EAG Summary
UKCS 2004 Activity Survey
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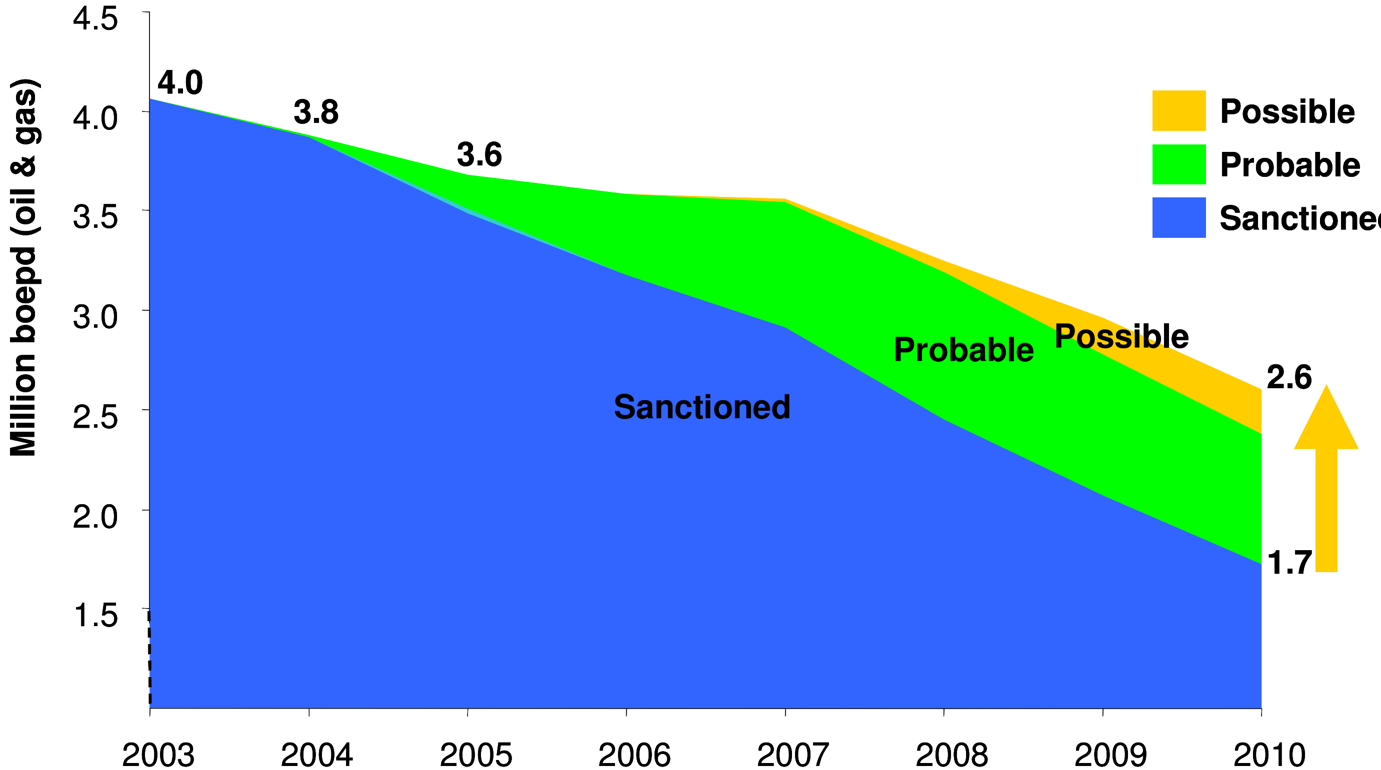
UKCS Production Outlook – UKOOA 2004 Survey

- Production outlook beginning to reflect continued investment
- Oil / Liquids outlook improved 4%
- Gas production decline similar to recent years' surveys



Investing £ 4bln pa in new production

Spending £5bln pa to maintain existing operations and sustain production

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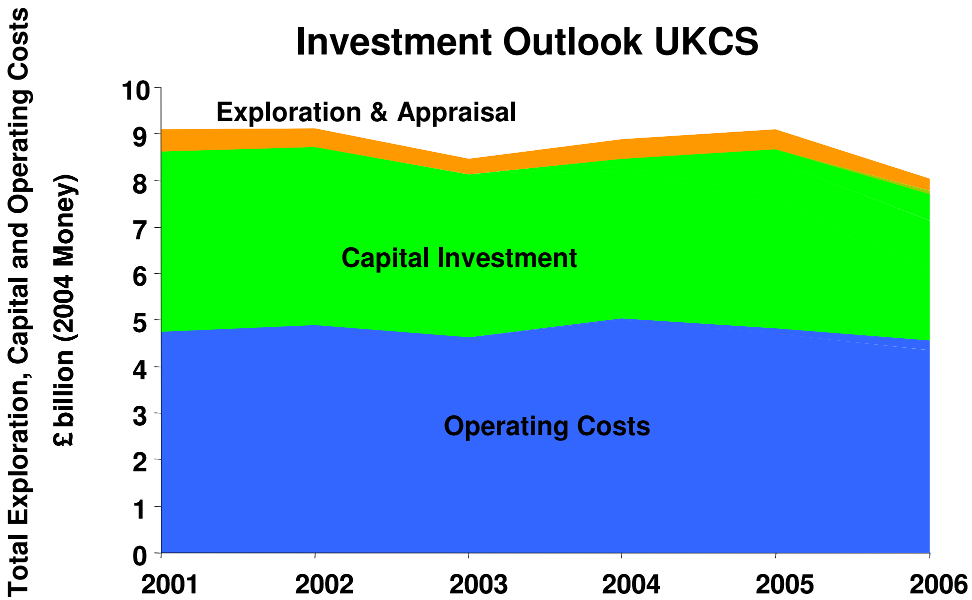
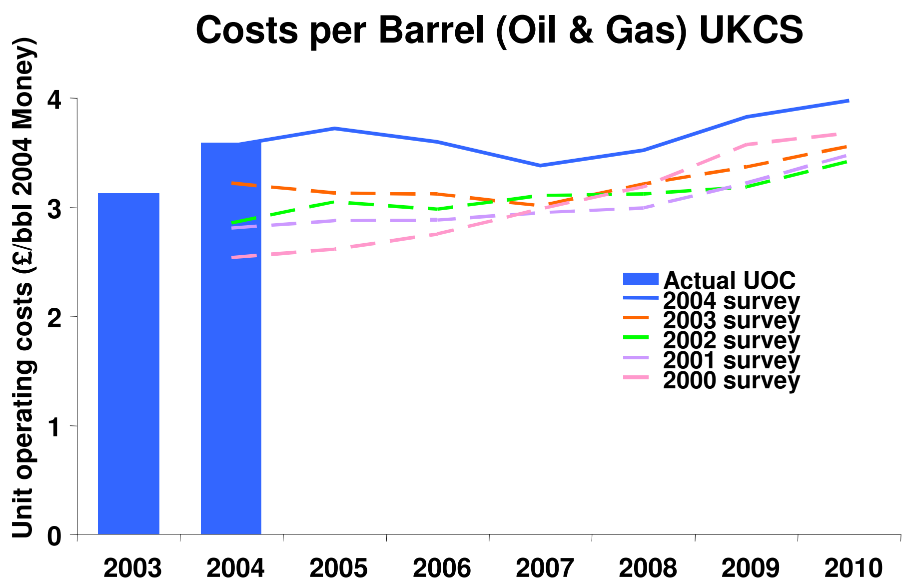
Investment & Expenditure are Increasing





