Building a balanced portfolio of Exploration and Production Assets
Introduction – Paul McDade
**The Tullow footprint**

**NW Europe**
- Leading Gas Producer
- Mature basin Operator
- Growth through exploration, development and acquisition

**Africa**
- Pan-African E&P business
- High impact exploration
- Growth through exploration, development and acquisition

**Asia**
- Materiality through organic growth
- High impact exploration
- Growth through exploration and development
**PRODUCTION & DEVELOPMENT**

- Exploitation and expansion of Tullow’s current reserve base
  - 1H Reserve Replacement 97% before acquisitions
  - Ongoing development progress in Africa, UK and Asia
  - 2005/6: Organic growth to over 70,000 boepd by end 2006

**EXPLORATION**

- Broad portfolio with proven skills, knowledge and database
  - H1 – Two successes from 3 wells in SNS, 1 success in Gabon on Niungo
  - Next – High impact programme due to start including Mauritania and Uganda.
  - 2006 onwards – continuing to build a high impact portfolio

**ACQUISITIONS**

- Selective acquisitions within core areas
  - 2001: £200 million of Southern North Sea assets acquired from BP
  - 2004: $570 million acquisition of Energy Africa
  - 2005: £200 million acquisition of Schooner and Ketch in the S. North Sea

**PORTFOLIO MANAGEMENT**

- Active Portfolio Management
  - Focus on assets where we can add value and upside potential exists
  - Build positions where we have a material influence
  - 2005: Sale of UK oil and Congo (Brazzaville) offshore assets for total of $184 million
2001 acquisition of infrastructure, fields & acreage delivered two focus areas:

□ CMS Area
- Non-operated position
- Established operator with no exit plan
- Significant development and exploration upside
- Infrastructure operating close to capacity

□ Thames/Hewett/Bacton Corridor
- Non-operated with minor operated position
- No dominant operator
- Significant development upside
- Limited exploration potential
- Infrastructure operating at ~30% of capacity
- Unit operating costs becoming a key issue
SNS Introduction – Alan Linn

- Management Team
- Business Framework
- Safety and Responsibility
- Business and Edge
- Agenda
UK Business Unit – Organising for Growth

Business Unit Manager – UK
Alan Linn

Technical/Team Assistant
Cathy Edgington

Regional Asset Mgr
Alan Marshall
Operated Assets
Bacton/Hewett
Orwell/Horne & Wren

UK Finance Mgr
Rob White

Commercial Mgr
Mike Simpson
JV Assets & Bus Development

UK Development & Engineering Mgr
Mark Allen

UK Drilling Mgr
Charlie Taylor

Exploration Assets
Chris Flavell

Asset Manager
Schooner & Ketch
Peter Evans

BUSINESS UNIT SUPPORT FUNCTIONS

Drilling
Contracts & Procurement
Geoscientists
Commercial
EH&S
Finance
Legal
Engineering
Data/IT Technology
Bus Dev
Tullow Integrated Management System (IMS)

- Tullow Corporate IMS sets 18 standards and guidelines to support operations
- Assets meet defined standards through local compliance documents.
- Internal and External audits for compliance provide assurance at corporate level.
Our EH&S policy sets the standard for performance.

Add value by investing & empowering our people and those we work alongside.

In practice, this means:
- Implementing safe systems of work
- Horne and Wren development and Bacton, Hewett, Schooner and Ketch transitions
- Certification of our Environmental Management System to ISO14001 in UK
- Relationship building through UKOOA and other industry forums
- Building strong working relationships with Partners and Contractors
Corporate Social Responsibility (CSR)

- Proactive commitment to conduct our business with high standards of integrity.
- Provide support for Tullow personnel and external sponsorship for projects which benefit local communities

Bacton:

Environmental Liaison Committee – forum where Local Council Members, Police and Environmental Agency can participate and actively consult on terminal activity.
SNS Business Background

**DTI – maximise indigenous supply from mature basin**
- Fallow fields initiatives
- Annual licensing rounds to churn acreage
- Promote licences to attract “small players”
- Low Cost mature basin approach – initiative to attract GoM players
- Stewardship drive to maximise reserves recovery

**HSE - Recognition of changing environment**
- Cost reduction does not have to compromise safety or the environment
- Openness to discuss “new concepts”

