

Exploration Update

PILOT, 22 February 2006

Exploration Update

- How big is the yet-to-find potential?
- Are we on track to find/produce it?

DTI YTF Estimates

- DTI's central estimates for ***technically recoverable undiscovered resources as at the end of 2004*** were published in July 2005 as:
 - 9.5 billion boe for the UKCS as a whole, *of which*
 - 1.2 billion boe were West of Scotland, *leaving*
 - **8.3 billion boe based on mapped prospects, *of which***
 - 1.9 billion boe were West of Shetland, *leaving*
 - **6.4 billion boe in the North Sea, Irish Sea and onshore**

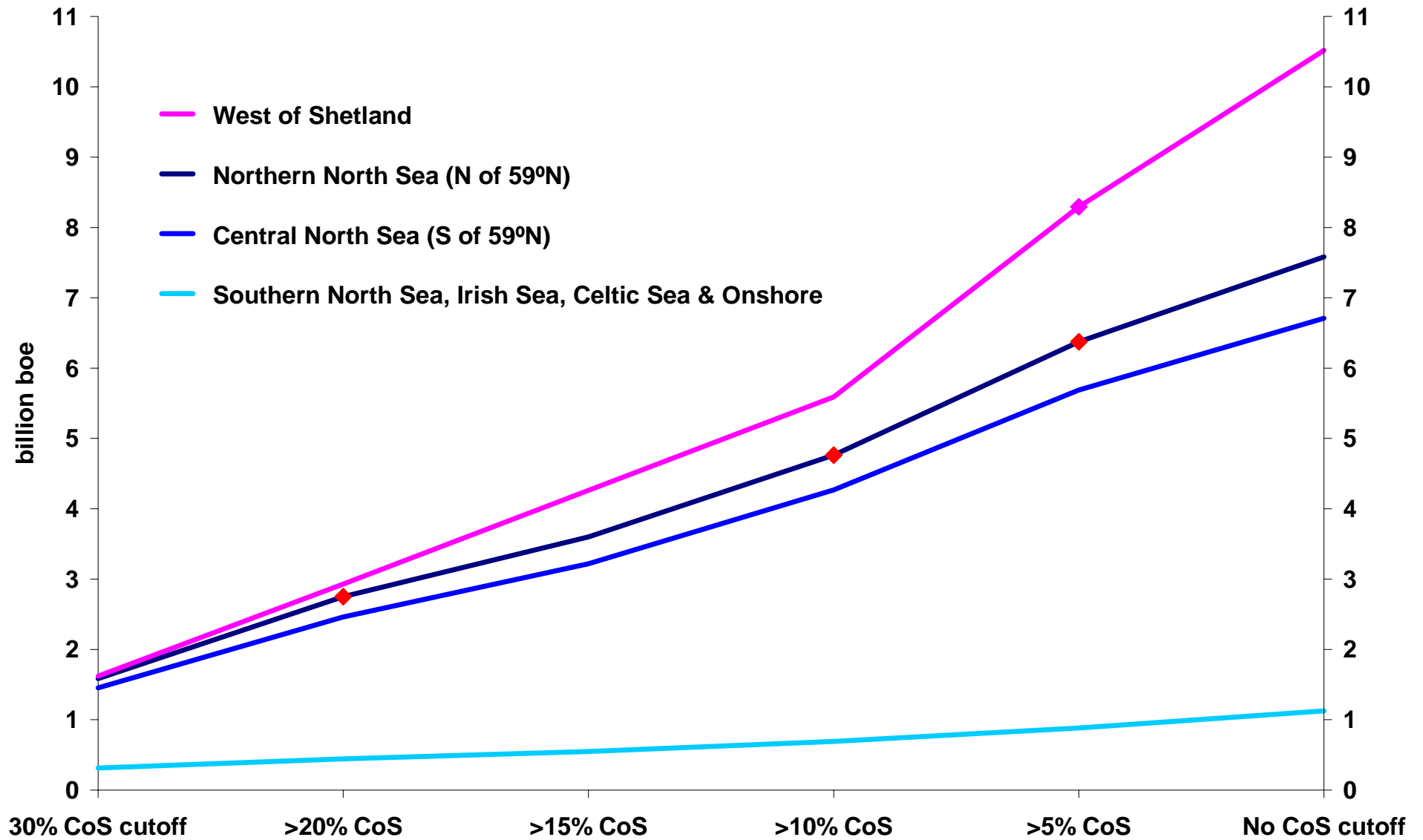
DTI YTF Estimates – Basis

- Based on statistical assessment of undiscovered potential resources in mapped leads
- Little new mapping is done by DTI in licensed acreage so there are gaps in the mature areas of the UKCS with little prospect data; company data have been used to populate these areas
- Database includes over 2000 leads and prospects mapped by DTI (BGS) and oil companies - mainly extracted from Licence Round and Fallow Block discussions
- Geological risk is assigned by play and also to each individual lead; for each geological basin, the risk factors are calibrated to drilling results