- Total spend sustained and increasing - over £9 billion in 2005
- But costs per barrel are increasing
  - Higher than previously forecast and on upwards trend
- Opex rose £0.5 bln in 2004
- Unit costs per barrel rose 15%

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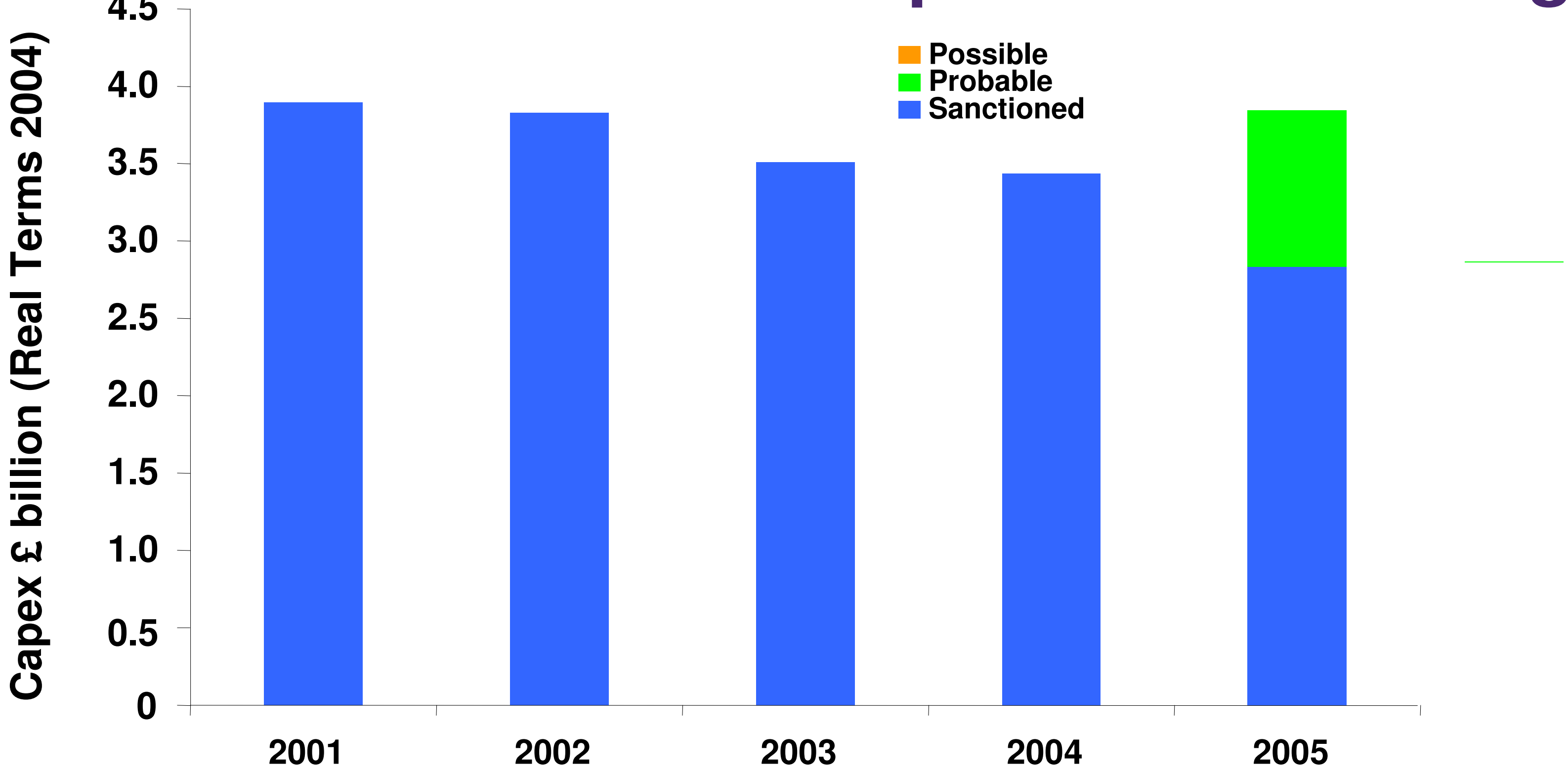
Capital Investment on Developments has Strengthened



