

### Dear Shareholder

I am pleased to present this year's Remuneration Committee report.

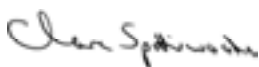
This year, we are proposing to make several changes to the remuneration policy for the Executive Directors. This follows a full policy review by the Committee, which took particular account of Tullow's outstanding performance over the last few years. This has led to Tullow's recent promotion into the FTSE 100 for the first time. The Committee believes that it is particularly important that the remuneration policy helps to recognise the achievements of management in contributing to this success, and to ensure that they continue to be incentivised to deliver Tullow's growth strategy and the generation of outstanding returns to shareholders.

The main changes which we are making are:

- We are seeking shareholder approval to increase the maximum 'normal' limit under the Performance Share Plan ('PSP') to 200% of salary (and the 'exceptional circumstances' limit to 300% of salary). The performance conditions will remain largely unchanged, with the primary conditions remaining wholly based on Tullow's relative TSR performance. The stretch performance threshold for full vesting of awards will, however, be made more challenging, reflecting the higher rewards available;
- Increasing the annual bonus potential to 150% of salary, with any bonus earned in excess of 75% of salary being paid in shares and deferred. The targets under the bonus are being simplified so that all the Executive Directors will now be subject to the same targets. This also reflects their shared responsibility for the Company's success; and
- Executive Directors will now be required to build and maintain a higher shareholding than previously – of 200% of salary worth of shares.

Within the Remuneration Committee's review, it was our intention to ensure that the remuneration packages of the Executive Directors were made sufficiently competitive for a company of Tullow's size, but without significantly increasing non-performance related pay. Therefore, the basic salary increase (excluding two role-specific increases explained below) for the Executive Directors has been set at 5% for 2008.

A resolution to approve the new maximum award limits under the PSP will be tabled at the forthcoming Annual General Meeting, as well as a resolution to approve this Directors' Remuneration Report. I hope that you will support these resolutions. However, please feel free to contact me by email at: remunerationchair@tulloil.com should you wish to discuss any aspect of this report.



**Clare Spottiswoode**

Chairman of the Remuneration Committee  
11 March 2008

### Introduction

This report has been prepared in accordance with the requirements of the Directors' Remuneration Report Regulations 2002, which set out requirements for the disclosure of directors' remuneration and also in accordance with the requirements of the Listing Rules of the Financial Services Authority.

The Regulations require the auditors to report to the Company's members on the 'auditable part' of the Directors' Remuneration Report and to state whether, in their opinion, the part of the report that has been subject to audit has been properly prepared in accordance with the Companies Act 1985 (as amended by the Directors' Remuneration Report Regulations 2002). The report is therefore divided into separate sections to disclose the audited and unaudited information.

### Unaudited information

#### Remuneration Committee

The members of the Remuneration Committee are Clare Spottiswoode (Chairman), David Bamford, Steven McTiernan, Pat Plunkett and David Williams. Rohan Courtney was a member of the Committee until 31 December 2007. The Committee met five times during the year.

The main responsibilities of the Committee include:

- Determining and agreeing with the Board the remuneration policy for the Chief Executive, Chairman, Executive Directors and senior executives;
- Approving the design of, and determining targets for, an annual performance-related pay scheme for the Executive Directors and senior executives;
- Reviewing the design of share incentive plans for approval by the Board and shareholders and determining the annual award policy to Executive Directors and senior executives under existing plans; and
- Within the terms of the agreed policy, determining the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director and senior executive.

The full terms of reference for the Committee are available on the Company's website.

The Chief Executive and other relevant executives are invited to attend meetings of the Committee but do not take part in any decision affecting their own remuneration. The Company Chairman, Pat Plunkett, also absents himself during discussion relating to his own fees. The Committee has previously appointed New Bridge Street Consultants LLP who remain its independent remuneration advisers. They also provide technical advice to the Company in connection with the operation of its share incentive arrangements. A statement outlining the business relationship with New Bridge Street Consultants can be viewed on the Investor Relations section of the Company's website. The Committee also consults with the Company's major investors and investor representative groups as appropriate.

## Directors' remuneration report continued

**Remuneration policy**

The Company's policy is to maintain levels of remuneration so as to attract, motivate and retain Executive Directors and senior executives of the highest calibre who can contribute their experience to the Company's operations. The elements of the remuneration package for Executive Directors and senior management are base salary, annual bonus, taxable benefits, pension payments and participation in the Company's share incentive arrangements. A significant element of the potential remuneration package is, therefore, performance-linked.