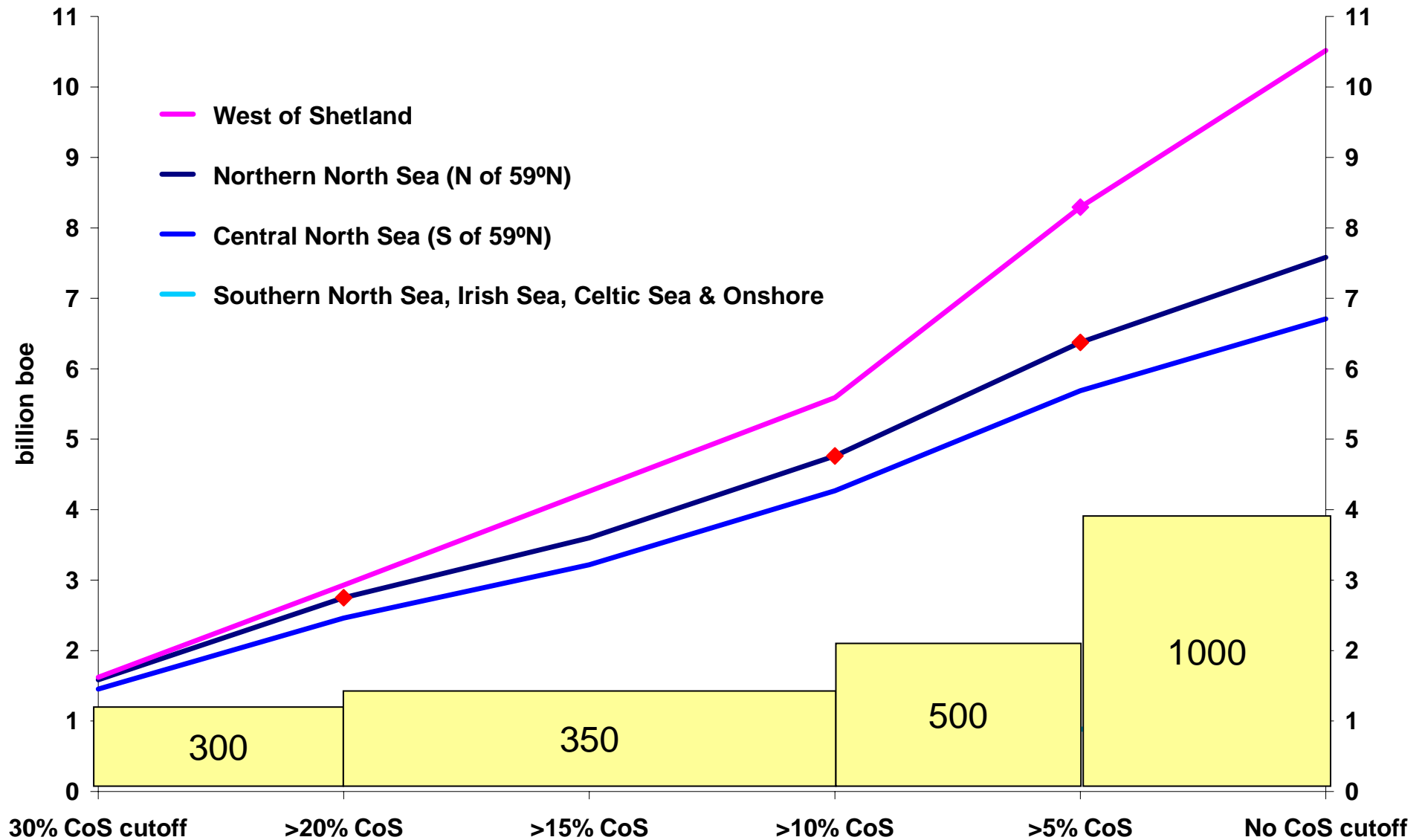
DTI YTF Estimates – Assumptions

- The size of these estimates depends on the perceived *geological* risk assumed to constrain drilling activity; the latest DTI estimates are based on 5% geological risk i.e. they assumed no prospects with a geological risk (Chance of Success, CoS) of more than 1 in 20 will be drilled
- The West of Scotland estimates are speculative since detailed studies in that area have not been carried out

