



CAIRN ENERGY PLC



06S0171DE00

Building a business in India - Dr Mike Watts

AAPG, Houston
April 2006

PREFACE

This presentation and the associated slides and discussion contain forward-looking statements regarding Cairn, our corporate plans, future financial condition, future results of operations, future business plans and strategies. All such forward-looking statements are based on our management's assumptions and beliefs in light of information available to them at this time. These forward-looking statements are, by their nature, subject to significant risks and uncertainties and actual results, performance or achievements may be materially different from those expressed in such statements.

Factors that may cause actual results, performance or achievements to differ from expectations include, but are not limited to, regulatory changes, future levels of industry product supply, demand and pricing, weather and weather related impacts, wars and acts of terrorism, development and use of technology, acts of competitors and other changes to business conditions.

Cairn undertakes no obligation to revise any such forward-looking statements to reflect any changes in Cairn's expectations with regard thereto or any change in circumstances or events after the date hereof.



Building a business in India

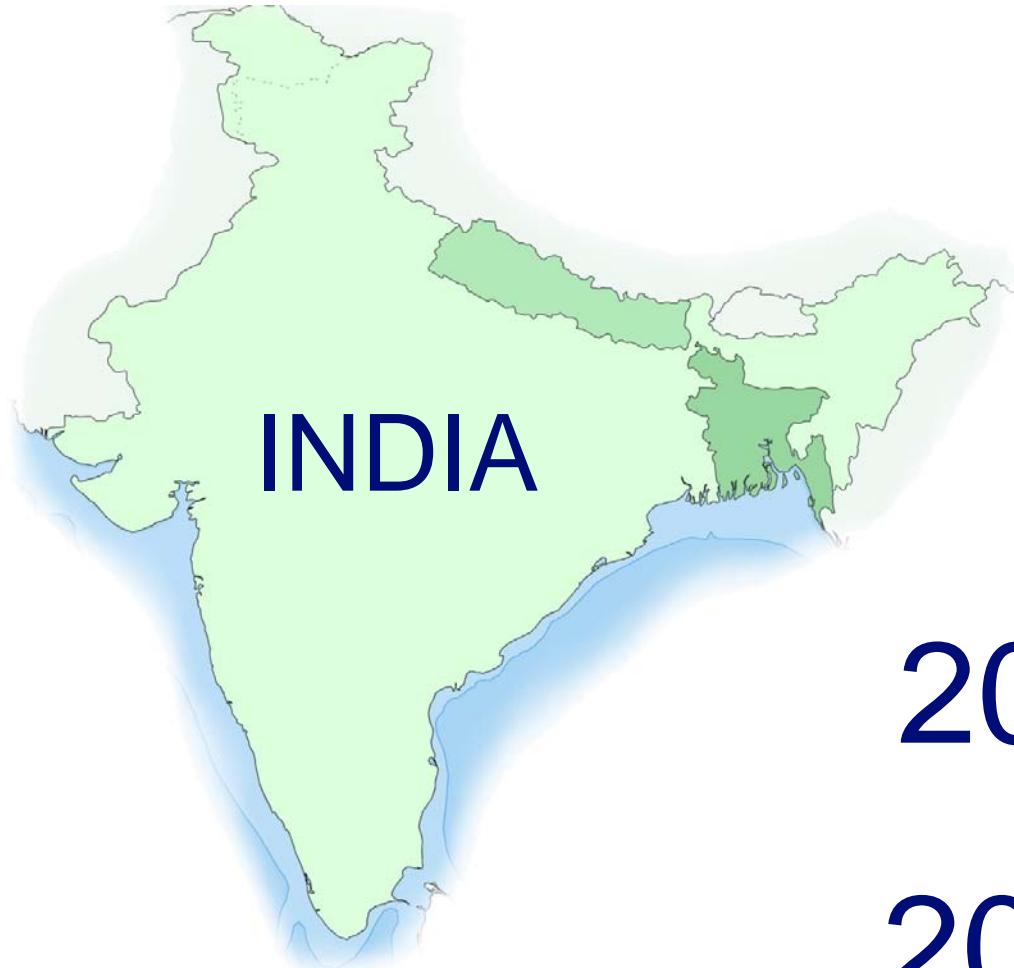
- **Background & History of Indian Oil Industry**
- **Cairn in South Asia + 3 min film clip**
- **Rajasthan - A world class development**
- **Cairn Other Activities in South Asia**
- **Cairn Business Model & Growth Strategy**

CAIRN IN SOUTH ASIA

- Cairn Energy PLC listed London Stock Exchange 1988
- Current Market Capitalisation ~ \$5 billion
- > 25 oil & gas discoveries
- Developed reserves > 450 mmboe (Sangu, Ravva & Gujarat)
- Rajasthan resource base ~ 1 billion mmboe
- New Indian headquarters opened in Delhi
- Significant remaining exploration potential across Cairn acreage
- Planned Capex spend for current year ~ \$420 million



