

# Tullow Oil plc – 2009 Half-yearly Results

26 August 2009



**TULLOW**  
**Oil** plc

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# Introduction – Aidan Heavey





## Delivering in a challenging economic climate

- World class discoveries in Ghana and Uganda
- Jubilee Phase 1 on track; Plan of Development approved
- Developing commercial options for Uganda
- Strengthened balance sheet
- Generating material exploration and resources upside
- High quality team; well positioned to seize opportunities

# Finance – Ian Springett



## 2009 Half-yearly results summary

	1H2009	1H2008	Change
Sales revenue	£291m	£378m	- 23%
Operating profit	£61m	£201m	- 70%
Net profit	£21m	£126m	- 83%
Basic earnings per share	2.8p	17.2p	- 84%
Dividend per share	2.0p	2.0p	0%
Capital investment	£369m	£187m	+ 97%
Cash generated from operations <sup>1</sup>	£201m	£295m	- 32%
Net debt <sup>2</sup>	£430m	£417m	+ 3%

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

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

2009 Half year Results in line with expectations  
Significant increase in capital expenditure creating future growth

# Operational performance

## Sales revenue £291m

- Production down 16% to 59,265 boepd\*
  - Investment focus on Ghana and Uganda
- Realised oil price down 34% to \$53.0/bbl (1H08: \$80.1/bbl)
- Realised gas price down 18% to 42.4p/th (1H08: 51.7p/th)

## Gross profit £92m

- Cash operating costs £74m (1H08: £71m)
  - US\$/GBP exchange rate impact
- Depreciation charge £113 m (1H08: £96m)
  - Exchange rate impact & M'Boundi reclassification
- Impairment charge of £12m (1H08: £nil)
  - Bure North

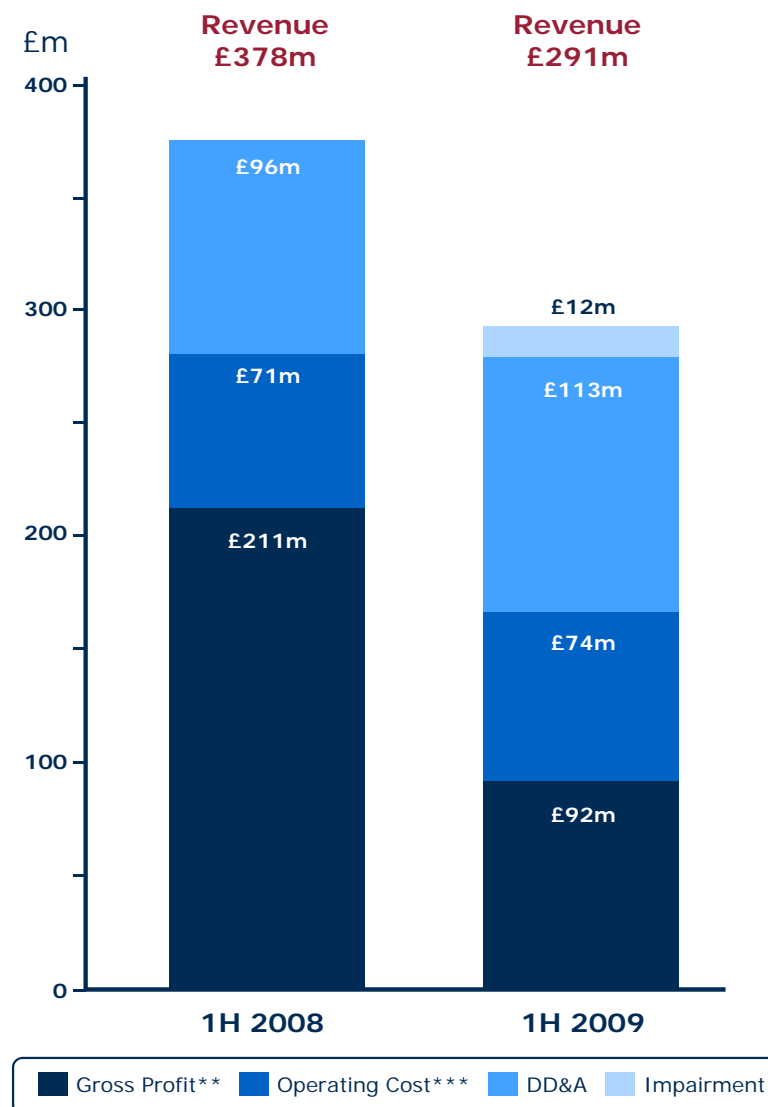
## Operating profit £61m

- Exploration write off £14m (1H08: £24m)
- Admin Expenses - £20m (1H08: £16m)
- Profit on disposal of £3m (1H08: £29m)

## Net profit £21m

- Lower operating profit, effective tax rate of 38% (1H08: 33%)
- Hedging loss of £9m (1H08: £7m gain)

\*Working interest basis



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



# Sources and uses of funds

## Cash inflow £506m

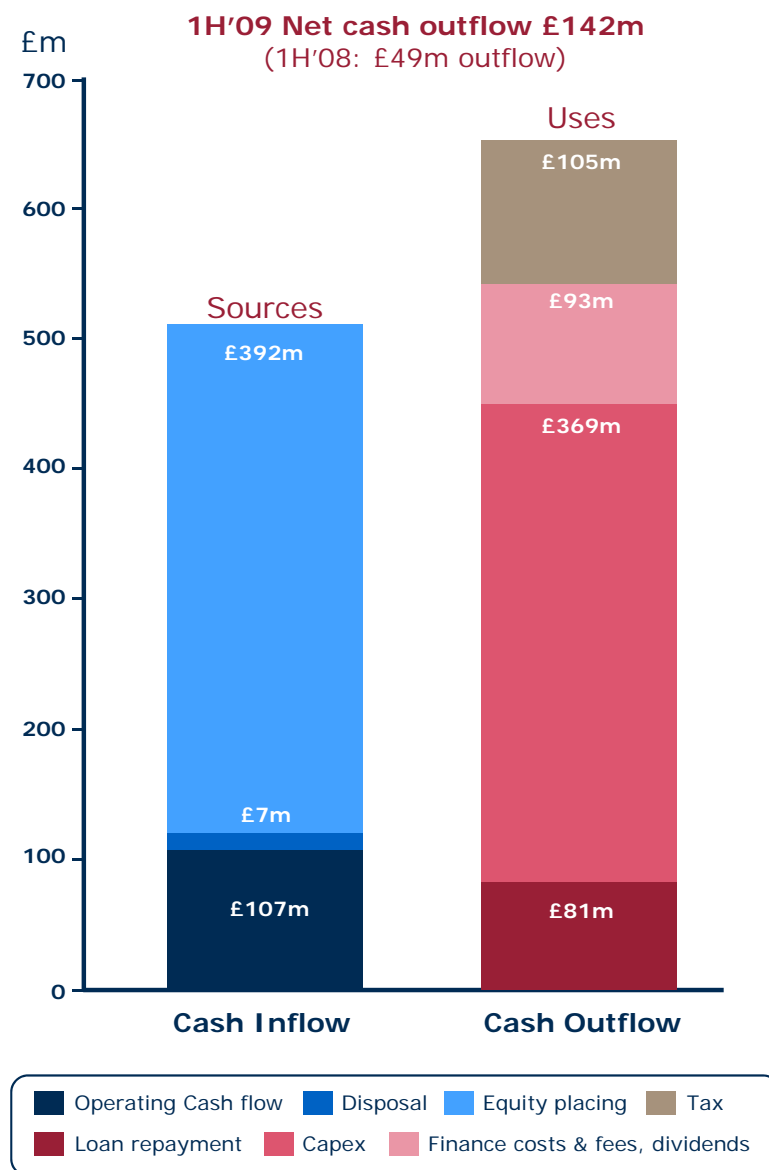
- Operating cash flow - £107m\* (1H08: £295m\*)
  - Decreased commodity prices, lower volumes
- Disposal proceeds - £7m (1H08: £35m)
  - Final Hewett-Bacton receipt £3m
  - Chachar (Pakistan) sale receipts £4m
- Equity placing - £392m (1H08: £nil)

