Houston Analyst and Investor Meetings
Petroleum Briefing
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**Francis McAllister:** Phil Aiken is currently the President and CEO of BHP Billiton Petroleum. He's based in London. He's been in this position since 1997, I believe October, 1997 and just recently, about two years ago, relocated to London. Phil is a former Director of BTR PLC and Managing Director and a former Managing Director of BTR Nilex. He currently sits on the BHP Billiton Executive Committee.

Once again, before Phil gets up, I'd like to make a request that you hold your questions until the end of the presentation. So, with that, I'll go ahead and turn it over to Phil.

**Phil Aiken**: Well, thanks Francis and let me say how pleased I am to see so many people here, some of whom I've only seen a few weeks ago and what I'd like to try and do today, if I actually can, is keep my presentation short, because a lot of what I'm going to talk about, you've already seen.

Slide 2:
After I finish, Steve Bell will talk about our Global Exploration portfolio; Mike Weill will then talk about some of the developments and things we're doing here in the Americas, and then Bernie Wirth will come on and talk about the Gulf of Mexico's future and our position going forward. But what I'd like to do is just give you a bit of a run down, and as I said, a lot of this will be pretty familiar to quite a few people in this room. Actually, I was just thinking that some of you look a bit better now than you did at 6:30 this morning when the fire alarm went off in the hotel. The feeling's mutual. I got a real shock this morning when that fire alarm went off and we went out there. Russell, you were pretty good. You started asking questions at 20 till 7:00 this morning. Anyway, as I said, a lot of what I'm going to talk about today is really more of the background information, and then as I said we'll get into more detail as the other guys present going forward.

Slide 3:

Just to remind you, and I think you're pretty familiar with this; this shows BHP Billiton's trading results through the six months ended in December, and you can see there that the Petroleum contribution, which has stayed at a fairly high percentage up there at 36% in terms of EBIT overall. You've seen the nine month's results and with oil prices at that sort of level, we'll continue to be a very high part of the overall contribution. But again, going forward, I think that we generated over a billion dollars of EBIT in the fiscal year 2002, and we're on track for a high figure this year, and you've seen the nine month's figures so you've got a pretty good idea where we're going to finish the year.

Slide 4:

This is something which, again, we spoke to you about last year, but I think that everyone's aware that BHP Billiton has set itself six value drivers, and I think in the case of Petroleum, we can relate to all six of those value drivers. The first of those, of course, is having outstanding assets, and the two outstanding assets we obviously have are the Bass Strait and the Northwest Shelf; and I think you're going to get the opportunity here this afternoon to review what I think could be an outstanding asset in the future. That's the Gulf of Mexico Deepwater, but obviously we have two top tier assets in the Bass Strait and the Northwest Shelf. In innovation, I think we've been very good in the creativity we've had in the Gulf of Mexico and again, that will be covered today. But, I think we've also been very good in recent years in being fairly innovative on what we've done on contracts -- whether it was the renegotiation of the Liverpool Bay gas contract a few years ago or what we did in China early in June last year. I think commercially, we've been very innovative. When it comes to customer centric marketing, you know about the marketing organization that BHP Billiton has put in place. We now have our core trading team based in Singapore. We have the EMT based in The Hague and I think overall, we are now much more customer centric in the way we do our marketing. In our portfolio, we have a great inventory of projects, and I'll go through all of those later on and some of them are up there, but we do have, obviously, some outstanding projects going forward. If you look at

Petroleum overall, we've got just slightly under $3 billion of projects in the pipeline at the moment; and again, I'll give you a bit of an update on those. Overall our portfolio has good geographic spread, and I think the portfolio is in very, very good shape going forward. If you look at us as a business, we are in the top quarter in net income per barrel of oil equivalent, in the top quarter in return on capital, in the second quarter in finding costs, and in the second quarter in finding and development costs. So overall, we're a pretty efficient business with some very, very good growth opportunities.

