TRADING STATEMENT AND OPERATIONAL UPDATE

Jubilee Phase 1 on schedule for first oil by year-end; FPSO arrived in Ghana

High-impact 2H 2010 drilling programme; key wells under way in Ghana and Uganda

Government approval for purchase of Heritage's Ugandan assets expected imminently

6 July 2010 - Tullow Oil plc (Tullow) issues this Trading Statement in respect of the first half of the 2010 financial year ended 30 June 2010. This is in advance of the Group's Half-Yearly Results, which are scheduled for release on Wednesday 25 August 2010. The Operational Update is in respect of recent Production, Development and Exploration activities. The information contained herein has not been audited and is subject to further review.

HIGHLIGHTS

Production and Development Activities

- Jubilee Phase 1 development remains on schedule to deliver first oil during November or December 2010; FPSO 'Kwame Nkrumah' is now moored on station offshore Ghana.
- Approval for the sale of Heritage's Ugandan interests to Tullow is expected as soon as a process is agreed between Heritage and the Government of Uganda to finalise outstanding issues.
- Group working interest production averaged 55,800 boepd for the first half of 2010 and is expected to average between 56,000 and 57,000 boepd for the full year, in line with expectations.

Exploration and Appraisal activities

- Shekhan-1 gas discovery in Pakistan; Eight out of eleven (73%) successful exploration and appraisal wells drilled to date in 2010;
- A high-impact 2H 2010 drilling programme of over 15 wells in Ghana and Uganda commenced with the Owo-1 exploration well in Ghana and the Nsoga-5 and Ngiri-2 appraisal wells in Uganda.
- Mahogany-5 completed the appraisal of southeast Jubilee and development studies are underway.
- Outside of Ghana and Uganda, seven potentially transformational exploration wells planned to commence over the coming nine months - Sierra Leone (2), Liberia (1), Mauritania (2), Guyana (1), French Guiana (1).
- Heads of Agreement signed in relation to the deepwater exploration licence, Block 47, in Suriname.

Group Operations and Financials

- First half capital expenditure of US$600 million with forecast 2010 expenditure of US$1,500 million.
- Net debt at 30 June 2010 was approximately US$200 million.
- With effect from 1 January 2010, Tullow's presentational currency changed to US Dollars. Historical financial statements, restated in US Dollars, are released in a separate announcement today.

COMMENTING TODAY, AIDAN HEAVEY, CHIEF EXECUTIVE SAID:

"It has been a very good first half for Tullow. The recent arrival of the FPSO in Ghana represents the delivery of another major milestone ahead of first oil. The Heritage pre-emption in Uganda is now very close to finalisation and we look forward to working with our new partners, CNOOC and Total, to put together a development plan for the Lake Albert Rift basin. In addition, we continue to drill a number of high-impact exploration wells as we look to open new hydrocarbon basins to continue the company's growth."

Conference Calls: In conjunction with this announcement Tullow has scheduled a conference call. Details are included at the end of the release.

Trading statement

Production

Group working interest production for the first half of 2010 averaged 55,800 boepd, in line with market guidance. A further breakdown of these figures is provided in the Operational Update. Production figures in this update remain subject to final reconciliation and do not equate to sales volumes which averaged 42,600 boepd in the first half of 2010. This is due to variations in lifting schedules and because a portion of the production is delivered to host governments under the terms of Production Sharing Contracts.

Average working interest production for 2010 is expected to be between 56,000 and 57,000 boepd.

Realised prices and oil discount

Realised commodity prices during the first half of 2010 were higher than the 2009 levels. Realised oil price was approximately US$77/bbl (pre hedge) and US$78/bbl (post hedge) and realised UK gas price was approximately 34p/therm (pre hedges) and 39p/therm (post hedges).

The Group's oil production sold at an average discount of approximately 2% to Brent during the first half of 2010 and this level of discount is expected to continue for the remainder of 2010.

Total revenue for the first half of 2010 is expected to be of the order of US$495 million, compared with US$438 million in the first half of 2009. The increase in revenue is principally due to the increase in realised commodity prices during the year.

Asset impairments

In respect of producing assets, Tullow expects to record a further impairment charge to cost of sales of approximately US$7 million relating to the Chinguetti field in Mauritania.