## Cash outflow £648m

- Cash tax paid £105m (1H08: £34m)
- Finance costs & fees, dividends £93m (1H08: £52m)
- Cash Capex £369m (1H08: £187m)
- Loan repayment £81m (1H08: £3m drawn)

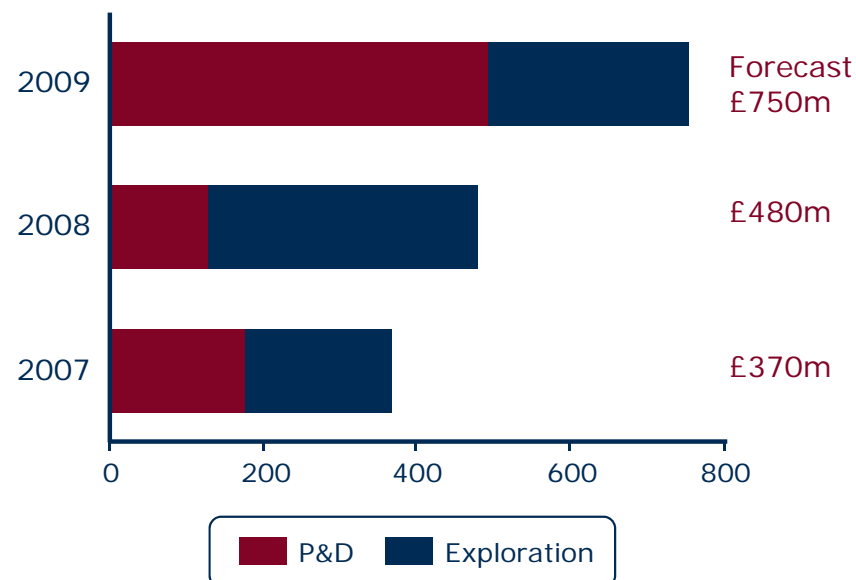
## Net cash outflow £142m

- Reduction in cash balances



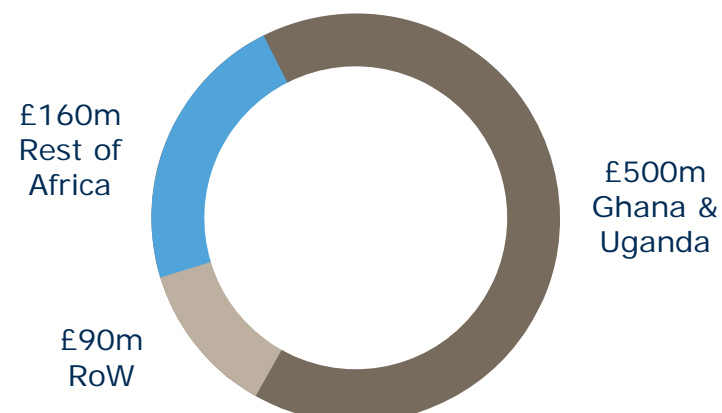
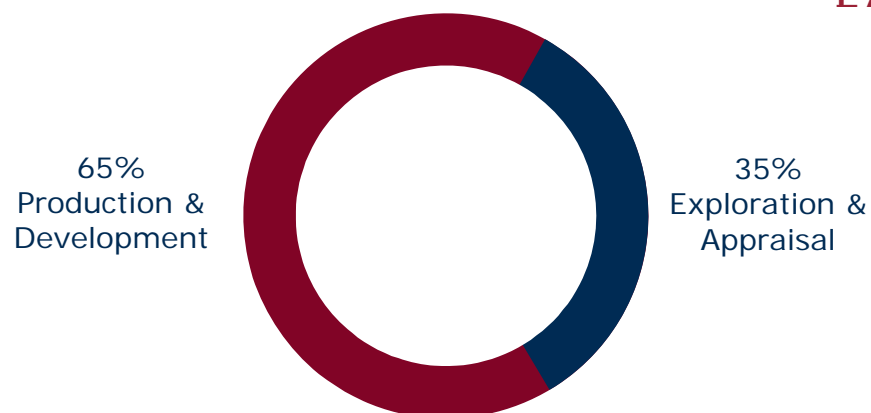
\* After working capital

# Increased 2009 capital expenditure



- £750m now forecast for 2009
  - E&A - Uganda and Sierra Leone
  - Ghana development drilling acceleration
- 2009 capital split 65: 35 between Production & Development and Exploration & Appraisal
- Focused on Ghana and Uganda

## 2009 Current forecast capex £750 million



# Financial strategy

## 2009

- Financial flexibility materially enhanced in 2009
  - Secured \$2bn financing
  - Successful equity placing
  - Gearing reduced to 25% as at 30 June 2009

## Looking forwards

- Overall objective to create sustainable long term growth underpinned by operational cash flow with a balance between exploration, appraisal & development spend and appropriate levels of funding



## Production & Development – Paul McDade

## Strong operational delivery

- Jubilee Phase 1 remains on track for 2H 2010 first oil
- Formal approval of the Jubilee Phase 1 Plan of Development received
- Planning underway for the early commercialisation of Ugandan crude
- Strong performance from producing assets
- Full year production forecast of 58,000 boepd
- Potential for significant resource upgrade at year-end



# Ghana - Jubilee Phase 1 and beyond...

## Jubilee Phase 1 – first oil 2H 2010

- Government approval of development plan in place
- EIA on schedule for October 2009 approval
- Development drilling & facilities on schedule
- Capital costs remain within budget of \$3.1bn
- Local infrastructure and resources on track