Slide 5:

In terms of size, which is something that often comes up, this is our ranking from the latest *Petroleum Finance Report*; which comes out about once or twice a year. This is the report for the year-ended March 2003: In terms of size among E&P companies, BHP Billiton's Petroleum business only rates about number eighteen (18) in production and reserves. You can see among energy companies, our market cap is around about number ten (10), and this is a point we're often made, in the Petroleum business we can punch above our weight because of the strength of the balance sheet of BHP Billiton, which is very important as we go ahead with the sort of projects we're doing. So, it is a important effect overall and you can see there in market cap, we do rate, at the moment, about number ten (10), in terms of market cap of energy companies, globally.

Slide 6:

Well, let's get on to some of the more specifics. This is, again, one of the slides that we showed you last November, and it is a slide of our reserves and our contingent resources. In the past, we had only reported externally our P90 or 1P proven reserves. This one also shows our P50, which is our proven and probable reserves, and you can see there the 1.456 billion in P1 goes out to about just over 2 billion in P2 reserves if you take in the proven and probable reserves; and then on top of that, you can also see the gas statistics. Gas is about 73% of those continued resources of 1,479 billion barrels. So, I think this was something that was raised last year by a number of people. It shows, on an RP ratio, our Reserves to Production Ratio, on our P90s is

about 11 years, but it's actually 15 years if you look at our P50s. Obviously, we only record our reserves once a year, so when we come out with our results in September, you'll see our new reserve situation, and I think you'll be pretty happy with the results we'll be bringing out this year. But that's something we'll hold till we talk to you later on in the year, right about September.

Slide 7:

Just to give you an overview of the business, and this is to remind you and give you a bit of an update, this shows the nine-month's year-to-date versus the full year last year. Turnover increased because of the oil price and where it's been in recent time, but our production was down on the previous years, and I'll talk about production in a bit more detail in a moment. But last year, we averaged in barrels of oil equivalent about 367,000 barrels a day. You can see that figure there, and this year, obviously, we're down lower at 334,000. So, we are showing a decline on last year, but I think to some degree, that is explained. As I said, I will talk in a bit more detail later. I would make the point 2002 was an exceptional year. We'd said we were about a 350,000 barrel a day company; we're about a 130 million barrel a year company. Last year was quite an exceptional year for us.

Slide 8:

Today, you're visiting Houston. Our other major offices, as you know, are in Melbourne, in Perth and in London. The way we run this business, and as I was asked by a couple of you over lunch, is as a global business. We really haven't got a head office. I'm actually based in London, but I was in Melbourne last week; I'm in Houston this week; I'm in Tokyo for the Well Gas Conference next week; and like most of the managers in the business, we spend a lot of time travelling around the various parts of it. This is a very important office to us; it's the head of our exploration group here, though we have a major exploration office in Perth. In London, we run the Middle East/U.K. operations from there; and obviously, we run the Bass Strait and our finance group out of Melbourne. So we really do want it where it is best located close to the business, and we do have that day-to-day control of senior management about the areas that they are responsible for. Overall, I think

we've proven that we can run the business this way. We've run it that way for a few years now, and I think we're finding it quite a successful way of being closer to where we operate. And where do we operate? As you know, we do produce in five countries. We produce in Australia, the U.K., Pakistan, Bolivia and the U.S., and we currently have E&P operations in 10 countries around the world, and they will be covered to some detail in the presentations which follow-up, but there's a map of where we are. On top of that, as I said before, we have the Crude Trading Office in Singapore and we run a lot of our gas marketing activities out of The Hague.

Slide 9:

In terms of production, you can see here that production was 131 million barrels in 2001, 134 million last year, and the year-to-date levels are down about 9 million barrels. You can see there, that in terms of gas, we're about in line and obviously, this decline in oil is very much about Bass Straight, although as they show on these slides, this is the actual full-year figures, and also about things like Laminaria, and again, I'll talk about in a bit more detail. Generally, going forward, you've seen the slide we gave last year, and again, I've talked to that, we really see ourselves in a bit of a flat period or slightly down, and we see the growth coming through in the next couple of years; and we're still committed to that growth figure of being out at about 180-million boes in five year's time.