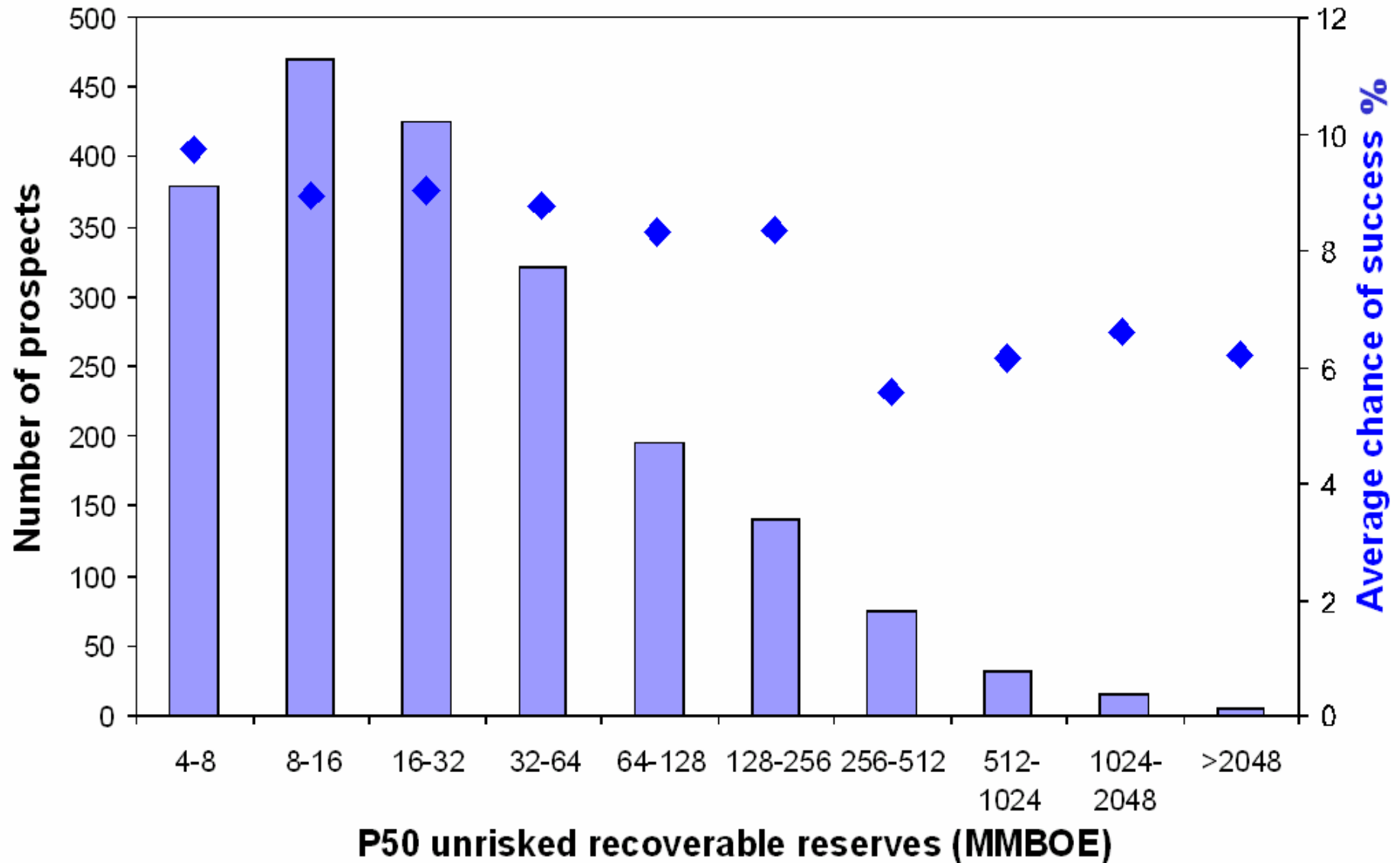
Estimated Undiscovered Oil and Gas Resources in the UKCS excluding West of Scotland as at end 2004 shown at different levels of Geological Risk (Chance of Success, CoS)