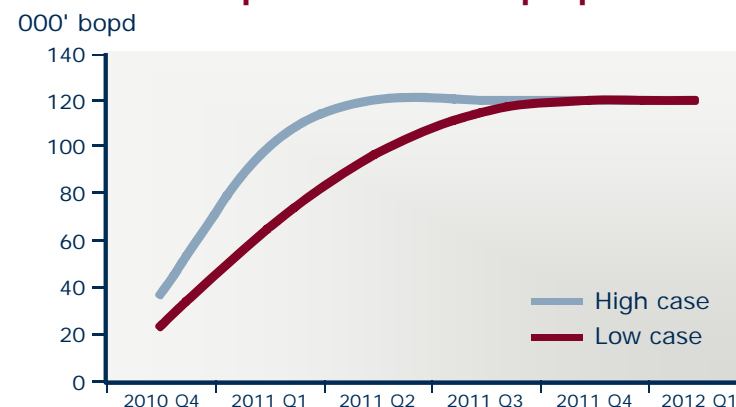
## Production ramp up to 120,000 bopd

- First production to begin in the second half of 2010
- Ramp up influenced by well schedule and early uptime
- First oil to 120,000 bopd expected in 6-10 months
- Gas and water injection start-up at first oil

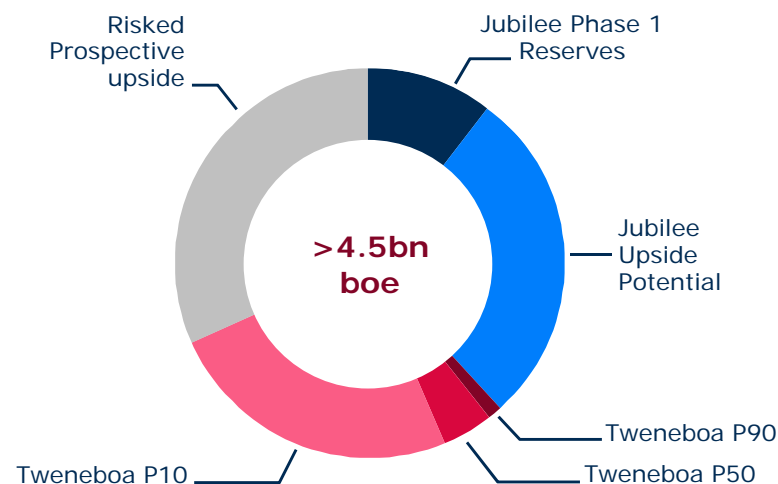
## Future developments beyond Jubilee Phase 1

- Jubilee Phase 2
  - M4 & MD-2 appraisal wells planned for Q4 2009 & 1H 2010
  - Development concept dependent on well results
- Tweneboa
  - Tweneboa-2 planned for January 2010
  - Conceptual planning ongoing
- Odum
  - Odum appraisal planned for Q1 2010

## Jubilee Phase 1 production ramp up



## Ghana gross Reserves & Resources



# Jubilee Phase -1 – Project delivery on schedule

## DRILLING

- Six new development wells & three top hole sections drilled
- >20kbd flow rate on re-completed M-1 well
- 33% of drilling & completion schedule complete
- Focus is now moving to well completion activities
- Attwood Hunter will be used to accelerate program



## FPSO

- MODEC selected as FPSO contractor
- Project 50% complete
- Turret fabrication & installation on critical path
- Sailaway forecast Q2 2010; installation forecast Q3 2010



## SUBSEA

- Technip & FMC selected as key contractors
- Manifolds, umbilicals and riser fabrication 60% complete
- Installation vessels arrival on schedule for early 2010
- Installation to take approximately 6 months



# Jubilee Phase 1 – Significant progress within Ghana

## REGULATORY

- Phase 1 Plan of Development approved
- Jubilee Unit Agreement signed
- EIA approval – submitted August 2009 for approval October



## INFRASTRUCTURE

- Takoradi shorebase upgrade complete
- Logistics setup in place to support two deepwater rigs
- Initial Accra office setup in place
- Upgrades to support project installation phase ongoing
- Longer term Accra and Takoradi offices under review



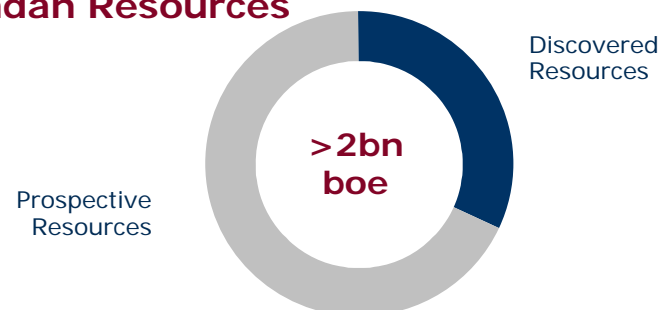
## RESOURCES

- In-country organisation build of over 120 personnel
- Ghanaian nationalisation plan on track at >80%
- Training and education plan implementation has commenced
- Transition planning for production phase underway

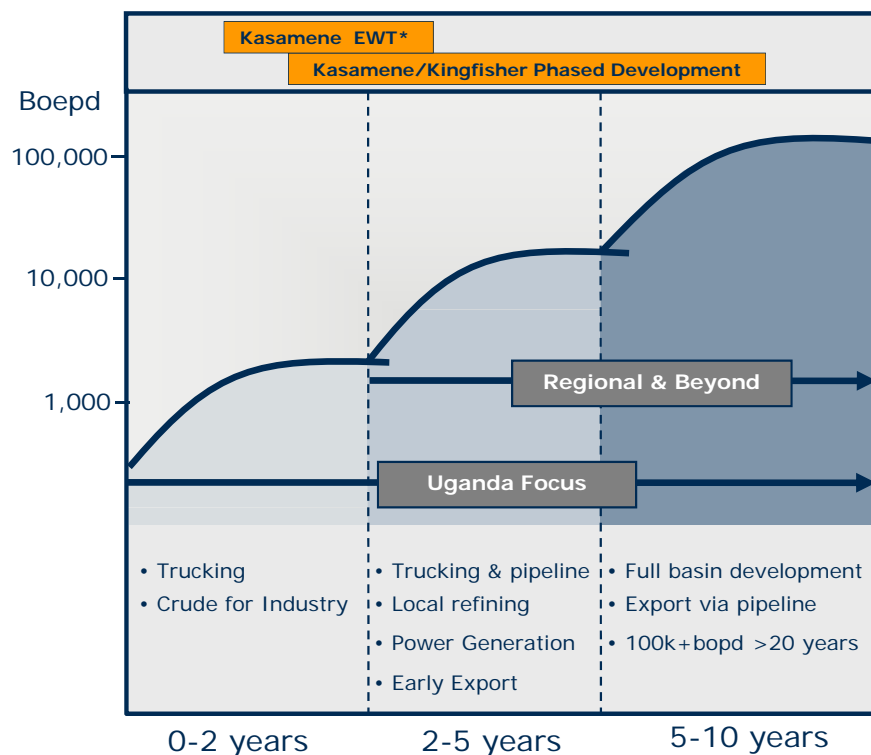


# Lake Albert development plan: Taking the first steps

## Ugandan Resources



## Development strategy



\* Extended well test

## Multi billion barrel basin potential

- Significant resources already discovered
- Major on/offshore prospects to be drilled
- Appraisal drilling strategy under review