- Strong Capex investment in 2nd half ’04, Up 12% at £3.8 bln in 2005
- Current massive investment is halving the rate of production decline
  – Historic production base is declining at ~ 15% per annum
  – Current capital expenditure is halving rate of production decline to ~ 7% pa

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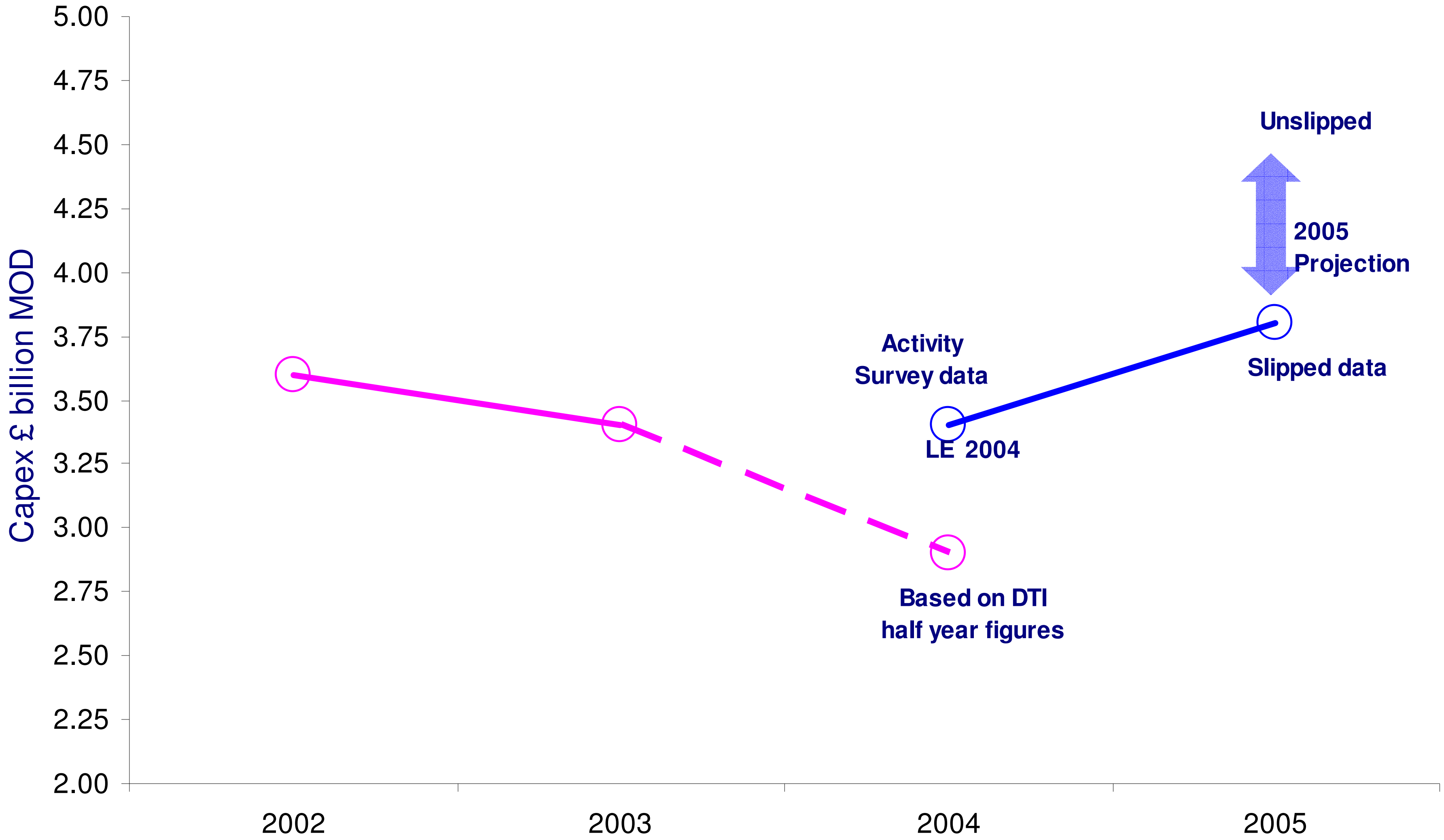
Capex Trends 2002 - 2005



