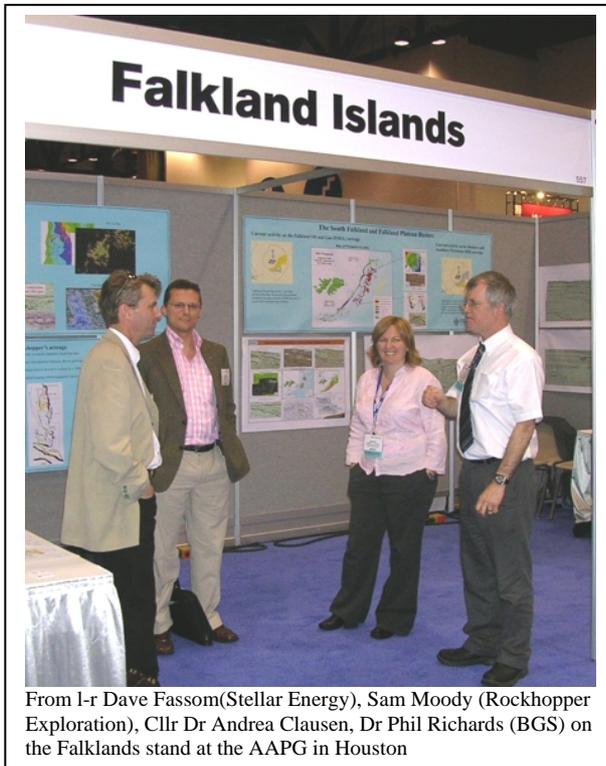




Councillor Dr Andrea Clausen, Dr Phil Richards and Phyl Rendell attend the American Association of Petroleum Geologists Conference in Houston.



From l-r Dave Fassom (Stellar Energy), Sam Moody (Rockhopper Exploration), Cllr Dr Andrea Clausen, Dr Phil Richards (BGS) on the Falklands stand at the AAPG in Houston

Minerals Portfolio Councillor Dr Andrea Clausen, Dr Phil Richards of BGS and Phyl Rendell attended the annual American Association of Petroleum Geologists (AAPG) conference in Houston, Texas in April, to promote the Falklands petroleum opportunities.

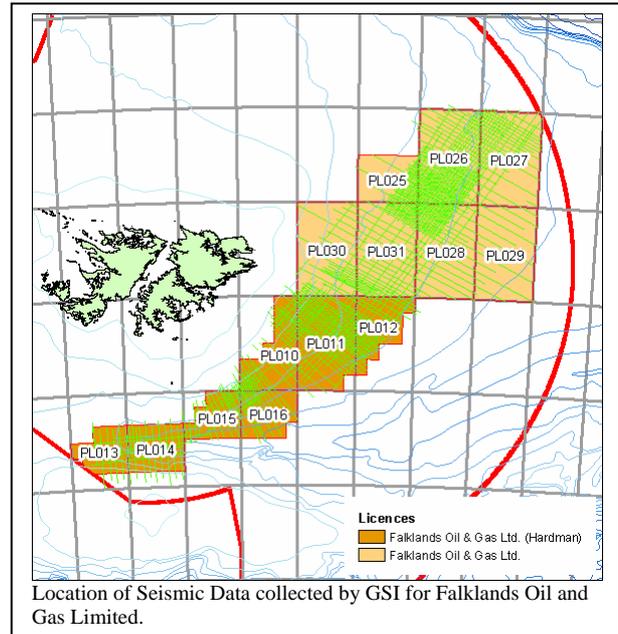
Other Falklands related delegates at the conference were Sam Moody of Rockhopper Exploration, Dave Fassom of Stellar Energy, who is a consultant helping Falklands Oil and Gas Limited with their farm out plans, and Dr Howard Obee of Borders and Southern Petroleum.

The AAPG holds two large conferences each year: the "annual conference", usually held in the United States but occasionally in Canada, and an "international" conference outside the US. The AAPG conference has been identified as a prime tool to promote the Falkland Islands petroleum opportunities to a wide industry audience: 8,500 delegates attended this year's conference. Plans are being made to attend the international conference in Perth, Australia. Perth is the home city of Hardman Resources who hold 22.5 % of the shares in Falklands Oil and Gas's licences awarded in 2002.

FOGL's seismic survey finished

The 2D seismic survey being carried out by GSI for Falklands Oil and Gas Limited has finished. The survey utilised two ships: for the first 13 months the *GSI Admiral* conducted the survey, whilst the *GSI Pacific* was used for the final 3 months.

