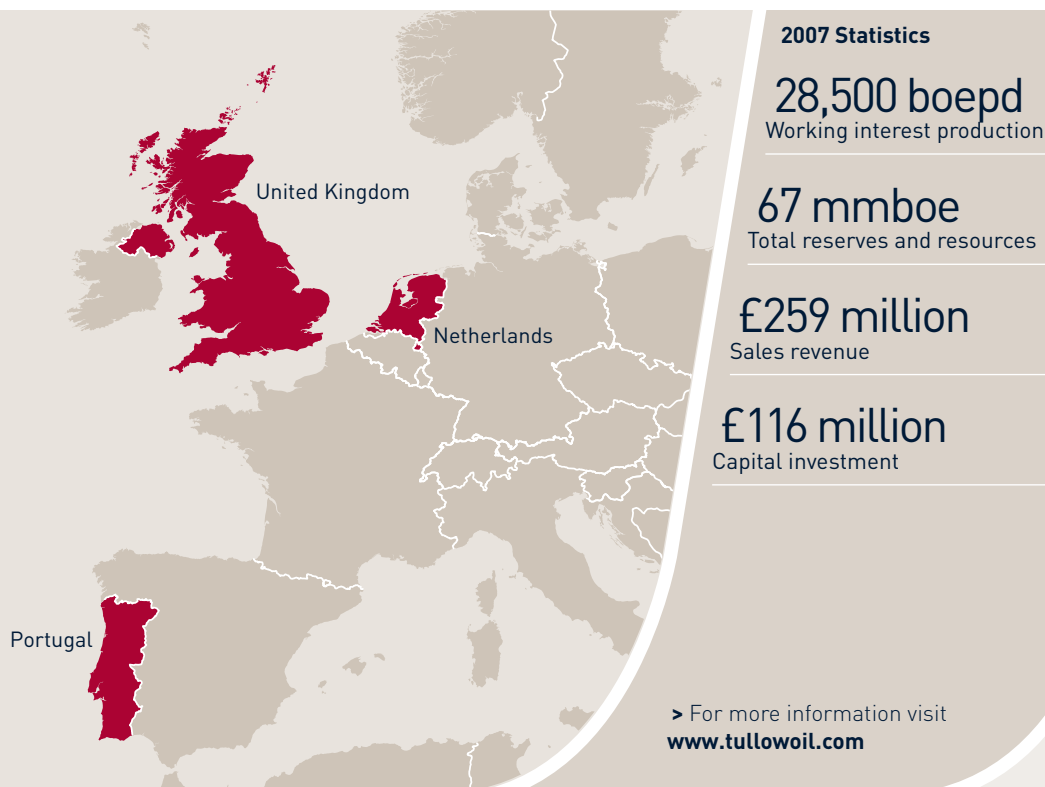


2007 was a successful year for Tullow in Europe. Despite a volatile gas market and lower capital allocation, results were strong, with fields developed, a successful gas discovery and licences added in two new provinces.



**Key producing assets**

Country-area	Activities	Producing fields (Tullow %)	2007 Working interest production (boepd)
UK – CMS Area	● ▲ ■	CMS fields Boulton (9.5%) CMS III (14.1%) Kelvin (22.5%) Ketch (100%) Munro (15%) Murdoch (34%) Schooner (90.35%)	15,600
UK – Thames-Hewett Area	● ▲ ■	Thames-Hewett fields Gawain (50%) Hewett (51.69%) Horne & Wren (50%) Orwell (100%) Thames (66.67%) Thurne (86.96%)	12,900

**Activities in other countries**

Netherlands ●, Portugal ●

Key: Exploration = ● Development = ▲ Production = ■

## 2007 Highlights

- Production averaged 171 mmscfd, 4% below record 2006 levels;
- Two new gas fields, Thurne and Kelvin, brought on production;
- Wissey field development sanctioned with first gas planned in 2008;
- Continued exploration success in the CMS area with the Harrison gas discovery;
- Migration of activity into Dutch sector with award of acreage covering the entire carboniferous play extension;
- Six blocks awarded in January 2007 in the 24th Licensing Round; and
- Natural gas and carbon dioxide storage under consideration for the Hewett field to greatly extend economic life.

## Market environment

In Europe Tullow's producing assets are focused on gas in the UK Southern North Sea where the Group has established a strong portfolio of production, development and exploration assets around two key infrastructure hubs, Thames-Hewett and the CMS. Tullow has added significant value to this business and continues to actively manage its portfolio through targeted exploration and development programmes and cost reduction initiatives.