When determining the total remuneration of the Executive Directors and senior management, the Committee predominately takes into account the remuneration practices adopted by UK listed companies of a similar market capitalisation and overseas complexity to Tullow. Practice within other oil and gas companies is also considered although the availability of relevant data is limited due to there being few other UK listed companies in the sector of a comparable size to Tullow. Finally, in setting the remuneration policy for the Executive Directors, regard is also given to pay practices elsewhere in the Group.

As explained in the introduction to this report, the Remuneration Committee has recently undertaken a comprehensive review of the senior executive remuneration policy at Tullow. In carrying out this review, the Committee considered a number of relevant issues including:

- Tullow has achieved outstanding growth in recent years by implementing the strategy formulated by its management team. This is demonstrated by its performance relative to both the Oil & Gas sector and the FTSE 250 (of which Tullow was, until recently, a member). Over the three years to 31 December 2007 the Company achieved a total shareholder return ('TSR') of over 350%, using the same basis of calculation as applies under the PSP, ranking it at the top amongst a group of comparable Oil & Gas peers and second within the FTSE 250 (excluding Investment Trusts);
- As a result of this growth, in September 2007 Tullow was promoted to the FTSE 100 index for the first time. Since then, it has continued to perform strongly, and as at 11 March 2008 it is ranked 60<sup>th</sup> within the index (by market capitalisation);
- The Committee believes that the remuneration policy followed to date has a number of key strengths which have supported the achievement of Tullow's strategic goals. These include (i) a high proportion of the package being performance-linked (ii) a significant element of incentive pay being directly related to Tullow's TSR performance, and (iii) the payment of a material proportion of incentive pay being in the form of Tullow shares. All these factors create a very strong alignment with shareholders. The Committee is keen to ensure that these key strengths of the existing remuneration policy are retained; and

- Taking into account Tullow's promotion to the FTSE 100, the Committee feels that it is critical to ensure that management is rewarded competitively against companies of a broadly similar size. It also believes that this should be achieved without significantly increasing fixed pay, but via greater levels of performance-related pay.

The key outcomes of the Committee's review, in relation to the Executive Directors, are set out below.

**Executive Directors' remuneration****Base salary**

Following the most recent review, the base salary of each Executive Director with effect from January 2008 is:

Director	2008 Salary	% Increase since 2007
Aidan Heavey	£640,500	5%
Tom Hickey	£409,500	5%
Graham Martin	£362,250	5%
Paul McDade	£362,250	14.6%
Angus McCoss	£362,250	14.6%
Matthew O'Donoghue	£294,000	5%

In setting the above salaries, the Committee's general policy was to keep percentage increases broadly in line with those across the rest of the Company and the market as a whole and ensure that a significant proportion of executive remuneration is linked to performance. However, in respect of Paul McDade and Angus McCoss, their increases reflect their criticality to the business, particularly given its current growth strategy, and also the fact that when they joined the Board, their salaries were set at a level to provide scope for an above average increase as they gained experience at Board level and progressively increased their contribution to Board discussion and debate.

Following the 2008 salary increases, the salaries of the Executive Directors are around or below the lower quartile of benchmarking data for UK listed companies of a similar size and international scope.

**Annual bonus**

Each Executive Director is entitled to participate in the Executive Annual Bonus Scheme in respect of each financial year of the Company.

**2007 Executive Annual Bonus Scheme**

In 2007, a bonus of up to 100% of salary could be earned. More particularly, for 2007, the bonus arrangements for the Executive Directors were structured as follows:

Aidan Heavey, Tom Hickey and Graham Martin:

- Up to 33.33% of salary could be earned subject to the achievement of relative TSR performance targets against the same Oil & Gas comparator group used for the PSP awards made in 2007 (see below), with upper quartile performance required for this part of the bonus to be earned in full. Over the relevant period, Tullow was placed in the top quartile of the comparator group;

- A further 33.33% of salary could be earned for the achievement of absolute TSR targets, with a 15% improvement in TSR required for this part of the bonus to be earned in full. Tullow's TSR growth over the year to 31 December 2007 was 66%; and
- The final 33.34% of salary could be earned based on how the Committee considered that the Company had performed over the year as against certain Company-specific key performance indicators (such as production performance, reserve replacement, exploration success, health and safety and overall financial stability).

Paul McDade and Angus McCoss:

- 50% of their potential bonus could be earned based on the achievement of individual and non-financial targets relating to their specific discipline or field of responsibility;
- 20% could be earned on the achievement of certain corporate key performance indicators; and
- 30% could be earned on relative TSR performance against the comparator group above.