BUILDING A BUSINESS IN INDIA



*Cairn's operated share
of India's domestic
oil production*

2005 ~8%

2010 ~30%



based on current trends and Rajasthan peak production

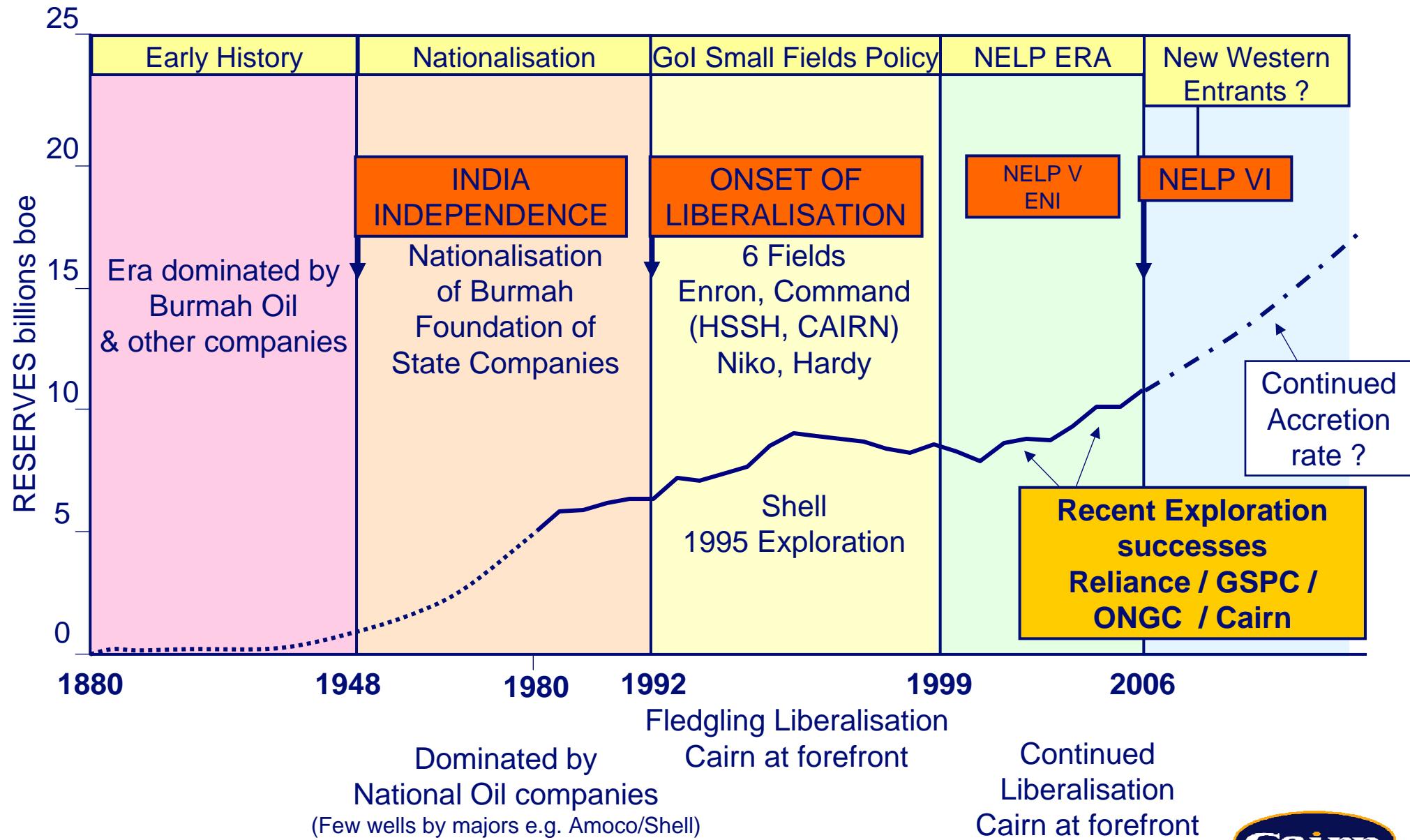
INDIA - LARGELY NEGLECTED BY WESTERN INDUSTRY



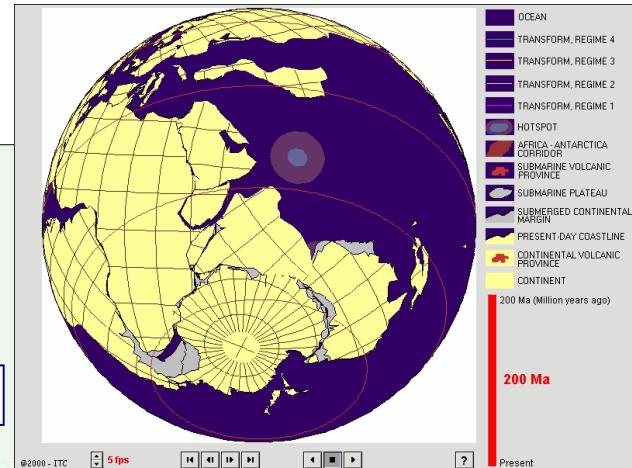
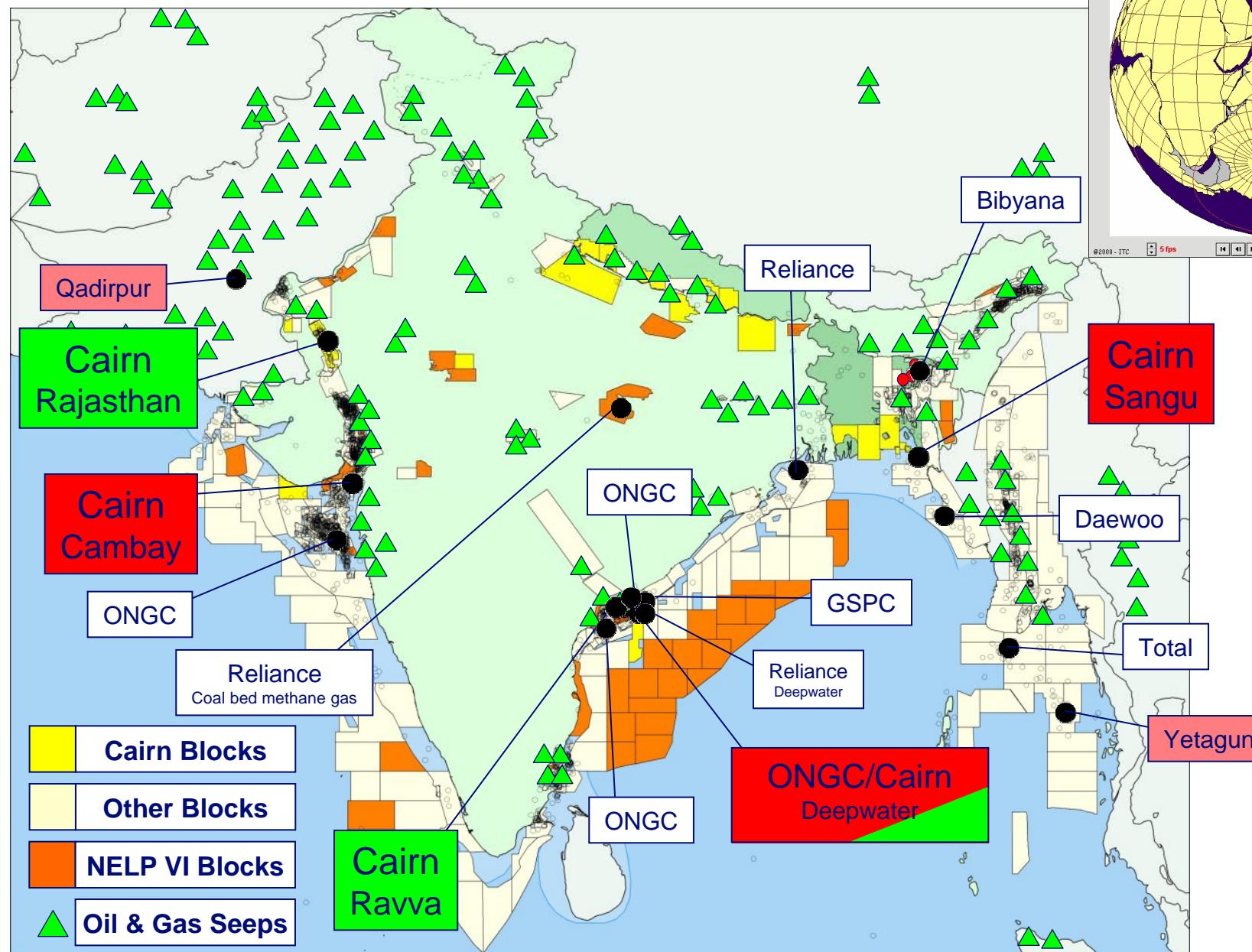
*Exploration Drilling by
Western Majors
1880 to early 1990s*

SE Asia > 8,000 wells
India ~ 12 wells

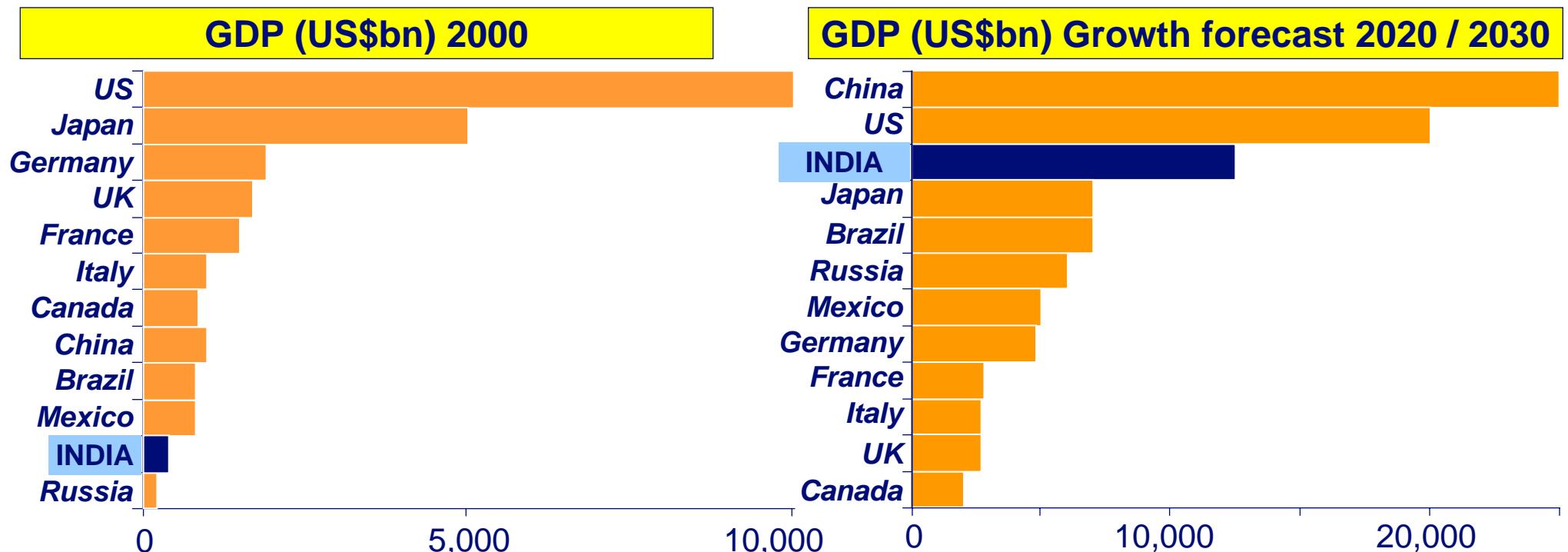
Generalised History of Oil Industry in India



EXPLORATION SUCCESS



INDIA'S GROWTH & INVESTMENT OPPORTUNITY



- Oil demand forecast to grow 5% per year to 3.6m bopd by 2015
- On current trends >80% crude will be imported in the next 10 years
- Expected refining capacity growth of >1m bopd

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CAIRN IN SOUTH ASIA

VISION

- South Asia as hydrocarbon-rich destination
- Rapidly growing energy markets
- Favourable investment climate

FOCUS

- Sustained investment and re-investment in South Asia for more than a decade
- Rajasthan - new oil province established, resource base ~ 1 billion mmboe

EDGE

- Knowledge / Expertise / Relationships
- Consistent strategy & material acreage
- Partnership with Indian stakeholders



