Building a business in India - Dr Mike Watts

AAPG, Houston
April 2006
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.

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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

INDIA

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

Source: Wood Mackenzie
Generalised History of Oil Industry in India

Early History
- Era dominated by Burmah Oil & other companies

Nationalisation
- Nationalisation of Burmah
- Foundation of State Companies

GoI Small Fields Policy
- 6 Fields
- Enron, Command (HSSH, CAIRN)
- Niko, Hardy

NELP ERA
- NELP V
- ENI

NELP VI
- Recent Exploration successes
- Reliance / GSPC / ONGC / Cairn

Continued Liberalisation
- Cairn at forefront

Source Reserves 1980 - 2006 BP statistics
EXPLORATION SUCCESS

Cairn Blocks
Other Blocks
NELP VI Blocks
Oil & Gas Seeps

Cairn Rajasthan
Cairn Cambay
Cairn Ravva

Qadirpur
Reliance
ONGC
Reliance
ONGC
Reliance
Deepwater
ONGC
Reliance
ONGC
Deepwater
ONGC/Cairn Deepwater

Bibyana
Cairn Sangu
Daewoo
Total
Yetagun
INDIA’S GROWTH & INVESTMENT OPPORTUNITY

GDP (US$bn) 2000

- US
- Japan
- Germany
- UK
- France
- Italy
- Canada
- China
- Brazil
- Mexico
- India
- Russia

GDP (US$bn) Growth forecast 2020 / 2030

- China
- US
- INDIA
- Japan
- Brazil
- Russia
- Mexico
- Germany
- France
- Italy
- UK
- Canada

- 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

Source: KPMG
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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
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

SANGU

RAVVA

Existing Infrastructure
- 12 offshore platforms
- 250km of pipelines
- 3 Processing plants

25 discoveries 1996 - 2006
Developed reserves > 450 mmboe (Sangu, Ravva Lakshmi & Gauri)

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

2005 Preliminary Results figures (rounded, net entitlement basis)

Andhra Pradesh

Rajasthan

Gujarat

Chennai

Delhi

Bangladesh

Nepal

Uttar Pradesh

Bihar

RAVVA

Lakshmi & Gauri

Frontier Exploration

Onshore, Shallow + Deepwater Exploration

SOUTH ASIA BUSINESS
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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

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
RAJASTHAN
BLOCK OVERVIEW

Extended Development Area 1,228 km²

Development Area 1,858 km²

Appraisal Area 2,884 km²

Southern Area 1,935 km²

Investment to date US$ 450 million of risk capital (full cost recovery)
### RAJASTHAN GROSS RESOURCE CAIRN ESTIMATES to 2041

**Current estimates**

<table>
<thead>
<tr>
<th>Fields</th>
<th>2P STOIIP</th>
<th>RF</th>
<th>2P Reserves to 2041</th>
<th>2P Reserves + EOR Contingent Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mangala</td>
<td>1202</td>
<td>35.6%</td>
<td>428</td>
<td>+10% 120 mmboe</td>
</tr>
<tr>
<td>Bhagyam *</td>
<td>408 *</td>
<td>30%</td>
<td>122</td>
<td>+12% 49 * mmboe</td>
</tr>
<tr>
<td>Aishwariya</td>
<td>249</td>
<td>22.5%</td>
<td>56</td>
<td>+8% 20 mmboe</td>
</tr>
</tbody>
</table>

**Estimate of additional recovery or contingent resource volume assuming successful EOR**

<table>
<thead>
<tr>
<th>EOR RF</th>
<th>2P Reserves</th>
<th>EOR Contingent Resources</th>
<th>2P Reserves + EOR Contingent Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>+10%</td>
<td>120 mmboe</td>
<td></td>
<td>548 mmboe</td>
</tr>
<tr>
<td>+12%</td>
<td>49 * mmboe</td>
<td></td>
<td>171 mmboe</td>
</tr>
<tr>
<td>+8%</td>
<td>20 mmboe</td>
<td></td>
<td>76 mmboe</td>
</tr>
</tbody>
</table>

**Total Main Northern Fields**

- 1859 mmboe (2P STOIIP) + 606 mmboe (2P Reserves to 2041) = 2465 mmboe
- 189 mmboe (EOR Contingent Resources) + 795 mmboe (2P Reserves + EOR Contingent Resources) = 984 mmboe