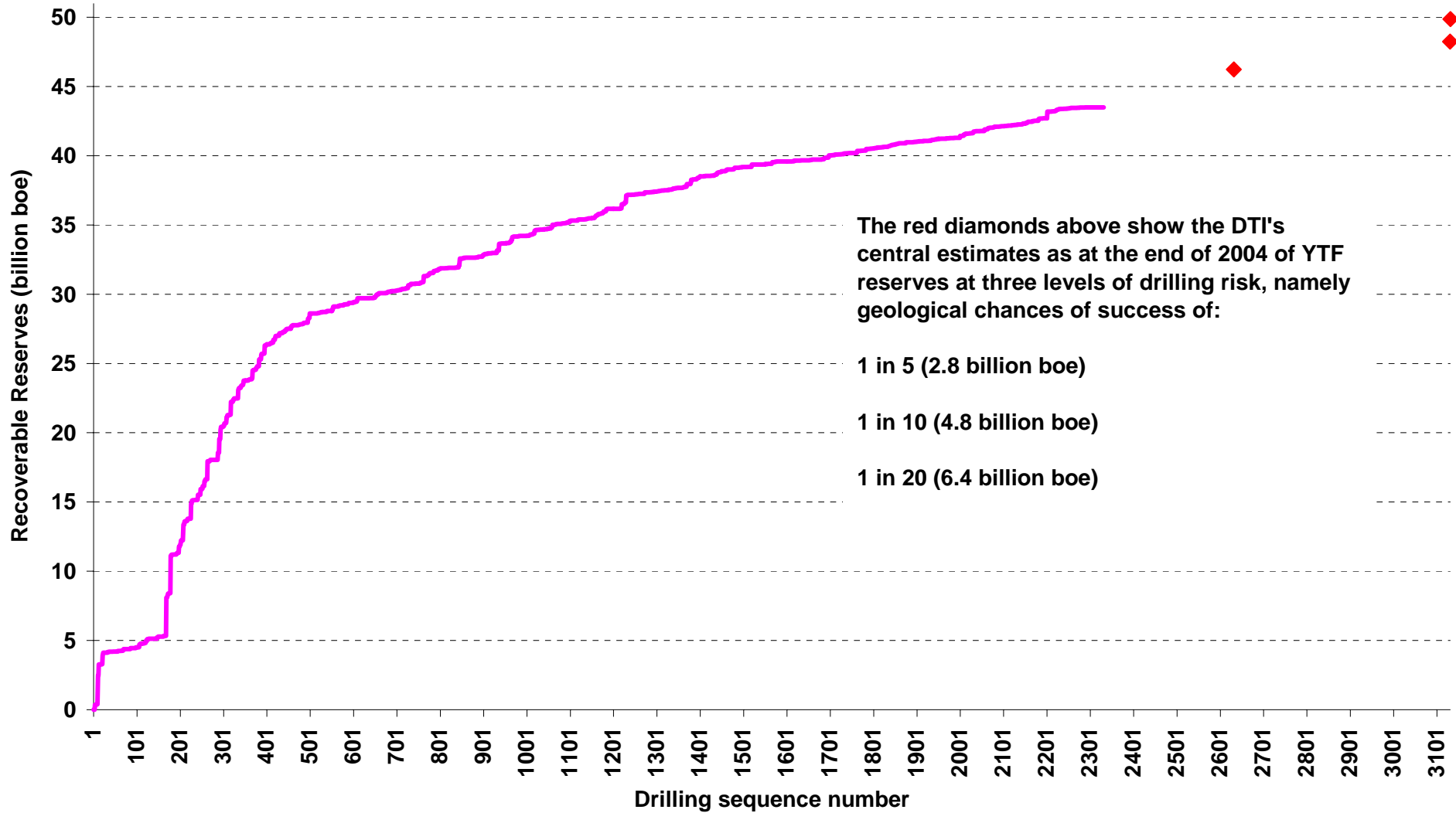
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Unrisked Targets



UKCS "Creaming Curve" - Cumulative Reserves Discovered thru 2004, excluding West of Shetland/Scotland

