

Tullow manages its exploration activities and production business in an integrated manner with a clear focus on value. We seek material positions in assets where our technical and operational skills can make a real difference.

Production and development



“In recent years we have focused on delivering value from Tullow’s growing portfolio and have made significant investments in building our team and enhancing operating capability.”

Paul McDade, Chief Operating Officer

Our producing assets performed strongly during 2007, driving Group output to 73,100 boepd, up 13%. This allowed Tullow to capitalise on oil prices that at times approached record levels.

Our production rates in Africa were particularly encouraging, led by the Okume development in Equatorial Guinea. In the UK, investment was redirected in favour of international programmes in response to gas market conditions. This meant that UK production remained broadly stable.

As we grow, we continue to focus on ensuring that our resources, both human and financial, are being applied in the optimum manner to the best opportunities.

Exploration



“Our exploration success has opened up new geological plays with significant upside potential. Our focus is now on the appraisal of these regions while maintaining an active exploration and new ventures programme to generate the next phase of growth.”

Angus McCoss, Exploration Director

From an exploration perspective, our discoveries in Ghana and Uganda have created a step change in Tullow’s outlook and we will now focus resources on appraisal and further regional exploration campaigns.

Our exploration goal in Uganda is to build on the 100% exploration success rate to date and to drill the remaining prospect inventory as quickly and effectively as possible. In Ghana we are primarily focused on appraising beyond the proven Jubilee field, which has timate upside potential of 1.3 billion barrels.

Not all of our campaigns were successful and the outcome of the Kudu-8 well, offshore Namibia, was disappointing. Although the well found gas, reservoir quality would not support commercial flow rates.

2007 Working interest production

+13%

2007 Capital investment

£370 million

2007 Exploration success rate

56%

Future production growth

Following the discovery of the Jubilee field in Ghana, we are formulating plans for an extensive operated appraisal and development drilling campaign and the initiation of the first phase of development with first production targeted for 2010.

The completion of the acquisition of Hardman Resources in early 2007, provided us with an opportunity to consolidate our position in Uganda, take operational control of the critical Block 2 and define the pace of investment. During the year we conducted a successful appraisal programme, commenced work on an EPS and are moving towards first oil in 2009.

Elsewhere we continue to rank our many investment opportunities and invest in the high-graded production and development projects to ensure continued production growth from our existing assets.

Longer-term ambitions

2008 will be another busy year for Tullow as we move towards sanction of the Jubilee field development in Ghana, continue to explore, appraise and develop the significant potential of the Lake Albert Rift Basin in Uganda and optimally exploit the asset portfolio. Tullow has, over recent years, prepared for the challenges these important projects will bring by steadily building the organisational experience and knowledge required to control and successfully execute projects of this scale and diversity.

The delivery of value from these world-class projects will provide not only an opportunity for us to leverage from the long-term investment in our team but also the opportunity to build new skills within the organisation to support our longer-term ambitions.

Exploration portfolio

For Tullow, geology outranks geography and our exploration portfolio comprises a healthy blend of risk profiles. Low risk, high return, prospects are prioritised in the drilling schedule to realise value early. Higher risk prospects are targeted with technologies and methodologies which aim to reduce the technical risk and determine the appropriate level of investment or portfolio management action.

Tullow provides challenging professional development opportunities for its technical staff. In doing so, we are able to attract, retain and inspire world-class exploration talent. Our explorationists are fundamentally prospectors and deploy leading edge seismic and other physical technologies in their quest to discover oil and gas.

Our global exploration leadership team assures technical quality, portfolio high-grading and financial discipline.

Exploration focus

Our focus is maintained on developing our experience in our core geological plays which are 'Salt Basins', 'Stratigraphic Traps', 'Rift Basins' and 'Fold Belts'. Although Tullow found a rare giant field in Ghana, ever fewer of these exceptional traps remain undrilled and many are unavailable as they are held by the oil majors or national oil companies.

Tullow's niche, therefore, is exploring our core geological plays for commercially viable prospects in the scale of a few tens, to a few hundreds, of millions of barrels of oil equivalent.

The upper end of this scale represents a rich set of opportunities for Tullow, and the Group is particularly well skilled and organised to meet the challenge of continuing to grow through exploration.