**Exit of Majors**
- Mature basin - assets not material for the Majors and not attracting investment
- Acquisitions from BP, Shell, ExxonMobil, ENI, ConocoPhillips, ChevronTexaco
Gas Supply

- Transition from self-sufficiency to importation
- Increasing importance of indigenous gas
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Tullow Oil is a full-cycle E&P Business

Risk/Equity Profile

Fast Track Developments

Field Life Extension

Explore

Appraise

Develop

Produce

Abandon

Infra-Structure Leverage

Low Cost Operation

Portfolio Management

Alternate Use

Divest

Acquire
SNS Position in Tullow Portfolio

- 30% group commercial reserves and 20% of group contingent reserves
- Schooner and Ketch acquisition reserves confirmed at 330 bcf
  - Re-development moving ahead at pace
  - Material “early gains” from production stability
- SNS Gas production of 112 mmscfd ytd 40% of group 2005 production (with Alba)
- Horne & Wren development completed in June and production exceeding expectation (110 mmscfd gross/ 55 mscfd nett)
- Significant exploration potential in CMS area
- Working to further extend Hewett/Bacton economic life
Summary – Strategy Implementation

- Tullow has built a significant platform for growth in the UK SNS
- Successfully pursuing Tullow’s four “value adding routes”
  - P&D, Exploration, Acquisitions & Portfolio management
- Continuing to leverage the team’s commercial, technical and operating skills
- Material activities in both SNS core areas in 2005 and beyond
- Opportunities to maximise benefits of favourable gas market
- Pursuing suitable opportunities to build a third core area (Dutch Sector?)

The SNS is a key component of Tullow’s future
## Agenda

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<thead>
<tr>
<th>Thames/Hewett Area</th>
<th>- Cost Control and Consolidation <em>(Alan Marshall)</em></th>
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<tr>
<td>CMS Area</td>
<td>- Preparing for Further Growth <em>(Mike Simpson)</em></td>
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<tr>
<td>Schooner and Ketch</td>
<td>- Re-development Programme <em>(Peter Evans)</em></td>
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<td>Exploration</td>
<td>- Maximising Near Field Potential <em>(Chris Flavell)</em></td>
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<td>UK Gas Market</td>
<td>- Marketing and Hedging <em>(Brian Williams)</em></td>
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**Q&A**
Thames/Hewett Corridor 2005

- Thames-Hewett-Bacton infrastructure position purchased from BP – 2000/01
- Series of Bolt-On Acquisitions and operatorships added
- Development, operatorships, and third party opportunities continue to be pursued
Hewett/Bacton

- Hewett Complex feeding into the Bacton terminal
- Terminal processes gas from the Hewett, Thames and LAPS complexes

Tullow Progress

- **2000** – 20% non operated stake acquired from BP
- **2003** – Additional 19% acquired from ConocoPhillips
- **2003** - Operatorship transferred to Tullow - strategic importance
  - Establish Operator capabilities and credentials
  - Build foundations for other operated activities
  - Controlling influence in Hewett field direction
  - Influence on Thames infrastructure through Bacton initiatives
- **2004** – Delivered 25% cost reduction target

Hewett Growth Opportunities

- Focus on extending field life
  - Continued pursuit of cost reductions
  - Maximise in-field reserves recovery
  - Marginal field developments
- Gas storage opportunity
Hewett Field Cost Challenge

Complex Infrastructure
- 3 platform central facility
- 3 normally unmanned installations
- 9 subsea wells

Cost challenge
- 2004 – 25% cost reduction achieved
Hewett-Bacton Management Responsibilities

- **Business Support:**
  - JV Operator
  - DTI Interface
  - Subsurface Management
  - Drilling
  - Well Operations
  - Field Development/Economics
  - Legal and Commercial
  - Finance
  - Public Relations

- **Facilities Management:**
  - HSEQ (Duty/COMAH holder)
  - Emergency Response
  - Production Services
  - Maintenance and Inspection
  - Ops & Maintenance Organisation
  - Facilities Engineering
  - Project Management
  - Information Management
  - Cost Control
  - Planning and Co-ordination
  - Supply Chain
  - Logistics
Hewett Field Cost Challenge

