

# Annual Report 2006

Staatsolie Maatschappij Suriname N.V.  
State Oil Company of Suriname



# Staatsolie Vision 2020



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# I. Shareholders, Supervisory Board, Board of Executive Directors and Management as of December 31, 2006

## Sole Shareholder

The Republic of Suriname represented by:  
 - the President, His Excellency R.R. Venetiaan, on his behalf:  
 - the Minister of Natural Resources, G.A. Rusland

## Supervisory Board

Marica S.	Acting Chairman
Adhin R.S.	Member
Kasantaroeno F.T.	Member
Kross J.R.	Member
Pahladsingh R.K.	Member
Kensmil H.S.	Secretary

## Board of Executive Directors

Waldijk M.C.	Managing Director
Kortram I.E.	Finance Director
Nuboer B.F.	Exploration & Production Director

## Deputy Directors

Dwarkasing B.W.	Deputy Director Refining & Marketing
Sairras G.P.	Deputy Director Exploration & Production

## Division Managers

Brunings D.	Manager Information & Communication Technology
Daal-Vogelland M.	Manager Exploration & Production Contracts
Dongen A.	Manager Corporate Planning
Essed V.	Manager Human Resources Management
Goerdajal P.	Acting Manager Production Operations
Hughes C.	Acting Manager Refining Operations
Jagesar A.	Manager Finance Administration
Kleiboer A.	Manager Technical Services
Mac Donald D.	Manager Procurement
Moensi-	
Sokowikromo A.	Manager Controlling
Murli S.	Manager Marketing
Nandlal B.	Acting Manager Exploration & Field Evaluation
Ramautar R.	Manager Health, Safety & Environment
Sam-Sin A.	Manager Engineering & Drilling

## Department Heads

Amattamsir H.	Administrator Project Control Center
Anthony E.	Superintendent Production Engineering
Ashruf-Thijm K.	Administrator Human Resources Management
Bihariesingh V.	Superintendent Drilling
Bissumbhar R.	Coordinator Field Production SM
Bonoo R.	Superintendent Heavy Equipment Maintenance
Brunings L.	Treasurer

Brussel van S.	Administrator Procurement (Operational Services)
Cederburg G.	Superintendent Production Development
Chin A Lien H.	Superintendent Crude Treatment & Pipeline Operations TA-58
Cotino R.	Superintendent CS & JK Operations
Ellis D.	Superintendent Marine Operations & Oil Movements
Els van S.	Superintendent Refining Maintenance
Essen van K.	Acting Superintendent Field Production TA-58
Gajadien-Joella J.	Acting Sr. Administrator Controlling
Issa C.	Administrator Procurement (Stores)
Jungerman-Gangadin W.	Sr. Administrator Public Relations
Kertotiko D.	Acting Superintendent Engineering & Construction
Kurban M.	Administrator Procurement (Operational Goods)
Liakathoessein M.	Sr. Administrator Quality
Lo A Njoe A.	Superintendent Applications
Nai Chung Tong A.	Coordinator Marketing
Pinas I.	Superintendent Plant Security & Personnel Services Saramacca
Rambaran Mishre V.	Acting Administrator Exploration & Production Data Management
Rier F.	Superintendent Utility
Roepnarain K.	Administrator Procurement (Projects)
Schuitemaker-Nghollo A.	Superintendent Calcutta Operations
Soekhlal R.	Sr. Administrator Systems & Database ICT
Sporkslede S.	Sr. Cost Accounting Officer
Tujeehut L.	Sr. Internal Auditing Officer
Verduyn Lunel J.	Administrator Sales
Wong A Sang G.	Administrator Finance

## Corporate Staff

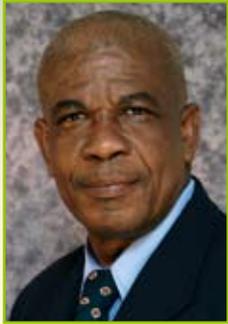
Oemar R.	Sr. Executive Assistant, Managing Director
Braam M.	Executive Assistant, Finance Director
Royer Y.	Executive Assistant, Exploration & Production Director
Verwey-Kartopawiro J.	Executive Assistant, Refining & Marketing Director