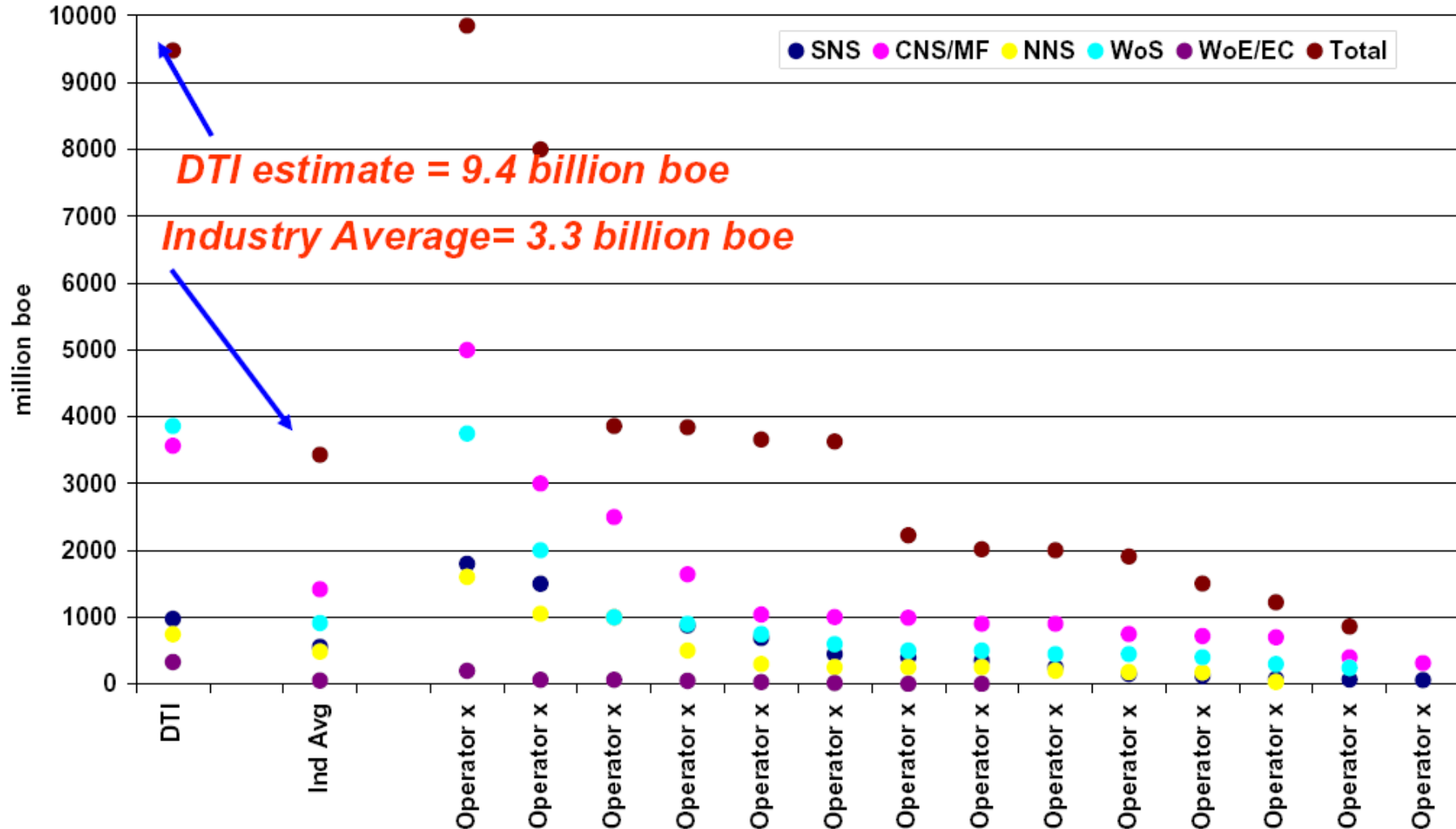


The red diamonds above show the DTI's central estimates as at the end of 2004 of YTF reserves at three levels of drilling risk, namely geological chances of success of:

- 1 in 5 (2.8 billion boe)
- 1 in 10 (4.8 billion boe)
- 1 in 20 (6.4 billion boe)

Wide Range of Views ...

Estimates of UKCS YTF Technical Reserves

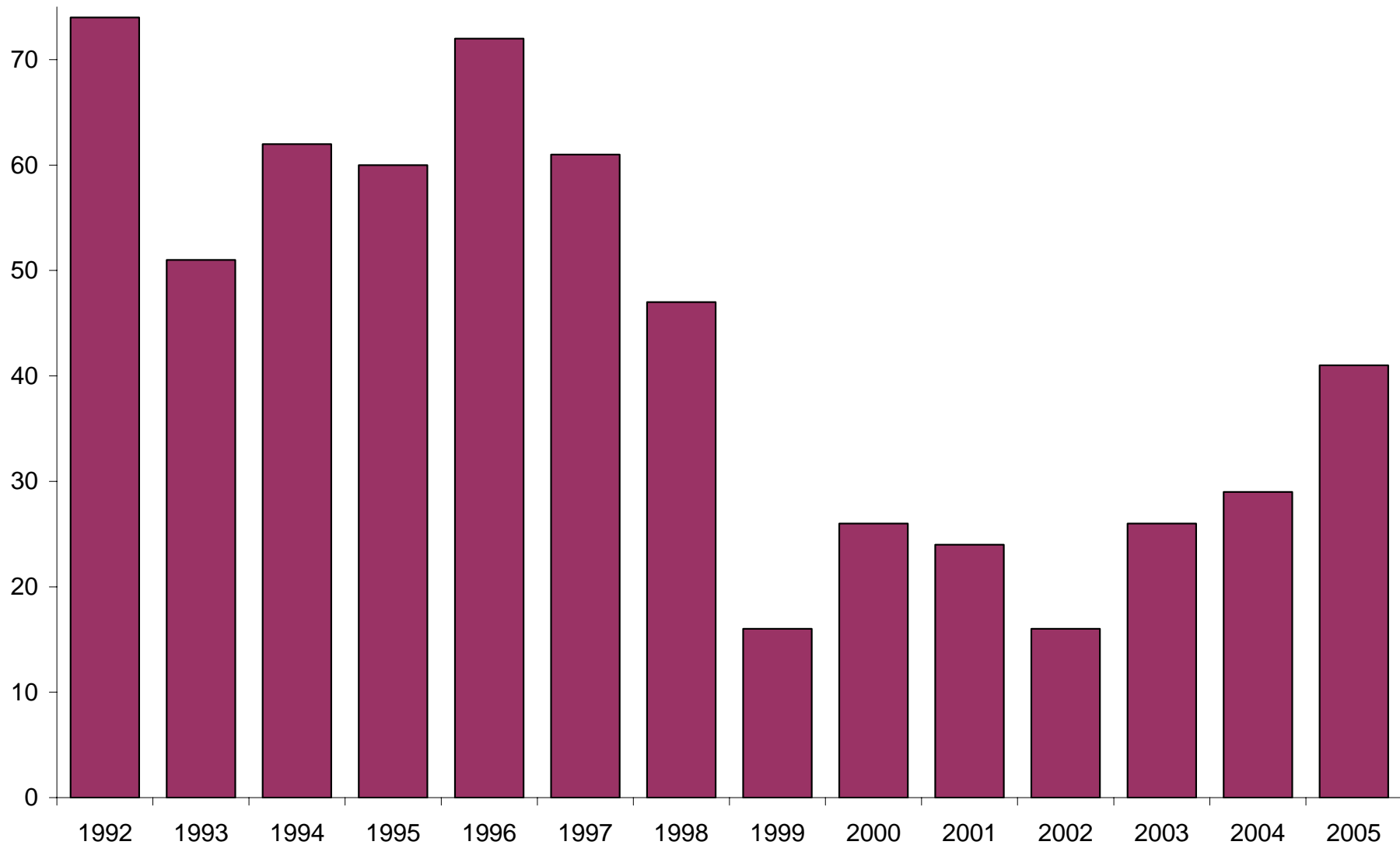


Are we on track to find/produce the yet-to-find potential?