## Basin-wide development

- Development concept review ongoing
- Phased development anticipated
  - Optimum basin-wide approach
  - Deliver early oil & revenue
  - Initial focus on Kasamene/Kingfisher fields
  - Central hub concept
  - Learn from early developments
- Potential for accelerated approach

## Working closely with Ugandan government

- Short term power and fuel requirements
- Longer term requirements for refinery
- Plan to include significant Ugandan content
- Ensure strong relationships with all local stakeholders

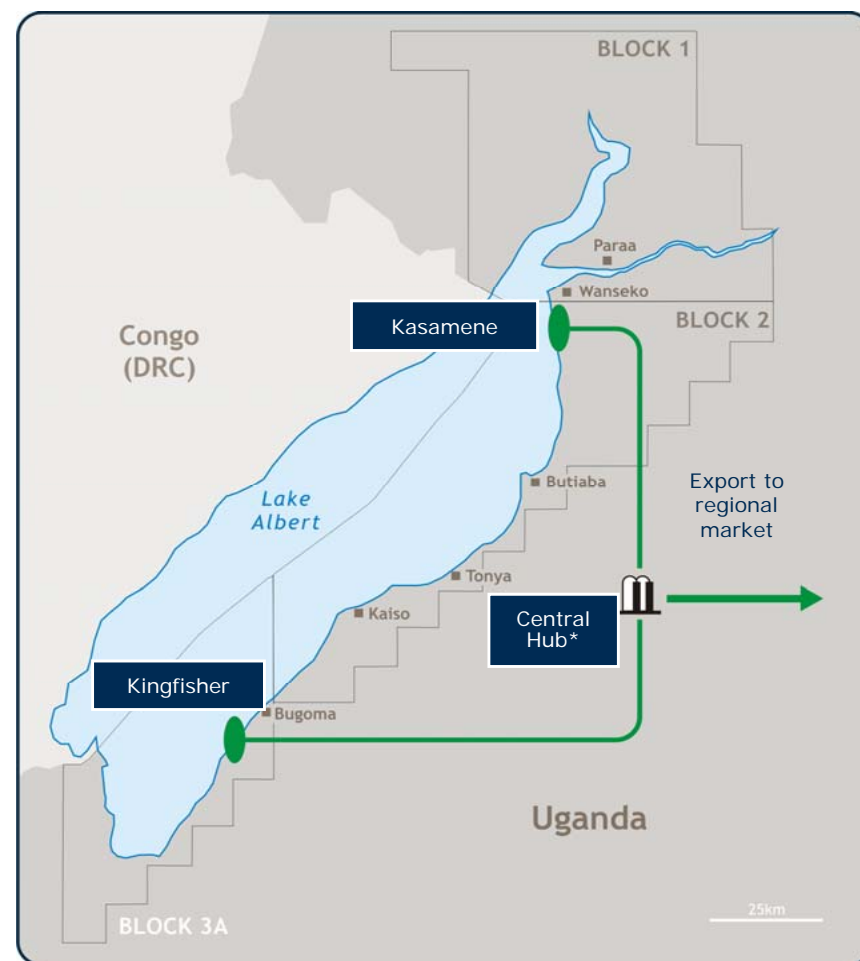
# Uganda – Kasamene & Kingfisher developments

## Key development objectives

- Achieve milestone of first oil production in Uganda
- Phased approach to optimise subsequent phases
- Minimise environmental footprint
- Develop hub concept
  - enable efficient multi field development
  - facilitate future facilities expansion
- Combination of trucking & pipeline operations
- Kingfisher & Kasamene delivery of up to 20–30 kbopd

## Kasamene extended well test (EWT)

- Test crude from Kasamene EWT anticipated in 2010
- Delivery of key dynamic reservoir and process data
- Sale of crude for Uganda domestic needs a priority
- Appraisal data from EWT will form first step towards Kasamene development

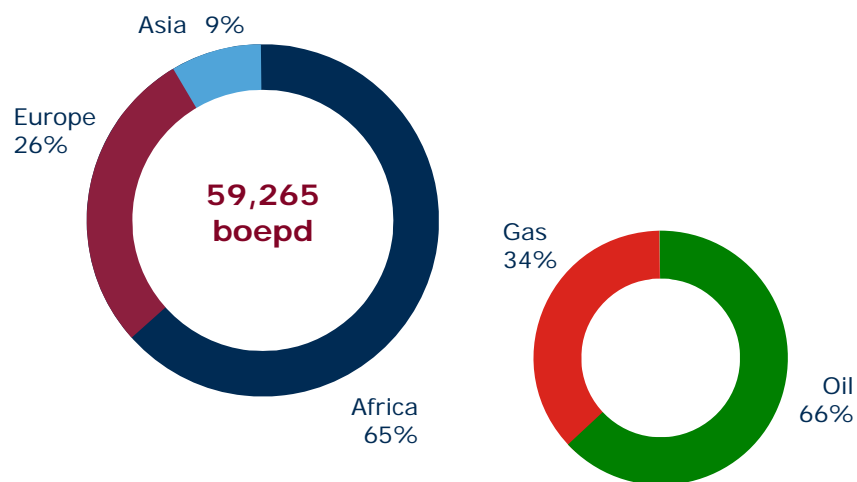


\*Hub location yet to be determined



# Group Production & Development performance

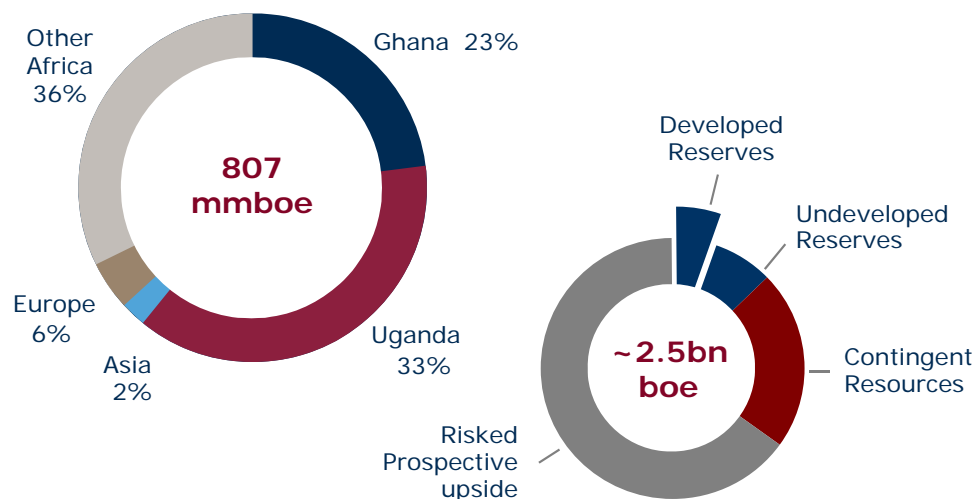
## 1H 2009 production



## First half production 59,265 boepd

- Excellent performance from African & Asian assets
  - Ceiba and Okume exceeding expectation
  - Espoir FPSO upgrade project ongoing
  - M'Boundi water injection project on track for 200kbwpd
  - Bangora workover completed & production upgraded
- UK impacted by mixed results from infill drilling
- 2009 full-year outlook 58,000 boepd
- 2010 focus on Ghana first oil and Uganda EWT