Complex Infrastructure
- 3 platform central facility
- 3 normally unmanned installations
- 9 subsea wells

Cost challenge
- 2004 – 25% cost reduction achieved
- 2005-2006 offshore
  - Simplification
  - Reliability improvements
  - De-manning
- Operational model applicable in other assets
- Bacton cost challenge
2005 Analyst Day – Bacton Gas Terminal

Hewett Area Opportunities

- Late life reserves recovery – low pressure operation
- Production efficiency – compression optimisation
- Third Party Business – Blythe, sour gas

Delilah workover / sidetrack 1Q 2006
Zechstein velocity string campaign
Late life reserves recovery – low pressure operation
Production efficiency – compression optimisation
Third Party Business – Blythe, sour gas

Ongoing development evaluation
Zechsteinkalk opportunities
Economic cut-off date when Tullow assumed operatorship

- Delilah workover
- Zechstein Velocity Strings
- 2005 Forecast
- Post OCC2 Min Econ Rate
Thames Facilities

- Central processing hub for five field groups, pipeline to Tullow’s Bacton terminal
- Operated by ExxonMobil, supported by Tullow subsurface and commercial expertise

Timeline

- **2000** – various interests acquired from BP
- **2003** – Agip’s interest in Thames acquired
- **2004** – ChevTex interest in Orwell acquired
- **Jan 2005** – First gas from Arthur field
- **June 2005** – First gas from Horne and Wren
- **July 2005** – 2nd Arthur dev well on line

Forward Plan

- Maintain facilities at capacity
  - Progress marginal developments
  - Attract further third party gas
Horne and Wren Case Study

Horne and Wren Development

- Marginal fields development with 2 wells and a minimum facilities not normally manned installation
- Tullow’s first UK operated development – delivered on time and within budget

Timeline

- **2000** – 8% acquired from BP
- **2003** – Additional 38% acquired from BP
- **2004** – Remaining 54% and operatorship acquired from Shell and 50% sold to Centrica.
- **Mid 2004** – Project sanction
- **2005** – First gas flowed in June

Forward Plan

- Maximise reserves recovery over 3-4 year field life.
- Seek re-use opportunities for platform facilities
Thames Fields

EQUITY:

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<tr>
<th>Company</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Tullow</td>
<td>66.66%</td>
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<tr>
<td>ExxonMobil (op)</td>
<td>23.33%</td>
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<tr>
<td>Centrica</td>
<td>10.0%</td>
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**Producing Fields:**

- **BGT Contract**
  - Thames, Bure, Bure West, Yare, Wensum
  - Considering benefits of accelerated production through blowdown profile

**First gas 1986**

- Production to 30/6/2005 401.5 Bscf (plus 16.4 Bscf from Deben)

**Tullow proposed Infill Opportunities:**

- Thurne (49/28-14 “L” discovery)
- Bure East
- Bure North
Potential developments have been identified and are under review using Thames Infrastructure as an evacuation option.

These are:
- Tristan
- Wissey
- Fizzy
- Camelot
- Dutch sector

Further exploration potential also exists.
Thames/Hewett Growth Potential – 2005 and beyond

☐ Establish a dominant and controlling position in existing Assets and in the area
  - Influence strategic direction of Assets

☐ Further consolidate Operatorship in the region
  - Extract additional cost savings through operational efficiencies and synergies

☐ Achieve 250 mmscfd throughput through the Thames facilities
  - Further Arthur area gas and production from Horne and Wren
  - Progress developments of marginal fields in the area

☐ Extend field life of Hewett infrastructure
  - Deliver Hewett OCC Phase 1&2 and additional in-field reserves.

☐ Gas storage potential in Hewett
  - Meeting with interested parties. Business development options currently being studied
Tullow’s game plan for CMS

- Acquire producing assets and strong infrastructure position
- Recognised under explored and exploited area
- Build a material position in operated exploration and production
- Work with established and committed Operator

Success to date

- Rapid development of CMS III, Munro
- Acquired significant op/non-operated exploration acreage
- Acquisition of Schooner & Ketch
- Commercial successes (gas contract, blend issues, third party gas)
- Prospectivity confirmed

Still to do...