The *GSI Pacific* ended their survey on 5th May 2006.



Location of Seismic Data collected by GSI for Falklands Oil and Gas Limited.

The completed survey collected 23,051 km of data. Although this is slightly less than the final plan of 25,000 km of data, it is still a considerable achievement. The data cover an area of nearly 82,000 km².

The GSI survey started on 22nd December 2004 and finished on 5th May 2006, taking 500 days in total. During this time the *GSI Admiral* was contracted to Borders and Southern for 56 days, and there was a surveying gap of 29 days in January and February 2006 between the *GSI Admiral* leaving for a refit and *GSI Pacific* taking up the survey effort.

The best production day was 28 March 2005 with 225 km being collected by the *GSI Admiral*. The entire survey averaged 54.85 km of data collected per day.

Any future 2D surveys will likely be far smaller infill surveys with more closely spaced seismic lines. The next stage of exploration may be 3D surveys over identified prospects, with a number of companies looking at this option before committing to drill.

FGML's onshore mineral exploration activities

Falkland Gold and Minerals Limited continue their onshore drilling programme. The 2 drilling rigs have drilled prospects north and north east of Goose Green, the centre of Lafonia and in the Malo Valley.



Moving rig using Morooka tracked vehicle

The 2 FGML drilling rigs have drilled a total of 13,700m in 76 holes collecting HQ core which is then logged and marked for sampling at the Goose Green Core Shed where each sample is processed through the Sample Preparation Laboratory to become a sample pulp that is then dispatched to an Australian Assay Laboratory. In addition to the drilling, over 7,000 sub peat soil samples have been collected from four areas to obtain mineral assays that will assist in the delineation of anomalous areas that can then be followed up by core drilling.

To date the rigs have tested by the drill 10 targets in the areas of interest identified by the exploration work including the 2004 aerial magnetic survey and the recent ground magnetic surveys.

There are still a number of targets to be drilled on East Falkland before either of the rigs is moved to West Falkland to drill targets currently being developed.

Desire's EIA approved by EXCO

Desire Petroleum's EIA was approved at the May Executive Council Meeting. The Falkland Islands Government had the EIA reviewed by the Centre for Environmental Assessment and Management, part of the Institute of Environmental Management & Assessment. The review was generally positive.

The EIA is still awaiting the addition of information specific to the drilling rig that will be used to drill wells.

Desire are experiencing delays in acquiring a drilling rig. On 26 May world-wide there were a total of 140 semi-submersible drilling rigs and 33 drill ships. Of these 121 semi-subs and 28 drillships were drilling. A further 16 semi-subs were

under contract. There are currently 23 semi-subs under construction, 23 being modified (some of which are under contract), 1 ready-stacked and 7 cold-stacked. Off Brazil, 38 of the 39 rigs available are currently under contract. The rig that is not under contract is being modified and is contracted from August until January 2007. There are no drill ships available off Brazil. Another potential source of rigs is West Africa, but a tow from West Africa would probably take twice the time from Brazil and the mobilisation to the Falklands would increase the cost of the wells. (Source rigzone.com)

The rig market may slacken as new rigs are built and the cold-stacked rigs are reactivated. Once these rigs are commissioned they will need to be crewed. The availability of qualified crews is also a problem as world wide there is currently a shortage of personnel. (Offshore Magazine)

Rockhopper's Electromagnetic survey by OHM. Has anyone seen any of the receiver kit on the beach?

Following the completion of the Offshore Hydrocarbon Mapping controlled source electromagnetic imaging (CSEMI) surveys, one of the bottom set electromagnetic receivers has been found, having washed ashore near Saladero from Falkland Sound.



The electromagnetic receiver

A number of the receivers were placed on the seabed for each of the 2 CSEMI surveys undertaken over the Rockhopper Exploration acreage. The MV *Aurelia* then towed an electromagnetic source through the survey area and the receivers recorded resistivity of structures below the sea bed.

Five of the receivers were not recovered. Of these three failed to release from the seabed and two were not present when the ship returned to the site to collect them. Those that remain on the sea bed may also surface at some time in the future.

If any item similar to the photographs above are found then please contact the Mineral Resources Department.

For further information about mineral exploration in the Falkland Islands please contact the department for a free brochure, CD ROM and map on email: KStephenson@mineralresources.gov.fk Fax +500 27321 or Tel +500 27322. Details about licensing activities and conditions are available on website www.falklandislands.com and www.falklands-oil.com or from ablake@mineralresources.gov.fk or prendell@mineralresources.gov.fk A list of geological brochures, maps and reports for sale is also available from the department.