## Project Managers

Brunings P.	Project Manager Paradise Oil Company N.V.
Fränkel E.	Project Manager Staatsolie Power Plant

## Supervisory Board

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Marica S.  
Acting Chairman



Adhin R.S.  
Member



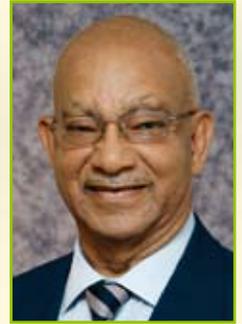
Kasantaroeno F.T.  
Member



Kross J.R.  
Member



Pahladsingh R.K.  
Member



Kensmil H.S.  
Secretary

## Board of Executive Directors

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Waaldijk M.C.  
Managing Director



Kortram I.E.  
Finance Director



Nuboer B.F.  
Exploration & Production  
Director

## Deputy Directors

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Dwarkasing B.W.  
Deputy Director  
Refining & Marketing



Sairras G.P.  
Deputy Director  
Exploration & Production

## Division Managers



Brunings D.  
Manager Information  
& Communication  
Technology



Daal-Vogelland M.  
Manager Exploration &  
Production Contracts



Dongen A.  
Manager Corporate  
Planning



Essed V.  
Manager Human  
Resources Management



Goerdajal P.  
Acting Manager  
Production Operations



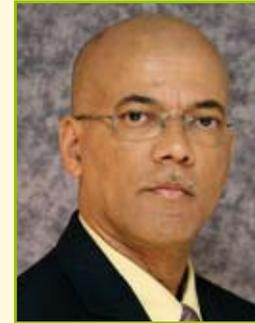
Hughes C.  
Acting Manager  
Refining Operations



Jagesar A.  
Manager Finance  
Administration



Kleiboer A.  
Manager Technical  
Services



Mac Donald D.  
Manager Procurement



Moensi-Sokowikromo A.  
Manager Controlling



Murli S.  
Manager Marketing



Nandlal B.  
Acting Manager  
Exploration &  
Field Evaluation



Ramautar R.  
Manager Health, Safety  
& Environment



Sam-Sin A.  
Manager Engineering &  
Drilling

## II. Letter of the Managing Director

My first year as Managing Director was very exciting and rewarding. In many respects, 2006 was a historic year in terms of our production and financial performance. I am pleased to announce that Staatsolie enjoyed an exceptional year and recorded its highest profit ever. Profit before tax was US\$ 153.1 million, an increase of 46% over US\$ 105.2 million for 2005.

After several years of stagnant production at around 12,000 barrels per day, production increased from 12,500 in January to 14,100 barrels at the end of the year.

A significant event was the start of the commercial production in our new Calcutta field. We are extremely proud that our own people developed this field, in the marshy lands with a relatively smooth change-over from dry land to wet land operations. As time progresses we will better understand the peculiarities of these operations and focus on the continuous improvement of cost efficiency. To this end, organizational changes are in preparation to operate the Calcutta field as a separate business unit.

Another highlight was the inauguration of the 14 megawatt co-generation power plant at our refinery site at Tout Lui Faut. This event marks the start of our transition from an oil and gas company to an energy company.

The business environment in which our company operates is complex. Vast amounts of capital, technical expertise and foresight are required to keep abreast of the changing market forces, price volatility and the changing perspectives of the industry. Periodical evaluation of the business objectives and flexibility of the organization is required to adapt to this ever-changing environment, in order to remain competitive.

Staatsolie therefore embarked on a journey to secure the future, by creating a more robust company, with diversified activities and streamlined operations. We formulated the 'Staatsolie 2020 Vision' which states that we aspire, to be leading in the sustainable development of the energy sector in Suriname, becoming a player in the region with a global identity and significantly contribute to the Surinamese society.

We will diversify our product portfolio in the downstream sector, double the refinery throughput to 15,000 barrels per day and produce high quality products for the local

market. To sustain this refinery output, major investments are required in the upstream, to increase proven reserves and our crude production. In total, the estimated capital investment amounts to approximately US\$ 600 million in the next five years.