Matthew O'Donoghue:

- 50% of his potential bonus could be earned based on the achievement of individual and non-financial targets relating to his specific field of responsibility; and
- 50% could be earned on the achievement of certain corporate key performance indicators.

In terms of the key performance indicators in 2007, the Committee's assessment of their achievement ranged from 60% to 70% in respect of certain operational targets to 100% in the case of key exploration targets. In certain cases, the Committee recognised that other corporate priorities had affected performance against targets.

Based upon that performance, and in particular reflecting another year of excellent TSR performance, Aidan Heavey, Tom Hickey, Graham Martin, Paul McDade and Angus McCoss received bonus amounts for 2007 equating to 90% of base salary. In the case of Matthew O'Donoghue the Committee determined his bonus award for 2007 as 70% of salary.

For 2007, to align the interests of Executive Directors and shareholders, the portion of any bonus amount above 60% of base salary was required to be deferred into shares under the terms of the related Deferred Share Bonus Plan ('DSBP') adopted by the Board in 2005. Shares awarded under this plan will normally vest following the end of the period of three financial years commencing with that in which the award is granted. Awards made under the DSBP are disclosed in the Deferred Share Bonus Plan table on page 65.

### 2008 Executive Annual Bonus Scheme

Following the Committee's review of the remuneration policy for the Executive Directors, several changes will be made to the Annual Bonus Scheme for 2008. A summary of the key changes is as follows:

- From 2008, the maximum annual bonus potential for the Executive Directors, for the achievement of outstanding performance, will be 150% of salary;
- For meeting target performance, a bonus of 60% of salary will be payable (i.e. 40% of the maximum);
- Any bonus earned in excess of 75% of salary will be paid in shares and deferred for three years;
- All the Executive Directors will be subject to the same performance targets which will include two thirds of the bonus being linked to Tullow's TSR performance. More specifically:
  - One third will be based on TSR relative to the same Oil & Gas group as will be used to measure performance for the PSP awards it is proposed to make in 2008 (see below) – no bonus will be paid unless median performance is delivered, with the full bonus for upper quartile performance;
  - One third will be based on growth in absolute TSR, with the full bonus payable if Tullow's TSR grows by 15% over the year; and
  - One third will be based on certain corporate key performance indicators designed to reflect major strategic and financial targets specific to the Company.
- The Committee also has broad discretion before finalising any award level on the above parameters, to take into account such other factors and circumstances reflecting the general financial condition and the performance of the Company as it considers appropriate.

The Committee believes that these changes to the Annual Bonus Scheme will help to ensure that the Executive Directors are competitively rewarded against companies of a similar size to Tullow, but only for the achievement of a common set of challenging, clear and transparent targets which are closely aligned with the interests of shareholders.

### Pension and other benefits

The Executive Directors do not participate in the Company pension plan. Each Executive Director is entitled to receive a payment of 10% of his base salary into his private pension scheme which increases to 15% at age 50, as well as 30 days' annual leave, permanent health insurance, private medical insurance and life assurance benefits. The Group also reimburses the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties.

## Directors' remuneration report continued

### Share incentive arrangements Performance Share Plan (PSP)

Currently, under the PSP, senior executives are eligible to be granted conditional awards of rights over whole shares worth up to 150% of salary each year (200% in exceptional circumstances). Awards vest under the PSP subject to a TSR based performance condition under which the Company's TSR performance is measured over a fixed three-year period commencing on 1 January in the financial year in which the award is granted (i.e. with no opportunity to re-test). Half of the awards made to date are subject to performance against the constituents of the FTSE 250 Index excluding Investment Trusts (as at the start of the performance period) and the other half are subject to performance against the following comparator group of international Oil & Gas companies:

Addax Petroleum	Nexen Inc
ATP Oil & Gas	Noble Energy Inc
Burren Energy	Pioneer Natural Resources
Cairn Energy	Pogo Producing Company
Dana Petroleum	Premier Oil
Forest Oil Corporation	Santos
Lundin Petroleum AB	Venture Production
Newfield Exploration Company	

In line with best practice, a 'common currency' approach is adopted for calculating TSR in respect of the above international group of companies.

For each portion of the award, vesting is as follows:

Company's ranking in comparator group	Vesting percentage
Below median	0%
Median	30%
Upper quartile	100%
Intermediate performance	Pro rata between 30% and 100%

In addition, no award will vest unless the Committee considers that both the Company's underlying financial performance and its performance against other key factors (e.g. health and safety) over the relevant period is satisfactory.