Underlift

At 30 June 2010, Tullow was in a net underlift position amounting to an estimated 64,000 barrels. Movements during the first half of 2010 in underlift and overlift positions are recorded at market value and, combined with stock movements during the period, give rise to a credit of approximately US$20 million to cost of sales.

Exploration write-offs and asset value review

Tullow's exploration write-off for the first half of 2010 is expected to be of the order of US$45 million. This write-off is principally associated with unsuccessful 2010 exploration activities in Gabon, Ghana, new ventures activity and licence relinquishments.

Capital expenditure

Capital expenditure for the first half of 2010 amounted to US$600 million and based on current estimates and work programmes, total capital expenditure for 2010 is forecast to be US$1,500 million. Approximately 60% of this investment will be allocated to production and development activities and the remainder to exploration and appraisal. Tullow's activities in Ghana and Uganda will comprise approximately 65% of the anticipated 2010 capital outlay.

Derivative instruments

At 30 June 2010 the Group's commodity derivative instruments had a net negative mark to market value of approximately $12.1 million. The movement in the mark to market position during the first half of the year has been caused by the weakening oil price being offset by strengthening gas prices over the period.

The Group's interest rate derivative instruments had a net negative mark to market value of approximately $14.7m due to low US$ swap rates.

Commodity Hedging Summary

At 30 June 2010 the Group's commodity hedge position to the end of 2013 was as follows:

Hedge Position	H2 2010	2011	2012	2013
Oil Hedges				
Volume – bopd	14,500	12,500	8,500	2,500
Current Price Hedge - US$/bbl	79.23	76.50	81.90	84.16
Gas Hedges				
Volume – mmscfd	30.06	16.00	8.01	0.16
Current Price Hedge - p/therm	48.03	53.90	58.31	66.26

Financing

In January 2010, the Group raised US$1.45bn through a successful equity placing to facilitate the Heritage pre-emption and further support accelerated developments in Ghana and Uganda.

Net debt

Net debt at 30 June 2010 was approximately US$200 million and the unutilised debt capacity was approximately US$670 million.

Operational Update

AFRICA

Tullow's African interests are in Ghana, Côte d'Ivoire, Liberia, Uganda, Congo (DRC), Equatorial Guinea, Gabon, Congo (Brazzaville), Mauritania, Namibia, Senegal, Angola, Tanzania, and Madagascar.

Tullow's African portfolio has continued to perform strongly in the first half of 2010 with 7 successful exploration and appraisal wells out of 10 drilled and production averaging 37,500 boepd, in line with expectations.

Working interest production	1H 2010 Average (boepd)	Current Production (boepd)
Equatorial Guinea	15,750	16,200
Gabon		
Tchatamba	3,700	3,650
Niungo	3,600	3,700
Other Gabon	5,350	5,750
Côte d'Ivoire	3,300	3,400
Congo (Brazzaville)	4,200	4,200
Mauritania	1,600	1,550
Africa Total	**37,500**	**38,850**

Ghana and West African Equatorial Atlantic

Jubilee Phase 1 development

Phase 1 of the Jubilee development project continues to progress on schedule. The FPSO was named, *'Kwame Nkrumah'*, at a ceremony in Singapore on 1 May before setting sail for Ghana. The vessel arrived in June and is now moored on station above the Jubilee field.

Subsea equipment installation is largely complete with the exception of the risers which will be tied into the FPSO in July and August. The FPSO and subsea system will then be integrated, commissioned and tested in advance of first oil production which remains on track to commence during November or December 2010.

The Eirik Raude rig completed drilling operations of the Phase 1 wells in the first quarter of 2010 and then commenced the more complex well completion operations. Difficulties were encountered in the first completion due to a downhole mechanical failure resulting in the need to workover the well. Time lost during these operations will be recovered by utilising the Sedco 702 rig in parallel with the Eirik Raude. Production capacity at start-up is expected to be approximately 60,000 barrels of oil per day and will ramp up to 120,000 barrels per day over the following 3 to 6 months. The cost for the Phase 1 development is forecast at approximately US$3.35 billion, within 10% of the original US$3.15 billion budget.