- Redevelopment of Schooner & Ketch
- Accelerate pace of exploration and development
- Expand and further align interests
Greater CMS Area - 2001

- **BP asset acquisition**
  - Infrastructure and assets purchased from BP 2000/01

- **All assets non-operated**

- **Significant potential**
  - Field development (CMS III DTI approval)
  - Exploration upside
  - Third party gas
  - Bolt-on acquisitions
**Greater CMS Area – 2002/3**

- **Development - CMS III**
  - Five unitised fields
  - Subsea development
  - Export via CMS facilities
  - First gas Aug ’02

- **Exploration**
  - Portfolio enhanced through the 20th and 21st Licensing rounds

- **Commercial**
  - Murdoch/Boulton depletion contracts terminated
Greater CMS Area – 2004/5

- **Development - Munro**
  - Discovered Feb 04
  - First gas Oct 05

- **Schooner & Ketch**
  - Completed end March 05
  - Uptime improved
  - Redevelopment planning underway

- **Exploration**
  - Operated success in 22nd Licensing Round
  - 3 wells in 2005
- Numerous development opportunities
- Coordinated/integrated programme – CMS IV?
- Reservoir infill opportunities

- Drilling campaign to deliver significant production and reserve upside

New prospectivity identified
Up to 4 expl wells planned for 2006
BP CMS area acquisition – August 2000

Tullow Equity (CMS area)
Greater CMS Area

- CMS III development – August 2002
Munro development – October 2005
Schooner / Ketch acquisition – March 2005 (do nothing profile)
 Greater CMS Area

- Schooner / Ketch - May 2005 (Tullow base plan)

Tullow Equity (CMS area)

- S&K Firm
- S&K Base
- Munro
- CMS3
- Boulton
- Murdoch

Source: 2005 Analyst Day – Bacton Gas Terminal
Schooner / Ketch redevelopment plan 2006+

Tullow Equity (CMS area)
Potentially commercial developments / exploration upside - unoptimised, unrisked
Tullow as an infrastructure owner: CMS current & potential tariff business (unoptimised, unrisked)

CMS area throughput (Gross Pipeline)

Further exploration success predicted
Greater CMS Area - Summary

- Aligned infrastructure and field equity partnerships
- Significant growth in Tullow equity gas developments
- Tullow’s CMS portfolio all at UK market price and produced at high load factor
- Substantial tariff income potential (Tullow 17% ownership)
- Blending limits may constrain capacity but:
  - New blend management system optimises throughput
  - Relaxation of Wobbe limits negotiated at Theddlethorpe
Schooner and Ketch Acquisition

Development plan
- Signed SPA: Dec 04
- Completed deal: March 05
- Redevelopment plan: Mid 05
- Rig Mobilisation: Oct 05

Operational & Commercial opportunities
- Improve facilities uptime
- OPEX synergies
- Well recompletions and infill drilling
- Schooner Exploration well
- Topaz development & tariff
- Other 3rd party business

Rationale
- Gas in place of 1,500bcf
- c. 350bcf (23%) recovered to date
- Potential to double rate and recovery
- Tullow Equities: Schooner 90.35%, Ketch 100%

- S&K Facilities Consist of Two Normally Unmanned Installations (NUI) tied back to the Murdoch Platform and CMS infrastructure by a 22 and 26 km sub-sea pipelines.

- Tullow Operates S&K and Conoco Philips operates Murdoch and CMS
Asset Integration

- Recruitment process commenced ahead of acquisition
- Early integration into existing Bacton operations management structure
- Rapid access to experienced operations team
- Focussed facility integrity inspections during hand over
- Detailed reviews of well and operational histories
- Well failure modes understood and re-medial programmes developed
- Work programme potential understood early

"Quick Wins"

- Production up from between 22-44 mmscfd, to 50-75 mmscfd
- Facility uptime increased from low of 28% to steady +95%
- Offshore data capture and analysis accelerated to help maintain redevelopment schedule
- Redevelopment team in place early generating opportunities
- Specialist drilling and work-over team recruited
- Committed to Ensco 101
Redevelopment

- New wells are a blend of experience and technology
- Sand connectivity issues recognised and wells designed to maximise recoveries
- Ensco 101 secured for 18 months with firm programme
- Balanced work programme is a combination of work-over and new wells
- 2006 production >100mscfd
- Plans in place to manage drilling and completion challenges
- Significant upside potential identified