To secure these objectives, a review of the effectiveness of our organization was carried out to assess if our company was fit for duty. After careful considerations we introduced the business unit concept, streamlined the upstream with a stronger focus on the exploration function and improved bottom line orientation throughout the company, by assigning single point accountability to all management levels. We strive to create a more intensely focused group of talented individuals with the required competences, supported by business systems and resources, to move the company forward. The development of our people, our most valuable asset, will be improved by focusing in greater detail on their needs and development gaps. After intensive consultations with management and information sessions with the staff and other personnel, the first phase of the reorganization of the upstream, was announced as per March 1<sup>st</sup>, 2007.

I have a positive outlook for 2007 and beyond. We have a young, dynamic and enthusiastic Staatsolie family that can rise to the challenges. Our management team is committed to ensure good governance and to lead the way to success. Staatsolie is committed to remain a strong contributor to the development of our society.

On behalf of my fellow Directors, I would like to thank our customers and other external relations for their partnership. I extend my appreciation to the members of the Supervisory Board for their support and encouragement. To our employees I express my gratitude for their contribution, their loyalty and their trust in the future of Staatsolie.

Confidence in Our Own Abilities!

Paramaribo, March 2007

M.C. Waaldijk

Managing Director

Board of Executive Directors

# III. Operational Performance 2006 and Work Program 2007

## Financial performance

A combination of high oil prices and increased oil production contributed to gross revenues that reached a record high of US\$ 263.5 million; an increase of US\$ 62.2 million (31%), compared to the previous year. The average net price per barrel for Saramacca Crude and its derivatives increased from US\$ 38.57 per barrel to US\$ 46.43. Profit before tax amounted to US\$ 153.1 million compared to US\$ 105.2 million in 2005. Return on equity increased to 51% from 44% in 2005. Contribution to the government budget amounted to US\$ 106 million, an increase of 36% compared to 2005; US\$ 57 million for tax obligations and US\$ 49 million as dividend. In 2006, total investment expenditures amounted to US\$ 72.2 million of which US\$ 45.4 million was spent on production development and US\$ 26.8 million on downstream activities and other projects.

## Crude Production

Staatsolie produced 4.8 million barrels of Saramacca Crude; an increase of 9.6% compared to 2005. The main contributor was better performance of older wells. Daily production increased from 12,450 barrels in January to 14,090 barrels in December. The average daily production in 2006 was 13,160 barrels compared to 11,990 barrels in 2005. A total of 139 new development wells were drilled, of which 98 were completed into production wells, while 41 wells were plugged and abandoned. At year-end, a total of 975 wells were in production.

The addition of new production wells resulted in an increase of fluid. Average water content, however, remained around 77% due to the modest decline of old wells and low water content of new wells. Associated gas production decreased with 12%, to an average of 650,000 Standard Cubic Feet per Day and was used to fuel the heaters, as well as for generation of electrical power of 4 million kilowatt-hours.

The year 2006 was the first full operational year of the Calcutta field. A total of 53 wells were taken into production, resulting in 58 wells in this field. The annual production amounted to 226,450 barrels, which is 50.3% below the forecast of 455,590 barrels. The lower production was the result of: the late start-up of development activities; lower realization on the number of producers; and lower initial production per new well. An in-depth evaluation of this below target well performance started and improvement measures will be implemented. Operations in this field are conducted according to the so-called 'wetland' method, whereby the swamp is preserved.