#### Proposed changes to the PSP from 2008

As part of its review of the remuneration policy for the Executive Directors, and taking into account its overall objective that a significant proportion of the overall remuneration package should be based on the performance of the Company, the Remuneration Committee is seeking shareholder approval at the forthcoming AGM to increase the 'normal' maximum annual limit under the PSP from 150% to 200% of salary (with a revised 'exceptional circumstances' maximum limit of 300% of salary increased from 200%). Exceptional circumstances would include, for example, an award to attract a new Executive Director to the Company. In addition, the following changes are proposed to the operation of the PSP from 2008:

- While conditional awards of rights over whole shares to the Executive Directors in 2008 are expected to be worth 200% of salary, in subsequent years, the Committee may elect to vary the allocation taking into account the circumstances which prevail at the time (subject always, in normal circumstances, to the 200% of salary limit);

- The performance targets will continue to measure TSR relative to two comparator groups (with equal weightings). 30% of awards will continue to vest for median performance, an approach the Committee believes continues to be appropriate, given the below market salaries payable to the Executive Directors. However, the performance required for full vesting of awards to Executive Directors will be raised from upper quartile to upper quintile; and
- The comparator groups will be amended to reflect Tullow's current circumstances. Therefore, half of the award will be measured against the FTSE 100 (of which Tullow is now a member) excluding Investment Trusts, and the balance against the following Oil & Gas companies:

Addax Petroleum	Niko Resources
Anadarko	Noble Energy Inc.
Apache Corporation	Pioneer Natural Resources
Cairn Energy	Premier Oil
Dana Petroleum	Santos
Forest Oil Corporation	SOCO International
Lundin Petroleum AB	Talisman Energy Inc.
Nexen Inc.	Venture Production

The changes to the Oil & Gas comparator group reflect a selection of companies that the Committee believes most accurately mirrors Tullow's current complexity and operations.

All the other key features of the PSP (including the 'underpin' relating to Tullow's financial and other performance) will remain unchanged. The Committee continues to believe that a TSR performance condition is appropriate as it encourages the Executive Directors to generate returns to shareholders in excess of both the market generally and a group of sector peers, and is a robust reflection of management's success in achieving the strategic targets required to ensure the Company's continued growth.

#### Share Ownership Guidelines

From 2008, to further align their interests with shareholders, the Executive Directors will be required to retain at least 50% of the shares that vest under the PSP and DSBP (after selling sufficient shares to pay tax liabilities) until they have built up a shareholding worth at least 200% of base salary (with existing holdings taken into account). This has been increased from the 2007 level of 100% to reflect the increased rewards which will now be available in shares if performance targets are met.

#### Share Option Scheme

Before the introduction of the PSP in 2005, Executive Directors were eligible for grants of options under the 2000 Executive Share Option Scheme (the '2000 Scheme'). The Committee does not intend to grant further options to Executive Directors under the 2000 Scheme. During the year, options were granted to substantially all employees of the Group under the 2000 Scheme, other than those senior executives who were granted awards under the PSP.

### All-employee Share Incentive Plans

Executive Directors may also participate, on the same terms as other employees, in the Tullow Oil UK and Irish Share Incentive Plans. These are all-employee plans that have been set up in both the UK and Ireland which enable employees to make contributions out of salary up to prescribed limits each month, which each quarter are used by the Plan trustees to acquire Tullow Oil shares (Partnership shares). The Company makes a matching contribution to the trustees to acquire a matching number of shares (Matching shares) on a one-for-one basis.

### Sourcing of shares and dilution

Awards under all the Company's share schemes may be satisfied using either newly issued shares or shares purchased in the market and held in the Tullow Oil Employee Trust. Awards under the Company's discretionary schemes which may be satisfied by new issue shares must not exceed the ABI's limits of 5% of the Company's issued share capital in any rolling 10-year period, and the total of all awards satisfied via new issue shares under all plans must not exceed 10% of the Company's issued share capital in any rolling 10-year period.

The Company's current intention is to satisfy awards under the 2000 Scheme via new issue shares, and awards under the PSP, DSBP and all-employee Share Incentive Plans via market purchase shares.

As at 31 December 2007, the headroom under the Company's 5% and 10% limits was 5.5 million and 41.5 million shares respectively, out of an issued share capital of 719.6 million shares.

As at 31 December 2007, the Tullow Oil Employee Trust held 2 million shares.