Success from blend of experience, fresh ideas, pace and the application of technology
- Uptime for Schooner from 28% (the 6 weeks before operatorship) to 95%
- Well deliverability improvement – further gains when rig arrives
Schooner & Ketch: Well Optimisation Project

- Velocity strings and straddles on Schooner 1, 3, 4, 5, 6, 8 and 9
- Water shut-off and perforations (possible stimulations) Schooner 8
- Perforation and stimulation Schooner 4, tubing wash Schooner 9

- Velocity string Ketch 5 and straddles Ketch – 1 and 3
- Re-perforation and additional perforations Ketch 1 and 3
- Tubing wash Ketch - 6
**Schooner & Ketch: Schooner-10**

- **Schooner - 10**
  - 60 degree deviated development well
  - 23 BCF incremental reserves
  - £ 15.9 MM Capex
  - Production peak 41 mmscfd
  - Declines to 20 mmscfd after 1 year
  - Up-dip attic well in main field (650 ft sand)
□ Ketch - 7
- Horizontal development well in Carboniferous
- 23 BCF incremental reserves
- Production peak 30 mmscfd
- Declines to 15 mmscfd after 1 year

□ Ketch - 4st
- Replacement well for KA04
- 12 BCF incremental reserves
- Production peak 20 mmscfd
- Declines to 12 mmscfd after 1 year

□ Ketch - 8
- Four legged multi-lateral
- 15 BCF incremental reserves
- Production peak 65 mmscfd
- Declines to 26 mmscfd after 1 year
- Contingent on KA-7 horizontal drilling success
**Development potential recognised**

- Early rig commitment and 12 months infill drilling campaign firm
- Increase wellbore utility with re-perforation and stimulation programmes
- Mechanical interventions to accelerate production
- New field potential attractive – NW Schooner

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<tr>
<th>Date</th>
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<tr>
<td>Sep</td>
<td>Schooner SA10 (attic)</td>
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<td>Schooner – perforations, stimulation</td>
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<tr>
<td>Nov</td>
<td>Schooner (5 workovers – vel/strad)</td>
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<td>Dec</td>
<td>Ketch KA07 (three stage horizontal)</td>
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<td>Ketch – perforations, stimulation</td>
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<td>Ketch (3 workovers)</td>
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<td>Mar</td>
<td>Ketch KA04 (horizontal sidetrack)</td>
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<td>Ketch KA08 (4 leg vert multi-lateral)</td>
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**Legend:**
- Base – further activity
- Concurrent well optimisation work
- Contingent resources
- Rig move
- Upside
□ NW Schooner Appraisal

- 140 BCF Gas In Place (success)
- New location
- Drill Q4 2006
- High production rates
- Three legged multi-lateral
Base further activity is 15 months drilling activity – 5 wells, 9 workovers and well stimulation.
Total Drilling and Optimisation Capex £88 MM for the 2005 - 2006 firm programme.
Facilities capacity upgrades and metering.
- **Arrol 44/26a** to NE of Ketch (100% Tullow)
- **Ketex 49/3** south of Ketch - good material prospect west of Ketex discovery (100% Tullow)
- **Stephanian Play** – West of Schooner (GdF operate exploration phase, Tullow 33.33%)
Ingredients for Exploration Success

- Existing infrastructure position
- Pragmatic operators of nearby infrastructure
- High quality and experienced team
- Good database

- Acreage position
  - Growth of UKCS portfolio
  - Focus on CMS exploration
Ongoing development evaluation

Hewett – Significant reduction in operating costs in 2004 & 2005

Zechsteinkalk infill opportunities

Clear move to Operatorship
CMS Regional Map
Acreage post BP acquisition

4 blocks

Tullow non-operated
Licensed acreage
Tullow operated
Open acreage
2005 Analyst Day – Bacton Gas Terminal

CMS Regional Map
Current acreage position

- 29 blocks

- Munro exploration success 2004
- 44/16 exploration well 2006
- 44/12 appraisal well 2006
- 44/19b exploration well 2006
- 44/23b exploration well 2006
- K3 exploration success 2005
- Opal exploration success 2005
- Schooner/Ketch acquisition 2005
- 44/16 exploration well 2006
- 44/12 appraisal well 2006
- 44/19b exploration well 2006
- 44/23b exploration well 2006
- 49/3a exploration well 2006?
- 44/16 exploration well 2006
- 44/12 appraisal well 2006
- 44/19b exploration well 2006
- 44/23b exploration well 2006
- 49/3a exploration well 2006?