- Activity Levels – past, present and future
- Reserves Discovered
- Projected Production from Discoveries

Recent Activity Levels

Numbers of offshore exploration wells drilled annually including geological sidetracks (i.e. where the intent was to acquire new geological data)

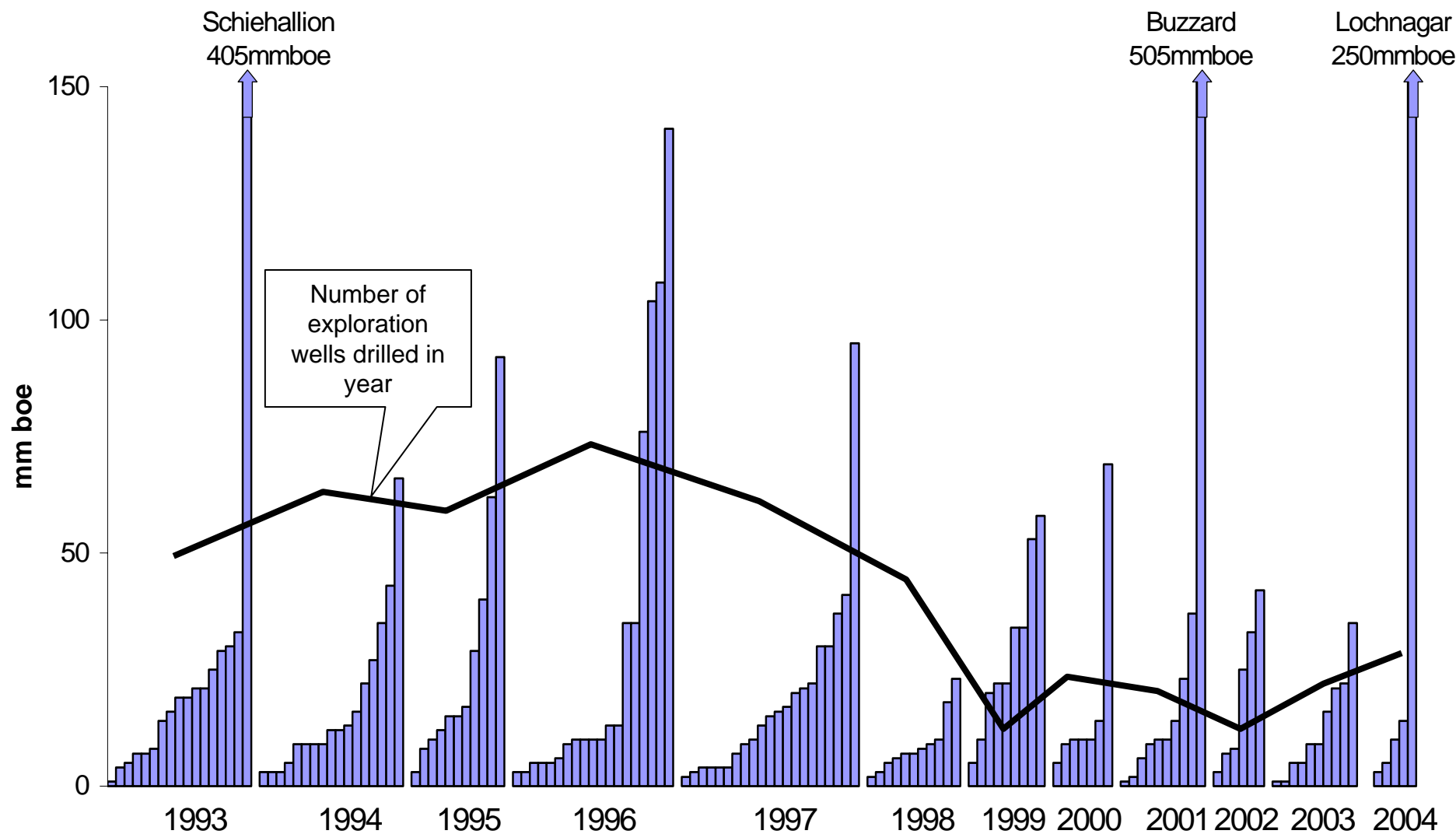


Reserves Discovered

Total/Average	Exploration Wells	Technical Success Rate Total	Average Technical Discovery (mmboe)	Commercial Success Rate Total	Average Commercial Discovery (mmboe)
1994-98	262	29%	21.9	13%	30.8
1999-03	114	36%	29.9	15%	51.5
1994–2003	376	31%	24.7	14%	37.6

