

# Tullow Oil plc – 2008 Full year results

11 March 2009



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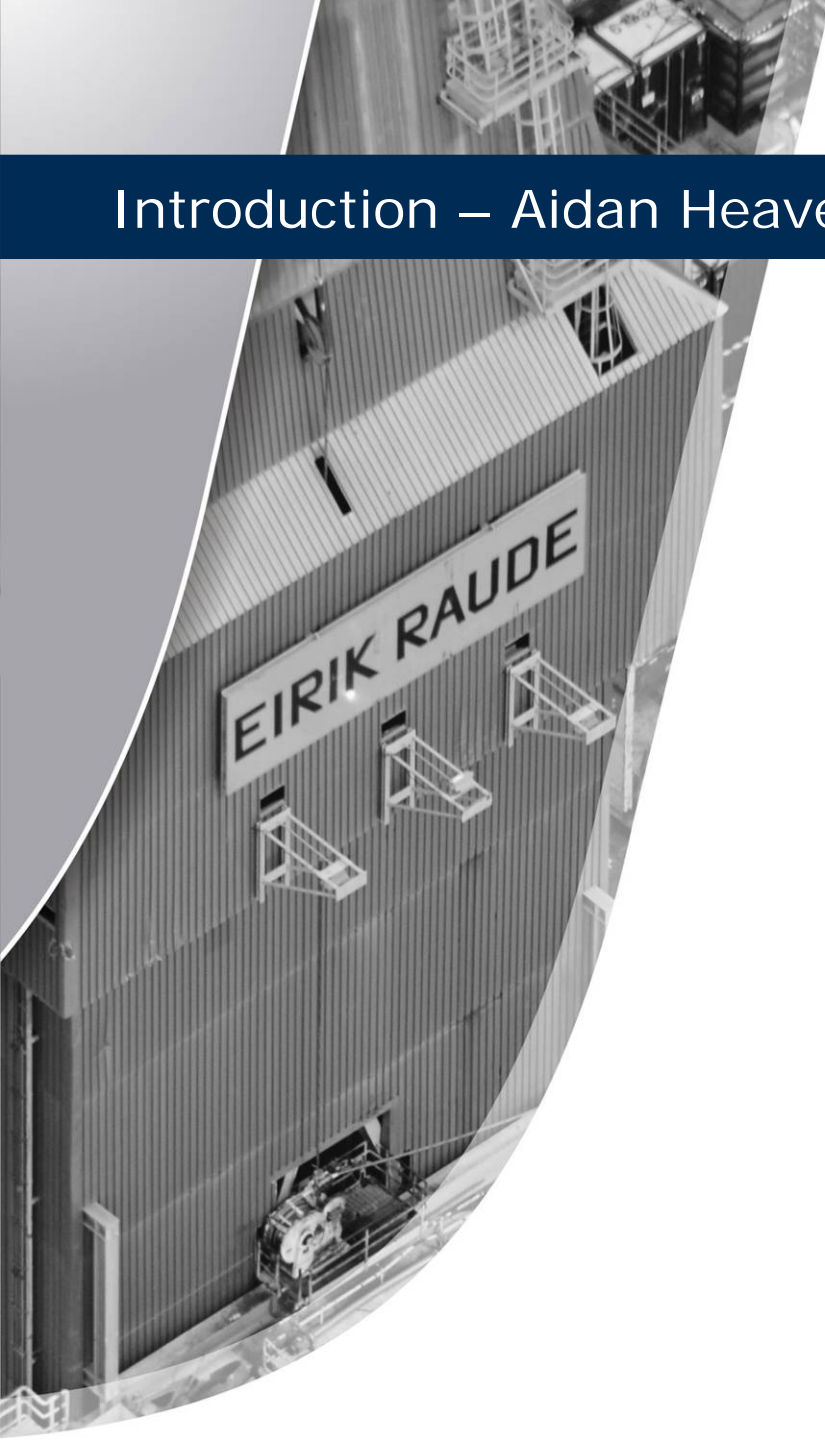
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## Introduction – Aidan Heavey



## People and funding in place for the next phase

- Continued growth and delivery in 2008
- Funding secured to execute major projects
- Material exploration and resources upside
- High quality team to deliver future expansion
- Well positioned to seize opportunities in current environment

# Finance – Ian Springett



## 2008 Full year results summary

	2008	2007	Change
Sales revenue	£692m	£639m	+ 8%
Operating profit	£300m	£189m	+ 59%
Net profit	£226m	£53m	+ 330%
Basic earnings per share	30.9p	7.1p	+ 335%
Dividend per share	6.0p	6.0p	0%
Capital investment	£480m	£368m	+ 31%
Cash generated from operations <sup>1</sup>	£519m	£474m	+ 9%
Net debt <sup>2</sup>	£400m	£480m	- 16%

<sup>1</sup> Before working capital movements

<sup>2</sup> Including all cash balances

Record sales revenue, net profit and cash generated from operations



# 2008 Operational performance

## Sales revenue up 8% to £692m

- Production down 9% to 66,600 boepd\*
- Realised oil price up 17% to \$73.6/bbl (2007: \$62.7/bbl)
- Realised gas price up 40% to 52.4p/th (2007: 37.3p/th)

## Gross profit up 14% to £326m

- Cash operating costs £5.90/bbl\* (2007: £5.05/bbl\*)
- Depreciation charge £8.14/bbl\* (2007: £7.61/bbl\*)
- Impairment charge of £26m (2007: £14m)
  - Mauritania and Pakistan

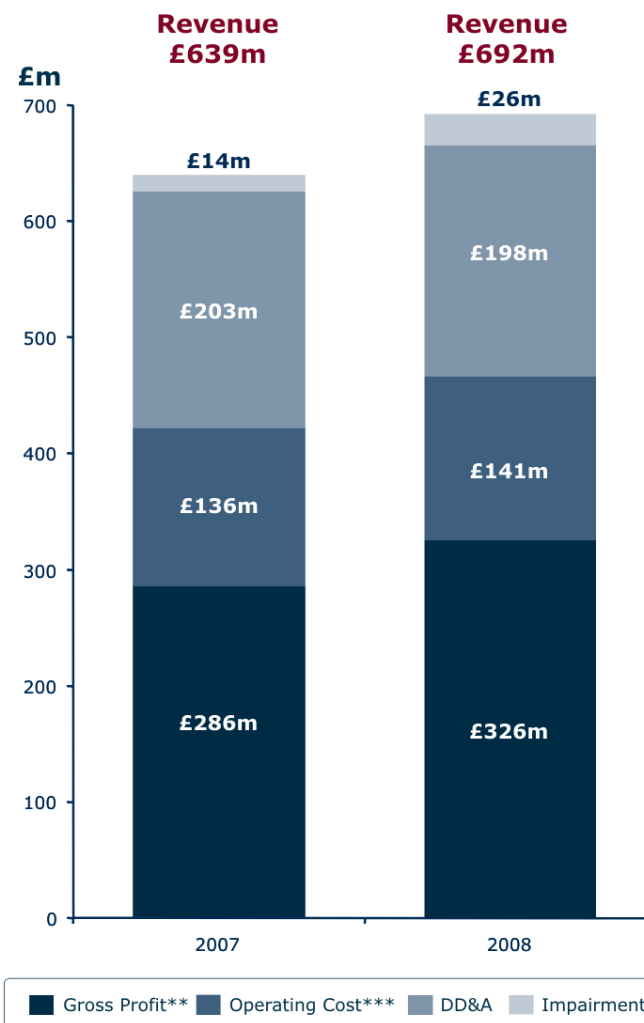
## Operating Profit up 59% to £300m

- Exploration Write off £227m (2007: £64m)
  - Mauritania, Tanzania, Suriname & Licence relinquishment
- Admin Expenses - £43m (2007: £32m)
- Profit on disposal after tax of £244m – Ngosso, CMS and Hewett-Bacton (2007: £1m)