### Non-executive Directors' fees

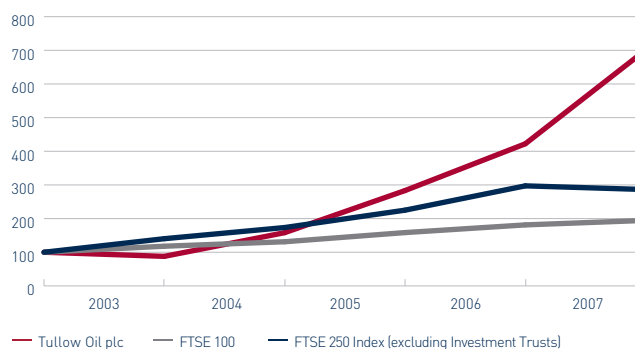
A Committee of the Board comprising the Chairman and Executive Directors sets the remuneration of non-executive Directors. The fees paid are set at a level to attract individuals with the necessary experience and ability to make a significant contribution to the Company's activities, while also reflecting the time commitment and responsibility of the role. Each non-executive Director currently receives an annual fee of £53,000. Steven McTiernan currently receives an additional annual fee of £10,000 to reflect his additional responsibilities as Senior Independent Director and Clare Spottiswoode and David Williams each receives an additional annual fee of £10,000 to reflect their additional responsibilities as Chairman of the Remuneration and Audit Committees respectively. Each non-executive Director is also entitled to reimbursement of necessary travel and other expenses.

Non-executive Directors do not participate in any share scheme or annual bonus scheme and are not eligible to join the Company's Pension Scheme.

The Remuneration Committee, with the Chairman absenting himself from discussions, sets the remuneration of the Chairman, whose annual fee is currently £170,000.

### Performance graph

The graph below shows Tullow's TSR against both the FTSE 100 and FTSE 250 (excluding Investment Trusts) over the five-year period from 1 January 2003 to 31 December 2007, over which period Tullow outperformed the FTSE 100 by 506% and the FTSE 250 (excluding Investment Trusts) by 415%. The relevant indices are set to 100 at the beginning of the period. These indices have both been shown because for the majority of the financial year, Tullow was a member of the FTSE 250, but moved into the FTSE 100 from September onwards.



This graph shows the value, by the end of 2007, of £100 invested in Tullow Oil on 31 December 2002 compared with the value of £100 invested in the FTSE 100 and FTSE 250 Indices (excluding Investment Trusts). The other points plotted are the values at intervening financial year-ends.

Source: Datastream.

### Service contracts and letters of appointment

Each Executive Director has entered into a service agreement with Tullow Group Services Limited (dated 2 September 2002 in the case of Aidan Heavey, Matthew O'Donoghue, Graham Martin and Tom Hickey; dated 29 March 2006 in the case of Paul McDade and dated 18 April 2006 in the case of Angus McCoss). Aidan Heavey and Matthew O'Donoghue also each entered into a service agreement with Tullow Oil International Limited on 16 September 2002 on similar terms.

The terms of each of these service contracts is not fixed, although each Executive Director is required under his service agreement to retire from service upon attaining the age of 65. Each agreement is terminable by the Director on six months' notice and by the Company on 12 months' notice. There are no specific provisions under which any Executive Director is entitled to receive compensation upon the early termination of his service agreement other than in accordance with these notice periods.

Each service agreement sets out restrictions on the ability of the Director to participate in businesses competing with those of the Group or to entice or solicit away from the Group any senior employees of the Group in the six-month period after the cessation of his employment.

The above reflects the Committee's policy that service contracts should be structured to reflect the interests of the Company and the individuals concerned, while also taking due account of market and best practice. Furthermore, it is the Committee's policy that, in the event of early termination of a Director's service contract, the Committee will take account of the departing Director's duty to mitigate his loss when determining the amount of any compensation that is paid.

## Directors' remuneration report continued

Each of the non-executive Directors is engaged by the Company under the terms of a letter of appointment [dated 8 December 2005 in the case of Pat Plunkett; dated 29 June 2007 in the case of David Bamford, dated 1 March 2008 in the case of Clare Spottiswoode and Steven McTiernan and dated 31 May 2006 in the case of David Williams]. Rohan Courtney, who retired from the Board on 31 December 2007, was engaged under a letter of appointment dated 8 December 2005. Subject to retirement, for example under the Articles of Association, the appointments are for the period to 31 December 2008 in respect of Pat Plunkett, to 30 June 2010 in the case of David Bamford, to 28 February 2011 in the case of Clare Spottiswoode and Steven McTiernan and to 31 May 2009 in the case of David Williams. In each case, the appointment is renewable thereafter if agreed by the Director and the Board. The appointments for each of the non-executive Directors may be terminated by either party on three months' notice. There are no arrangements under which any non-executive Director is entitled to receive compensation upon the early termination of his or her appointment.