## Mid 2009 Reserves & Resources



## Total Resource potential approaching 2.5bnboe

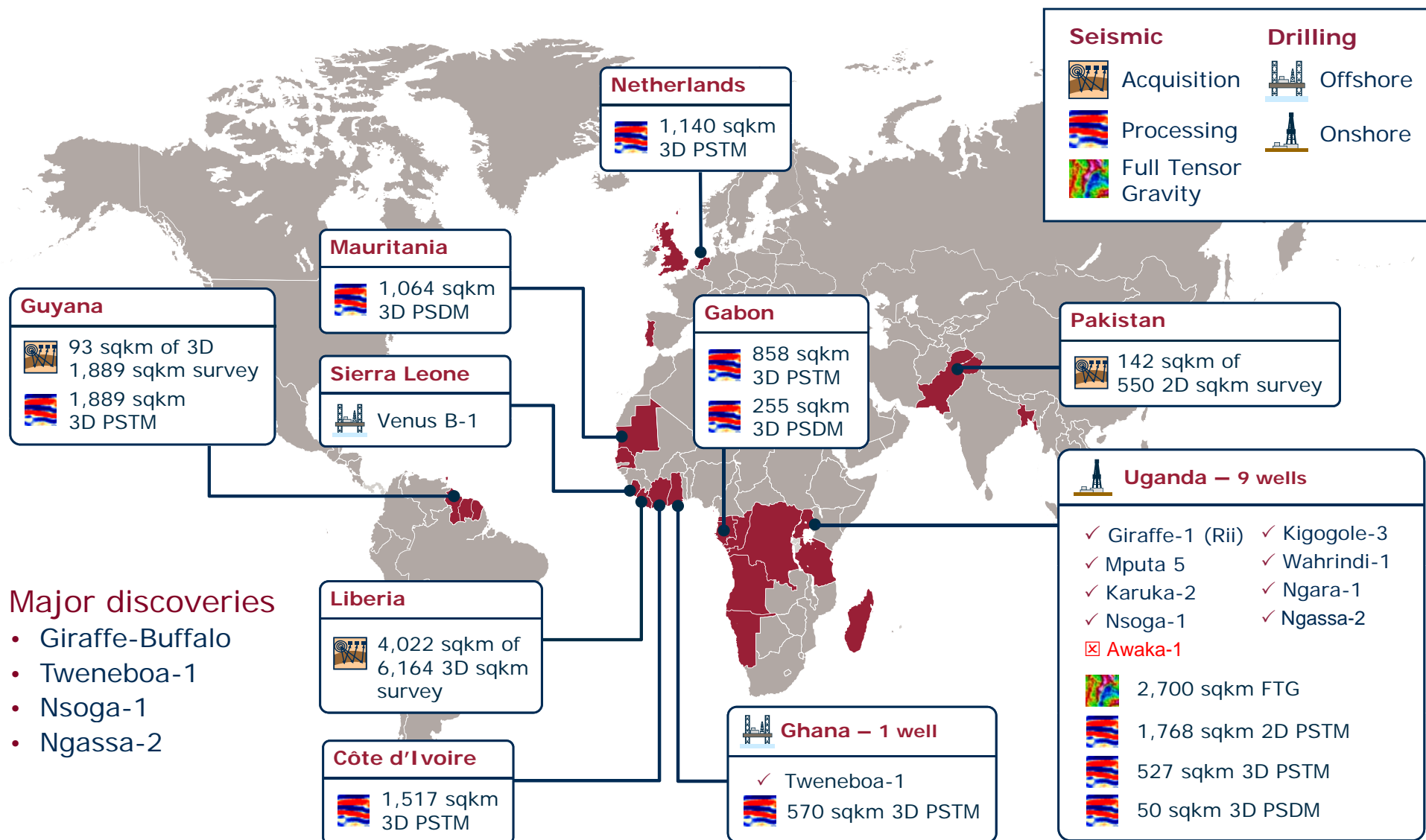
- Reserves & Resources - 807 mmboe\*
  - Commercial reserves - 303 mmboe
  - Contingent resources - 504 mmboe
- Minor African additions offset by Asian disposal and Ketch underperformance
- Potential for year end Ghana and Uganda resource additions
  - 2009 Uganda discoveries under review (>100 mboe)
  - Tweneboa and mahogany discoveries to be included post appraisal

\*does not include Mahogany-3, Tweneboa or 2009 Ugandan discoveries

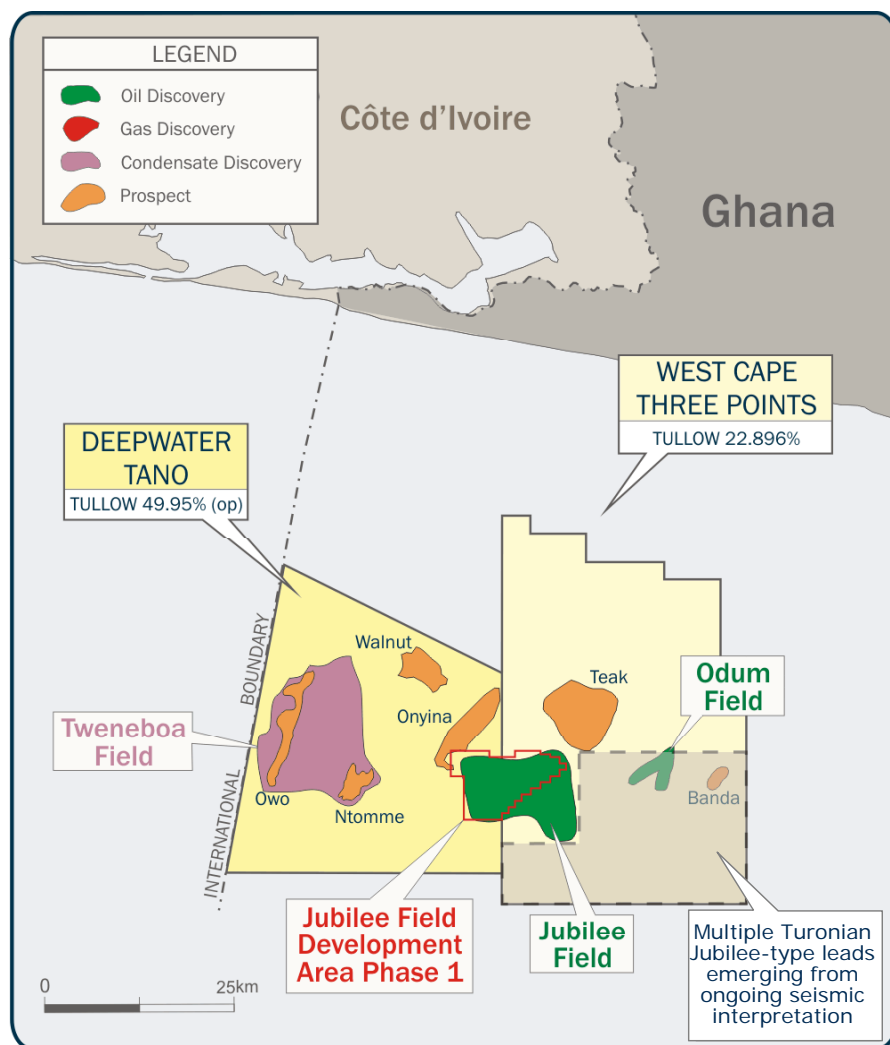
# Exploration & Appraisal – Angus McCoss