SOUTH ASIA BUSINESS

Undeveloped resource ~ 1 billion boe

Rajasthan gross production target ~150,000 bopd

LAKSHMI & GAURI

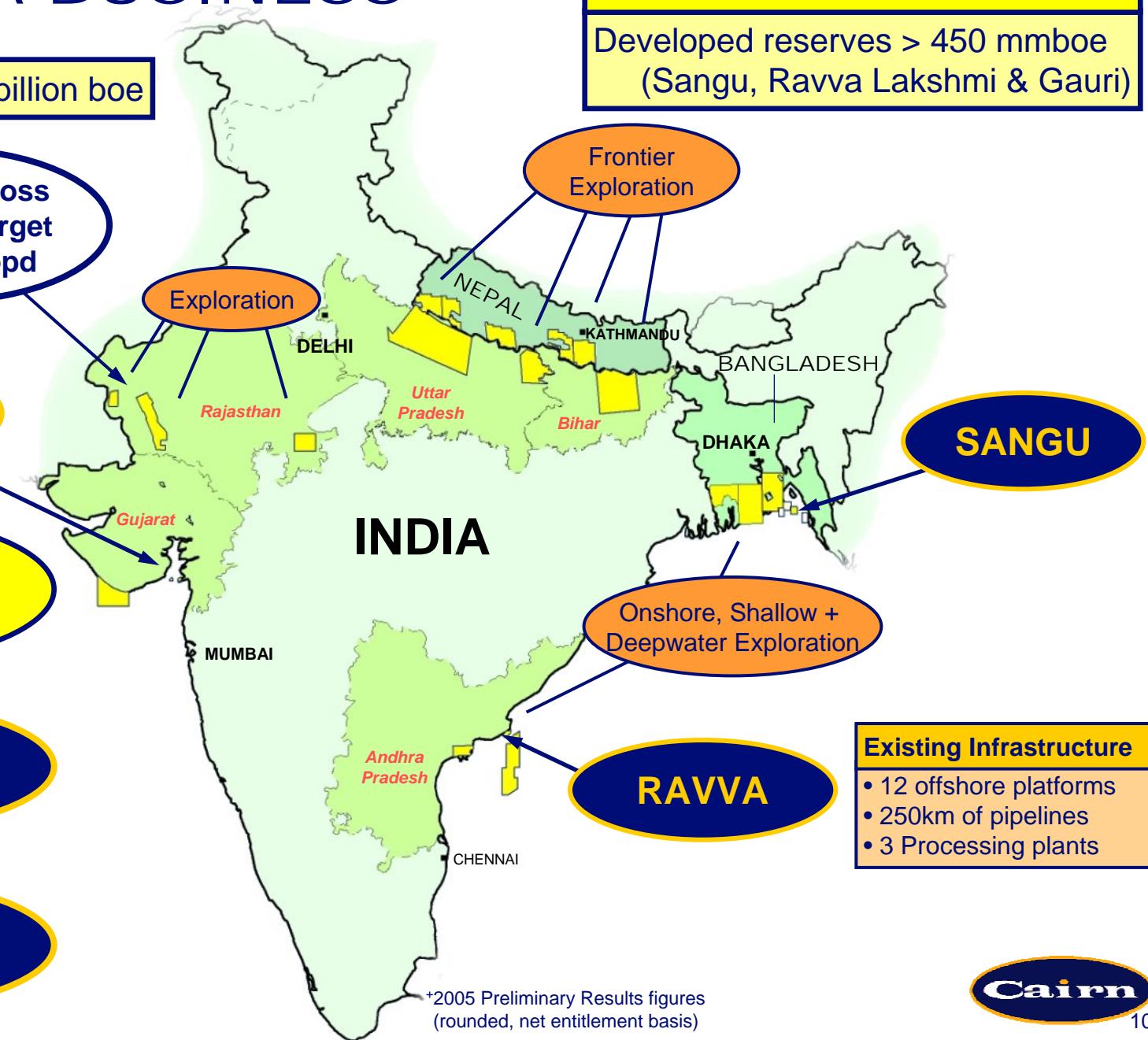
Current Total Operated Production 105,800 boepd

Total WI 40,100 bopd

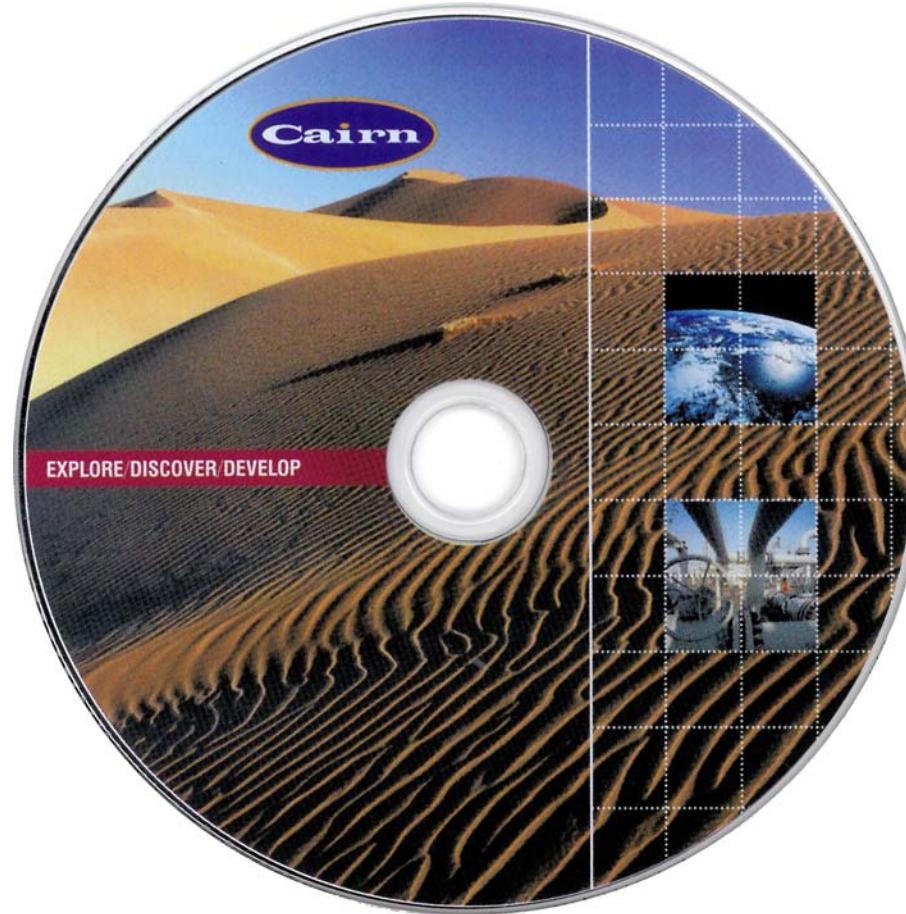
Total Net Entitlement 28,300 boepd

25 discoveries 1996 - 2006

Developed reserves > 450 mmboe (Sangu, Ravva Lakshmi & Gauri)



EXPLORE/DISCOVER/DEVELOP



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RAJASTHAN & CAMBAY BASINS

CAMBAY BASIN

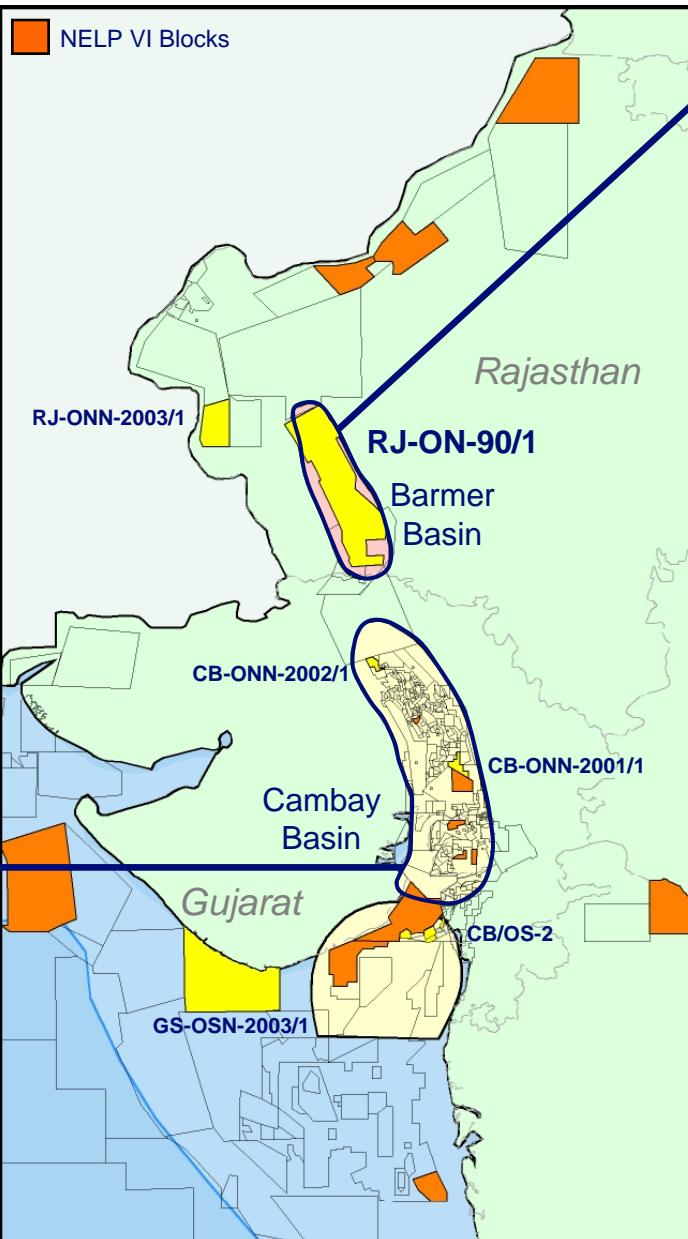
Reserves
> 2.6 billion boe

Current Production
Oil 120,000 bopd
Gas 240 mmscfd

> 4000 wells
~ 100 fields



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BARMER BASIN

- Current oil in place > 3.5 billion boe
- Current resource ~ 1 billion mmboe
- Current 2P reserves 666 mmbbls oil
42 mmboe gas