### **Material contracts**

There have been no other contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

### **External appointments**

The Board has not introduced a formal policy in relation to the number of external directorships that an Executive Director may hold. Currently, the only Executive Directors who hold external directorships are Tom Hickey and Aidan Heavey. Aidan is a director of Traidlinks, a charity promoting enterprise in the developed world, especially Africa. He receives no fee for this position. Tom has been nominated by Tullow as its representative on the board of Ikon Science Limited, a company in which Tullow has a small equity stake. Any fees payable for his services have been waived by Tullow. In addition, Tom is a non-executive director of PetroNeft Resources plc for which he receives an annual fee of €20,000.

## Audited information

### Directors' remuneration

The remuneration of the Directors for the year ended 31 December 2007 payable by Group companies was as follows:

	Salary/ fees £	Bonuses Cash £	Shares <sup>1</sup> £	Pensions £	Taxable benefits <sup>2</sup> £	2007 Total £	2006 Total £
<b>Executive Directors</b>							
Aidan Heavey	610,000	366,000	183,000	91,500	34,621	1,285,121	1,097,645
Tom Hickey	390,000	234,000	117,000	39,000	1,245	781,245	660,330
Graham Martin	345,000	207,000	103,500	51,750	3,591	710,841	626,646
Angus McCoss <sup>3</sup>	316,250	189,750	94,875	31,625	41,525	674,025	47,021
Paul McDade <sup>4</sup>	316,250	189,750	94,875	31,625	13,326	645,826	436,471
Matthew O'Donoghue	280,000	168,000	28,000	42,000	–	518,000	445,938
Adrian Nel <sup>5</sup>	–	–	–	–	–	–	162,592
Subtotal	2,257,500	1,354,500	621,250	287,500	94,308	4,615,058	3,476,643
<b>Non-Executive Directors</b>							
Pat Plunkett	150,000	–	–	–	–	150,000	125,000
Rohan Courtney <sup>6</sup>	54,000	–	–	–	–	54,000	47,000
Clare Spottiswoode	46,000	–	–	–	–	46,000	40,000
Steven McTiernan	46,000	–	–	–	–	46,000	40,000
David Bamford	46,000	–	–	–	–	46,000	40,000
David Williams	46,000	–	–	–	–	46,000	23,333
Subtotal	388,000	–	–	–	–	388,000	315,333
Total	2,645,500	1,354,500	621,250	287,500	94,308	5,003,058	3,791,976

#### Notes:

- These figures represent that part of the bonus required to be deferred into shares as explained on page 59.
- The amounts disclosed under Taxable Benefits for Aidan Heavey include car benefits and for Angus McCoss and Paul McDade include re-location expenses paid in line with contractual obligations.
- Angus McCoss was appointed as a director on 6 December 2006.
- Paul McDade was appointed as a director on 29 March 2006.
- Adrian Nel retired from the Board on 31 May 2006.
- Rohan Courtney retired from the Board on 31 December 2007. By a Letter of Appointment dated 23 October 2007, the Company appointed Mr Courtney as Chairman of its CSR Committee and as a Trustee of one of the Group Pension Schemes. These appointments, under which Mr Courtney receives an aggregate annual fee of £25,000, took effect on 1 January 2008 and are terminable by Mr Courtney on three months' notice, and by the Company on three months' notice expiring on or after 31 December 2008.

### Directors' interests in the share capital of the Company

The interests (all of which were beneficial) of the Directors who held office at 31 December 2007 were:

Director	Ordinary shares 31 December 2007	Ordinary shares 1 January 2007
Aidan Heavey	6,000,000	6,000,000
Tom Hickey	104,070	101,560
Graham Martin	1,102,005	1,102,005
Angus McCoss	–	–
Paul McDade	15,578	15,578
Matthew O'Donoghue	1,889,771	1,889,771
Pat Plunkett	1,229,326	1,229,326
Rohan Courtney	–	–
David Bamford	13,445	10,695
Steven McTiernan	–	–
Clare Spottiswoode	–	–
David Williams	5,000	5,000

Note: Other than as set out in the notes to the tables below, there have been no changes in the interests of any Director between 1 January 2008 and the date of this report.

**Directors' remuneration report continued****Tullow Oil UK Share Incentive Plan and Tullow Oil Irish Share Incentive Plan**

Details of shares purchased and awarded to Executive Directors in accordance with the terms of the Irish SIP and the UK SIP. A brief description of the SIPs is set out on page 61.

