

CREATING VALUE ACROSS THE OIL LIFE CYCLE

At Tullow, we are committed to ensuring the oil and gas industry brings sustainable, transparent and tangible benefits to our shareholders, local communities and the people and host countries where we operate.

THE OIL LIFE CYCLE

The oil life cycle describes the stages an oil exploration and production company goes through from its initial entry into a country, through to when natural hydrocarbon reserves are depleted.

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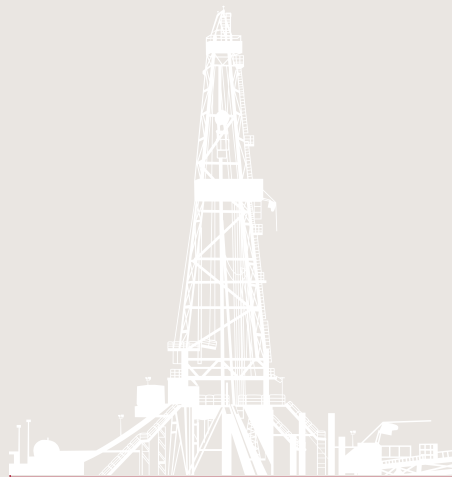


LICENCE TO OPERATE

In order to explore we must first be granted a licence by the government of the country we wish to invest in. We identify those countries through careful evaluation of geological and non-technical risks. We look for hydrocarbons in regions where we have proven expertise as well as new, unexplored territories.

EXPLORATION SURVEYS

We collect seismic data and other geophysical data to produce 2D and 3D pictures of what lies beneath the surface. The interpretation of seismic data allows us to gather geological information on the structures beneath us without drilling. After extensive analysis we plan exploration campaigns to try and discover oil and gas in these structures, or more strategically, to open up new basins.



CREATING SHARED PROSPERITY

We have responsibilities to local communities and national governments across the oil life cycle and we work to understand and manage the impact of our presence in host countries.

In entering a new country we consider the local community, the natural habitat, the political environment and security considerations as part of our planning processes. The presence of the oil and gas industry can have a significant local impact and we want it to be as positive as possible. Upon entry into a new area or country, we quickly engage with all stakeholders within local communities. This helps to create a dialogue and manage expectations of what our presence could mean.

OPPORTUNITIES TO MAXIMISE VALUE

At each stage of the oil life cycle, Tullow has an opportunity to monetise assets as part of its portfolio management strategy.

There are a number of possible options. A sale of part of a licence, called a farmout, could be completed on an existing licence to share exploration risk and costs. A farmout can also occur during or after exploration and appraisal drilling.

When a commercial discovery is made, Tullow has to decide whether to sell all or part of its interest in the

discovered oil. Another option is to reduce its equity interest during the development phase to manage capital exposure, called a development carry, in what are often multi-billion dollar projects. Successful development of discoveries generates sales revenue and operating cash flow.

Non-core assets can also be divested and cash proceeds from each monetisation option can be utilised by the business in a number of ways.



EXPLORATION DRILLING

We drill an initial well to establish the presence of oil or gas. If there is none, or if it will not be commercially viable, the well is abandoned. After a significant discovery, we drill appraisal wells to determine the size and quality of the discovery. Further exploration wells may be drilled to determine the extent of the geological play over a much larger area.



DEVELOPMENT OF DISCOVERIES

We begin work on a Plan of Development (PoD) once we have confirmed that the oil discovery we have made is commercially viable. The PoD involves extensive stakeholder engagement and must consider environmental, social, economic and operational issues. These plans are approved by governments and regulatory authorities and their implementation is carefully monitored.



PRODUCTION OF OIL & GAS

Successful developments should be carried out in the most cost effective way, without compromising the highest safety standards and with regard for the environment and local communities who may be affected by our work. Production can last many decades, however oil and gas resources are finite. When production ceases, facilities are decommissioned and the location is remediated and reinstated.

In 2013, we invested in significantly enhancing our social performance capabilities and adopted an integrated approach to the management of above-ground risks. At all stages of the oil life cycle we need to understand the views of government, local communities and other interested stakeholders. Our goal is to take into account and address all of the social and environmental impacts of our activities and work in partnership to deliver on our commitment to social contribution, environmental stewardship and lasting economic development in host countries.