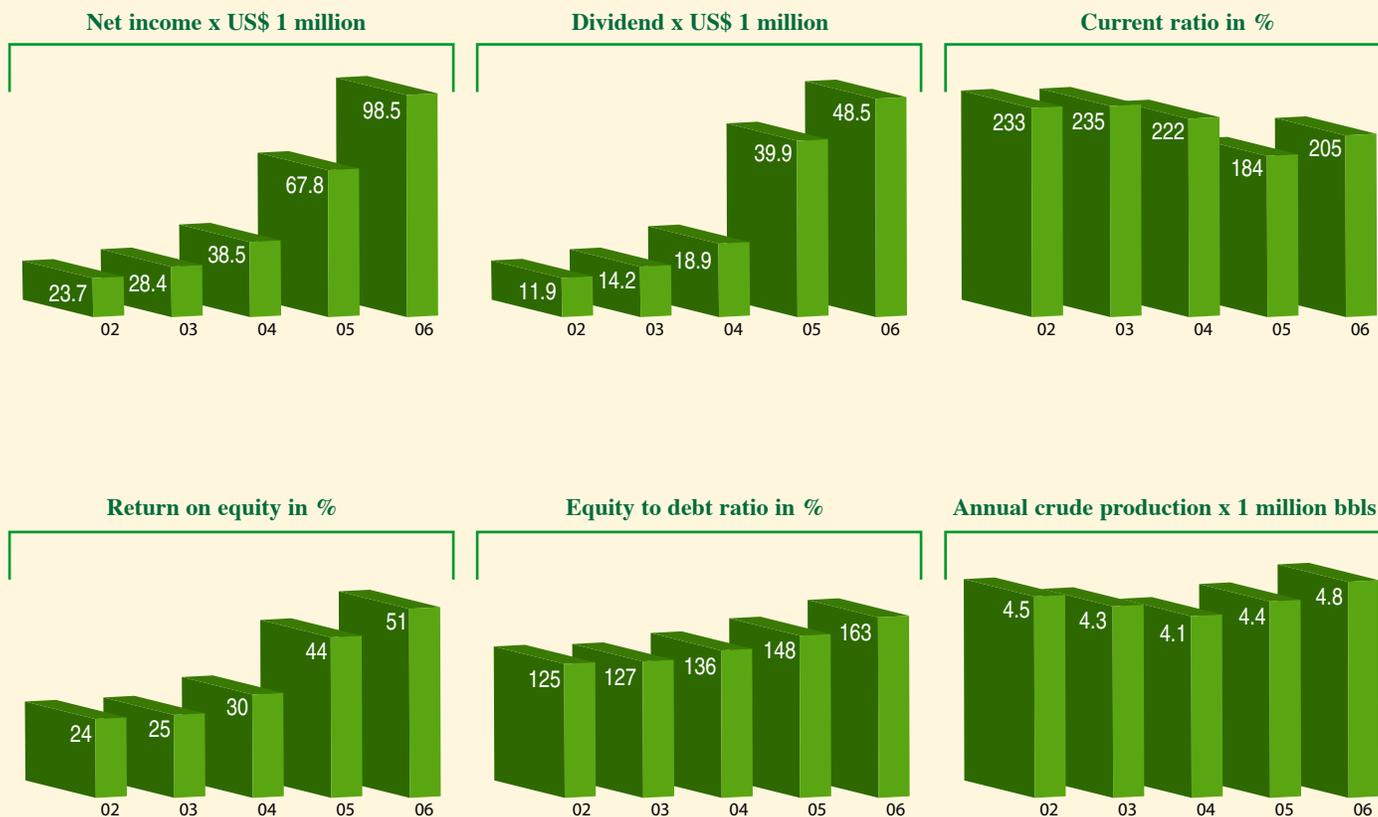
## Reservoir Studies

In 2006, six stratigraphic test wells were drilled in the Tambaredjo field, of which one was taken into production as a development well. These wells were drilled to delineate potential areas for future development. In addition, several studies were carried out to improve production performances in the Tambaredjo and Calcutta field.

The Enhanced Oil Recovery (EOR) project continued in 2006. As 2005 laboratory tests indicated a preference for Polymer Flooding, several additional laboratory tests were conducted. In particular, simulations were conducted to forecast the potential for incremental production in Staatsolie's oil fields. Based on the encouraging laboratory results, a pilot project proposal will be presented to Management in 2007.

The remaining proven reserves (P90) at year-end 2006 were 88 million barrels: 57 million barrels in the Tambaredjo field; 13 million barrels in the Calcutta field; and 18 million barrels in the Tambaredjo North-West area. In addition, total probable reserves (P50-P90) are estimated at 54 million barrels.