# 90% global exploration success rate in 2009 to date



# World-class opportunities offshore Ghana



## New deepwater plays opened

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

## Jubilee field appraisal (600-1200-1800 mmbo)

- Multiple appraisal wells confirm giant discovery
- Exceptional reservoir and fluid properties
- Reservoir connectivity over several kilometres

## Tweneboa area appraisal (50-250-1400 mmboe)

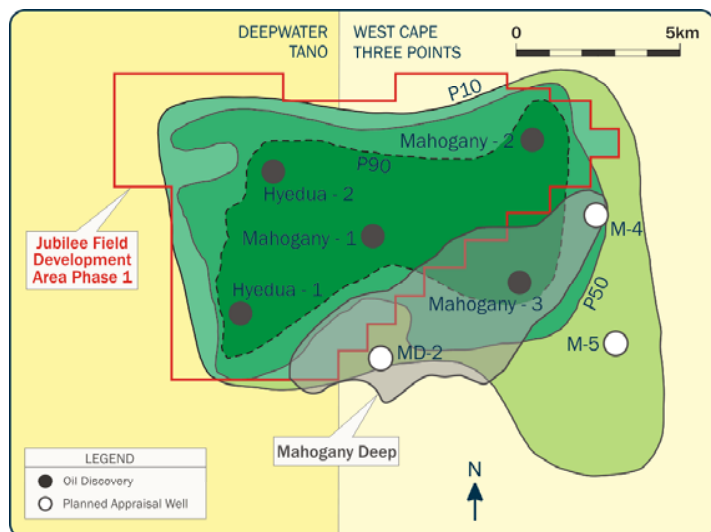
- Tweneboa-2 to test thicker sands down-dip
- Hydrocarbon type to be measured down-dip
- Owo-1 targets thick channel west of Tweneboa-1

## Realising more upside

- Teak-1 to test plays up-dip from Jubilee
- Maturing options for Ntomme, Onyina & Walnut
- Large Turonian leads emerging east of Jubilee

# Key Exploration & Appraisal wells in Ghana

## Greater Jubilee appraisal area

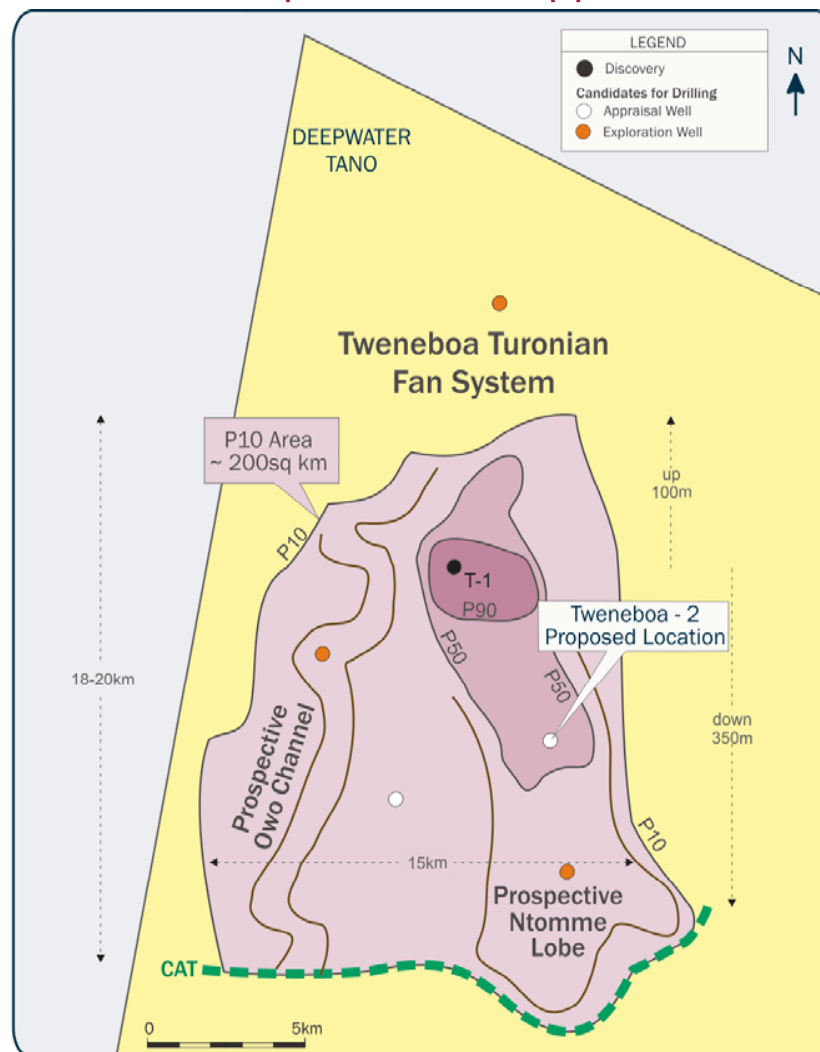


## 2009-2010 Exploration & Appraisal wells

- Mahogany-4
- Tweneboa-2
- Mahogany Deep-2
- Teak-1
- Mahogany-5
- Owo-1
- Other E&A wells