Peak Production Targets

Northern Fields
150,000 bopd (pipeline)

Southern Fields
2,000 to 3,000 bopd (trucking)
5,000 to 15,000 bopd (pipeline)

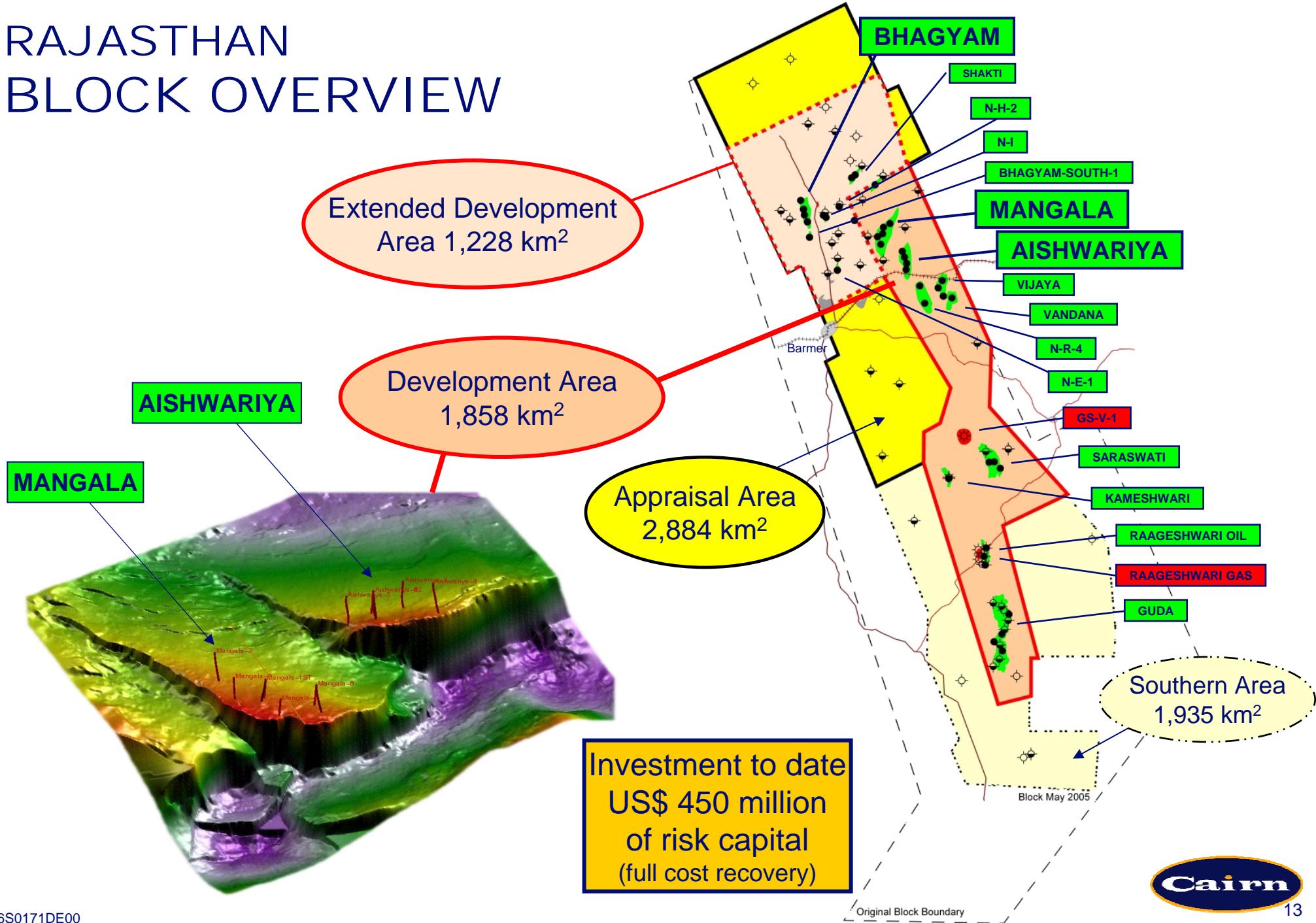
> 125 wells
~ 17 fields

RJ-ON-90/1
Cairn 100% exploration interest
Cairn 70% production interest
post ONGC back-in
All numbers Gross



12

RAJASTHAN BLOCK OVERVIEW



RAJASTHAN GROSS RESOURCE

CAIRN ESTIMATES to 2041

Fields	Current estimates			Estimate of additional recovery or contingent resource volume assuming successful EOR		
	2P STOIP	RF	2P Reserves to 2041	EOR RF	EOR Contingent Resources	2P Reserves + EOR Contingent Resources
	mmboe	%	mmboe	%	mmboe	mmboe
Mangala	1202	35.6%	428	+10%	120	548
Bhagyam *	408 *	30%	122	+12%	49 *	171
Aishwariya	249	22.5%	56	+8%	20	76
Total Main Northern Fields	1859		606		189	795
Other fields*	724		102			102
Saraswati, Raageshwari Oil, Raageshwari Gas, Guda, N-E, Kameshwari, Shakti, N-I , GS-V			includes 42 mmboe of Gas Reserves			
SUB TOTAL FIELDS	2583		708		897	
Oil In Place for low permeability Discoveries* Vijaya & Vandana, N-R, Mangala Barmer Hill & Aishwariya Barmer Hill (Reservoir stimulation required)	>1000				>100	
Current total oil in place volume for all fields	>3500		> 1 billion boe			