## Financial highlights 2006



## Exploration

In 2006, the Exploration department developed a comprehensive short- to medium-term strategy for exploration in the coastal plain. This strategy ranks exploration options and steps to meet the 2005-2010 Strategic objectives.

Due to a late start and operational difficulties, the exploration swamp rig drilled only 16 out of the planned 36 exploration & appraisal wells. The distribution of the wells is as follows: one appraisal well in Calcutta; 13 exploration wells in Caledonia; one exploration well in Tambaredjo West; and one production test well in Tambaredjo North-West.

The exploration-drilling program 2006 did not result

in additional reserves, however, the technical information acquired during this campaign will aid in finding new reserves in the future. The exploration results can be summarized as follows:

- The appraisal well in Calcutta showed no hydrocarbon occurrences, most likely defining the western limits of the Calcutta field.
- In Caledonia no commercial oil was found in the traditional Palaeocene-Eocene targets. However, four wells encountered encouraging shows in the Cretaceous section. The recovered 'cretaceous oil' is being analysed simultaneously with the well results to determine further development strategies for this area.
- The Tambaredjo West exploration program was started in December with the drilling of one well, which showed the Eocene reservoirs to be oil bearing.

In addition to the appraisal activities a number of key activities were carried out, including:

- A study regarding development possibilities in Calcutta South;
- Contributions to the design of a drilling rig capable of reaching targets of up to 5,500 feet; of special importance for future exploration in the Nickerie area;
- Release of the final evaluation report on hydrocarbon occurrences in the Tambaredjo North-West area;
- Contributions to the proposal for a production test well in the Tambaredjo North-West area;
- Support to governmental efforts to secure extension of the marine outer boundary; and
- Geo-technical support to the institutional function of Staatsolie.

## Refinery Production

The Refinery processed 2.5 million barrels Crude, 4.0% below target. The output consisted of Staatsolie Diesel, Asphalt Bitumen and various grades of Fuel Oil. Main causes for not meeting the target were two unplanned outages, the first, a fire in January and the second, a major leak in a heat exchanger in June. As a result, the availability dropped to 89%, compared to the target of 99%.

During 2006 the Front End Design phase 2 (FED2) or conceptual design of the projected refinery expansion was concluded. Various cases were worked out and validated. In December 2006, the Board of Executive Directors approved the main design conditions of the future refinery scheme. These include increasing the refinery capacity from 7,000 to 15,000 barrels per stream day, adding new process units, and expanding the off-sites and utilities to produce premium diesel, gasoline, sulphuric acid, fuel oil and bitumen.

In December 2006, a renowned consulting firm specialized in project analysis, was invited to verify all calculations, including cost calculations. Based on these findings management approved the FED2 study and the FED3 preparation activities, in March 2007. The FED3 preparations will be concluded in July 2007.

## Marketing

In the reporting year, approximately 5.2 million barrels petroleum products were sold, of which 4.8 million barrels from own production and 0.4 million barrels from imports. Sales were distributed as follows: 59% to the bauxite industry; 14% as bunkers, including supplies to fishing vessels; 20% exports and 7% to various local industries.

Exports to Guyana, Barbados, Trinidad and Curacao increased from 0.8 million barrels to 1.1 million barrels.

Oil prices remained historically high in 2006. The net realized price was US\$ 46.43 per barrel, which is 20% higher than the 2005 price of US\$ 38.57 per barrel. This further increase in price was the result of geo-political developments, such as conflicts with regard to Iran's nuclear program, continuing conflicts in Iraq and tensions between the United States and Venezuela.

Sales in foreign currency amounted to US\$ 242.6 million, while sales in Surinamese dollars amounted to the equivalent of US\$ 20.9 million.

Promotional activities in 2006 included sponsoring of the '3<sup>rd</sup> Caribbean Asphalt Conference' in Trinidad, with 15 countries participating and sponsoring of the '6<sup>th</sup> Staatsolie Diesel Savanna Rally' in November, promoting the use of Staatsolie Diesel.

