlantic margin and the North Sea, is pleased to announce the spudding of the Centrica-operated Butch South West exploration well 8/10-6S (Faroe 15%).

Butch South West, which is adjacent to the Company’s 2011 Butch discovery, is situated in approximately 65 metres water depth in the Norwegian North Sea, close to significant existing infrastructure with the giant Ula field approximately seven kilometres to the north-west, Tambar approximately ten kilometres to the south west and Gyda approximately 20 kilometres to the south.

The significant Butch Main oil discovery (Faroe 15%) was made in late 2011 and contains a light crude oil in a high quality reservoir, the Upper Jurassic reservoir of the Ula formation. The Butch South West exploration well is located in a separate segment from both the Butch East well, the results of which were announced on 12 May 2014, and the Butch Main well.

The operator is currently working on a development plan for the Butch Main discovery, in parallel with drilling the Butch South West well. If Butch South West is successful the development has the potential to become a stand-alone design, with its own dedicated facility, instead of a sub-sea tie-back to existing nearby infrastructure.

The Butch licence drilling operations are operated by Centrica (40%) using the Maersk Giant jack-up drilling rig, together with the other joint venture partners Suncor Norge AS (30)% and Tullow Oil Norge AS (15)%.

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

“We are pleased to announce the spudding of the Butch South West exploration well which, if successful, offers the potential to add substantially to the volumes and value of the Butch field, as the adjacent Butch Main field is already on track for near-term development.

“In the near term we also look forward to reporting the results from exploration drilling on the Bue prospect (Faroe 25%) in the Norwegian Sea in close proximity to the recently announced significant Pil oil and gas discovery.”

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Andrew Roberts, Group Exploration Manager of Faroe Petroleum and a Geophysicist (BSc. Joint Honours in Physics and Chemistry from Manchester University), who has been involved in the energy industry for more than 25 years, has read and approved the exploration and appraisal disclosure in this regulatory announcement.

### **Notes to Editors**

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

The Company's licence portfolio provides considerable spread of risk and reward, encompassing over 60 licences. Faroe has a very active drilling programme ahead and it currently has interests in four principal producing oil and gas fields in the UK and Norway, including interests in the Blane oil field in the UK, and interests in the producing Njord, Brage and Ringhorne East fields in Norway, which collectively produced on average 6,059 boepd (economic production) in 2013. Full year average production for 2014 is estimated to be between 7,000 boepd and 10,000 boepd following the acquisition of the Schooner and Ketch operated interests.

Norway operates a tax efficient system which incentivises exploration, through reimbursement of 78% of costs in the subsequent year.

Faroe Petroleum is quoted on the AIM Market of London Stock Exchange plc with offices in Aberdeen, Stavanger, London and Torshavn. The Company is funded from cash reserves and cash flow, and has access to an undrawn \$250m borrowing base facility. Faroe has highly experienced technical teams who are leaders in the areas of seismic and geological interpretation, reservoir engineering and field development, focused on creating exceptional value for its shareholders.

## PL405 Butch