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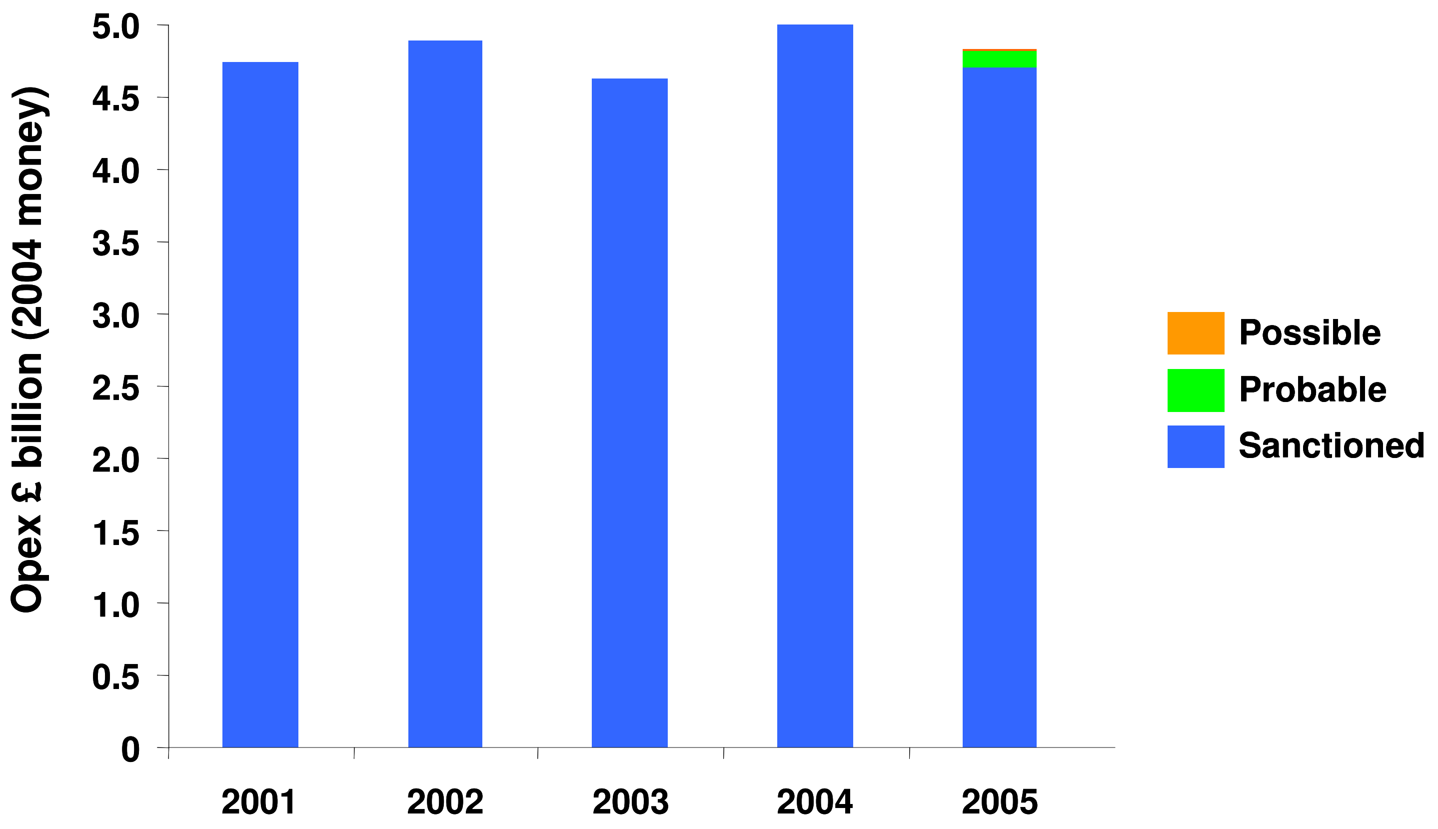
UKCS is an Expensive Basin to Operate in



- Operating costs up £0.5 bln (12%) in 2004, whilst production is declining
- Survey shows Operating costs rising with increased focus on ageing assets and asset integrity

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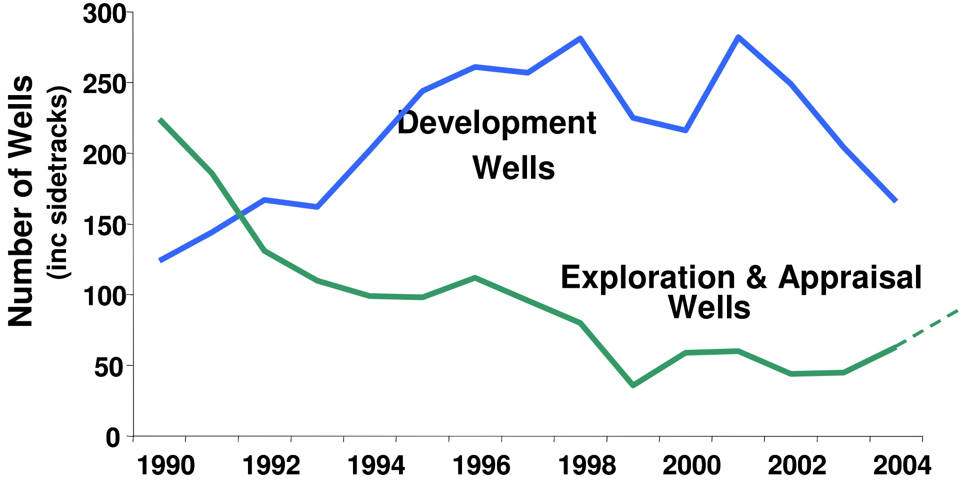
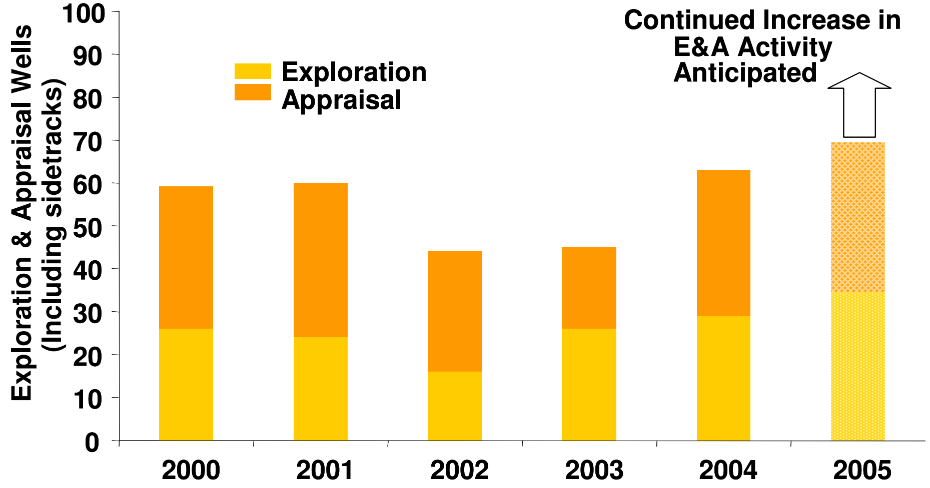
Drilling Activity within UKCS