- Tullow non-operated
- Licensed acreage
- Tullow operated
- Open acreage
CMS Exploration Focus

- Play types
- Identifying the Lower Ketch play
- Portfolio summary
- Potential future activity levels
CMS Exploration Focus – Play Types

- **Structural fault blocks**
  - Principal target Westphalian B Murdoch sands
  - Murdoch, Caister, McAdam, Boulton H
  - Good productivity
  - Easier to recognise, therefore more mature play

- **Deep Carboniferous structure**
  - Principal target Namurian sands
  - Cavendish, Kepler, Trent
  - Difficult to map reservoir on seismic data
  - Moderate/good productivity, despite age and depth

- **Combined structural/stratigraphic play**
  - Principal target Lower Ketch Westphalian C/D sands
  - K3, Munro, Opal, Boulton B, Schooner & Ketch
  - Excellent productivity
  - Difficult to locate, under-explored
Top Rotliegendes
Seismic Marker

Silverpit – must seal

Carboniferous Isopachs

Base Murdoch

KEY:

Lower Ketch 2 Reservoir
(similar to Munro, K3, Hawksley, Murdoch K & Boulton B)

Reliable seismic picks at Top Rotliegendes and Base Murdoch.
CMS Area – Play Concepts – Westphalian C/D

- Reservoir interval seismically opaque
- Top Seal horizon only sporadically imaged
- Reliance on substantial well data to build interval isopachs
- Note Plattendolomite ‘hole’
Greater CMS Area – Impact of K3 Success

- Bacton Gas Terminal
- K3 Discovery
- Zechstein
- WpA
- Silverpit

Diagram showing the location of K3 Discovery, Zechstein, WpA, and Silverpit within the Greater CMS Area.
Depth Converted Seismic & Geological Model

Hard kick

-12600 -12420

13 km
SNS exploration still ‘alive and kicking’

- **Technical**
  - Carboniferous is still under-explored
  - Multiple plays in Carboniferous (Namurian, Westphalian B)
  - Technological advancements still to be made, esp seismic

- **Commercial**
  - Infrastructure access improving
  - High gas prices are rendering smaller prospects commercial
  - Smaller Independents influencing activity levels
  - Future activity levels probably linked to Majors’ exit strategy

**Tullow is well positioned to take advantage**
UK Gas Market & Hedging

- UK Gas Market
  - Overview
  - Pricing
  - UK Supply/Demand

- Tullow UK Gas Portfolio

- Hedging/IAS39
Markets Overview

- Oil and gas prices recently at record highs
- Oil market supply/demand tight
- UK believed to be short of peak winter gas; UK indigenous decline
- Eon acquisition of Caledonia; security of supply
Gas & Power liberalisation (& utility un-bundling) on EU agenda

Drive towards competitive gas markets
- 1996: BG demerges into Transco & Centrica
- 1998: Entire gas supply market open to competition

Growth of liberalised UK spot market (most competitive in Europe) and hubs (Bacton)

Liberalised UK market doesn’t equal low price environment...
The UK government, in its 2003 White Paper, identified major challenges facing UK Energy including:
- Decline of UK’s indigenous energy supplies
- Modernisation / update of energy infrastructure is required

Indigenous UK gas supply /demand gap is now a reality

UK NBP pricing now reflecting shortfall fears

UK import infrastructure (pipe and LNG) builds to fill indigenous supply shortfall; consider offtake flexibility to arbitrage markets

Future Questions
- Linkage between markets and gas on oil pricing?
- Continued oil indexation dominating European pricing; UK/Europe convergence?
- Globalisation of gas due to increasing role of LNG; Europe/USA convergence?
UK Gas Market

- Pricing
Gas Pricing Background

**Gas Supply**

- Transition from self-sufficiency to importation
- Increasing importance of indigenous gas

[Forward Curve Comparison Diagram]

- Arco
- Schooner / Ketch
- 30/09/2005

<table>
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<tr>
<th>p/therm</th>
<th>Apr 01</th>
<th>Apr 02</th>
<th>Apr 03</th>
<th>Apr 04</th>
<th>Apr 05</th>
<th>Apr 06</th>
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UK Gas NBP: Spot History and Swaps

Past performance is not indicative of future performance.