In 2007 Tullow averaged 171 mmscfd from the UK portfolio, similar to 2006. During the first half of the year a comparatively mild winter combined with perceived oversupply in the UK gas market led to a period of extreme uncertainty and weak pricing. As the year progressed and longer-term pricing trends became more favourable, Tullow made funds available to invest in selected development and high-graded exploration projects with a focus on value rather than growth in production. Tullow expects this trend to continue in 2008.

## Thames-Hewett area

Over the last seven years, Tullow has steadily grown its asset base in the Thames-Hewett area through acquisition, development of marginal fields and third party tariff business. The Group has developed a reputation as an efficient, low cost operator with a track record of extending the life of mature fields. In 2007 Tullow's net production from these assets averaged 77 mmscfd.

During 2007, first gas was achieved from the Tullow-operated Thurne field in August at a gross rate of 50 mmscfd. The development plan for the Wissey discovery in block 53/4d was sanctioned in May 2007 and first gas is planned for August 2008 at a gross rate of 70 mmscfd. The Horne & Wren fields continued to produce above expectation through 2007.

To further extend the economic life of the Thames infrastructure, Tullow is currently evaluating the potential of infill wells on existing Thames area fields.

## Hewett Complex

Since taking over operatorship of the Hewett Complex and Bacton Terminal in 2003, Tullow has successfully enhanced field production, extended the life of the facilities and significantly reduced operating costs.

In 2007, Tullow undertook a project to convert the Hewett complex to an unmanned facility which will be controlled remotely from the Bacton terminal. Optimisation of staffing, logistics and maintenance is expected to yield cost savings which will extend the economic life of this asset regardless of any new gas production.

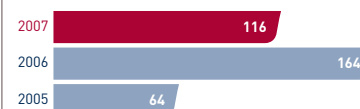
An exploration well on the Doris prospect spudded in January 2008 but was unsuccessful. Tullow also plans to drill a development well in mid-2008 in the Hewett main field. In the event of success, first gas could be achieved in late 2008.

In addition to activities to extend production life, Tullow is also investigating the potential longer term use of Hewett reservoirs and infrastructure for both natural gas and carbon dioxide storage. As part of these projects, Tullow is planning to enter the Government sponsored Carbon Capture and Storage Competition this year as a partner in two separate consortia. One will be led by E.ON UK plc and the other by RWE npower plc. Under the partnership's proposal, Hewett would act as the major carbon sink for disposal and long-term storage of carbon dioxide flue gases produced from coal-fired power stations to be built in the region in the next five to 10 years. Both natural gas and carbon dioxide storage are seen as viable schemes for extended use of the infrastructure after gas production ceases.

# 100%

success rate maintained in the CMS area with the discovery of the Harrison gas field.

## Capital investment (£ million)



## Working interest production (boepd)



**CMS Area**

Production from the CMS Area averaged 94 mmscfd for the year, slightly less than 2006, reflecting natural decline. However, first gas was produced from the Kelvin field in November, boosting overall CMS production which by year-end was over 120 mmscfd net to Tullow.

The strong performance from the Kelvin field has meant a key focus for 2008 will be the sanction of the adjacent K4 and nearby Harrison discoveries for simultaneous development via the existing Kelvin and CMS infrastructure.

The redevelopment of the Schooner and Ketch fields continued in 2007 with first gas from the Ketch-9 well in July at an initial gross rate of 22 mmscfd. The well also appraised the southwest flank of the field, proving up an area of undepleted gas reserves that provide an attractive potential development opportunity.

Other opportunities in the area include infill drilling on the existing fields and plans are well advanced for a further well on the Boulton field in the second quarter of 2008. Further infill wells in the region are also being considered.

Tariff revenue from the CMS system provides a steady cashflow for the Group. New third party business in the CMS system came on stream in 2007 with the completion of the Cavendish project. Several new third party developments in the area are also close to sanction and may provide a source of future revenue.

The Carboniferous is a core UK play for Tullow, as evidenced by the eight consecutive discoveries in the CMS area. Capitalising on our success in this play, we seized the opportunity to extend our activities into the Dutch sector.

**Netherlands**

In the Netherlands, Carboniferous prospectivity remains highly under-explored and, by comparison to the adjacent UK acreage, the prospects are materially bigger. Tullow made its first entry into the province in 2007 with the award of a 10% non-operated interest in Block E13 and a 100% interest in the Epidote discovery.