**Other fields**

- Saraswati, Raageshwari Oil, Raageshwari Gas, Guda, N-E, Kameshwari, Shakti, N-I, GS-V

**SUB TOTAL FIELDS**

- 724 mmboe (Other fields) + 102 mmboe (includes 42 mmboe of Gas Reserves) = 826 mmboe + 102 mmboe = 928 mmboe
- 897 mmboe (Current Field Resource)

**Oil In Place for low permeability Discoveries**

- Vijaya & Vandana, N-R, Mangala Barmer Hill & Aishwariya Barmer Hill (Reservoir stimulation required)

**Current total oil in place volume for all fields**

- >1000 mmboe + >100 mmboe = >1100 mmboe

**Potential total field resource**

- >3500 mmboe

* evaluation ongoing
RAJASTHAN
AN EXAMPLE OF A WORLD SCALE DEVELOPMENT

Main Northern Fields
- E&A Costs ~$450 million
- Total life of field development (gross) costs ~US$2 billion (2005 money)
- 2P reserves 606 mmbbls
  2P+EOR reserves 795 mmbbls
- 2P F&D cost $4/bbl
  2P+EOR F&D cost $3.2/bbl
- Plateau Opex $3.00 - $3.50 / bbl

Northern Fields

BHAGYAM
Production Capacity: 20 - 40+ kbopd

MANGALA
Production Capacity: 100 - 110+ kbopd

AISHWARIYA
Production Capacity: 10 - 15+ kbopd

RAAGESHWARI
GAS

Central & Southern Fields

Southern Fields Early Production by Trucking and subsequent tie-in to Northern Development pipeline

- Phased Hub and Spoke Development sequence Mangala, Bhagya then Aishwariya
- Hot Water Injection to commence at field start-up (water extraction proved)

Oil evacuation to Mundra via heated insulated line
RAJASTHAN PROJECT ALIGNMENT

PSC Sovereign contract

Government of India

Government Back-in and Nominee (ONGC)

Fast Project Maximum Volumes Highest Price

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

- Oil Sales point
- Anticipated 150,000 bopd capacity
- Mangala to Mundra 471km
- Proposed export pipeline
- MRPL Tanker to coastal refineries
- Proposed HPCL Bhatinda refinery
- Bhatinda
- Proposed future refinery
- Transportation costs for account of Governments Nominee
- Expansion of NW India refinery capacity underway targeting product deficient Northern market

- NELP VI Blocks
- Refinery
- Insulated single or dual pipeline
- Mundra Terminal
- Pump & Heating Station
- MRPL Mangalore Refinery
- Dewas Refinery
- Essar refinery commissioning
- Jamnagar Refinery
- Proposed export pipeline
- Proposed export pipeline
- Proposed export pipeline

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CAMBAY BASIN

Current oil facilities and pipeline tested to 4,800 bopd
Proposal to increase plant handling & evacuation options to 7,500 bopd under review

Lakshmi & Gauri Gas Production

Monthly Lakshmi & Gauri Liquid Production
KG BASIN

Ravva
EURR 300 mmboe

ONGC Oil Discovery
Feb 2006

KG-DWN-98/2
2000 / 2001
5 Oil & Gas Discoveries

World's biggest Gas Discoveries
2002, 2003, 2005

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

Prospect with > 600km² of closure
Geochemical sampling of seeps planned

Database compilation in progress

Cairn technical evaluations ongoing

Airborne Geophysical survey planned 2006

Exploration well planned H1 2006
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EVOLUTION OF CAIRN BUSINESS MODEL

Partial IPO increases autonomy of the Indian business to unlock and create even more value

Sawtooth strategy ideal for portfolio management

Material Rajasthan Success transforms the business and begins re-shaping

1998 - 2003

2004 - 2006

2008

MANGALA

BHAGYAM & AISHWARIYA

Cairn India Listed on the Bombay Stock Exchange

Cairn Resources Based in the UK

Existing Business

2006

New Growth Opportunities

Valuation on net asset value

Industry and/or market valuation on cashflow multiples?

Valuation on net asset value
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