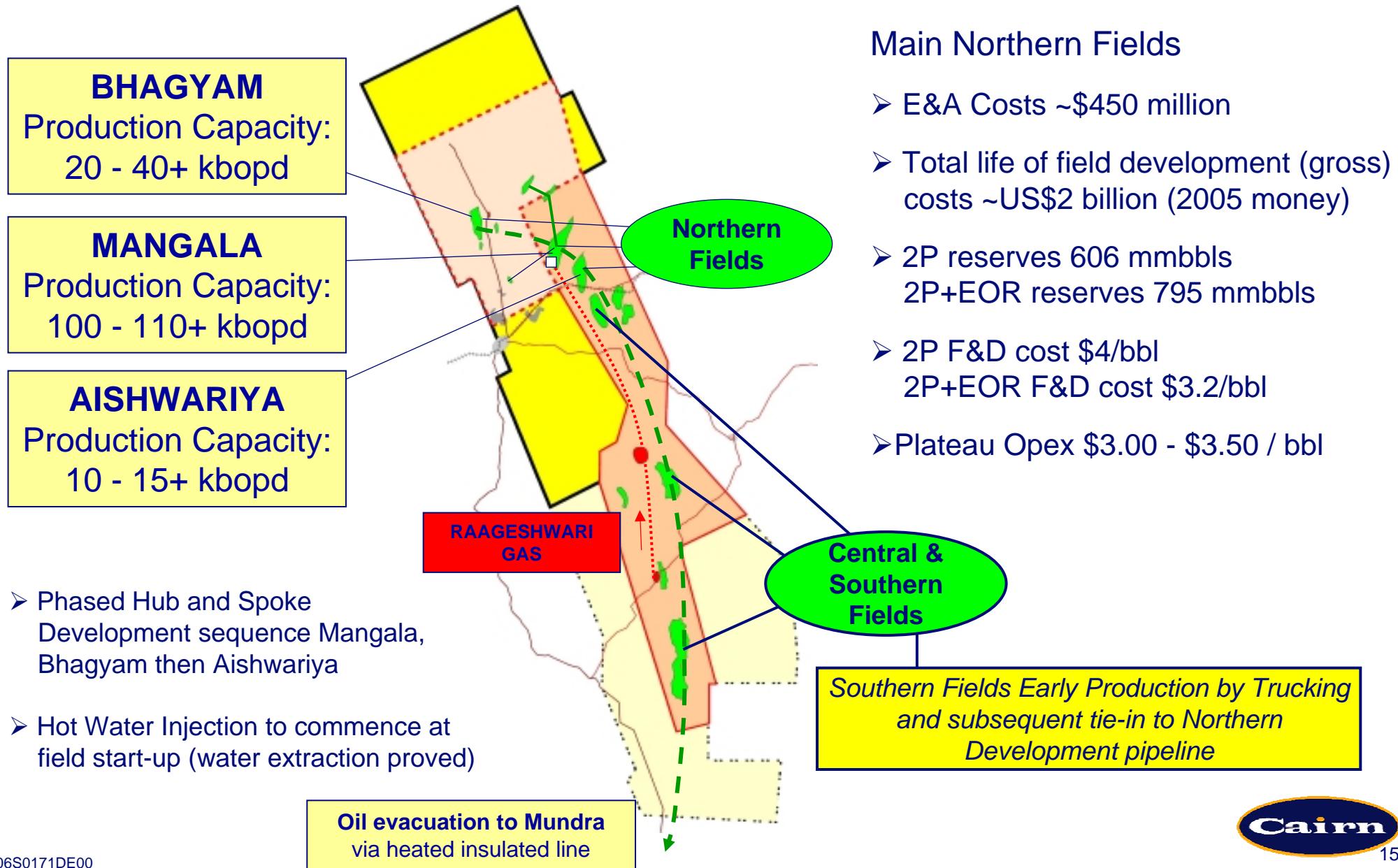
* evaluation ongoing

Potential total field resource

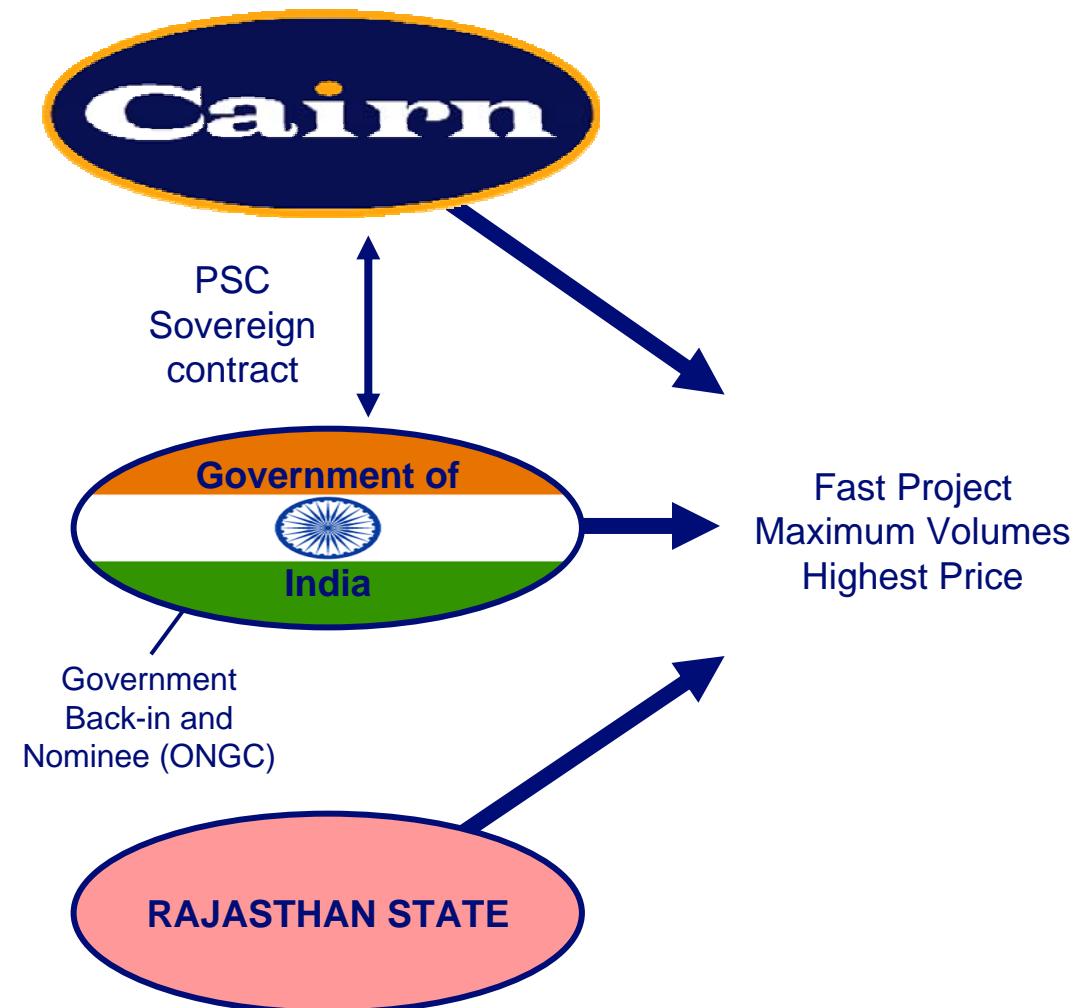


RAJASTHAN

AN EXAMPLE OF A WORLD SCALE DEVELOPMENT



RAJASTHAN PROJECT ALIGNMENT

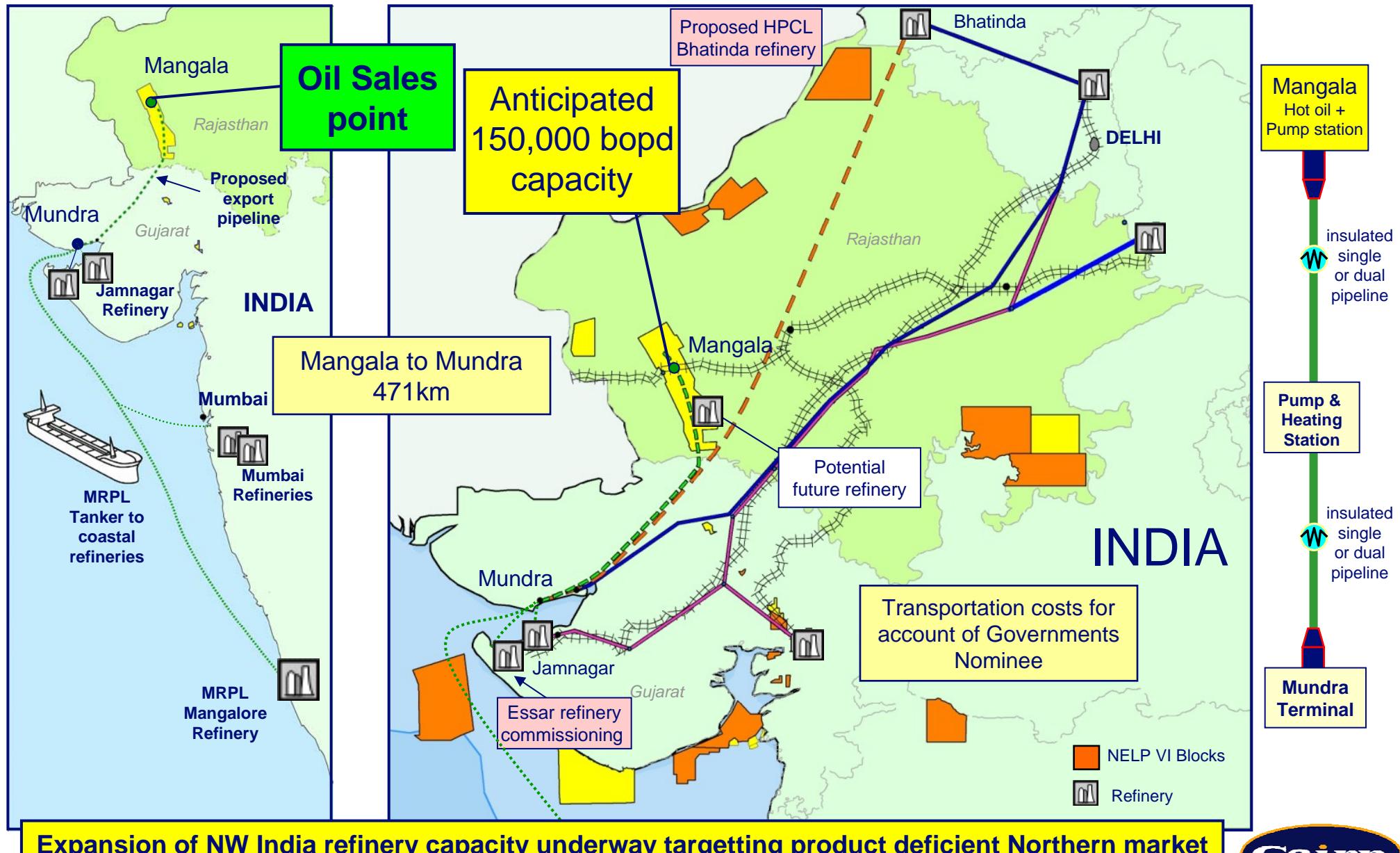


PRIZE 2008 onwards

- *Target peak production ~150,000 bopd*
- *\$50-60 billion gross revenues at current prices*
- *Helping to reduce India's import bill*