Source: trading history as at 6 Oct05
Past performance is not indicative of future performance.

Source: trading history as at 6 Oct05
Past performance is not indicative of future performance.

Source: trading history as at 6 Oct05
Spot, Quarterly and Winter 04 Averages

NBP Win05 vs History

- Spot
- Quarter average
- Win04 average = 33 pence/therm

1st August 2003 to 3rd August 2005
Note: Pricing as of Close of Business 05 October 2005. Source: Goldman Sachs International
“Gasunie” is based on our understanding of what the current lagged gasoil and fuel-oil linked formula is
UK Gas Market

- UK Supply/Demand
Transco View of Implied Import Requirement

- **UKCS forecast**
- **UKCS upside**
- **Demand**
- **Import requirement**
Transco View of Supply/Demand Balance

Exports: 121 bcm

- UKCS
- Norwegian Imports
- LNG Imports
- Continental Imports
- Demand
New UK Infrastructure: Pipeline & LNG

**Demand:**
increasing from 100 to 120 bcm

**UKCS:**
decreasing from 80 to 25 bcm

**Imports required:**
Increasing from 20 to 95 bcm

**Potential import capacity:** > 130 bcm

- Vesterled and Tampden (FLAGS) ~23 bcm
- Langeled 25 bcm
- BBL & IUK 39 bcm
- Milford Haven 33 bcm
- Grain 14 bcm
The UK will increasingly be part of a wider European and (through LNG) global market.

“Which way will the gas flow?” is much more than looking at IUK!
Globalisation: LNG

Major LNG Supply Routes

**USA**
Netback Pricing to HH
LNG Small Contribution but increasing

**Europe**
Competitive Pricing to Pipeline Contracts

**North East Asia**
LNG Price Setting
LNG only Competition
Diversified SNS portfolio (~15 producing fields)

Gas landed at Bacton (~35%) & Theddlethorpe (65%)

Significant migration from Contracted to Uncontracted gas since 2000
- Then ~60% contracted
- Murdoch and Boulton contracts terminated
- 2006 ~15% contracted

Remaining contracted gas:
- Thames: Field dedicated depletion contracts (~39p/therm)
- RWE: Schooner/Ketch supply contract (19p/therm)
- Eon: Supply contract (~28p/therm; )
Tullow UK Gas Portfolio: Uncontracted Gas

- Originally uncontracted gas marketed via Beach aggregator (Amerada); then acquired by TXU!

- Physical now marketed via Tullow gas marketing group (based in Newcastle)

- Physical currently sold at Beach via good credit quality counterparties (remember Enron, TXU!)

- Will move to shipping soon with better liquidity

- Gas sold at benchmarks including D-1 and M-1 indices

- Hedging via financial products (up to 3 years forward)
Offshore to NBP

Beach Trading
Retro Trading

Traditional swing contract Delivery Point

Gas Processing Facility

Flange

Transco Entry Facility

NTS

Cash out
NBP Trading

LDZ End Users

Storage

Offshore

Entry Capacity

CVSL

DTI
Ofgem

Transco Entry Facility

NBP
Hedging/IAS39
Hedging: Objectives

- Improved security of cash flow and liquidity (banking lines)
- Reduce exposure to price volatility
- Manage downside price risk
- Improved ability to fund investments (incl. discretionary capex)
- Match underlying physical commodity offtake (note IAS39)
- Build revenue predictibility (Budgets, bank price decks, market benchmarks)
Hedging: Commodity Hedge Parameters

- **Minimum Hedge Levels**
  - Target 30% of all Oil and Uncontracted Gas entitlements from producing interests in any 12 month period

- **Maximum Hedge Levels – Delivery Risk**
  - 70% cap on hedging volumes in any calendar year – no intention to reach this level