Director	Plan	Shares held 1 Jan 2007	Partnership shares acquired in year	Matching shares awarded in year	Shares released in year	Total shares held 31 Dec 2007
Tom Hickey	Irish SIP	4,550	413	413	(2,510)	2,866
Graham Martin	UK SIP	5,166	381	381	–	5,928
Angus McCoss	UK SIP	196	381	381	–	958
Paul McDade	UK SIP	5,166	381	381	–	5,928

Note: Graham Martin, Angus McCoss and Paul McDade each acquired 63 Partnership shares and were awarded 63 matching shares on 2 January 2008.

**Performance Share Plan 2005 (PSP)**

Details of conditional awards over ordinary shares granted to Executive Directors for nil consideration under the PSP.

Director	Award grant date	As at 01.01.07	Granted in year	Vested in year	As at 31.12.07	Vesting date
Aidan Heavey	29.06.05	347,755	–	–	347,755	29.06.08
	30.03.06	219,512	–	–	219,512	30.03.09
	22.03.07	–	230,567	–	230,567	22.03.10
		567,267	230,567	–	797,834	
Tom Hickey	29.06.05	213,877	–	–	213,877	29.06.08
	30.03.06	139,885	–	–	139,885	30.03.09
	22.03.07	–	147,412	–	147,412	22.03.10
		353,762	147,412	–	501,174	
Graham Martin	29.06.05	213,877	–	–	213,877	29.06.08
	30.03.06	129,125	–	–	129,125	30.03.09
	22.03.07	–	130,402	–	130,402	22.03.10
		343,002	130,402	–	473,404	
Angus McCoss	27.04.06	100,230	–	–	100,230	27.04.09
	22.03.07	–	90,539	–	90,539	22.03.10
		100,230	90,539	–	190,769	
Paul McDade	29.06.05	188,571	–	–	188,571	29.06.08
	30.03.06	118,364	–	–	118,364	30.03.09
	22.03.07	–	90,539	–	90,539	22.03.10
		306,935	90,539	–	397,474	
Matthew O'Donoghue	29.06.05	188,571	–	–	188,571	29.06.08
	30.03.06	107,604	–	–	107,604	30.03.09
	22.03.07	–	72,188	–	72,188	22.03.10
		296,175	72,188	–	368,363	
<b>Total</b>		<b>1,967,371</b>	<b>761,647</b>	<b>–</b>	<b>2,729,018</b>	

## Notes:

- The awards of conditional shares made in 2007 equated to shares worth 150% of salary for each Executive Director based on the share price for the dealing day preceding the date of grant. The Tullow share price on the date of grant of the awards made on 22 March 2007 was 371.5p.
- Under the PSP, 50% of awards are subject to a TSR condition compared to the constituents of the FTSE 250 Index (excluding Investment Trusts) and the other 50% of the award is subject to a TSR condition compared to a specific comparator group. Full details are set out on page 60.
- The PSP awards made in June 2005 reached the end of their performance period on 31 December 2007. The Remuneration Committee determined that both parts of the relevant performance condition were met in full, as the Company was ranked in the upper quartile compared to both the relevant comparator groups, and the underlying performance of the Company was determined to be a fair reflection of the Company's TSR. Accordingly, the Executive Directors will be eligible to receive their awards on 29 June 2008, the third anniversary of grant, subject to continued employment.
- Adrian Nel retired from the Board on 31 May 2006. As disclosed last year, he was eligible to receive a pro-rated PSP award for his period of service relative to the total vesting period, based on performance over the whole period. As disclosed above, the performance condition for the 2005 awards was met in full, so he will be eligible to receive 151,904 shares on 29 June 2008, the third anniversary of grant in respect of that award.

### Deferred Share Bonus Plan (DSBP)

Details of awards over ordinary shares granted to Executive Directors for nil consideration under the DSBP.