PLANNED
PROJECT SANCTION
Q2 2006

RAJASTHAN OIL SALES & EXPORT

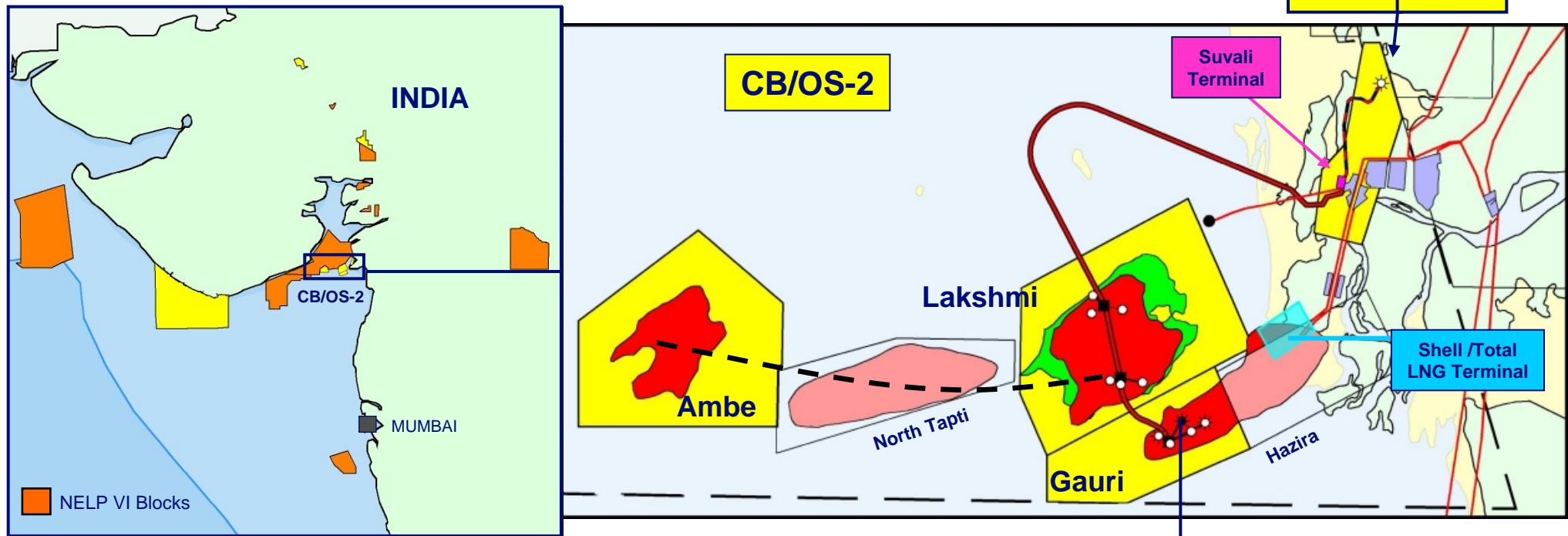


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CAMBAY BASIN

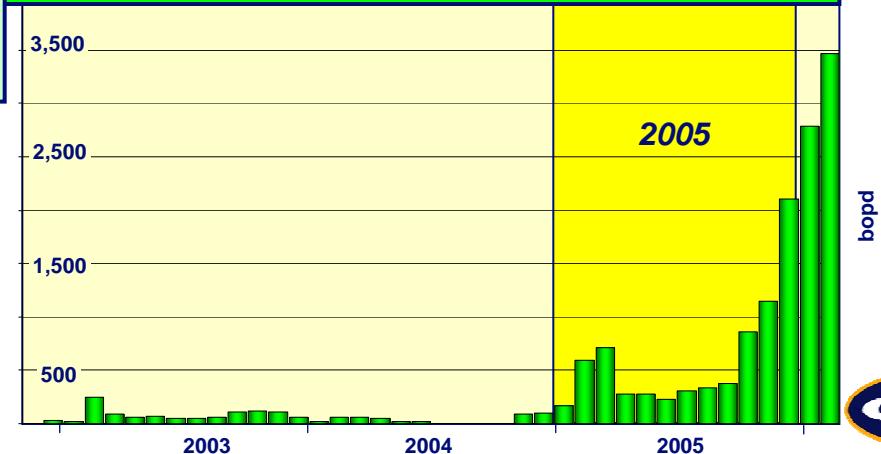
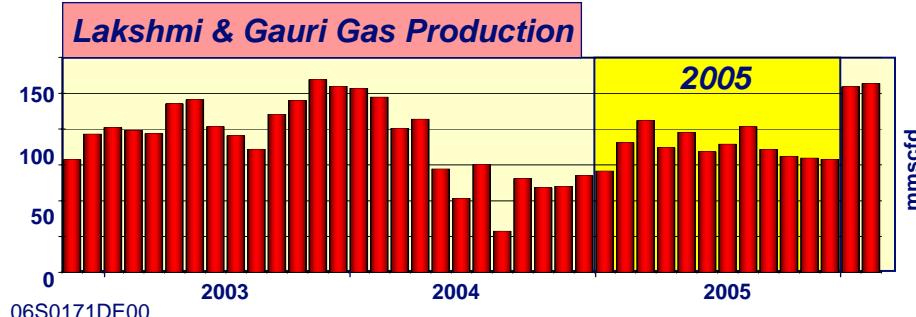
CB-X APPROVED
21/03/2006



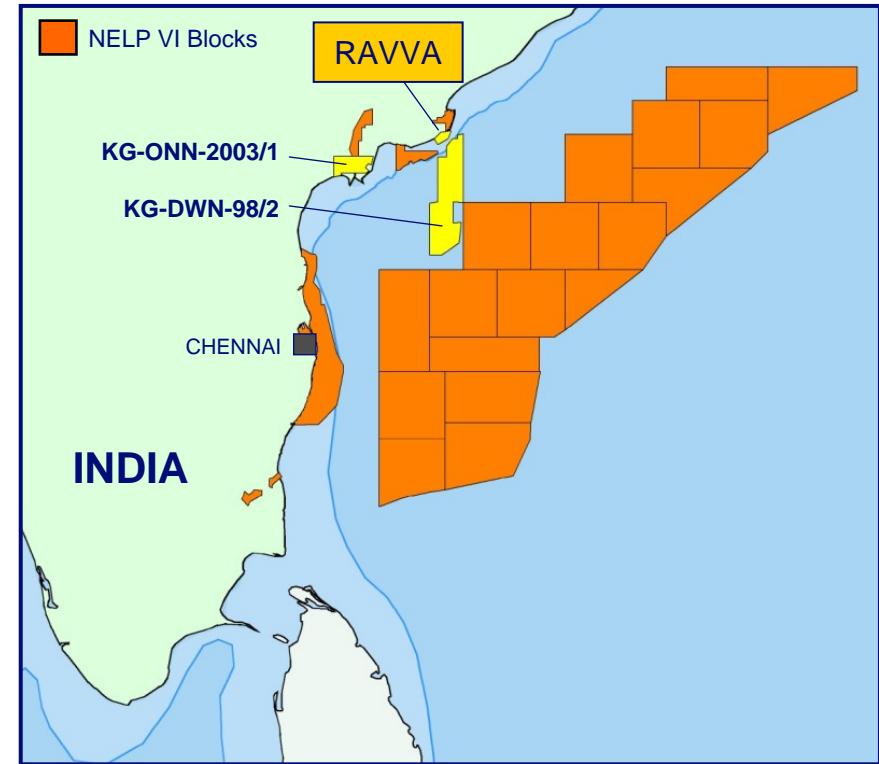
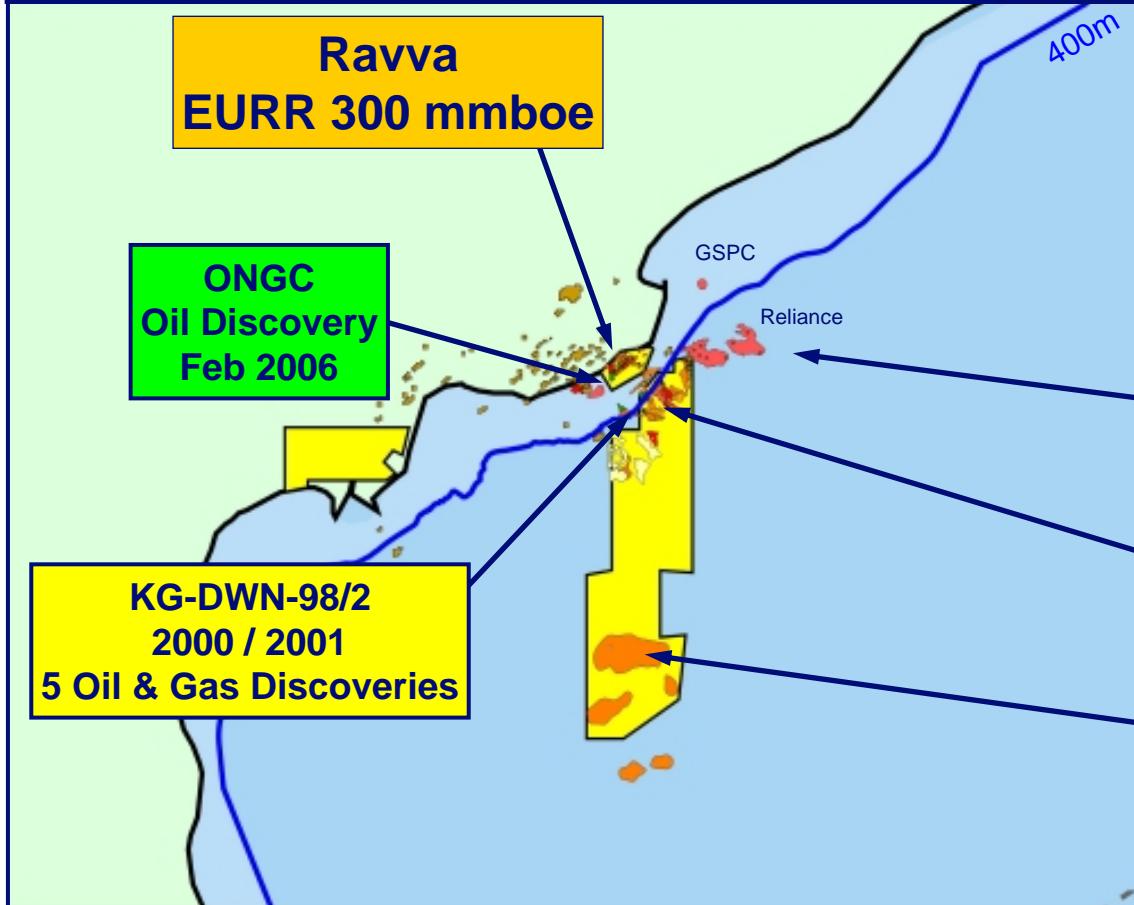
Current oil facilities and pipeline tested to 4,800 bopd