- **Term**
  - Previously credit challenges; now liquidity through at least 2008

- **Volumes/Frequency**
  - Tend to hedge regularly in relatively small volumes

- **IAS39**
  - Hedge instruments should be compliant to retain hedge accounting

➤...no price levels specified although hedging in excess of bank price deck creates debt liquidity
Hedging: How & Who With

☐ How:

- Swaps ➔ downside protection; no exposure to upside
- Put Options ➔ downside protection; retains exposure to upside
- Zero Cost Collars ➔ downside protection; retain market pricing within collar, no exposure to upside above collar
- Participations ➔ downside protection; some exposure to upside
- Physical Forwards ➔ as in Swap but Shortfall exposure

☐ Who With:

- Participants in Refinance Facility Syndicate
- US Investment Banks
- Trading Houses
Hedging: Recent Hedge Trades

**Gas:**
- Put Option Oct 2005: Strike 33p/therm, Premium 1p/therm
- Swap Nov 2005: Strike ~ 46p/therm
- Swap Summer 2007: Strike ~ 44p/therm
- Swap Q1 2008: Strike ~ 62p/therm

**Oil:**
- Put Options - Calendar Year 2006: Strike $50/bbl, Premium $1.50/bbl
- Collar - Calendar Year 2006: Put $50/bbl, Call $80/bbl, Nil Net Premium
## Hedging: Volumes & Prices

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<thead>
<tr>
<th></th>
<th>H2 2005</th>
<th>2006</th>
<th>2007</th>
</tr>
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<tbody>
<tr>
<td><strong>OIL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume hedged (bopd)</td>
<td>9,946</td>
<td>8,231</td>
<td>7,731</td>
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<tr>
<td>Current price hedge ($/bbl)</td>
<td>36.3</td>
<td>35.0</td>
<td>33.0</td>
</tr>
<tr>
<td><strong>GAS</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Volume hedged (mmcf/d)</td>
<td>57.1</td>
<td>45.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Current hedged p/therm</td>
<td>34.9</td>
<td>43.9</td>
<td>59.5</td>
</tr>
</tbody>
</table>

- Commodity mix – significant oil exposure, increase in gas H205
- EA hedges – 4,000 bopd until end 09
- Oil Hedging - Modified profile following disposals
  - Zero cost collars still very attractive
  - Development projects limit scope further out
- Gas hedging
  - Continued strong forward curve
  - S&K, H&W now available
  - Capitalising on strong 2006
Key issues

□ No cash impact, other than normal flows associated with hedge settlement

□ 3 main categories of financial instruments
  - EA Barclays hedges: Call $29/bbl, Put $24.5/bbl, 4000 bopd to 2009
  - LT Gas contracts – Thames, Powergen, Schooner/Ketch
  - Others: swaps, collars etc

□ Treatment as follows
  - EA Barclays hedge - Negative MTM 1/1/05 £21.0 million, 30/6/05 £81.5 million
    □ Designated as cashflow hedges
    □ Ineffective element of £4.0 million to income statement
  - LT Gas contracts
    □ All classed as ‘own use’
    □ No impact under IFRS
  - Others
    □ Designated as cashflow hedges
    □ Ineffective element of £1.6 million to income statement

□ Higher volatility of future earnings until longer dated hedges mature
Summary – Alan Linn
SNS Position in Tullow Portfolio

- 30% group commercial reserves and 20% of group contingent reserves
- Schooner and Ketch acquisition reserves confirmed at 330 bcf
  - Re-development moving ahead at pace
  - Material “early gains” from production stability
- SNS Gas production of 112mmcf/ytd 40% of group 2005 production (with Alba)
- Horne & Wren development completed in June and production exceeding expectation (110mmcf/d gross/ 55 mscfd nett)
- Significant exploration potential in CMS area
- Working to further extend Hewett/Bacton economic life
Summary – Strategy Implementation

- Tullow has built a significant platform for growth in the UK SNS
- Successfully pursuing Tullow’s four “value adding routes”
  - P&D, Exploration, Acquisitions & Portfolio management
- Continuing to leverage the team’s commercial, technical and operating skills
- Material activities in both SNS core areas in 2005 and beyond
- Opportunities to maximise benefits of favourable gas market
- Pursuing suitable opportunities to build a third core area (Dutch Sector?)

The SNS is a key component of Tullow’s future
A leading independent oil and gas exploration and production group