## Net Profit up 330% to £226m

- Increased operating profit and lower effective tax rate of 28% (2007: 34%)
- Hedging gain of £43m (2007: £29m loss)

\*Working interest basis



\*\* Gross Profit before admin costs, exploration and disposals  
 \*\*\* includes movement on under/overlift



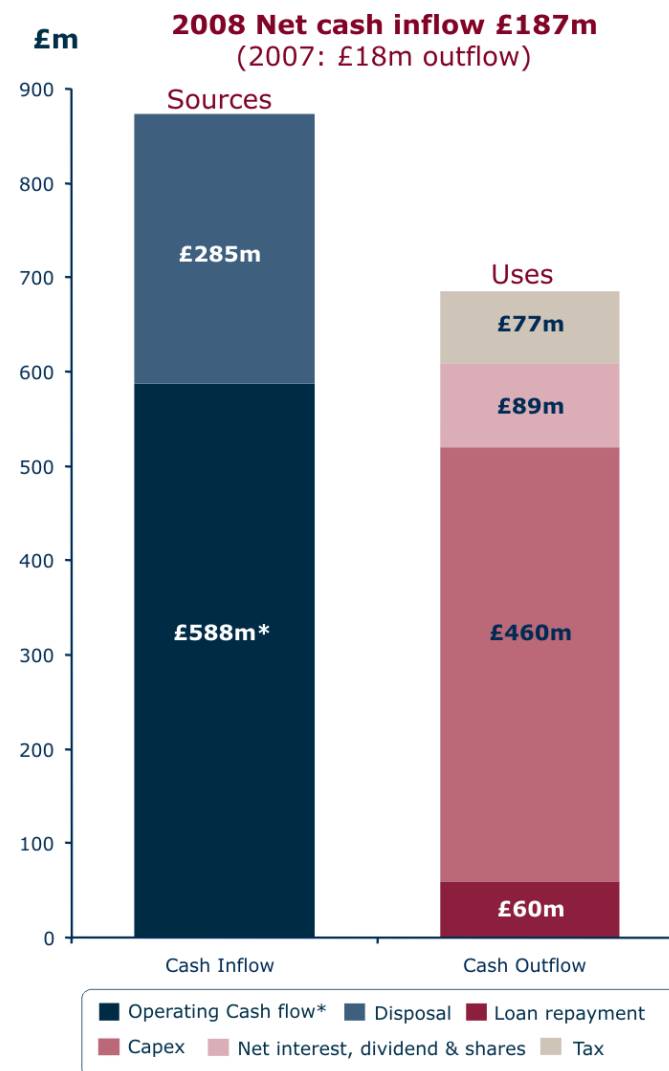
## 2008 Sources and uses of funds

### Cash inflow £873m

- Operating cash flow - £588m\* (2007: £447m\*)
  - Increased commodity prices, lower volumes
- Disposal proceeds - £285m (2007: £336m Hardman acquisition cost)
  - Hewett-Bacton receipt £208m
  - CMS/Ngoosso receipts £77m

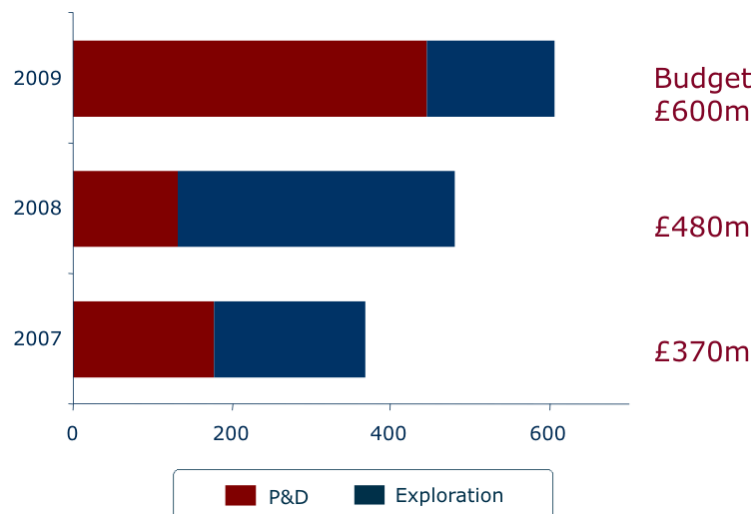
### Cash outflow £686m

- Cash Capex £460m (2007: £364m)
- Cash tax paid £77m (2007: £30m)
- Net interest, dividends & shares £89m (2007: £85m)
- Loan repayment £60m (2007: £351m drawn)



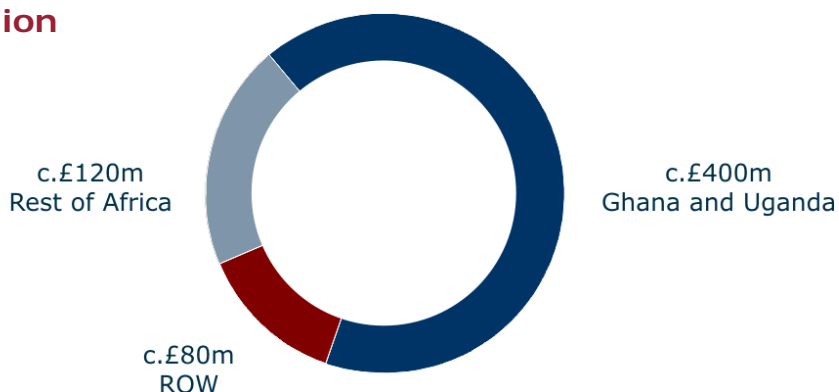
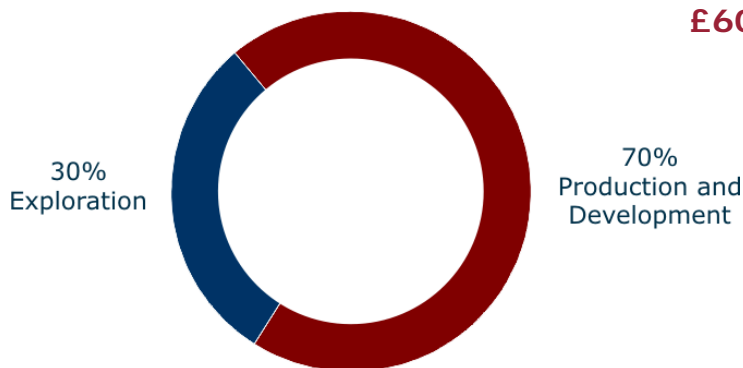
\* After working capital

# Focused 2009 capital budget



- £480m invested in 2008 and £600m currently budgeted for 2009
- 2009 capital split 70: 30 between Development and Exploration & Appraisal, heavily focussed on Ghana and Uganda
- Prudent level prior to the equity placing and completion of the financing

## 2009 Current budget Capex £600 million



# Financial strategy

## Prepared for downturn in 2008/2009

- Ensured control of Capex and Opex
- Active portfolio management - £285m proceeds
- Set a prudent 2009 capital budget of £600m

## Strengthened balance sheet

- Write down and impairment of non-core assets - £253m
- Successful equity placing raised £402m
- Secured \$2bn financing, incorporates Jubilee into existing borrowing base
- Existing debt facility to be repaid
  - Gross debt drawn end 2008 \$1,030m (net debt £400m)
  - Current gross debt drawn \$800m (net debt c.£200m)