- Dev't drilling recently declined
- Drilling spend increased
  - up 18% to £2.5 bln ('03 – '05)
- Increasing use mobile drilling units
- Extended reach & multilateral wells increasing recovery per well

- Exploration & Appraisal increasing
  - 63 E&A wells in 2004
  - highest number since 1998
- Project over 70 E&A wells (UKCS) in 2005
- In SNS - 9 E&A wells in 2004
  - project similar for 2005/6

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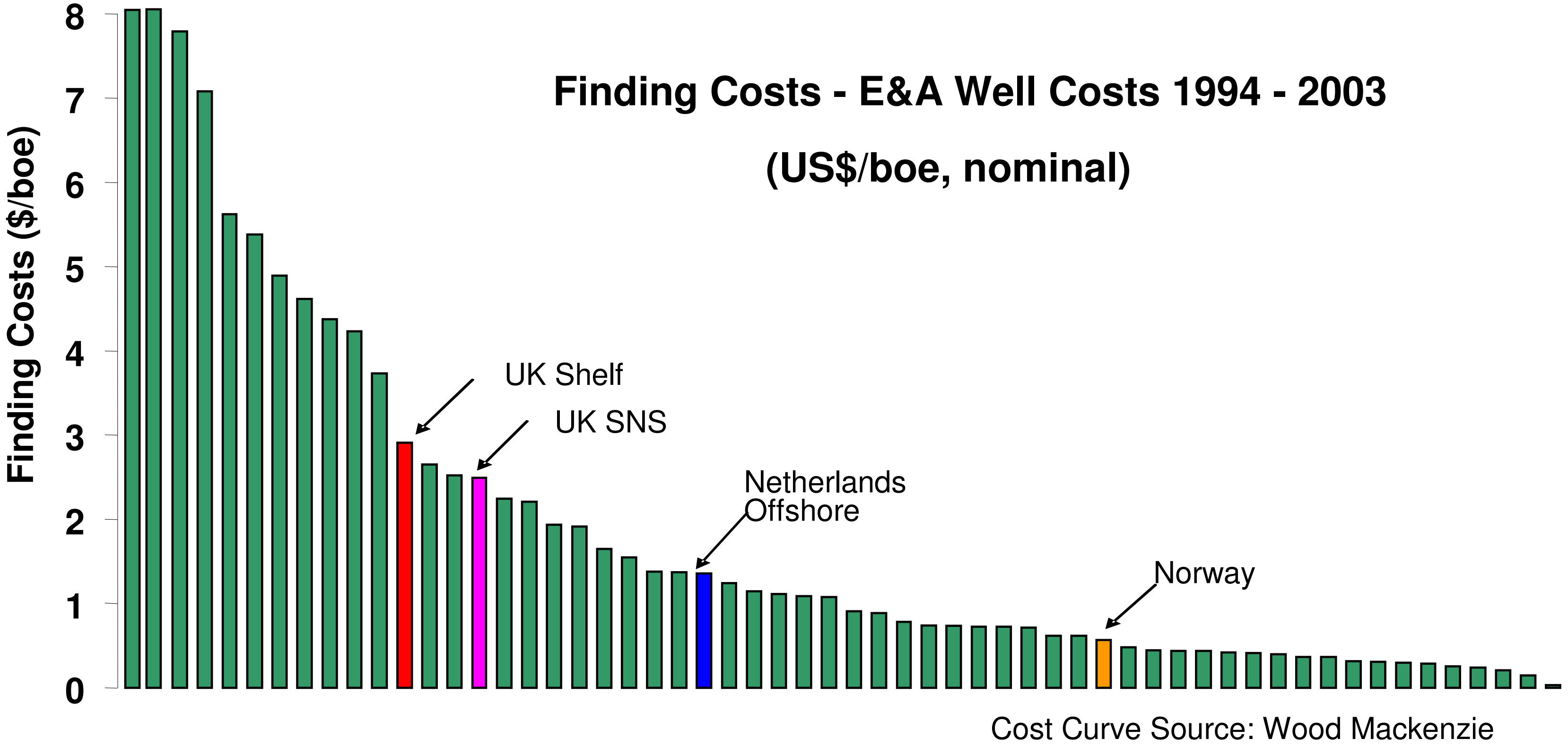
Exploration and Appraisal is Expensive in UKCS