Proposal to increase plant handling
& evacuation options to 7,500 bopd under review

Monthly Lakshmi & Gauri Liquid Production



KG BASIN

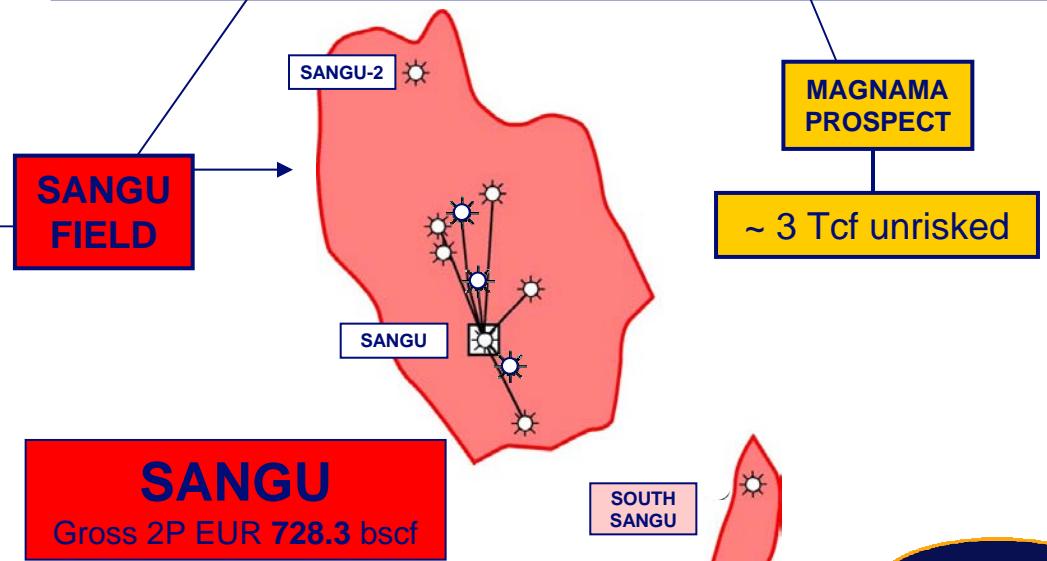
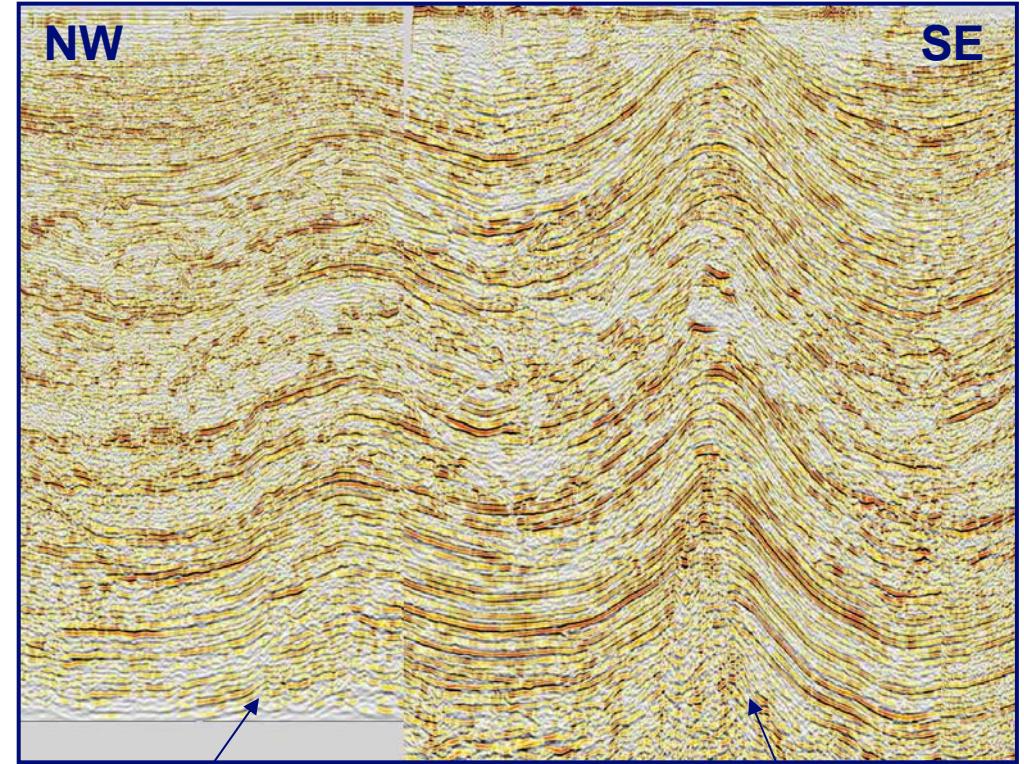
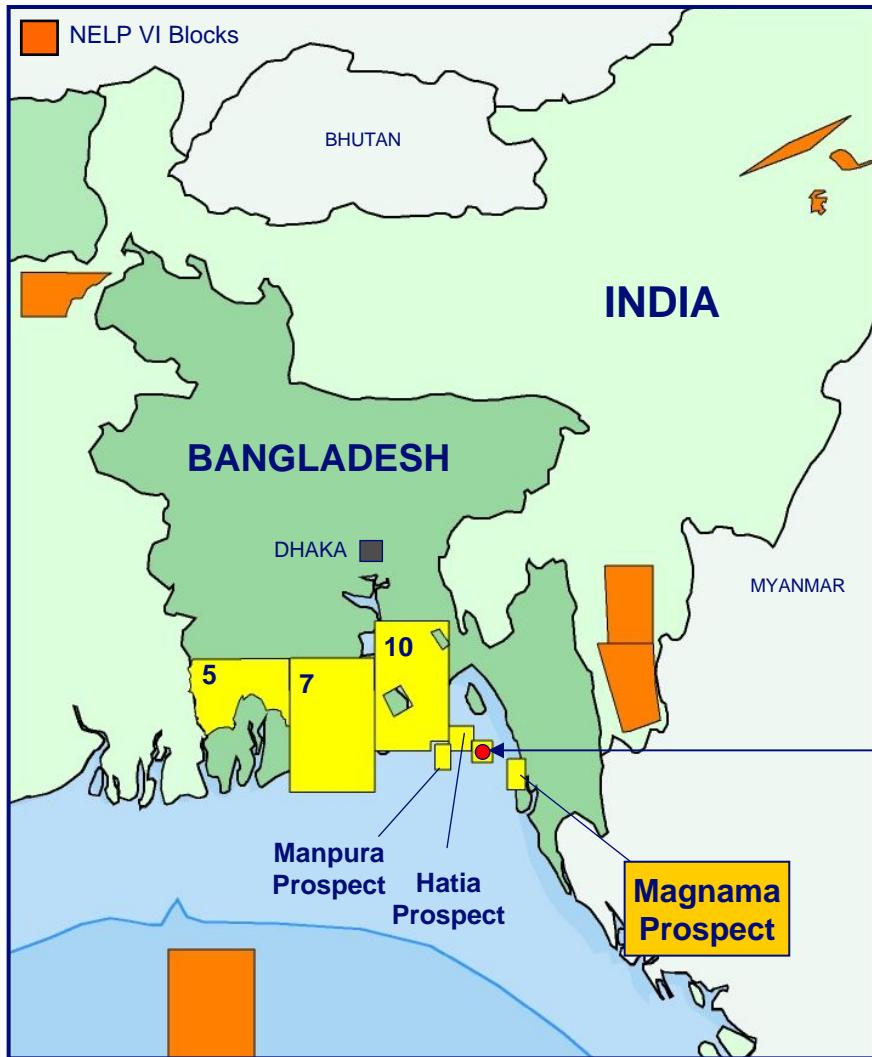