Source: Wood Mackenzie Multi-Client Study "Global Oil and Gas Risks and Rewards 2004"

UKCS Discoveries 1993–2004



Source: UKOOA analysis of Wood Mackenzie data, discoveries ranked by size within year; includes both commercial and technical reserves; there is no public estimate of Lochnagar (Rosebank) reserves by the operator (Chevron)

Projected Production from Discoveries

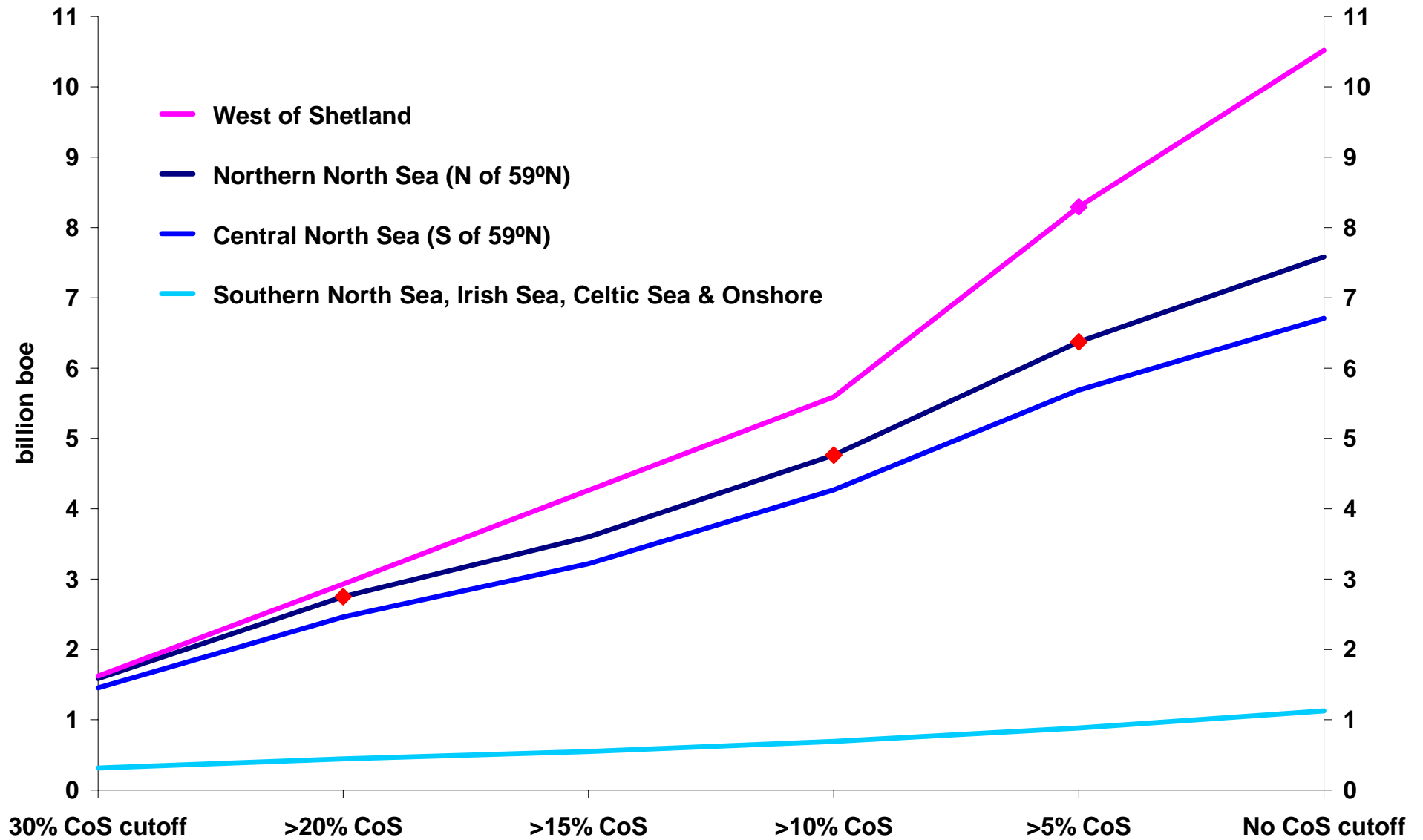
- Modelling results based on assumed exploration drilling levels, success rates, discovery sizes etc
- Results presented in terms of cumulative production by date given, *not* reserves discovered by that date
- Assume infrastructure "window of opportunity" – if infrastructure is removed, some resource won't be economic to develop