Jubilee – further phases of development

Work is well advanced on further development phases which will extend the field production plateau and ensure optimisation of field reserves. Following the initial Phase 1 development, Phase 1a will involve 5 to 8 infill wells tied into existing infrastructure. Phase 1b may involve up to 20 additional wells and is likely to require expansion of the subsea infrastructure. The timing of these additional development phases will depend on the performance of the Phase 1 wells and the FPSO vessel but sanction is likely within the next one to two years.

This latest work reaffirms the resource guidance for the Jubilee Unit Area of 500 (P90) – 700 (P50) – 1,000 (P10) mmbbls.

Drilling of the Mahogany-5 well completed the appraisal of the original Mahogany discovery in the West Cape Three Points licence. The well encountered 23 metres of 28-32 degree API oil pay and pressure data has confirmed reservoir communication with the previously drilled Mahogany-4 well. The results of this well are currently being incorporated into the field model and development planning for the southeast Jubilee area is under way and will consider both independent and satellite development options. The resource range for southeast Jubilee is now guided as 100 (P90) to 500 (P10) mmbbls as we continue to refine our evaluation of the area.

Exploration and Appraisal activities
In the Tullow operated Deepwater Tano licence, drilling of the high-impact Owo-1 exploration well commenced in early June using the Sedco 702 rig. The well is expected to take approximately 60 days to drill including a planned sidetrack. The well will test the 1,400 mmboe (P10) upside case of the Greater Tweneboa area. The next prospect to be drilled by the same rig targets the large Onyina exploration prospect which is expected to spud in August. The rig will then assist with the completion work on the Jubilee field.

The Tweneboa appraisal programme will then continue with the drilling of the Tweneboa-3 and Tweneboa-4 wells in late 2010 and early 2011. A Drill Stem Test will be conducted to obtain further information regarding the characteristics of the hydrocarbons and reservoirs to support the extensive development studies which are already underway.

The next well to be drilled in the West Cape Three Points block will target the Teak exploration prospect. This well will be drilled by the Atwood Hunter rig when it returns from drilling for another operator in late 2010 and will be followed by a series of other Turonian and Campanian prospects.

In Cote d'Ivoire, acquisition of over 2,200 sq km of 3D in CI-103 and CI-105 has now been completed and is undergoing high-end processing. One well is then scheduled for each block in 2011.

In Liberia and Sierra Leone, final processing of the 10,000 sq km of 3D data over this area is nearing completion and the prospect inventory is being finalised. A three well programme is expected to commence during the next nine months. These exploration wells will target prospects in the same plays opened by the discovery of the Jubilee and Odum fields and extended by the Tweneboa and Venus-B discoveries. Amongst these, the Cobalt prospect in Liberia has a seismic character which is particularly similar to the Jubilee field in Ghana.

Uganda

Pre-emption and farm-down to align basin interests
Government of Uganda approval for the sale by Heritage Oil & Gas Limited ("HOGL") of its 50% interest in Blocks 1 and 3A in Uganda to Tullow's subsidiary, Tullow Uganda Limited ("Tullow Uganda") for US$1.35 billion is expected imminently. As per Heritage Oil Plc's announcement on 17 June 2010, a proposal has been made by them to the Government of Uganda to facilitate the closing of the transaction that Tullow Uganda entered into with HOGL on 26 January 2010 after exercising its pre-emption rights on 17 January 2010.

Following completion, Tullow plans to enter into transactions with CNOOC and Total to farm down two thirds of its interests in Blocks 1, 2 and 3A in the Lake Albert Rift Basin. This will result in a unified partnership to accelerate development of the basin and turn Uganda into a significant oil producing nation. The new partners will then prepare an accelerated basin-wide development plan that is expected to deliver production in excess of 200,000 bopd by around 2014/15.

Exploration and Appraisal activities
During the period, appraisal wells were drilled on Kasamene and Nzizi, concluding the appraisal of these fields. Kasamene-3 and 3A (sidetrack) encountered 10 metres of net oil pay in pressure communication with the up-dip Kasamene-1 well and was sidetracked into a separate fault block where it intersected an additional 15 metres of net oil pay. Nzizi-3 encountered over 9 metres of net gas pay, 16 metres of net oil pay and made a new oil discovery in the basal sands. Following Nzizi-3, a successful well intervention was carried out on Waraga-1 in which a completion was installed for future testing operations.