**Active cost and portfolio management, strengthened balance sheet, debt and equity funding secured**

## Disciplined financial strategy and strong 2009 outlook

- Strong balance sheet and funding in place to
  - Bring world class Jubilee field into Phase 1 production 2H 2010
  - Develop ever growing discoveries and prospects in Lake Albert region
  - Support high impact drilling campaigns
- Reviewing drill campaign – Tweneboa and continued Uganda success (£75m - £125m)
- Significant portfolio management opportunities – farmdowns, selective acquisition
- Asset base highly leveraged to oil price upside

**A position of real strength and opportunity to support the next phase of growth**

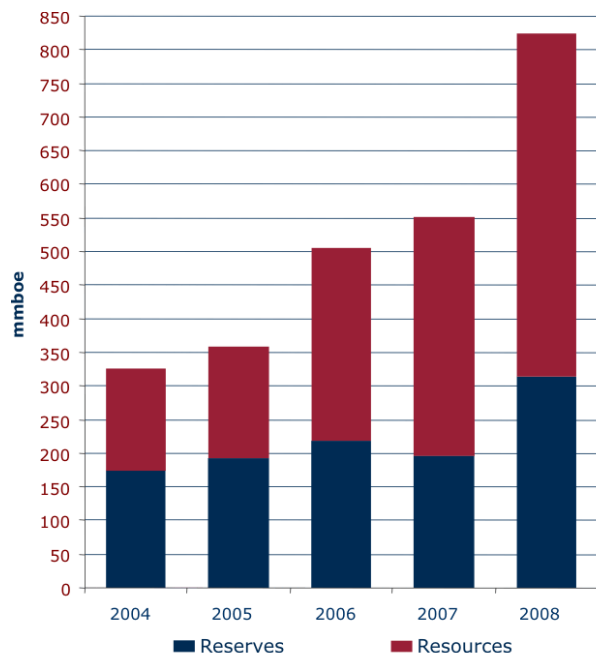
# Production and Development – Paul McDade



## Production and Development highlights

- Record EHS performance in 2008 despite increased activity
- Significant upgrade to reserves and resources
- Jubilee Phase 1 on track for 2H 2010 first oil
- Phased basin-wide plan to develop Ugandan resources
- Focus on capital and cost management in current environment
- Major expansion in the capability of the P&D team

# Reserves and Resources increased to 825 mmboe



## Working interest production

- 2008 averaged 66,600 boepd
- 2009 forecast of 60,000 boepd

## Reserves and Resources

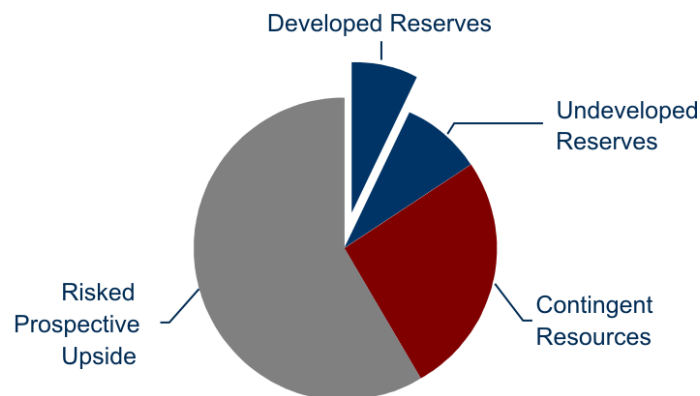
- Commercial reserves - 314 mmboe
- Contingent resources - 511 mmboe
- Three year reserves replacement – 226%

## Significant upgrades in Ghana & Uganda

- Ghana reserves - 170 mmboe
- Uganda resources - 263 mmboe

## Total resource potential ~2billion boe

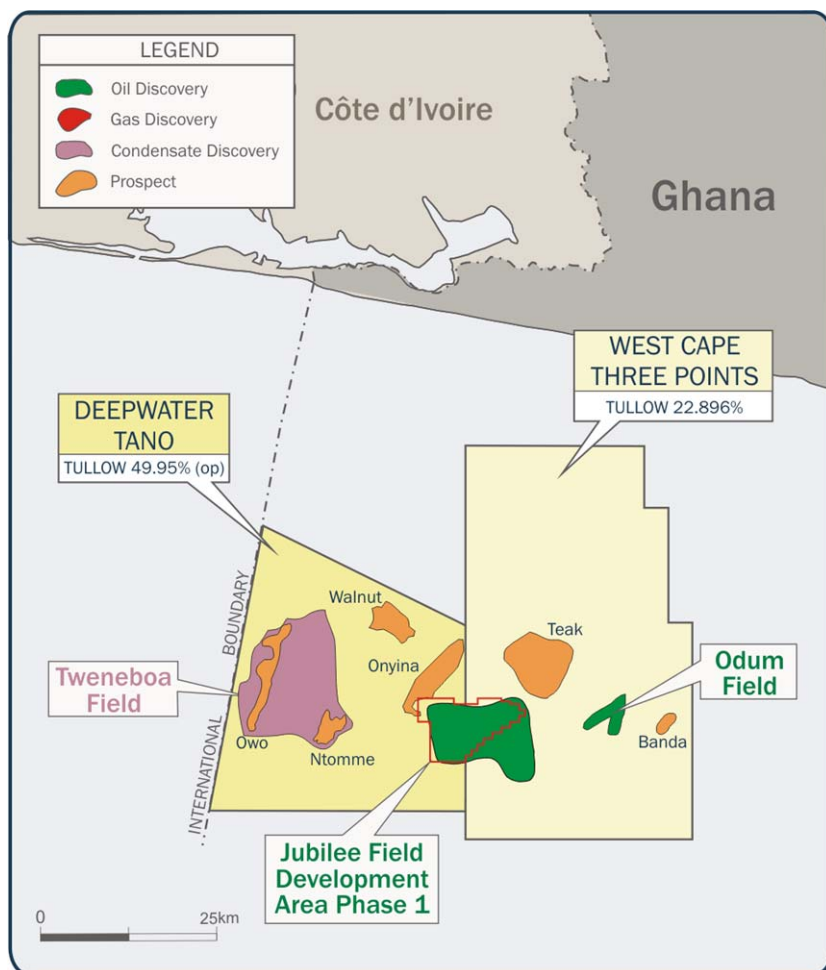
- Developed reserves - 7% of total
- Reserve and resource life - 38 years
- Risked prospective upside >1 billion boe



**Record Reserves Replacement - 582%**



# World-class developments offshore Ghana



## Ghana overview

- Jubilee field discovery – June/August 2007
- Odum discovery – February 2008
- Tweneboa discovery – March 2009

## Jubilee field

- Four appraisal wells confirm giant discovery
- Exceptional reservoir and fluid properties
- Gross resource potential 600–1200–1800 mmbo
- Gross reserves booked - 490 mmbo
- Significant associated gas resources ~800bcf

## Phase I FPSO development under way

- Early decision to pursue phased development
- FPSO/Subsea scheme - \$3.1bn capex
- Development drilling underway
- All major contractors selected
- First oil target remains 2H 2010

## Pursuit of upside potential

- Further appraisal of Jubilee planned
- Jubilee Phase 2 option review 2009
- Tweneboa appraisal strategy under review
- Active exploration programme through 2009/10

# Jubilee Phase 1 – on track for first oil 2H 2010

## Jubilee development concept

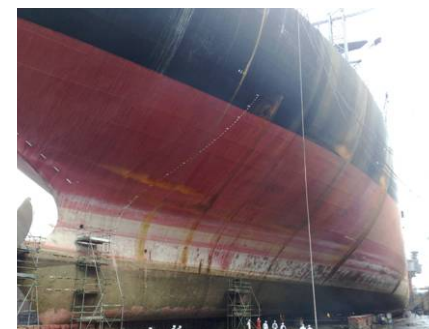
- Simultaneous appraisal and development
- Phased approach - accelerate first oil, manage uncertainty
- Phase 1 - FPSO & subsea development