Director	Award grant date	As at 01.01.07	Granted in year	Vested in year	As at 31.12.07	Vesting date
Aidan Heavey	30.03.06	20,988	-	-	20,988	01.01.09
	18.01.07	-	42,714	-	42,714	01.01.10
		20,988	42,714	-	63,702	
Tom Hickey	30.03.06	12,908	-	-	12,908	01.01.09
	18.01.07	-	27,220	-	27,220	01.01.10
		12,908	27,220	-	40,128	
Graham Martin	30.03.06	12,908	-	-	12,908	01.01.09
	18.01.07	-	25,126	-	25,126	01.01.10
		12,908	25,126	-	38,034	
Paul McDade	30.03.06	19,806	-	-	19,806	01.01.09
	18.01.07	-	7,260	-	7,260	01.01.10
		19,806	7,260	-	27,066	
Matthew O'Donoghue	30.03.06	13,177	-	-	13,177	01.01.09
	18.01.07	-	2,147	-	2,147	01.01.10
		13,177	2,147	-	15,324	
<b>Total</b>		<b>79,787</b>	<b>104,467</b>	<b>-</b>	<b>184,254</b>	

Notes:

1. The awards of shares made in 2007 equated to shares worth the amount of bonus deferred into shares for 2006 based on the share price for the dealing day preceding the date of grant. The share price on the date of grant of the award was 396p.
2. Further details of the DSBP are set out in the Annual bonus section of this report on pages 58 and 59.

**Directors' remuneration report continued****Share options**

Details of share options granted to Executive Directors:

Director	Scheme	Grant date	As at 01.01.07	Granted during year	Exercised during year	As at 31.12.07	Exercise price	Date from which exercisable	Last date exercisable
Aidan Heavey	1998	30.04.99	1,230,230	–	–	1,230,230	€0.84	30.04.02	29.04.09
	2000	10.10.01	550,000	–	–	550,000	80p	10.10.04	09.10.11
	2000	06.10.03	600,000	–	–	600,000	85p	06.10.06	05.10.13
	2000	20.09.04	450,000	–	–	450,000	131p	20.09.07	19.09.14
			2,830,230	–	–	2,830,230			
Tom Hickey	1998	02.05.00	220,000	–	–	220,000	61p	02.05.03	01.05.10
	2000	10.10.01	450,000	–	–	450,000	80p	10.10.04	09.10.11
	2000	06.10.03	290,000	–	–	290,000	85p	06.10.06	05.10.13
	2000	20.09.04	350,000	–	–	350,000	131p	20.09.07	19.09.14
			1,310,000	–	–	1,310,000			
Graham Martin	1998	30.04.99	988,426	–	–	988,426	€0.84	30.04.02	29.04.09
	2000	10.10.01	380,000	–	–	380,000	80p	10.10.04	09.10.11
	2000	06.10.03	400,000	–	–	400,000	85p	06.10.06	05.10.13
	2000	20.09.04	190,000	–	–	190,000	131p	20.09.07	19.09.14
			1,958,426	–	–	1,958,426			
Paul McDade	2000	18.06.01	80,000	–	–	80,000	95p	18.06.04	17.06.11
	2000	10.10.01	50,000	–	–	50,000	80p	10.10.04	09.10.11
	2000	06.10.03	220,000	–	–	220,000	85p	06.10.06	05.10.13
			350,000	–	–	350,000			
Matthew O'Donoghue	1998	30.04.99	699,958	–	–	699,958	€0.84	30.04.02	29.04.09
	2000	10.10.01	250,000	–	–	250,000	80p	10.10.04	09.10.11
	2000	06.10.03	330,000	–	–	330,000	85p	06.10.06	05.10.13
			1,279,958	–	–	1,279,958			
<b>Total</b>			<b>7,728,614</b>	<b>–</b>	<b>–</b>	<b>7,728,614</b>			

## Notes:

- The Schemes under which these options were granted are: 1998 – Options granted under the Tullow Oil 1998 Executive Share Option Scheme ('1998 Scheme') and 2000 – Options granted under the Tullow Oil 2000 Executive Share Option Scheme ('2000 Scheme').
- No performance conditions attach to 1998 Scheme Options. The performance condition that attaches to options granted under the 2000 Scheme requires Tullow's TSR to exceed that of the median company of the FTSE 250 (excluding Investment Trusts) over the three-year period from the date of grant. All these performance conditions have now been satisfied and so the options are fully exercisable.
- Options shown with an exercise price denominated in Euro were granted on or before 30 April 1999 with an exercise price in IRE. On conversion of IRE to Euro effective 1 January 2002, the exercise price for each such option was converted from IRE into Euro by dividing the original IRE exercise price per share by the fixed Irish Pound/Euro conversion rate. All options granted after 30 April 1999 were granted with an exercise price denominated in sterling. Options are granted for nil consideration. Options must be exercised in the currency in which the grants were made.
- During 2007, the highest mid-market price of the Company's shares was 682.5p and the lowest was 349p. The year end price was 651.5p.


**Clare Spottiswoode**

Chairman of the Remuneration Committee

11 March 2008