Projected Production from Discoveries

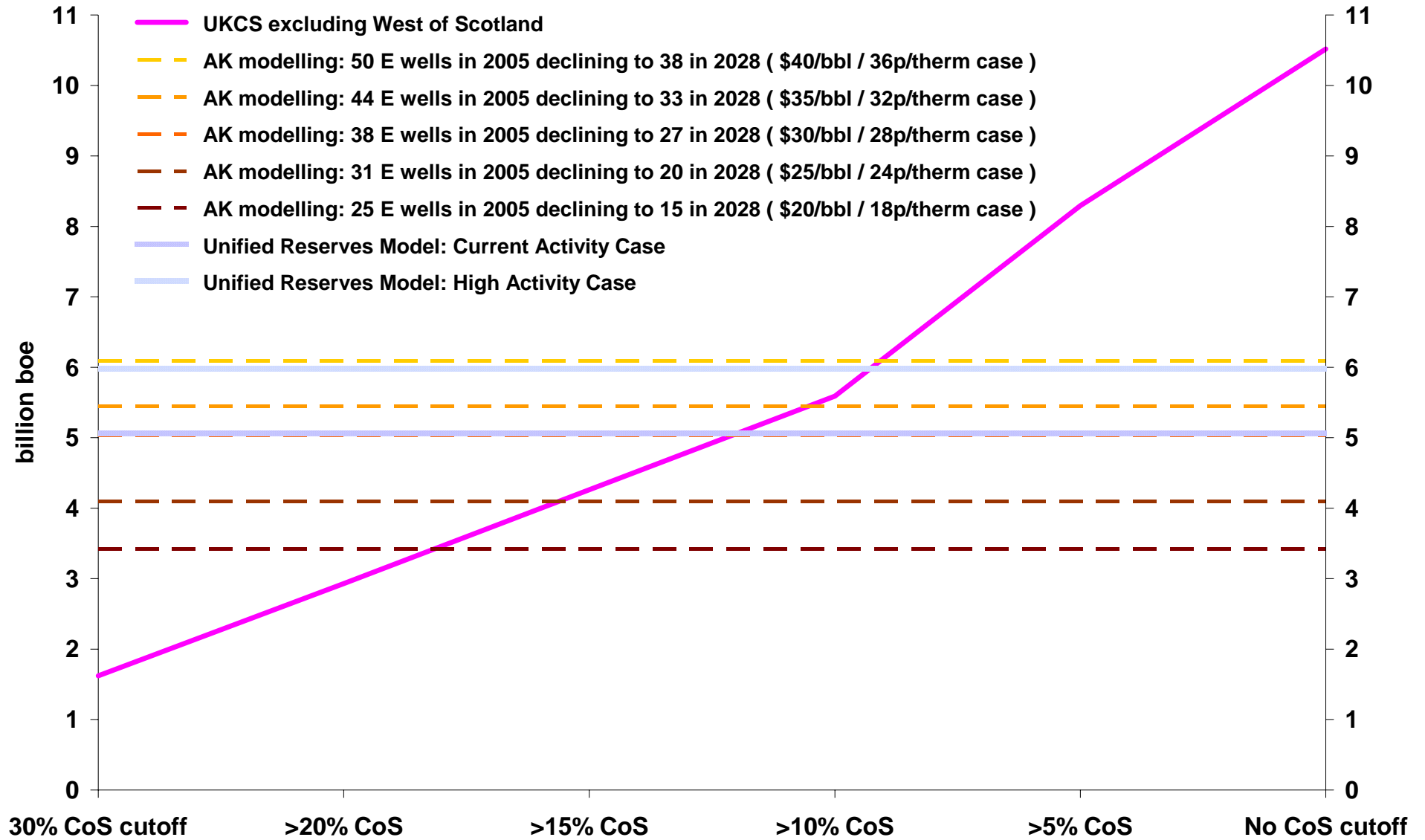
UKCS Yet-to-Find Reserves projected to be *recovered* by 2035

Unified Reserves Model	billion boe
Current Activity Case	5.1
High Activity Case	6.0
Alex Kemp's latest modelling (excludes future incrementals)	
25 E wells in 2005 declining to 15 in 2028 (\$20/bbl / 18p/therm case)	3.4
31 E wells in 2005 declining to 20 in 2028 (\$25/bbl / 24p/therm case)	4.1
38 E wells in 2005 declining to 27 in 2028 (\$30/bbl / 28p/therm case)	5.0
44 E wells in 2005 declining to 33 in 2028 (\$35/bbl / 32p/therm case)	5.4
50 E wells in 2005 declining to 38 in 2028 (\$40/bbl / 36p/therm case)	6.1

Estimated Undiscovered Oil and Gas Resources in the UKCS excluding West of Scotland as at end 2004 shown at different levels of Geological Risk (Chance of Success, CoS)



**Estimated Undiscovered Oil and Gas Resources in the UKCS excluding West of Scotland
as at end 2004 shown at different levels of Geological Risk (Chance of Success, CoS)**



Exploration Update

- How big is the yet-to-find potential?
 - Uncertain, but up to 9.5 billion boe for whole UKCS depending on industry's appetite for risk
- Are we on track to find/produce it?
 - Plausible activity levels could deliver up to 6 billion boe by 2035