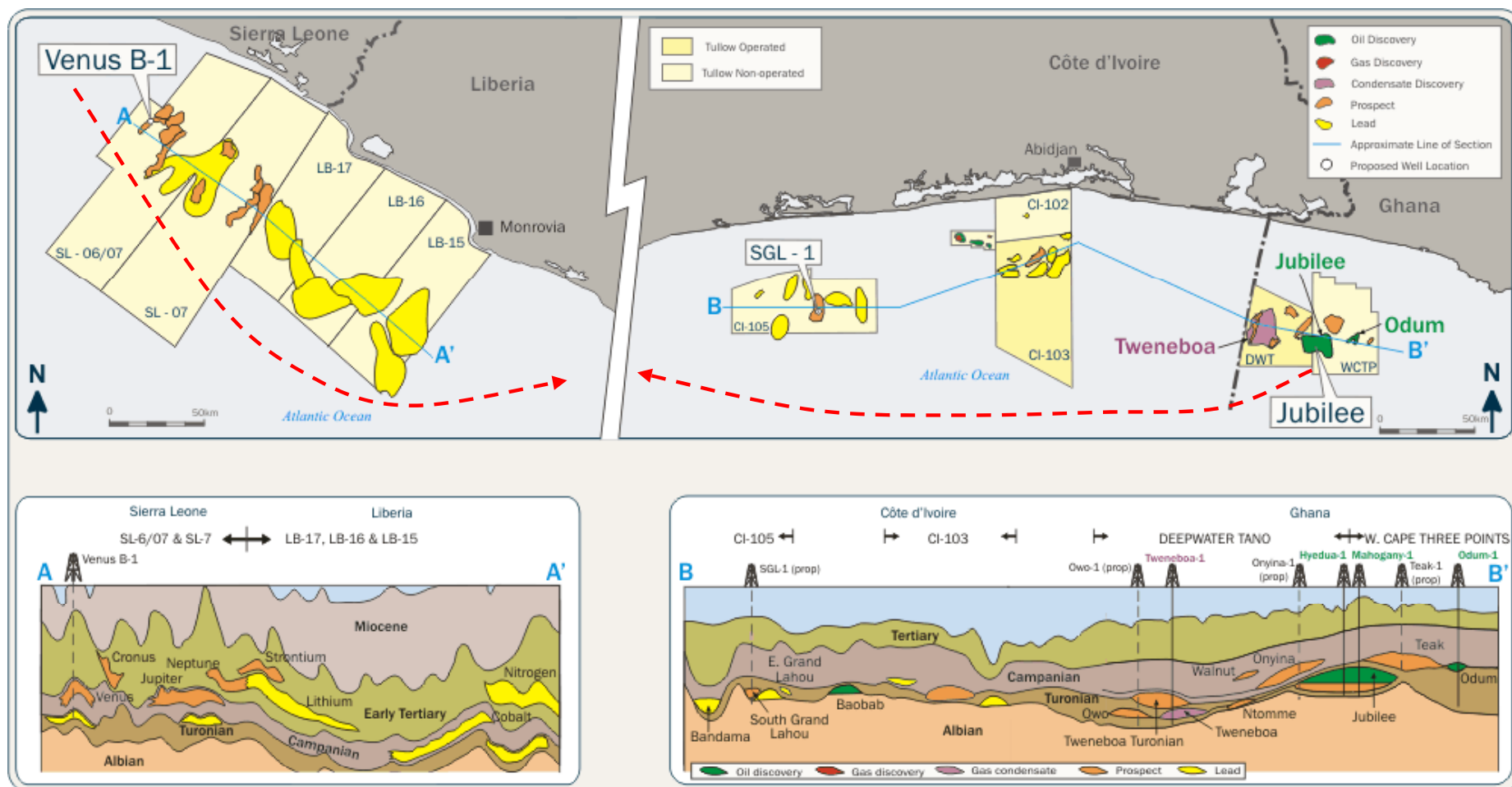
2010 being scheduled based on rig availability

## Tweneboa exploration & appraisal area



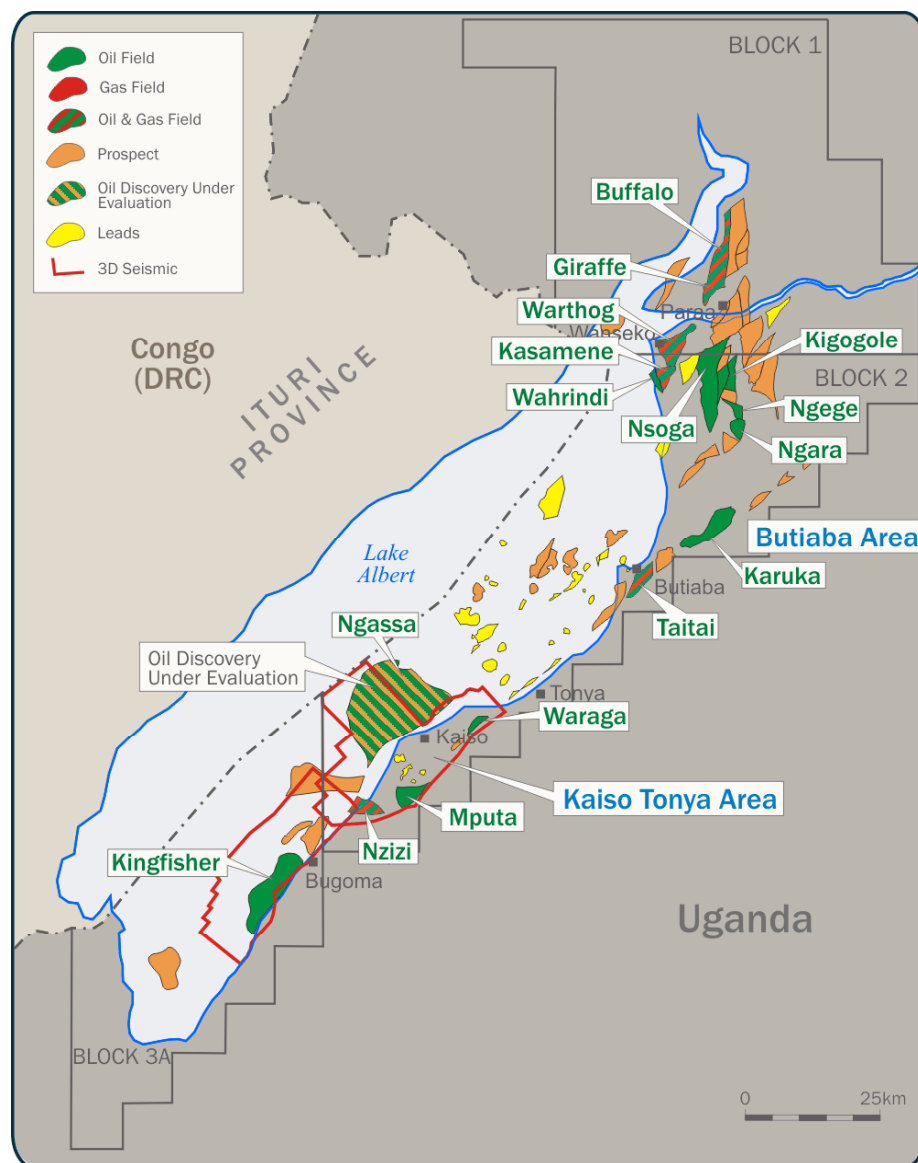


# West African Equatorial Atlantic follow up of Jubilee play



- Commanding acreage position – working the Jubilee play westwards and eastwards
- Jubilee play expanded westwards with success at Tweneboa and now moves into Cote d'Ivoire
- A petroleum system proven at Venus would de-risk numerous similar prospects in-between