## Phase 1 scope

- Production capacity - 120,000 bopd
- Water injection - 230,000 bwpd
- Gas injection/export - 160 mmscfd

## Phase 1 timeline

- **FPSO**
  - MODEC initiated tanker conversion - Nov 2008
  - Entered Jurong dry dock - March 2009
  - Topsides modules installation - 4Q 2009
  - FPSO sail away planned - 1Q 2010
- **Subsea**
  - Technip to supply/install subsea equipment
  - FMC to supply subsea trees & manifolds
  - Other equipment identified and committed
  - Fabrication of subsea equipment through 2009
- **Installation** of subsea equipment and FPSO planned mid-2010



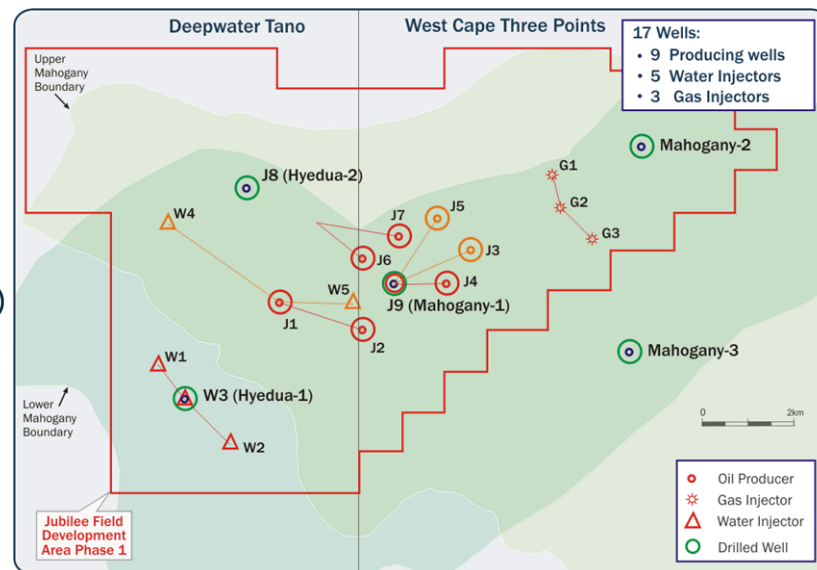
# Sufficient Ghana rig capacity

## Jubilee development drilling

- Eirik Raude - contracted for 3–5 years
- Plan to complete existing wells
  - H1, H2, M1, M2
- J4 development well underway
- 17 wells planned (9 prod, 5 water inj, 3 gas inj)

## Exploration & appraisal drilling

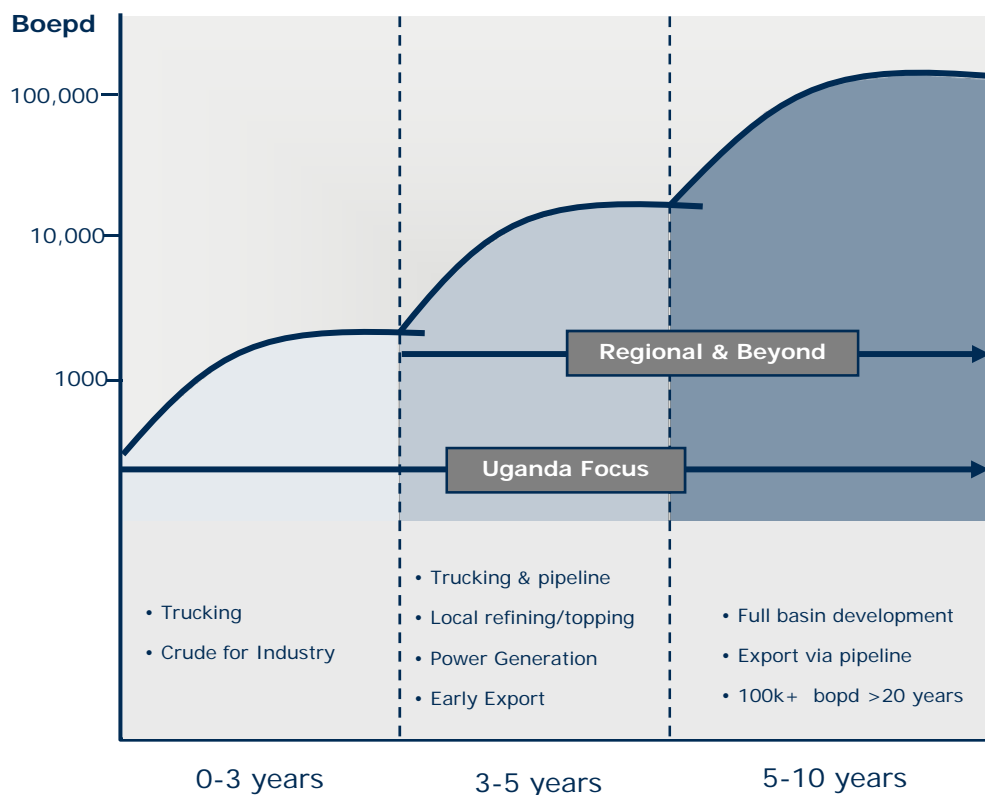
- Aban Abraham – Q2/Q3 2009 (2 slots)
- Atwood Hunter – 9 months Q3 09
- Up to 9 E&A wells planned 2009/10



## Ghana drilling programme 2009-10

2009	January	February	March	April	May	June	July	August	September	October	November	December
Raude	M3-d	Tweneboa-1	J1-d	J2-d	J5-d	J3-d	G1/DST		H1 INJ	J7-d	J6-d	W4-d W5
Dolphin	H2-d	J4/J4 ST-d		M1 DST								
Aban						Mahogany E/A			Mahogany E/A			
Hunter									Tweneboa-2 & DST		Teak-1	
2010	January	February	March	April	May	June	July	August	September	October	November	December
Raude	W5-d	W1-d	W2-d	G2-d	J9-c	J3-c	J4-c	J5-c	G1-c	G2-c	W1-c	W2-c J8-c J2-c
Hunter	Ghana Exploration and Appraisal											
	Exploration and Appraisal	Producers	Gas Injectors	Water Injectors								

# Basin-wide Lake Albert development plan



**Putting in place people and plans to execute a major development programme**

## Multi billion barrel basin potential

- Significant resources already discovered
- Major onshore and offshore prospects still to be drilled

## Basin-wide development

- Development concepts under review
- Phased development
  - Optimum basin-wide approach
  - Uganda short & long term needs
  - Manage uncertainty through knowledge
  - Deliver early value & revenue
- Mputa EPS superceded

## Uganda focus throughout

- Local energy and fuel requirements
- Continue strong relationship with local stakeholders
- Plan to have high Ugandan content
- Support Uganda's institutional capacity

# Driving efficiency across the portfolio

## Cost management

- New demand environment for oil services
- Rig and service costs beginning to fall
- Pro-active approach to capturing this value potential

