

Cairn Energy



Background

Cairn Energy Plc is an independent public oil & gas exploration and production company based in Edinburgh, Scotland and quoted on the London Stock Exchange. Cairn's strategy is to establish commercial reserves from strategic positions in high potential exploration areas in order to create and deliver shareholder value. In the implementation of this strategy, the Group focuses on material positions that are capable of providing significant growth through exploration. This focus has been further defined by concentrating on the geographic region of South Asia, where the Group holds material exploration and production positions in both East India and in Bangladesh.

Cairn Energy in India

Eastern India

Cairn Energy developed the Ravva oil and gas field in the Krishna-Godavari Basin in Eastern India during the 1990s. Producing interests in Ravva and Sangu have provided Cairn with strong cash flow and a competitive edge in its subsequent exploration activities across India.

Exploration drilling by Cairn in deep water acreages in the Krishna-Godavari Basin resulted in a succession of oil and gas discoveries in 2000 and 2001. In view of the large capital required for deep water appraisal and development, Cairn disposed of its 90 per cent exploration interest in Block KG-DWN-98/2 to ONGC. Cairn has also relinquished its 50 per cent interest in Block KG-OS/6.

Western India

Cairn operates Block CB/OS-2 in the Cambay Basin offshore in Gujarat on which it has made several oil and gas discoveries. Of these, the Lakshmi and Gauri gas fields have been successfully developed and commenced production in November 2002 and April 2004, respectively.

Cairn's exploration efforts in Western India are almost exclusively focused on Block RJ-ON-90/1 onshore in Rajasthan. Cairn commenced a multi-well drilling programme on this block in 2002 and initial drilling activity focused on an exploration and appraisal campaign in the central and southern parts of the block. In early 2004, exploration activity moved to prospects in the northern third of the block and has resulted in





a number of major oil discoveries. Cairn currently has several drilling rigs operating in Rajasthan and is conducting fast-track exploration, appraisal and development activities in parallel across the block.

Northern India

In Northern India, Cairn has signed a production sharing contract for a 100 per cent interest in Block GV-ONN-2002/1 and has agreed to acquire a 30 per cent interest in Block GV-ONN-97/1 from ONGC. Both blocks are located onshore in Northern India adjacent to the border with Nepal.

The company is leveraging India's large potential in oil and gas exploration

India is one of the fastest growing economies in

the world. It currently imports the bulk of its oil needs which explains the importance it places on new indigenous oil discoveries. Thus, it offers huge potential for Cairn Energy to grow its exploration activities in India. The company believes that considerable reserve addition is possible in existing mature basins and frontier areas of India. Cairn Energy has already invested more than US\$ 300 million and plans to spend more to develop the recently discovered Mangala and Aishwariya fields in Rajasthan which are estimated to have in-place reserves of more than one billion barrels of oil.

Regulatory reforms offer a favourable environment

India is one of the developing markets where foreign investment is allowed in the Oil and Gas sector.





Therefore, even though the sector continues to be regulated, progressive reforms in regulations offer opportunities for the company to invest and grow in the Indian market. The company has been successful in learning and adapting to the requirements, ensuring compliance.

Future Plans

Cairn Energy is looking for more exploration opportunities in India. More than 77 wells have now been drilled by Cairn in Rajasthan. The company plans to have 20 to 30 more wells drilled in Rajasthan by the end of 2005. Cairn believes that there is potential to add further oil in-place volumes, elsewhere in the basin, through the continuing exploration and appraisal programme. The company has also secured 5 new exploration blocks under the recent NELP V licensing round in India.

Cairn Energy India: At a glance

- Cairn Energy: Independent, public oil and gas exploration and production company based in Edinburgh, Scotland. Quoted on the London Stock Exchange
- Cairn Energy in India: Operating under three different regions namely, the eastern, the western, and the northern region. Involved in both production and exploration
- Factors for success: large potential for exploration, favourable regulatory environment
- Cairn Energy is working in partnership to help meet the energy demands of India
- Future plans, India: To maximise current potential and look for more exploration opportunities