## Paradise Oil Company N.V.

In December 2005, Staatsolie established Paradise Oil Company N.V. (POC) as a wholly-owned subsidiary. This company will primarily operate in joint operations with third parties. Paradise Oil and its partners will enter into Production Sharing Contracts (PSC) with Staatsolie. The first PSC for the Uitkijk and Coronie blocks was signed in February 2007 with POC in joint venture with Hardman, a wholly-owned subsidiary of Tullow Oil.

Under the referred jointventure, POC, as the operator, will have a 60% participating interest while Hardman



Production pumps in the Calcutta field

will earn its 40% interest by financing the exploration program of US\$ 8.5 million. Exploration activities are expected to start, in the Uitkijk block by mid 2007, and in the Coronie block by the end of 2007. For the drilling activities a custom made rig will be leased from Staatsolie.

## Staatsolie Power Plant

In July 2006, Staatsolie commenced commercial operations of its 14 megawatt co-generation power plant. In total, 27 million kilowatt-hours were produced, 64% below target due to a delayed start-up and availability of excess hydropower. Gross sales amounted to US\$ 1.9 million.

In 2007, the power plant will be incorporated in a separate legal entity, 'Staatsolie Power Company Suriname N.V.'.

## Human Resource Management (HRM)

In line with the long-term HRM strategic plan 2005-2010, Staatsolie continued with the execution of several improvement projects in 2006.

The 360 degree reviews were concluded with assessment of the superintendent level down to the junior staff level. In the next phase a Personal Development Plan will be completed.

With respect to the performance measurement system, department profiles and a competence matrix were developed in 2006. As a consequence, management competences were reviewed and adjusted.

In continuation of the Medical Program, drug and alcohol tests were conducted among employees and contractors to establish a baseline for future reference.

## Health, Safety and Environment (HSE)

A gap analysis was carried out to assess the compatibility of the current Staatsolie's Health, Safety and Environment (HSE) Management System with

internationally accepted standards for Occupational Health & Safety Management (OHSAS 18001) and Environmental Management Systems (ISO 14001). Management will decide on an implementation plan in the course of 2007.

HSE performance of contractors significantly lags behind Staatsolie's performance. Open discussions in 2006 with contractors regarding their HSE management in relation to Staatsolie's requirements have resulted in a number of improvements, including a better contractor awareness of Staatsolie's HSE requirements and better working relations.

In 2006, an 'Ambient Air Quality Monitoring Program', which encompasses a system for regular measurements and monitoring of high-risk areas, was deployed. With regard to the 'Groundwater Monitoring Program', the Anton de Kom University of Suriname was contracted to set-up a system for regular measuring and monitoring.

Environmental Impact Assessments (EIAs) are an integral part of all major Staatsolie projects. In 2006, EIAs for the Staatsolie Power Plant and the oil exploration area Tambaredjo North-West were finalized, while studies regarding EIAs for planned activities in Coronie, Nickerie, Weg naar Zee and Commewijne were continued.

Preparatory evaluations were executed regarding HSE management of the planned offshore drilling activities for 2008. This included an inventory of all requirements essential for a safe and environmentally friendly execution.

## Quality

In February, Staatsolie obtained company-wide ISO 9001:2000 certification by Det Norske Veritas (DNV).

In collaboration with the division managers improvement teams were appointed to maintain and improve the Quality Management System. In addition, the Q-Pulse system to monitor the quality incidents was tested and improved.



Inauguration of the Staatsolie power plant



## Management Information, Procurement and Financing

As a result of several improvement measures within the Finance directorate, reporting time for Staatsolie's annual report was further improved. The 2005 annual report was published on March 2<sup>nd</sup>, 2006, approximately one month earlier than the 2004 report.

In 2006, Staatsolie decided to conduct some of its new operations through subsidiaries. This required major changes to the accounting and reporting systems of the Company. The financial administration of the Staatsolie Power Plant was set up and integrated into Staatsolie's corporate accounting system. The systems were tested in 2006 and formal implementation will take place in 2007.

Utilizing Staatsolie's ICT infrastructure, electronic signing (e-signing) for purchase requisitions was implemented. This resulted in considerable reduction in processing time and improved tracking throughout the procurement process.