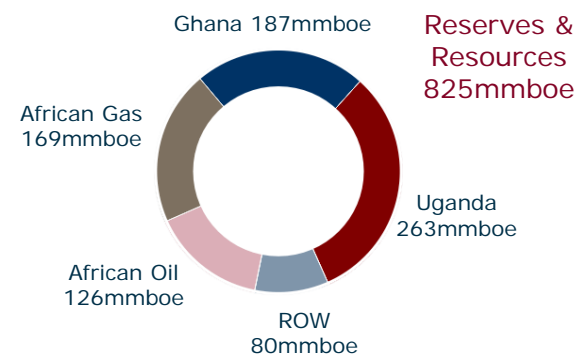
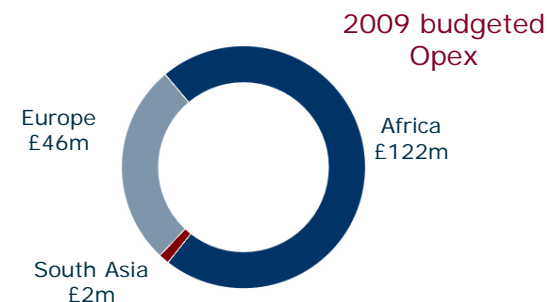
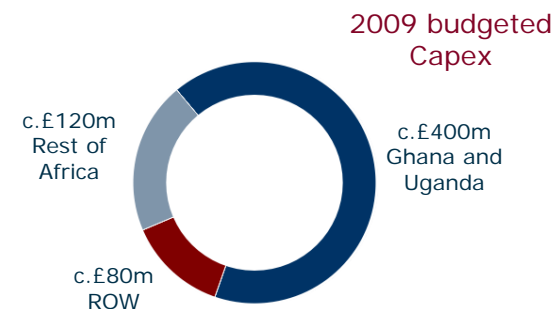
## Producing assets

- Optimise production from existing wells and facilities
- Opportunity to drive down opex in current environment
- Investment opportunities continue to be identified
- Strict capital allocation 2009/10

## Management of whole portfolio

- Opportunities to extract value – Hewett, Cameroon
- Commercialisation of African gas resources
- Sale of assets and transfer of operatorships in Pakistan