A new rig, the OGEC RR-600, arrived in Uganda in June and together with the OGEC IRI-750 has commenced the next phase of the high impact Uganda exploration and appraisal programme. The Nsoga-5 and Ngiri-2 appraisal wells are currently drilling and results are expected imminently. The rigs are expected to drill approximately two wells every month with a third rig expected to arrive in country before year-end. The next wells in the programme are Kanywataba-1 in Block 3a and Mpyo 1 (formerly Crocodile) in Block 1.

Lake Albert Rift Basin Development

The first phase of the Block 2 development is progressing well. The Extended Well Testing programme to gather essential dynamic production data from the Kasamene field is scheduled to commence in the fourth quarter of 2010 and preparations to deliver crude to local industrial users is ongoing. The Front-End Engineering and Design (FEED) for the Kasamene development project was initiated in January this year with the intention to deliver a facility with initial production capacity of 10,000 bopd by the end of 2011. In addition, the FEED for the development of the Nzizi gas field has commenced with the plan to deliver gas to a new power plant before the end of 2011.

These are the first steps in the phased development of the Lake Albert Rift Basin. Following completion of the farm-down to CNOOC and Total, the partners will work closely with the Government on a development plan to deliver in excess of 200,000 bopd which will include refinery options to supply petroleum products for the region as well as pipeline export routes to international markets.

Congo (DRC)

Tullow was awarded two Congo (DRC) licences adjacent to its Ugandan acreage on Lake Albert in 2006 through a transparent process in which a signature bonus of US$0.5 million was paid. Tullow have been awaiting ratification from the President ever since, however on 24 June 2010, it appears that the government awarded the licences via Presidential decree to two British Virgin Islands-registered companies. Tullow is currently considering its options with regard to the legality of this transaction.

Equatorial Guinea

Both the Ceiba and Okume Complex fields *(Tullow 14.25%)* are performing above expectations, with combined gross production currently around 115,000 bopd. The current phase of Okume Complex development drilling has been completed taking production to the facilities limit of 85,000 bopd. A time-lapse 3-D (4-D) seismic survey is to be shot over both the Ceiba Field and Okume Complex in the second half of 2010. These seismic data will be used to optimally place future infill wells.

Gabon

In the first half of 2010, Tullow's net production in Gabon has averaged 12,700 bopd. The Echira *(Tullow 40%)* and Tchatamba fields *(Tullow 25%)* continue to perform well and the Niungo field *(Tullow 40%)* has been enhanced by the addition of two-infill wells.

On the Azobe exploration block *(Tullow 60%)*, the Noix-de-Coco-1 exploration well was drilled in April and encountered wet gas within the Cretaceous interval. Sandstones within the main objective were however of poor quality at this location and the well has been plugged and abandoned.

Côte d'Ivoire

Production performance from the East and West Espoir Fields *(Tullow 21.33%)* is in line with expectations, however in the last two months production has been below normal levels because of a planned shutdown for the hook-up and commissioning of the upgraded facilities on the FPSO. The field has been brought back on stream successfully and new modules are being brought into service in a phased manner over the next few weeks. The upgrade will provide improved water handling, gas lift and gas export, as well as adding capacity to support anticipated future infill drilling projects on both fields.

Congo (Brazzaville)

Gross production from the M'Boundi field *(Tullow 11%)* is stable at around 38,000 bopd but slightly below expectations due to a combination of reservoir performance and delays in the ramp up of water injection. Injection rates have increased from 60,000 bwipd to 115,000 bwipd, but remain below the earlier target of 200,000 bwipd.

Mauritania

Regional evaluation of the Mauritanian acreage is at an advanced stage and detailed prospect specific mapping is in progress to define the significant new oil and gas potential of the basin ahead of the upcoming exploration drilling campaigns commencing with two wells in the second half of 2010. In Block 6 *(Tullow 22.4%)* the potentially significant Sidewinder prospect will be drilled. In Block 7 *(Tullow 16.2%),* the Pelican discovery will be appraised and the well will be deepened to penetrate the untested closure at the Cretaceous reservoir level. A rig has been contracted for commencement of these wells in October.