- Average finding costs remain higher than our North Sea neighbours

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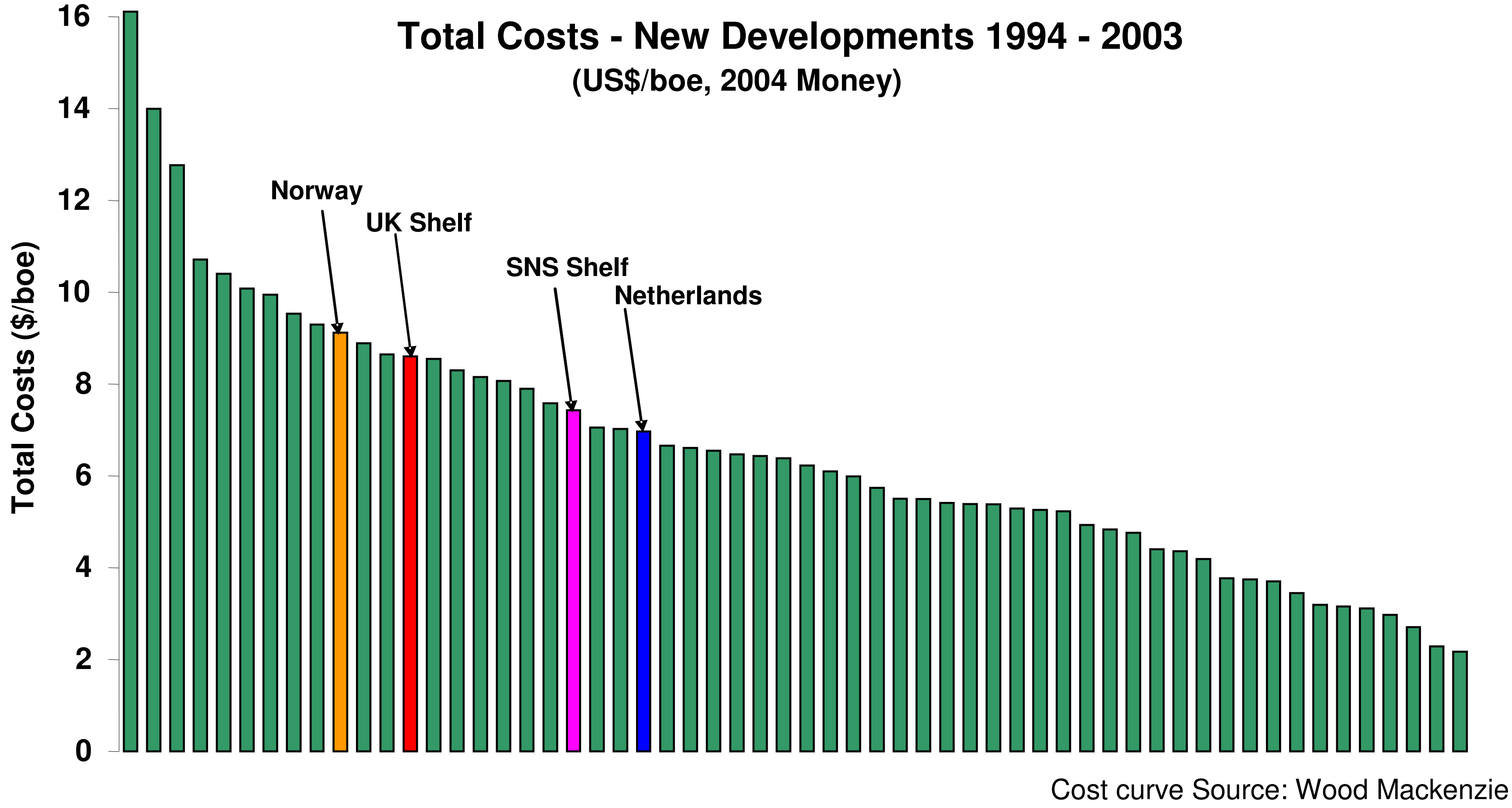
Total Costs (Capex & Opex) are High in the UKCS



- Competitive infrastructure enables cost effective development

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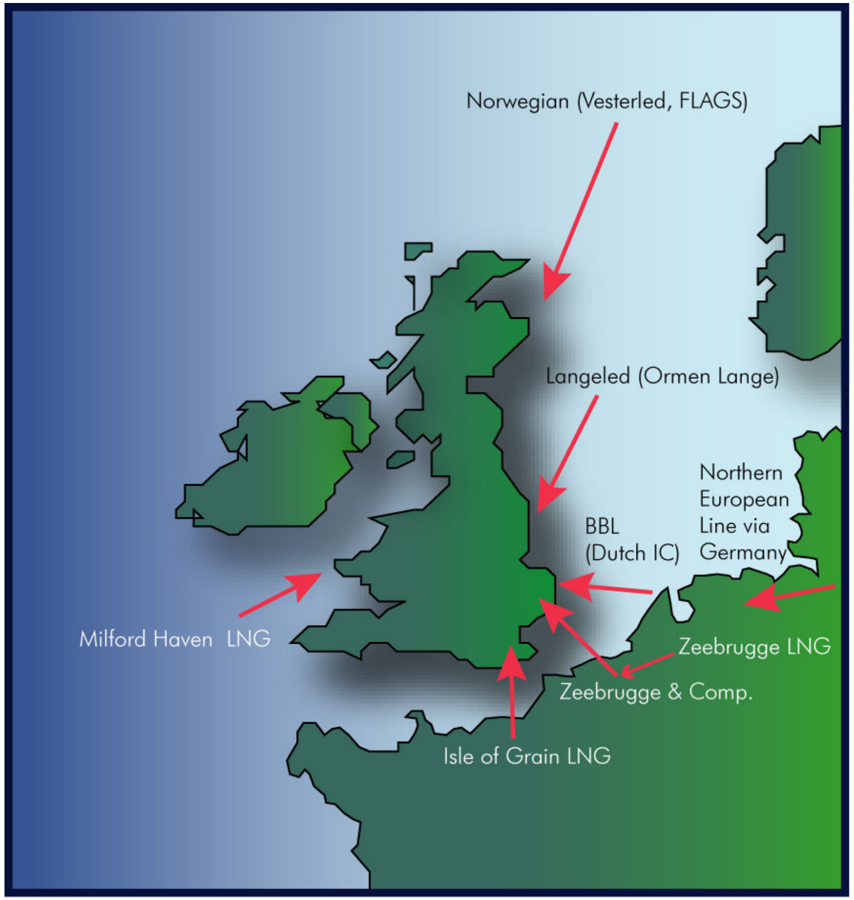
UK – New Landing Point for European Gas



Source: National Grid Transco / UKOOA

- UK Gas demand is growing
  ~ 100bcm p.a.
- But New Imports are on the way …….
  - Langeled
  - Bacton – Zeebrugge Interconnector Upgrades
  - Dutch Interconnector (BBL Pipeline)
  - Isle of Grain LNG
  - Milford Haven LNG