# Uganda exploration continues to deliver



## Exceptional success in Lake Albert Rift Basin

- 27 wells drilled so far – 26 found hydrocarbons
- 8 discoveries out of 9 wells in 2009
- 700 mmbo discovered (excluding Ngassa)
- Over 1.5bn barrels potential yet to find

## Butiaba

- Giraffe-Butiaba 300mmbo oil field discovered
- Laterally extensive Kasamene sands proven
- Nsoga-1 makes material discovery
- Awaka-1 dry-hole but finds new sand fairway

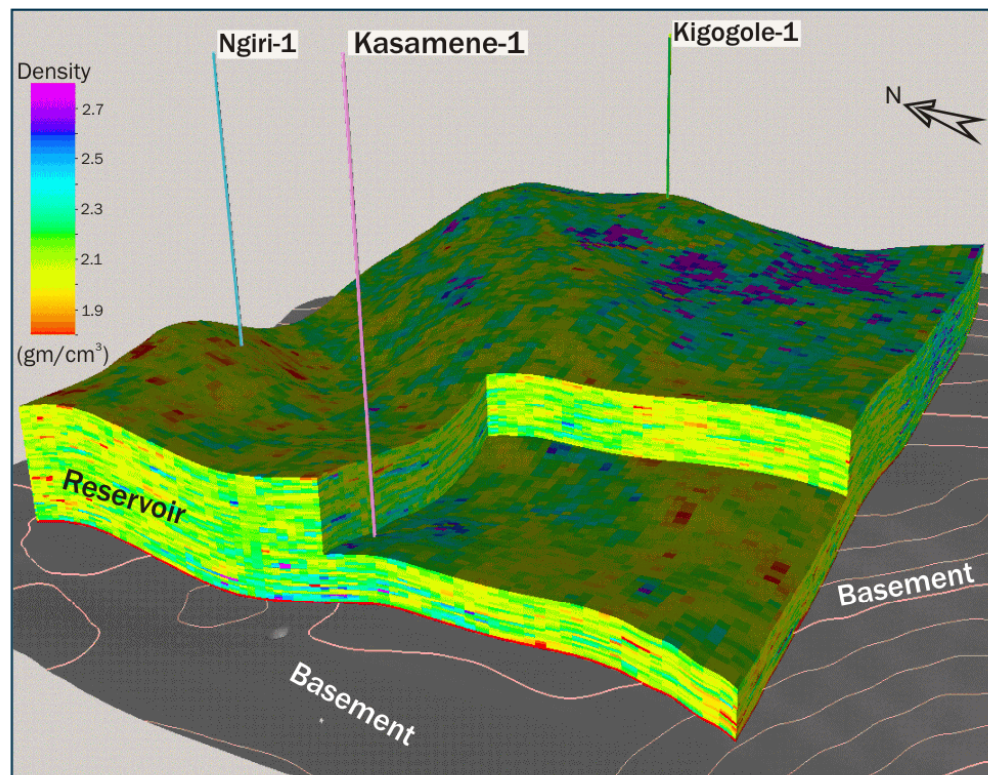
## Ngassa

- Oil shows in two reservoir intervals
  - 10 metre gross sand at 2,940 metres
  - 15 metre gross sand at 3,140 metres
- Both intervals are being further evaluated through fluid sampling and logging
- Field may cover 150 sq km with potentially significant oil columns

# Butiaba acceleration through new low cost technology

## 3D Reservoir Density Model, Lake Albert, Uganda:

Achieved via integration of 2D Seismic, Well Log and Full Tensor Gravity (FTG) Gradiometry data.



## Low cost “GraviSeis™” accelerates appraisal

- Butiaba oil fields defined in 3D
- Identifies new prospects
- Significant cost savings (5% of 3D seismic)
- Negligible environmental impact
- Delivered in months not years

## 3D “GraviSeis™” innovation

- Industry focus on Electromagnetic-Seismic
- Tullow leads 3D “GraviSeis™” breakthrough
- Well, seismic & FTG data being integrated

## Working closely with technology partners

- Ikon Science Limited
- Bell Geospace

Leading-edge integration of full tensor gravity gradiometry & 2D seismic data

# Exploration and Appraisal programme

Country	Block	Prospect	Interest	Gross upside	Spud Date
Ghana	WCTP	Greater Jubilee Appraisal	Various	1,800 mmbo	Sept 09/2010
	DWT	Tweneboa	49.95% (op)	1,400 mmboe	Q1 2010
	WCTP/DWT	E&A Campaign*	Various	1,000 mmboe	Q1-Q4 2010
Uganda	Block 2	Ngassa	100% (op)	600 mmbo	Q2 2009
	Block 1	Butiaba Campaign	50%	1,000 mmbo	Q4 09-Q1 10
	Block 2	Butiaba Appraisal	100% (op)	100 mmbo	Q2-Q4 2010
Sierra Leone	SL-07	Venus-B	10%	250 mmboe	Q3 2009
Côte d'Ivoire	CI-105	South Grand Lahou	22.37%	350 mmboe	Q4 2009
Tanzania	Lindi & Mtwara	Likondi	50% (op)	150 mmboe	Q4 2009
Suriname	Coronie	5 Well Campaign	40%	250 mmbo	Q3 2009
Pakistan	Kohat	Kohat East	40%	50 mmboe	Q3 2009

	September	October	November	December	January	February	March	April	May	June	July	August
UGANDA	Ngassa-2		5 well Butiaba Block 1 Campaign					Block 2 Appraisal				
GHANA	Mahogany-4				Tweneboa-2		Ghana E&A* Campaign					
REST OF WORLD	Venus	South Grand Lahou			Identified additional E&A candidates in Mauritania, Liberia, French Guiana, Netherlands, Pakistan, UK, Tanzania and Gabon**							
	Pakistan Kohat-1		Tanzania Likondi-1									
	Suriname Coronie											

\* Ghana E&A activities, including Teak, Odum-2 and Owo will be prioritised and assigned slots once availability of the Aban Abraham rig is confirmed.

\*\* Prospects and drilling order dependent on full year budget approval and Board sign-off in late 2009.

## Conclusions – Aidan Heavey





## Conclusions

- Outstanding exploration portfolio
- Delivering world class developments
- Strengthened balance sheet
- Well positioned to create significant further shareholder value

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