Significant progress has been made with both the partners and the Government in reviewing the development options that would allow commercialisation of the Banda gas field. The development options are currently under discussion with the Mauritanian Government to ensure that they meet the Government's objectives.

Gross production from the Chinguetti field *(Tullow 19.01%)* averaged approximately 8,400 bopd for the first half of 2010. Production has declined in line with expectations through the year. The decline has however shown signs of reducing, due to high facilities uptime and prudent reservoir management.

Namibia

Tullow is working together with NAMCOR, Gazprom International, and Itochu to finalise the new Kudu Production Licence with the Ministry of Mines and Energy. Work has commenced on revalidating and updating previous FEED studies, carried out in 2005/6 for the then proposed gas-to-power project, in order to ascertain present day cost estimates and define the best development concept to take forward into a new FEED study. In parallel, Gazprom International is progressing plans on behalf of a yet to be defined consortium to build an 800MW power station and is in ongoing talks with the Namibian and South African authorities and with Eskom, the South African power utility, as the targeted buyer of electricity that is surplus to Namibia's requirements.

Tanzania

The Likonde-1 exploration well *(*Tullow 50%) located in the Lindi Block in the Ruvuma Basin of Southern Tanzania completed drilling in April. The well intersected two sandstone intervals of over 250 metres combined thickness with evidence of residual oil and gas. The valuable technical insights gained are now being incorporated into the regional geological model before the second well in the programme is drilled next year.

REST OF THE WORLD

Tullow's other activities are located in Europe, South Asia and South America.

EUROPE

Tullow's producing interests in Europe lie in the Southern Gas Basin of the UK North Sea. In addition Tullow has offshore exploration interests in the Netherlands.

UK

Working interest production[1]	1H 2010 Average (boepd)	Current Production (boepd)
CMS Area	9,800	10,000
Thames Area	3,000	2,300
UK Total	**12,800**	**12,300**

[1] Includes condensate

In the first half of 2010, UK production has exceeded expectations, primarily due to the excellent performance from the Tullow operated Schooner and Ketch fields. This performance is due to the implementation of a well performance improvement programme.

In the CMS area, Tullow commenced drilling the KA08z infill well in May. It is anticipated that this well will commence production in Q3 2010. An infill well on the Boulton field is also expected to commence in Q3 2010.

Tullow will continue to allocate limited capital to incremental development projects in 2010 to partially offset production decline.

Netherlands

Tullow, as a non-operator, will be participating in our first Dutch exploration well in Q3 2010. The well will target the Carboniferous Muscovite prospect which extends into Block E13b. Meanwhile, technical work continues to mature the Tullow operated E and D block prospect inventory where our intention is to shoot a significant 3D seismic survey this summer. Consequently the first Tullow operated Dutch exploration well is likely to be in 2011 following the results of the revised seismic work programme.

Portugal

Following the successful completion of work programme commitments and a detailed evaluation of the full subsurface dataset, our operated interest in this acreage has now been fully transferred to other parties within the Joint Venture.

SOUTH ASIA

In South Asia, Tullow has exploration, development and production interests in Pakistan and Bangladesh.

Working interest production	1H 2010 Average (boepd)	Current Production (boepd)
South Asia	**5,500**	**6,000**

Bangladesh

Production from the Bangora Field *(Tullow 30%)* has been maintained at 120 mmscfd since mid-October 2009, although a process upset in June 2010 resulted in a 2 week shutdown while the incident was investigated and remedial action taken. A hydrocarbon dew point control system was installed and commissioned in March 2010. This has more than doubled condensate recovery from the field and improved the specification of sales gas. Negotiations continue with the Bangladesh Government to finalise the award of offshore exploration Block SS-08-05.

Pakistan

In the Kohat Block (Tullow 40%), the Shekhan-1 exploration well reached a Total Depth of 2,810 metres on 4 February 2010 and has been successfully flow tested. The results of drilling, wireline logs, sampling and flow testing show that at 1,625 metres the well penetrated a total net gas pay of 45 metres in sandstone reservoirs over a gross interval of 93 metres. The discovery additionally confirms the presence of a working petroleum system in the Kohat block, opens a new structural fairway and de-risks remaining prospects and leads with multiple reservoir potential. A second exploration well is planned to be drilled early in 2011.