**Portfolio being actively managed whilst focusing on Ghana and Uganda**

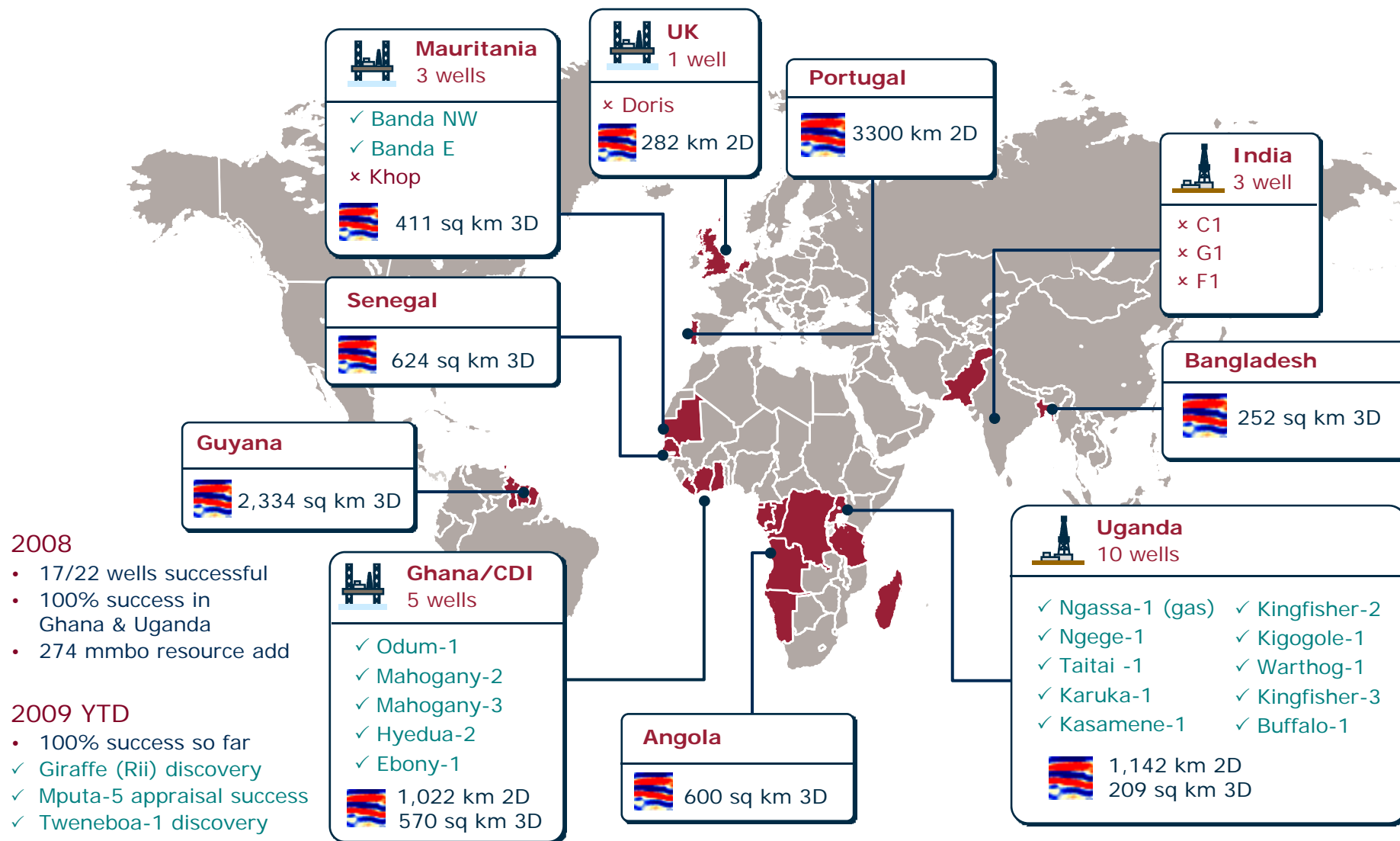


## Exploration – Angus McCoss



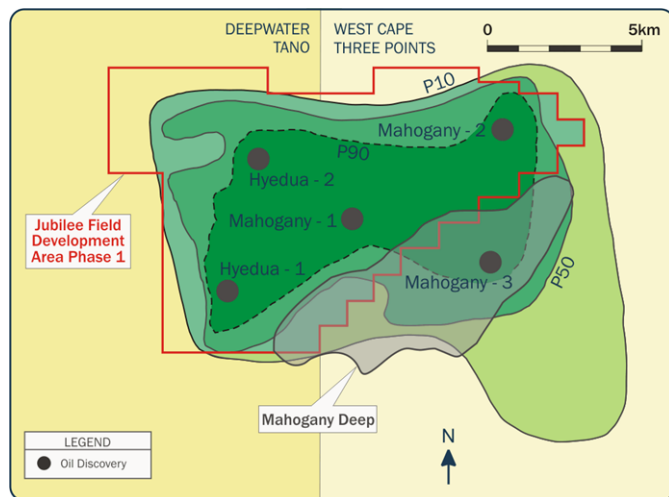


# 77% global exploration & appraisal success rate in 2008



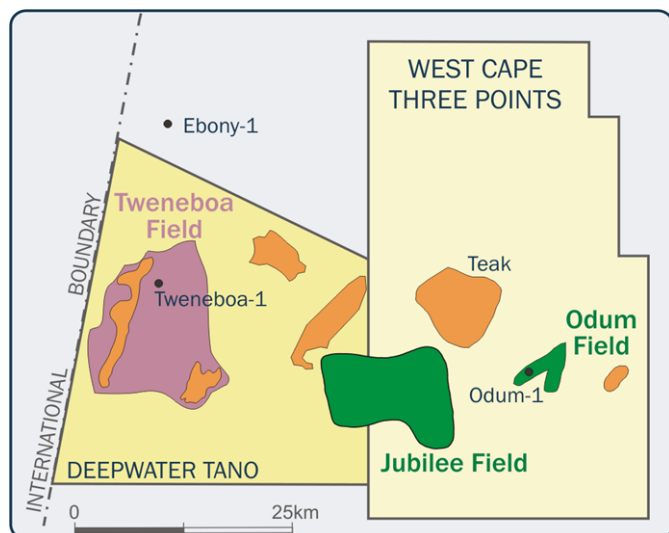


# Ghana upside potential being realised – 100% success



## Exploratory appraisal in Jubilee

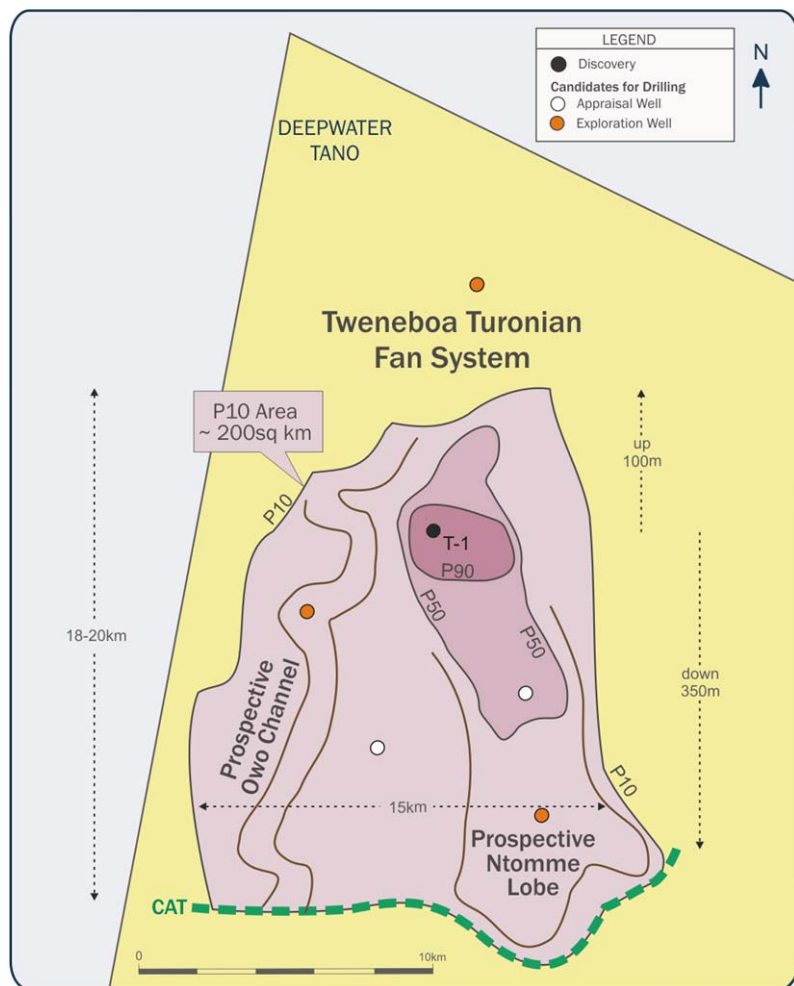
- Gross resource potential expanded to 600 – 1,200 – 1,800 mmbbl
- Large continuous accumulation confirmed
- Exceptional field characteristics reaffirmed
- Significant associated gas resources ~800bcf
- Appraisal wells to target extension to East in 2009/10
- Mahogany Deep appraisal drilling 2009/10



## Frontier drilling in Tano Basin

- Mahogany-3 Deep discovers another Jubilee fan
- Odum-1 opens new Campanian play
- Ebony-1 discovery de-risked Tweneboa
- Tweneboa-1 discovery builds on success in Jubilee play
- Teak complex to be drilled in 2009
- Remaining prospects under review for drilling 2009/10

# Tweneboa-1 discovers another field in the Jubilee play



CAT= Common Amplitude Termination

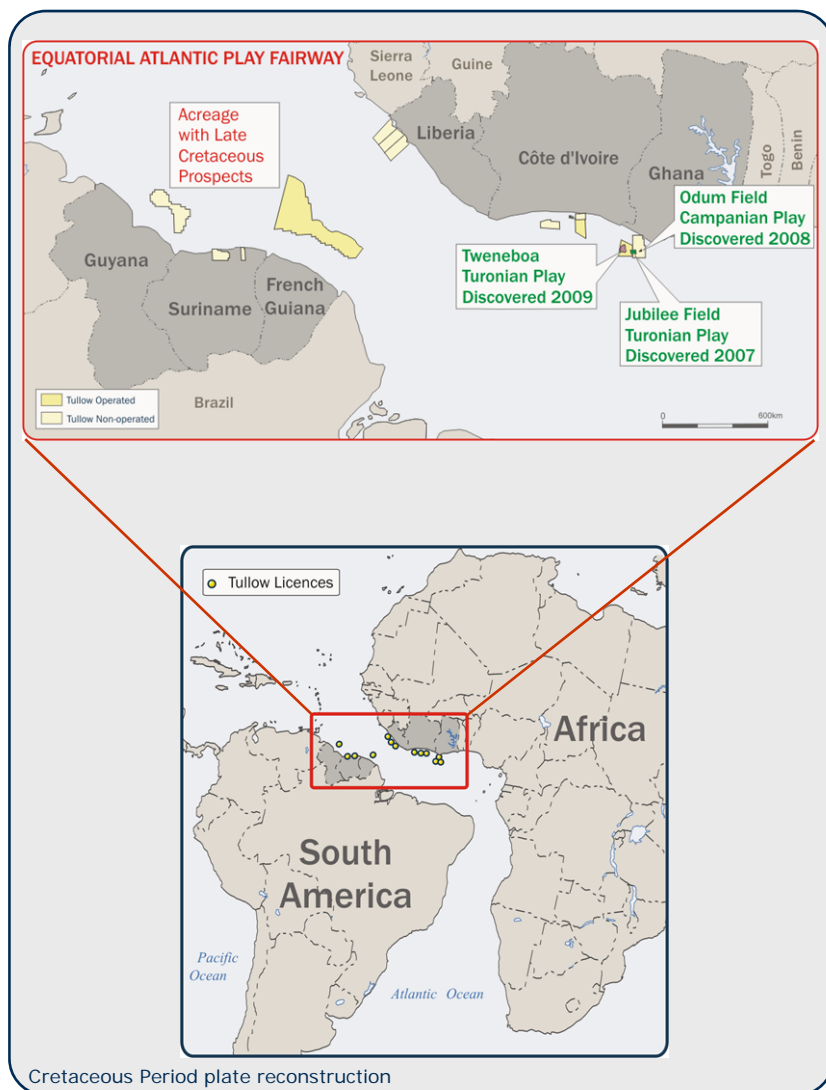
## Significant breakthrough

- Major light hydrocarbon discovery
- Near single-phase gas-oil fluid
- Gross resource potential
  - 50 - 250 - 1,400 mmboe
  - 30%-40% liquids (based on Tweneboa-1)
- Another field in the Turonian Jubilee play
- Located 25 km from Jubilee, water depth 1,148m
- AvO calibration ongoing for follow up exploration

## Material potential

- Giant stratigraphic trap up to 200 sq km
- Tweneboa-1 encounters flank of a major channel
- 21m net pay in a single zone
- Upside defined by independent observations
- Further drilling will target thicker reservoirs
- Drilling ahead to further assess the discovery
- Targeting up-dip limit of a potential deeper fan

# Upside potential throughout Equatorial Atlantic region



## Jubilee play follow-on strategy

- Capitalising on knowledge of working plays
- Aim to repeat transformational performance
- Building strong acreage position
- Leveraging expertise built
- Operational synergies maximised
- Forming strategic regional relationships