- Gas Import Projects:
  60 – 100 bcm p.a. by 2010
- Accessible to UK & Europe via new infrastructure

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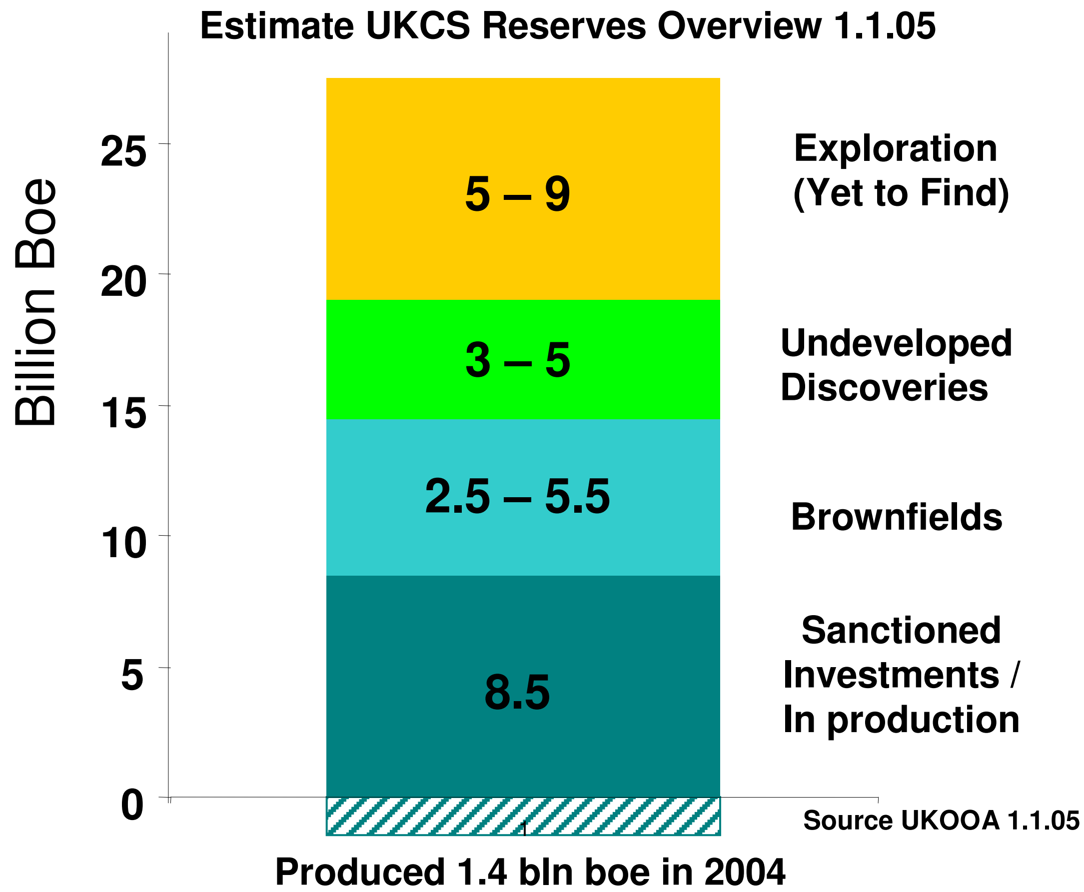
Current Baseline and Future Opportunity



- UKCS produced ~ 34 billion boe
- Future potential of up to 28 bln boe

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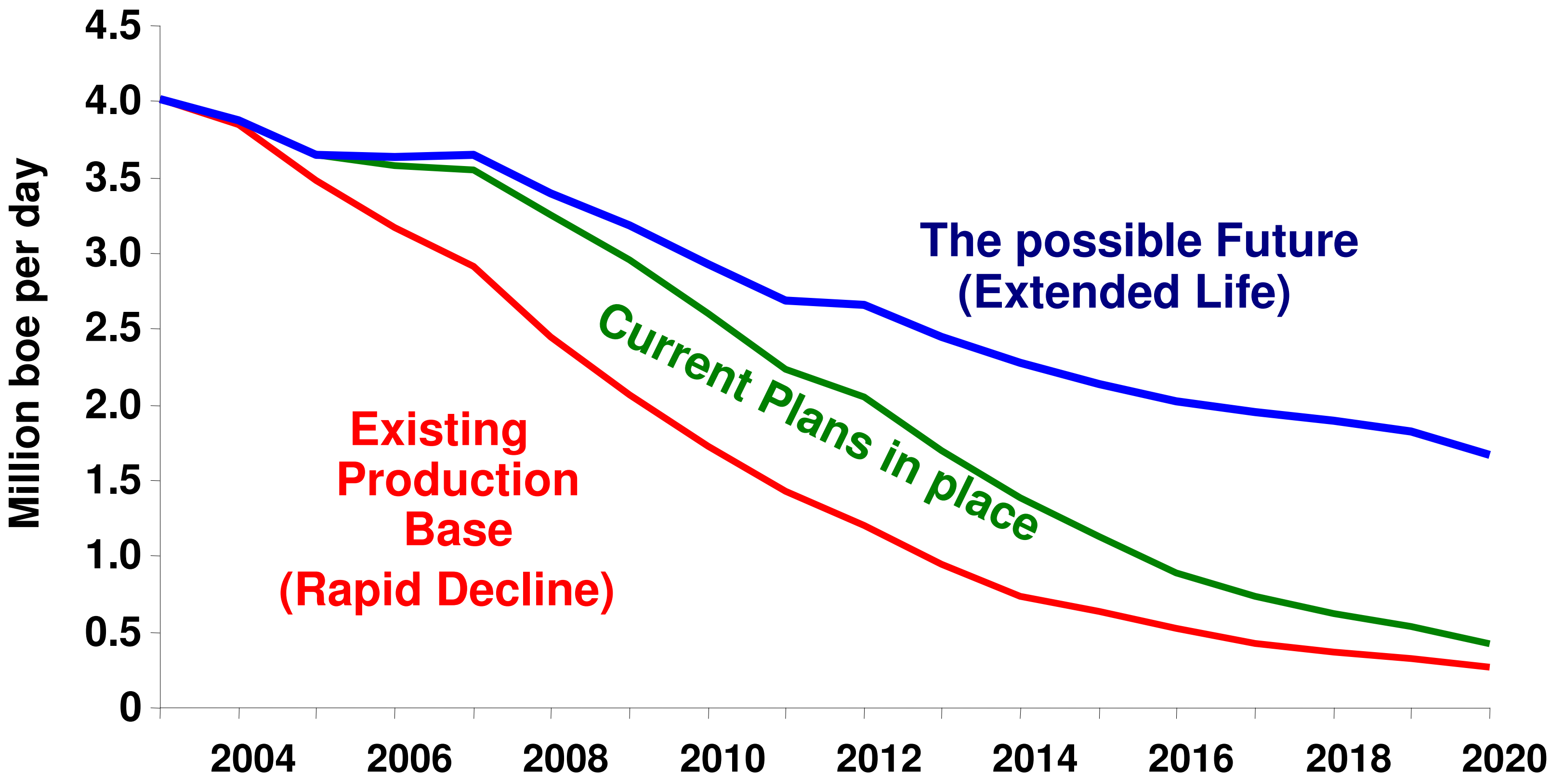
The Two Futures