Staatsolie purchases an important part of its goods through purchasing agents, primarily located in the United States of America (USA). Until 2006 information was exchanged through hard copies. As a first step toward an integrated electronic system, facilities were created for agents located in the USA to access Staatsolie's purchasing information system, allowing purchase orders and other related information to be viewed and printed by the agents. Security measures will be thoroughly tested before the system is implemented in 2007.

## Corporate Image and Social Responsibility

Staatsolie participated in the 'Made in Suriname' fair held in Paramaribo. A booth was set up for visitors, in particular students, to learn more about our national oil company. Staatsolie's Diesel, Fuel Oil, Asphalt Bitumen and Crude Oil were displayed in glass containers and an explanation of the different production processes was provided. To enhance the display, a running mini pump-jack and a miniature-

drilling platform was set-up, representing important parts of Staatsolie's operations.

In 2006, a substantial contribution was made to the 'Operation Falawatra', to assist the indigenous people who were affected by flooding, caused by excessive rainfall.

In light of our 25-year anniversary on December 13, 2005, Staatsolie sponsored two major projects: the construction of a new building for the Faculty of Graduate Studies of the Anton de Kom University and the renovation and modernization of the main sporting facility at Groningen, Saramacca.

A children's book fair was organized for the first time in the district of Saramacca. Staatsolie was the main sponsor of this event. Furthermore, Staatsolie was the main sponsor of the '32<sup>nd</sup> Staatsolie Swim Marathon' and the co-sponsor of the '10<sup>th</sup> VLOSS Walking and Running' event.

## Institutional Activities

For the first time in Suriname's history, 3D seismic data was acquired in the offshore area. This acquisition was carried out by Repsol YPF and its partners Occidental and Noble Energy, who have invested approximately US\$ 24 million in this block, after signing the PSC in 2004. Based on positive results of the previous exploration phases, Repsol and its partners plan to drill one exploration well in block 30 in the first half of 2008.

In block 32, Occidental executed a 2D seismic survey and acquired approximately 3,000 km 2D seismic data. By the end of 2006, Occidental spent US\$ 4 million in this block.

The 2D seismic survey conducted by Maersk Oil in block 31 contributed to a better understanding of the petroleum prospectivity of Suriname's offshore territories. To-date Maersk has invested US\$ 5 million in this block.

Both Maersk as well as Occidental opened up their data rooms to attract farm-in partners. In addition, Maersk has decided to re-interpret its 2D seismic data.



Inauguration of the renovated sporting facility at Saramacca.

VLOSS walking and running event



The '2006 International Bidding Round' for the offshore blocks 15, 36 and 37 was concluded. Based on Murphy Oil's bid on block 37, they were invited to negotiate a PSC. Negotiations with Sino-Petro, who submitted a bid for blocks 15 and 36, were terminated because they could not comply with Staatsolie's minimum requirements for participation.

The E&P data division carried out an interpretation of geological and geophysical data, received from the contractors. As a result, several leads and prospects were mapped in blocks 30, 31 and 32. Interpretation of contractor's data in the different blocks was discussed and verified by Staatsolie's staff.

Over the years Staatsolie collected a large amount of exploration data, some of which is stored outside the Company's premises. In 2006 the E&P data division initiated a re-evaluation and re-organization process of this data, which is of crucial importance for the offshore activities.

## International Activities

Staatsolie participated in several international and regional conferences.

In February, an exhibition of the 'North American Prospect Expo' (NAPE) took place in Houston, USA, and in March an exhibition of 'AAPG Prospect & Property Expo' (APPEX) was organized in London, UK. The main goal for participation in these exhibitions was the promotion of the International Bidding Round 2006 for the offshore blocks 15, 36 and 37.