World's biggest Gas Discoveries
2002, 2003, 2005

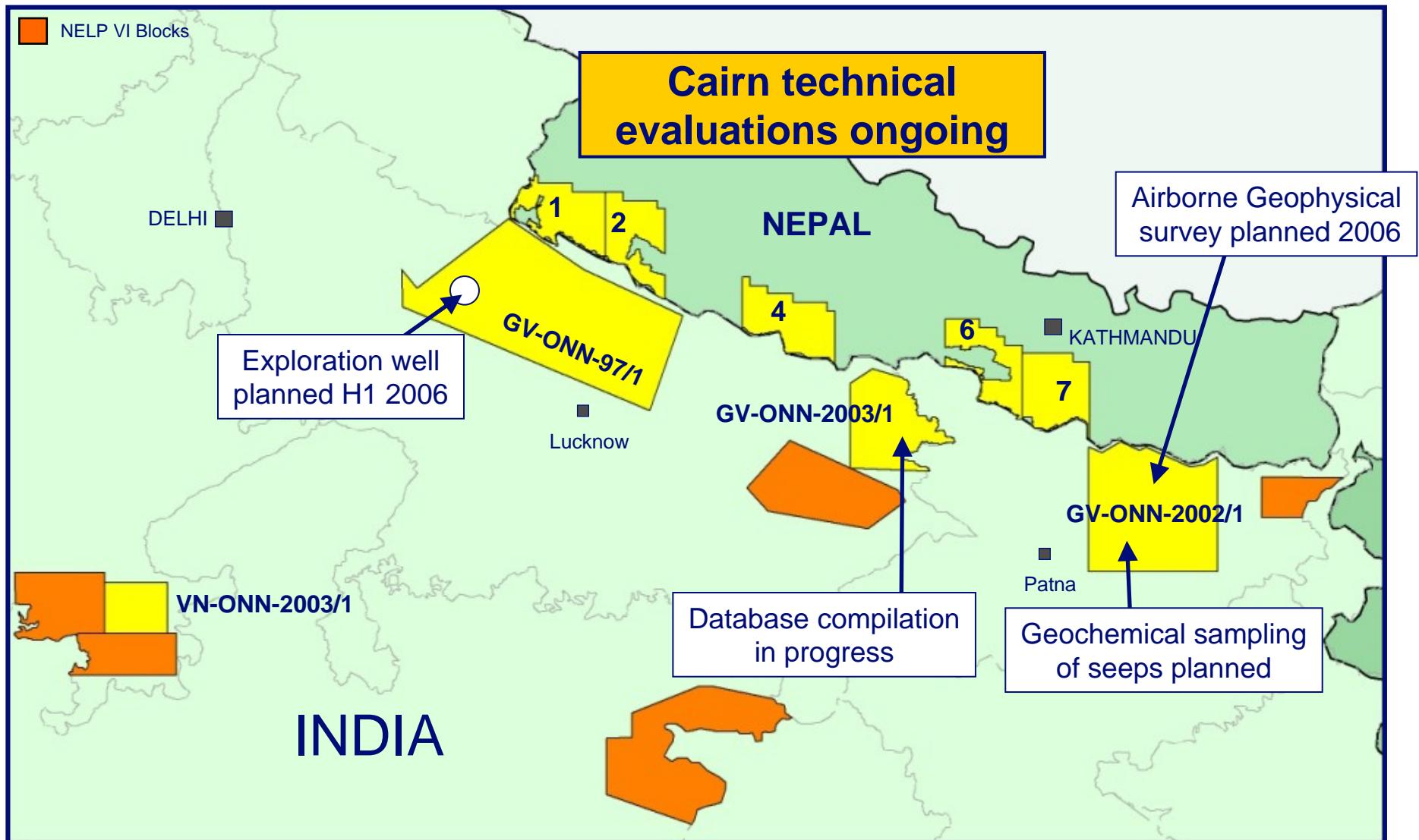
KG-DWN-98/2 - 2005 / 2006
3 Gas Discoveries

Prospect with > 600km²
of closure

BENGAL BASIN



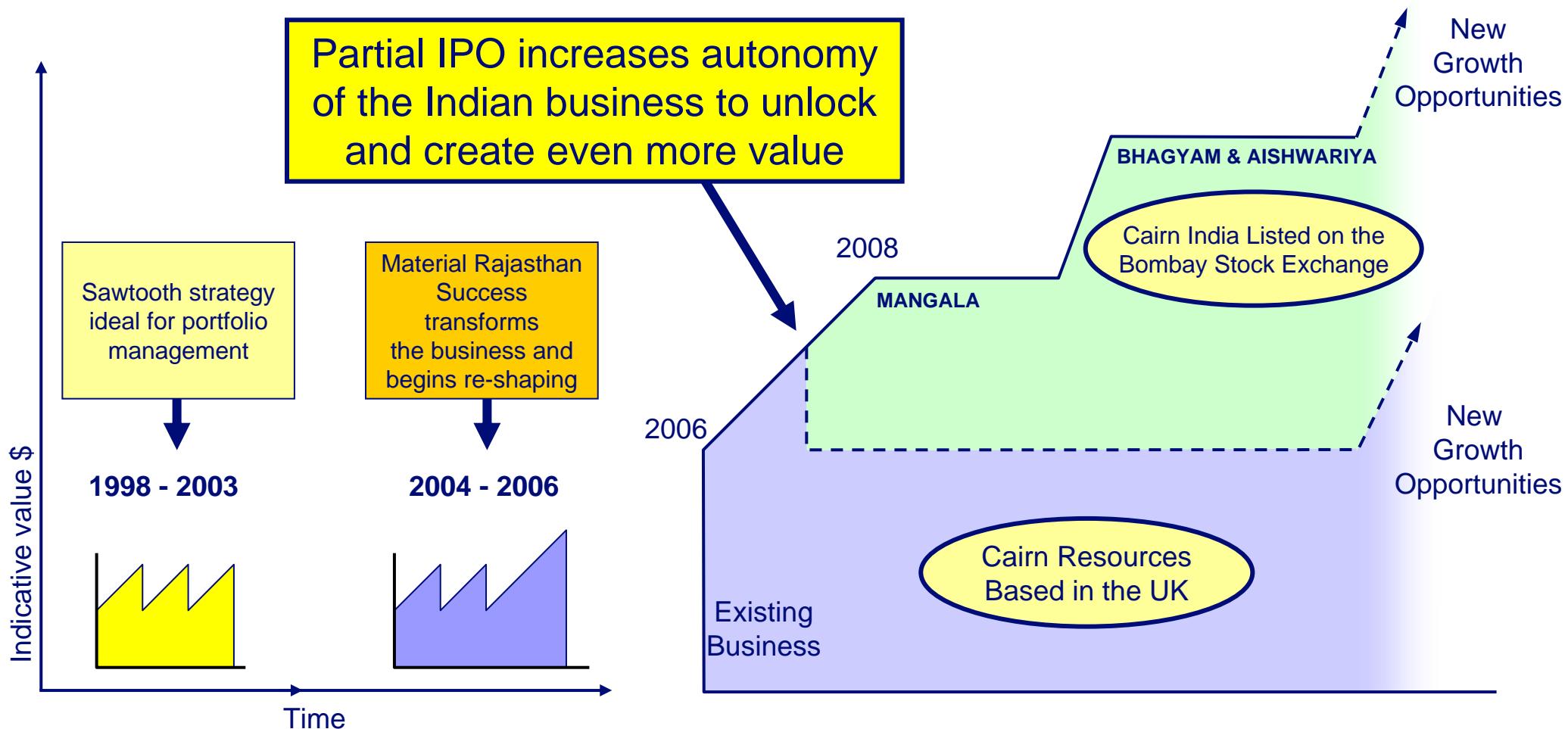
HIMALAYAN FORELAND BASIN



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EVOLUTION OF CAIRN BUSINESS MODEL



Valuation on net asset value

Industry and/or market valuation on cashflow multiples ?



PARTIAL IPO OF INDIAN BUSINESS

- Aim to create two world class businesses:
 - *one based in India focussed on E&P*
 - *one based in the UK primarily focussed on South Asia Exploration*
- Consistent with objective of optimising and realising shareholder value over time



CAIRN GROWTH

- *Rising reserves & resources*
- *Increasing production*
- *Leverage to oil price*
- *Strategic position*

Right place right time

- *To examine partial IPO of Indian business*

India 3rd fastest growing economy in the world