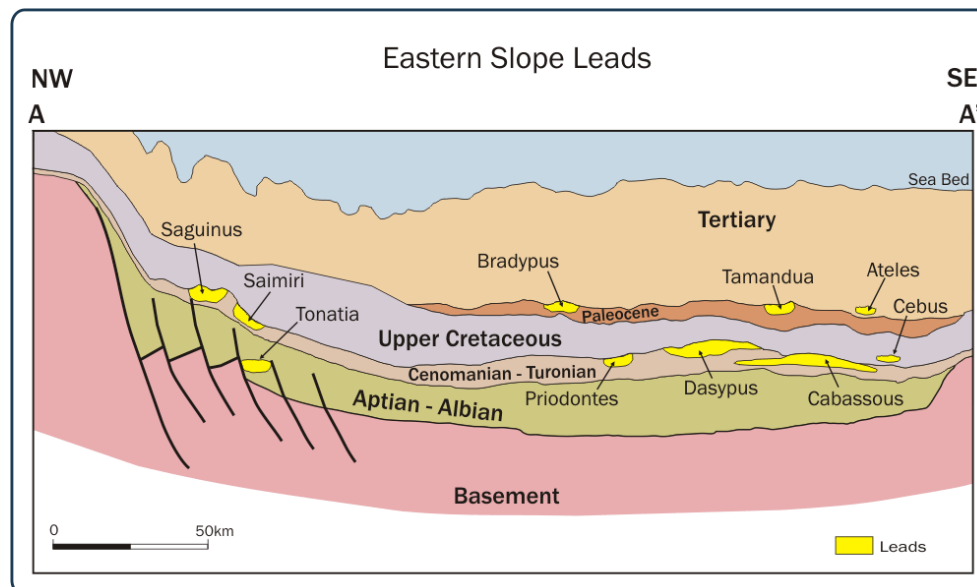
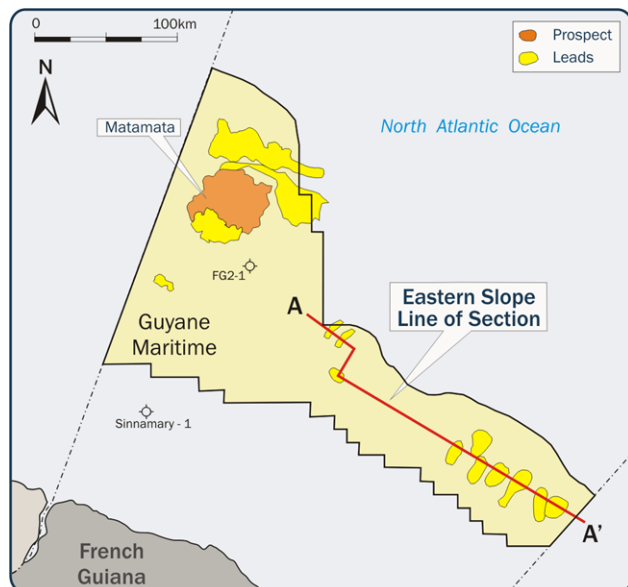
## Positions strengthened in Africa

- Established in Ghana and Cote d'Ivoire
- New entrant in three licences in Liberia

## Atlantic twin basins in South America

- Established in French Guiana and Suriname
- New entrant in Guyana

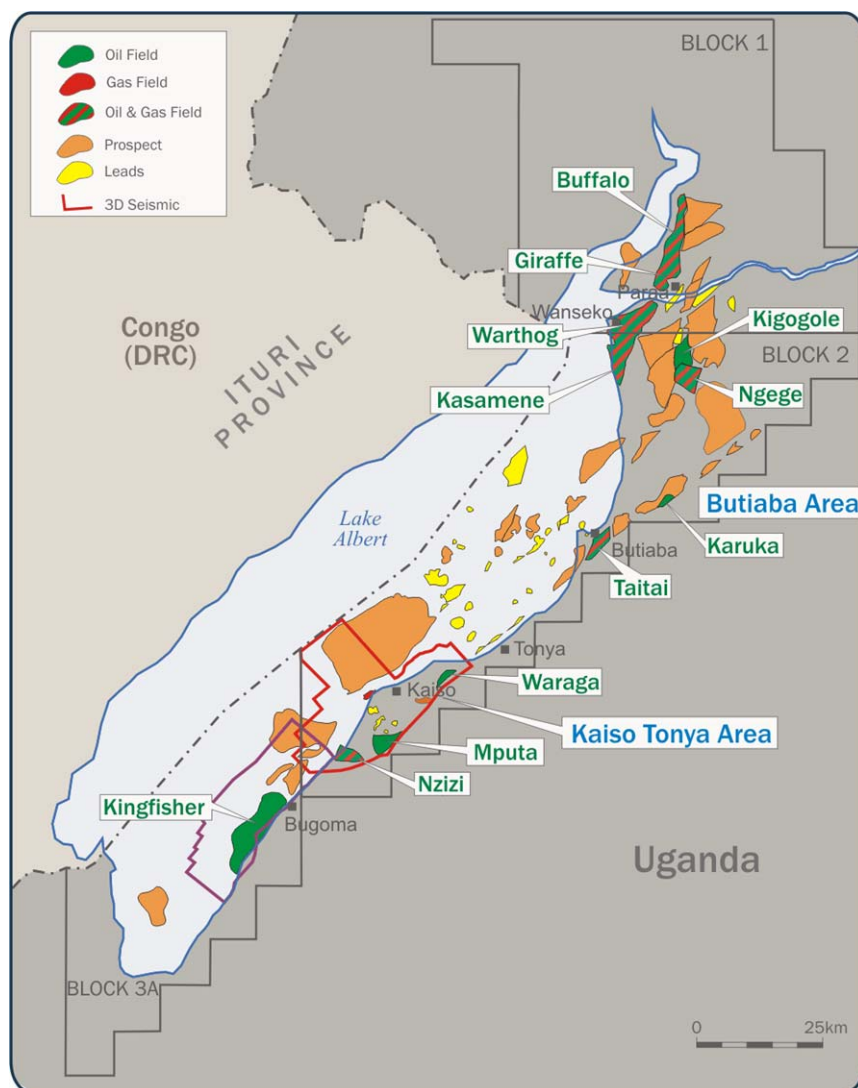
# Atlantic twin basins in South America



## French Guiana – Guyane Maritime licence

- Prospective Jubilee stratigraphic-trap analogues identified on Eastern Slope
- Billion barrel potential in giant Matamata prospect further supported by basin modelling
- Plan to leverage 3D seismic & dilute high equity position (97.5%)

# Uganda commercial threshold volumes discovered



## 100% success rate in Lake Albert Rift Basin

- 20 wells drilled so far – all found oil & gas
- 10 drilled successfully in 2008
- 600 mmbo discovered resources
- Basin potential significantly beyond 1bn barrels

## Kingfisher

- Appraisal confirms around 200 mmbo
- High well flow rates > 14,000 bopd
- 3 wells confirm 3 high quality reservoirs