In July 2007, Tullow also made applications for five new blocks in the Epidote area. Three of these blocks have been awarded to Tullow, and we anticipate acquiring an operated position in the additional two blocks via post-award licence assignments.

In addition, Tullow acquired operated interests in Netherlands Blocks L12a, L12b and L15b, where interesting prospectivity has been recognised in the Permian reservoir section.

Activity in 2008 in relation to this new acreage will largely be seismic reprocessing and interpretation in preparation for an integrated Netherlands drilling campaign in 2009.

**Central North Sea**

Tullow participated in two high risk/high impact exploration wells in the Central North Sea in 2007. Both wells, on the Peveril and Acer prospects, were dry and were plugged and abandoned.

**24th Licensing round**

Tullow was awarded six new blocks in both the Hewett and CMS areas in the 24th Licensing Round, five of these as operator. All blocks lie in our core Southern North Sea area.

**Portugal**

In February 2007, Tullow was awarded three blocks in the undrilled Alentejo Basin off the southwest coast of Portugal. This frontier exploration acreage offers a range of play types consistent with Tullow's core exploration expertise. A detailed seismic infill programme across the acreage is planned for 2008, and a 3,000 km 2D seismic survey is scheduled to commence during the second quarter of 2008.

**Positive outlook**

The Group has an active programme for its European assets in 2008 with two exploration/appraisal wells, completion of development of the Wissey field, and up to three infill development wells planned on its UK Southern North Sea acreage.

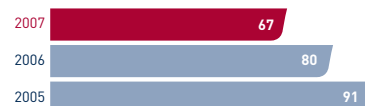
There will be a significant programme of seismic acquisition and processing through the year to evaluate the potential of the Dutch and Portuguese acreage.

The Group has also entered Hewett in the Government's Carbon Capture and Storage competition in 2008 with the aim of significantly extending the life of the infrastructure once production ceases.

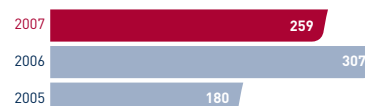
**Seven**

Tullow has expanded its interests in the Carboniferous play by gaining seven blocks in the Dutch sector.

**Reserves and resources (mmboe)**



**Sales revenue (£ million)**





# United Kingdom

# Meeting the challenge of a mature basin



Dave Malony and Charlie Taylor discussing cementing operations on the Wissey well offshore UK

## Extending the life of Southern North Sea fields

Since entering the Southern North Sea in 2000 and assuming operatorship of the Hewett/Bacton complex three years later, Tullow has been actively pursuing ways in which to prolong the life of these and other assets in our portfolio. Our strategy is threefold:

### Continually improve operational efficiency

2007 saw a move towards investment in remote operations of the Hewett platforms. Through de-manning of the offshore installations, centralised control systems and optimised logistics we will not only realise significant cost savings in future years but also reduce the exposure of our personnel working offshore.

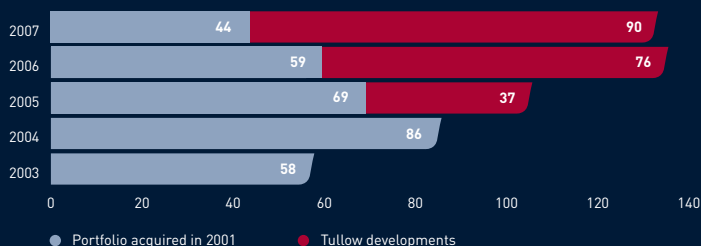
### Targeted incremental investment

Our technical teams have developed a deep knowledge of the subsurface environment. With the infrastructure approaching the end of its productive life, Tullow has identified a number of infill and near field investment opportunities. The resulting drilling and development campaign commenced in the third quarter of 2007 and is expected to deliver significant value both in terms of new gas production and an extension to the economic life of the area.

### Explore future opportunities 'Beyond Gas'

As the focus sharpens on ways of reducing and mitigating the impact of human activity on the climate, Tullow has been working with government, industry and NGOs to assess opportunities to contribute to the reduction of Carbon Dioxide emissions. The re-use of the Hewett main reservoir as a permanent, safe store for carbon dioxide is being studied in detail and could provide a significant contribution to the UK's climate change targets. The Hewett/Bacton infrastructure is strategically well placed, consequently we have also focused activity on developing commercial gas storage opportunities utilising these assets.

### Thames-Hewett Area gross incremental production (mmscfd)



Previous page: Rig floor during Wissey well offshore UK

This page: Hewett Field Satellite Platform in block 52/5a offshore UK