Rapid decline or an extended life?



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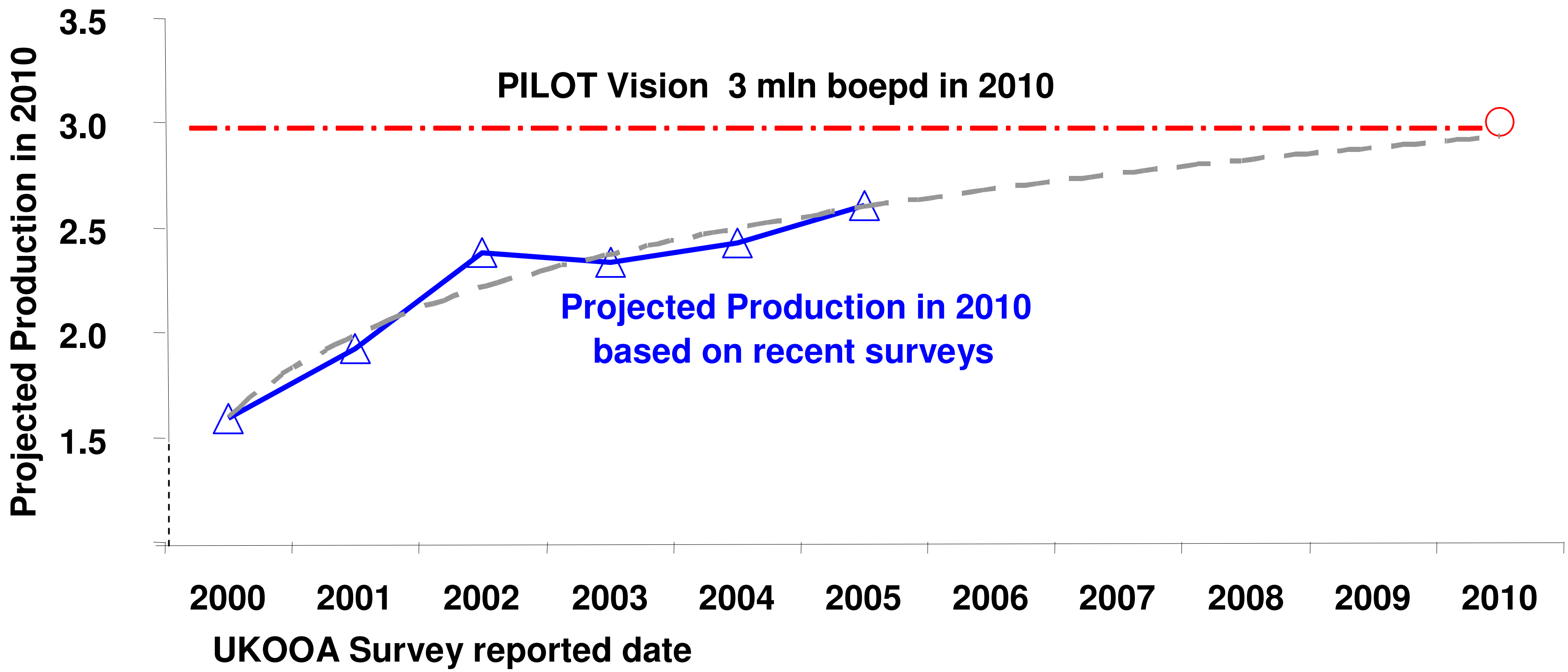
Are There Grounds for Hope?



- Projected 2010 production is continuing to rise from
  - Increased brownfields recovery
  - New exploration and appraisal activity

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Planned Reserves development 2005 - 2030
Comparison against last year's projections

Category (from 1/1/2005)	2004 Survey (change on 2003 Survey) in billion boe	Change in reserves category 2004 vs. 2003 %
Sanctioned	8.3 bln boe (+ 1.3)	+ 18
Incremental (Brownfields) (probable + possible)	2.2 bln boe (+ 0.8)	+ 51
New development (probable + possible)	1.1 bln boe (- 1.6)	- 60
Total (from 1/1/2004)	11.7 bln boe (+ 0.4)	+ 4
Produced in 2004	1.4 bln boe	-

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