In September, Staatsolie attended an Energy Conference with the theme 'Energy & the Competitiveness of the Caribbean' organized by the Trinidadian government, in collaboration with the US Department of Energy and the Inter-American Development Bank. At this meeting a 'Regional Energy Task Force' consisting of members of all the Caricom countries was installed. Their main task was to develop a regional energy policy with regard to the following key-issues: (1) security of energy supplies; (2) energy pricing; and (3) transport and trading. Staatsolie participated on behalf of Suriname in these meetings, of which one was held in Suriname. Action

plans and monitoring mechanisms for follow-up are included in this policy document, and were presented in the February 2007 Caricom Heads of State meeting, for approval.

In September, Staatsolie also attended the '5<sup>th</sup> National Oil Companies Governments 2006 Conference', in the Netherlands. At this conference the main topics were: new strategies with regard to negotiations with contractors and resource governance, to ensure proper management of income out of non-renewable resources. As a follow-up, Staatsolie discussed the latter topic with several petroleum institutes in Norway, a country which is considered a role model with regard to resource governance.

Furthermore, Staatsolie participated in and was the main sponsor of the '3<sup>rd</sup> Caribbean Asphalt Conference' held in Trinidad. During this conference the 'Caribbean Asphalt Association' was established. This association will coordinate activities with regard to research and training.

In December, Staatsolie was invited to participate in the 'Caribbean Energy Conference 2006', held in Trinidad. To increase awareness within the Caribbean region of our activities, Staatsolie presented an update of its exploration activities in the offshore blocks.



Calcutta field

## Work Program 2007

### Commercial

The total investment budget for 2007 is US\$ 71.0 million, of which US\$ 67.9 million will be invested in crude production development and exploration; US\$ 2.7 million is allocated for refinery operations projects; and US\$ 0.4 million for general projects.

The crude production development program for 2007 is based on a production target of 5.11 million barrels. This program includes drilling of 67 wells in the Tambaredjo field, and 91 wells in the Calcutta field. The crude production level is expected to reach 14,653 barrels oil per day by year-end.

For 2007 an appraisal and exploration drilling program of 22 wells is planned, consisting of seven wells in Calcutta North and 15 wells in Tambaredjo North-West and Tambaredjo West. The production test well in Tambaredjo North-West, which was drilled and taken into production for testing in November 2006, will continue with test production in 2007.

Preparations for exploration in the Commewijne, Coronie, Nickerie and Weg naar Zee prospective areas will continue in 2007, while drilling in one of these prospects will depend on the availability of additional rig capacity.

The 'Polymer Flooding Enhanced Oil Recovery' method proved effective in extensive laboratory tests. Based on the encouraging results a pilot project will be implemented in 2007.

The average throughput for the refinery is estimated at 7,350 barrels per stream day, resulting in an annual production target of 2.65 million barrels. As a result of the positive outcome of the FED2 study, Management decided in March 2007 to prepare for the FED3 study, estimated at US\$ 15 million.

### Institutional

With regard to institutional activities, the focus will be on the start-up of activities in the onshore blocks Uitkijk and Coronie. Monitoring of the exploration

programs of the three existing PSC's will be continued. The main activity, however, will be preparations for the drilling of one offshore exploration well in the first half of 2008 by Repsol and its partners. Staatsolie will coordinate a significant amount of logistical activities.

In addition, Staatsolie will continue to promote interest in the open areas, onshore as well as offshore, with the aim to conduct a new bidding round in 2008.

### Supporting activities

Highlights of supporting activities include:

- Implementation of the recommendations from the organizational review, with regard to the Exploration & Production function. As a first step a new organization structure was implemented on March 1<sup>st</sup>, 2007. The new structure introduces the business unit concept, streamlines the upstream, with a stronger focus on the exploration function and improved bottom line orientation throughout the company, by assigning single point accountability to all management levels.
- Continued deployment of the HRM strategic plan. In 2007 the focus will be on succession planning, management development programs and career planning.
- Implementation of a Corporate Governance code in addition to the Code of Conduct, which was implemented in 2006.
- Development of a Staatsolie Corporate Information Plan.
- Administrative integration of Staatsolie Power Company Suriname N.V. and Paradise Oil Company N.V., including management reporting.
- Preparations for the financing of the refinery expansion project and participation in potential offshore oil production ventures.



Airboat in the Calcutta field



Habitat in Caledonia