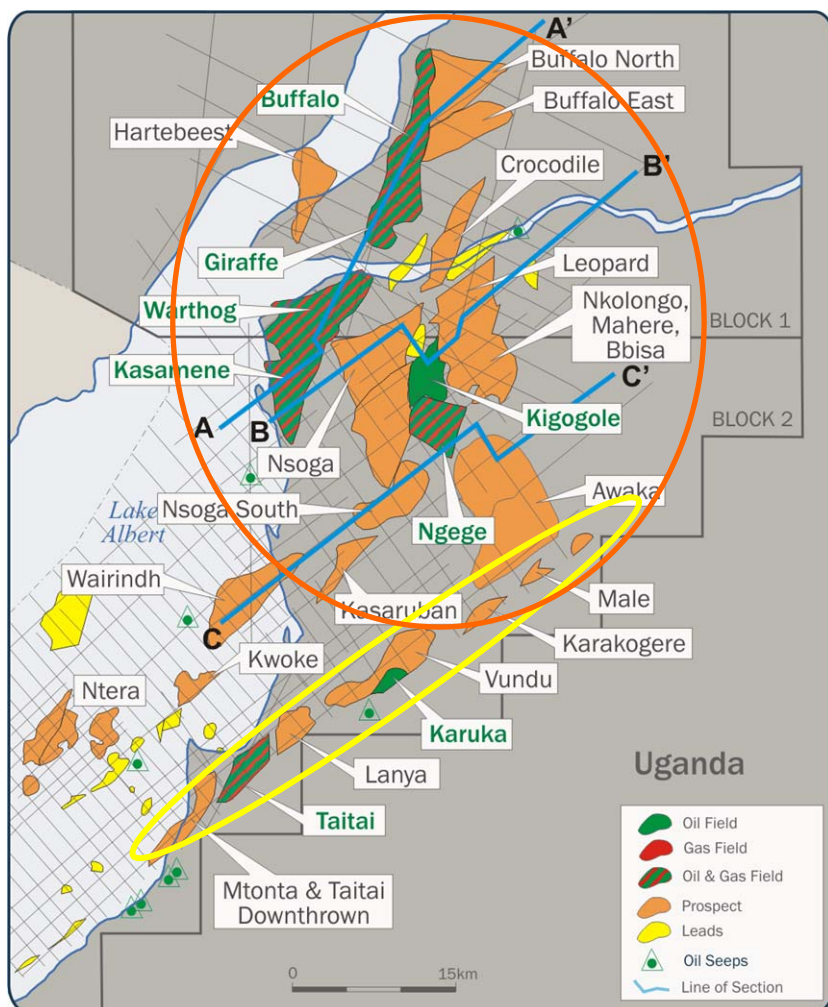
## Kaiso Tonya

- 3D seismic processed to very high standards
- Mputa-5 demonstrates ability to optimise well locations using enhanced seismic methods

## Ngassa

- Largest prospect in Uganda to spud in March
- Enhanced 3D seismic imaging
- Significantly enhanced well design
- Regional oil charge and top seal proven

# Butiaba breakthrough – world-class oil play found



## Escarpment play

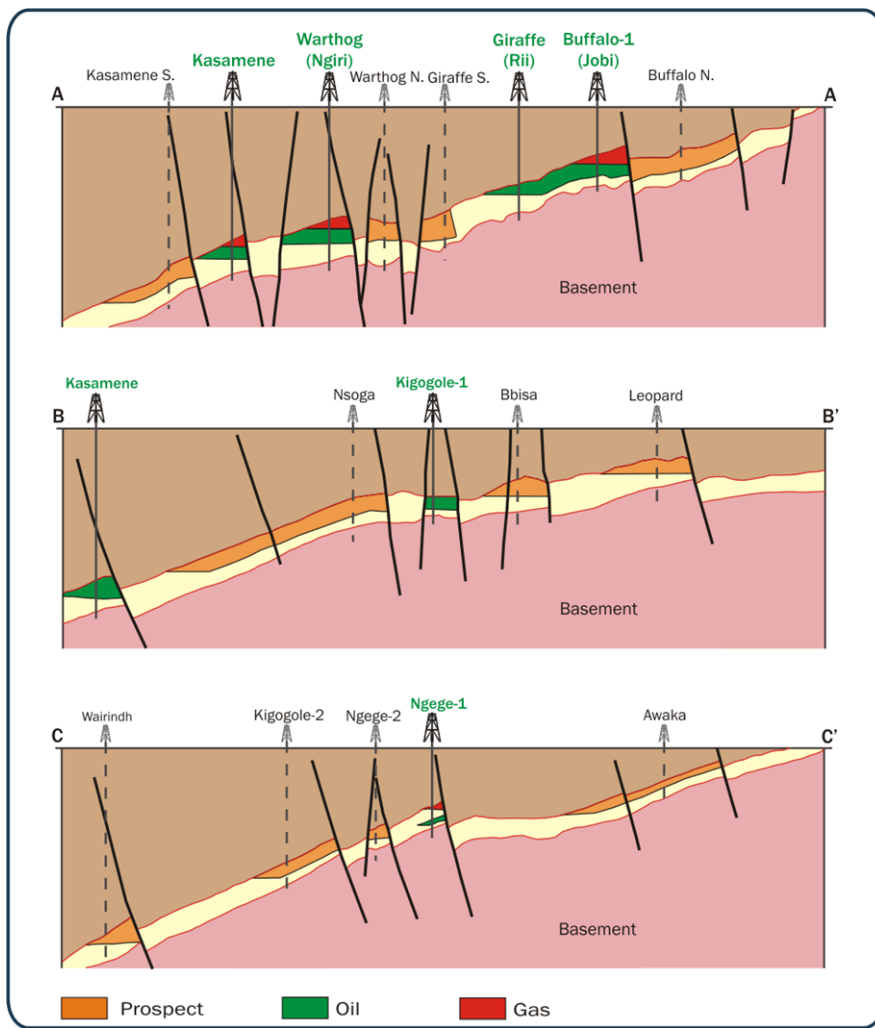
- Proved integrity of traps against rift margin
- Taitai-1 & Karuka-1 demonstrate traps charged
- Moderate reservoir quality close to rift margin

## Victoria Nile Delta play

- Kasamene-1 heralds exploration breakthrough
- Thick high-quality oil reservoirs found
- Flow tested March 2009 - 3,500 bopd 48"/64"
- Highly porous and permeable
- Exceptional seismic imaging enhances targeting
- Shallow & low cost drilling – a well every month
- 1 billion barrels of follow-up play potential



# High-potential follow-up in Butiaba cascades



## Kasamene-Bufferalo success

- Kasamene-1 breakthrough reveals #1 play
- Play pursued along cascades
- Warthog success confirms trend
- Buffalo-Giraffe adds massive 300 mmbo

## Nsoga-Leopard cascade potential

- To be drilled in 2009
- Shares attributes of Kasamene-Bufferalo
- Already de-risked by Kasamene & Kigogole
- Material potential down-dip Nsoga (Block-2)

## Wairindh-Awaka cascade potential

- To be drilled in 2009
- Entirely in Tullow's 100% Block 2
- Reservoir thickness & quality less certain
- De-risked by Ngege-1 & Escarpment Play
- Material upside in Awaka



# Exploration programme

Country	Block	Prospect	Interest	Gross upside	Spud Date
Ghana	Deep Water Tano	Tweneboa	49.95% (op)	1,400 mmboe	Q1-Q4 2009
Ghana	WCTP	Mahogany Appraisal	22.90%	600 mmbo	Q2-Q3 2009
Ghana	WCTP	Teak complex	22.90%	350 mmboe	Q4 2009
Uganda	Block 2	Butiaba Campaign '09	100% (op)	1,000 mmbo	Q1-Q4 2009
Uganda	Block 2	Ngassa	100% (op)	600 mmbo	Q2 2009
Tanzania	Lindi & Mtwara	Mikindani	50% (op)	125 mmbo	Q3 2009
Suriname	Coronie	5 Well Campaign	40%	250 mmbo	Q2 2009
Pakistan	Kohat	Kohat East	40%	50 mmboe	Q2 2009

	January	February	March	April	May	June	July	August	September	October	November	December
UGANDA	Rii	Mputa 5	Vundu	Nsoga	Awaka	Mpoyo	Kigogole-2	Jobi-2	Jobi-3		Butiaba	
				Ngassa 2				Ngassa-3				
GHANA		Tweneboa				Mah E/A			Mah E/A		Teak	
									Tweneboa-2 & DST			
REST OF WORLD				Suriname	Pakistan Kohat-1		Tanzania Mikindani-1					

## Conclusions – Aidan Heavey



## People and funding in place for the next phase

- Continued growth and delivery in 2008
- Funding secured to execute major projects
- Material exploration and resources upside
- High quality team to deliver future expansion
- Well positioned to seize opportunities in current environment

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