SOUTH AMERICA

In the Equatorial Atlantic region of South America, Tullow has exploration interests in French Guiana, Guyana and Suriname. Recent focus in South America has been on maturing our prospect inventory in existing assets and on new venture opportunities pursuing play types similar to the Jubilee field in Ghana.

French Guiana

In the Guyana Martime block *(Tullow 39%),* a number of Jubilee-type leads have been identified in the south-eastern part of the block and acquisition of a large 3D seismic programme (2,500 sq km) was completed in early February 2010. Processing and interpretation of this data set is ongoing and well planning for the first well in the Block is continuing with a target spud around year-end 2010 on the Zaedyus prospect.

Guyana

Interpretation of the Georgetown block *(Tullow 30% non-operated)* 3D seismic data acquired in January 2009 has identified a number of prospects in the Upper Cretaceous and Tertiary intervals. A well to drill the Jaguar prospect is scheduled to commence around year-end 2010.

Suriname

The five well drilling programme on the onshore Coronie licence *(Tullow 40%)* is now scheduled to commence in Q4 2010.

On 17 May, Tullow announced that it signed a Heads of Agreement with Staatsolie in relation to Block 47, a 2,369 sq km deepwater exploration licence offshore Suriname. The signing will enable the parties to finalise a Production Sharing Contract for the Block and enhance Tullow's portfolio of high-impact exploration acreage in the emerging Suriname-Guyana Basin.

SUMMARY OF PLANNED SECOND HALF 2010 EXPLORATION AND APPRAISAL ACTIVITY

Country	Block	Prospect	Interest	Spud Date
Uganda	Block 1	Butiaba Campaign	50%	In progress - Q4 2010
Uganda	Block 2	Butiaba Campaign	100% (op)	In progress - Q4 2010
Ghana	DWT/WCTP	2 Well Campaign	various	Q3 - Q4 2010
Ghana	DWT - Greater Tweneboa	3 Well Campaign + DST	49.95% (op)	In progress - Q1 2011
Sierra Leone	SL-06/07	2 Well Campaign	10%	Q3 2010 - Q1 2011
Liberia	Block 17	Cobalt	25%	Q4 2010
Mauritania	Block 6	Gharabi/Sidewinder	22.4%	Q3 2010
Mauritania	Block 7	Pelican/Cormorant	16.2%	Q4 2010
French Guiana	Guyane Maritime	Zaedyus	39.5% (op)	Q4 2010
Guyana	Georgetown Block	Jaguar (previously named El Dorado)	30%	Q4 2010
Suriname	Coronie/Uitkijk	7 well campaign	40%	Q4 2010
Netherlands	Block E13b	Muscovite	10%	Q3 2010
Gabon	Arouwe	Falcon North	35%	Q4 2010
Gabon	Omouyei	Maroc Nord 6-well appraisal campaign	7.5%	Q3 - Q4 2010
Pakistan	Kohat	Shekhan/ Kohat West	Various	Testing - Q4 2010

Ends

CONFERENCE CALLS

A conference call hosted by Aidan Heavey (Chief Executive), Paul McDade (Chief Operating Officer), Angus McCoss (Exploration Director) and Ian Springett (Chief Financial Officer) will be held today at 09:30 (BST).

To access the call please dial the appropriate number below shortly before the call and ask for the Tullow Oil plc conference call. A replay facility will be available three hours after the conference call until 12 July. The telephone numbers and access codes are:

European Conference Call		Replay Facility	
UK Participants	020 7806 1950	UK Participants	020 7111 1244
Irish Participants	01 486 0922	Irish Participants	01 486 0902
		Access Code	8455503#

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Disclaimer

This announcement contains certain operational and financial information in relation to the first half of 2010 that is subject to final review and has not been audited. Furthermore it contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil & gas exploration and production business. Whilst the Group believes the expectations reflected herein to be reasonable, the actual outcome may be materially different owing to factors either within or beyond the Group's control, and accordingly no reliance may be placed on the figures contained in such forward looking statements.

For further information please refer to our website at www.tullowoil.com.