Slide 10:

Benchmarking – this is, again, a slide which we will update at the end of the year. As I talked about before, this slide shows our benchmarking against a group of about 25 international E&P companies. This is only updated once a year, and we usually put it out as part of the Operational Report, but you can see our Finding Cost Performance there - $1.29, moving from $1.74. This is three-year average, which puts us at the top of the second quartile. Similar with our Finding and Development Cost, Production Growth has been quite strong up to the end of last year. Obviously, that's going to show a negative this year, and you can see our reserve situation and a very high profitability. I haven't seen the latest PFC Annual Review of profitability, but I gather we still remain in the top two or three when it comes to Return on Capital and

Net Profit per Barrel of Oil Equivalent, which is where we've been for the last few years, but the next update will take place just after our results come out later this year.

Slide 11:

This slide I've used now so many times I think that some of you could probably recite it to me, but we've had a very consistent strategy over the last few years, and it's something at the moment we are doing a little bit of work on. It won't be dramatically different, as we're building very much on our major strategic drivers. The first, at the bottom, is about cash generation and maximizing the returns by operating our assets as efficiently as possible, and the three growth strategies have really been around high margin exploration, getting access to discovered resources, and getting on with gas commercialisation. Again, these are slides that have been shown a number of times. Actually, in this room yesterday, we had a review of our strategy, and we're just looking at how we might be a little bit more focused and get a few more things moving forward quicker. Later this year we've got a commitment to go back to the Board to do a review of the Petroleum strategy. I don't suggest that it's going to be dramatically different than what it is today. It might have a few minor changes about emphasis, which we might think about going forward, but certainly, in the last few years, in all those areas, we've had quite a bit of success.

Slide 12:

High-margin exploration: in the last 12 months, as you know, we sanctioned the Mad Dog Project. That's well under construction now. Mike Weill will talk about it in more detail, but we are looking at first production there round about 2005. Atlantis, as you know, is a huge project; in its very early days. Atlantis will come on stream hopefully, round about July or August 2006, and that really is the facility which will give us that big increase in our overall annual production.

We have string of other good discoveries in the Gulf of Mexico, which Bernie Wirth will talk about; Cascade, Shenzi, Vortex, etc., and we continue to drill a lot of wells. You'll get a good run down on them as we go through today. And very importantly, of course, we did sanction, in recent time, the Angostura Project in Trinidad, and that

again is a project which is now in the construction phase and should be on stream towards the end of December 2004. I told them it was going to be a Christmas Day commissioning. So we've got both Mad Dog and Angostura coming on stream both about the same time.

Gas Commercialisation – The Minerva Project, as you know, is under construction. We expect first gas out of that in the first half of calendar '04. That is a project, which as a lot of people know, we've had around for a long time and I think it was a gas resource that we did take time on, but we finished up with a very robust project.

The Northwest Shelf is completing the fourth train. The fourth train should come on stream round about June next year, and of course, now the fourth train has got even more robust economics thanks to the contract we won in China.

The first of our growth projects, the Bream Pipeline, has come onstream. Next among our gas growth projects is Zamzama. Zamzama is a gas plant in Pakistan. We've had an extended well test in Pakistan producing 70-100 million cubic feet a day of gas, but round about June/July, we'll start introducing gas into the plant, and then, we'll be supplying 320 million cubic feet a day into that market. We're looking into the next phase of that project going forward, and actually have recently approved another well, an exploration well in that area. So, Zamzama will be onstream in July and there's more upside in that project.

On discovered resources, Ohanet and ROD, I'll just make a few comments about the situation in Algeria, where obviously, there's been a tragic earthquake in recent times, and I'll cover that when I talk about discovered resources in a bit more detail. But at this stage, we're on schedule to have Ohanet onstream probably right about August, but ramping up till about October, when it should be in full production, and then the ROD project comes on stream April / May next year, but there's a couple of issues in Algeria, which I will cover in a bit more detail in a few minutes.

Slide 13:

The next slide, I won't spend any time on because you're going to get an ear full of it for the next couple of hours and that's about High-Margin Exploration. A very important part of our strategy and one I think where we've had tremendous success in recent time. We'll talk a bit about Trinidad also and other possibilities in Brunei and in Brazil, etc., but they will be covered by Steve Bell as part of his presentation.

I think any major upstream E&P company like ours has to have a very good exploration strategy, and really that's what the focus on this afternoon will be, to try and give you more information about what our exploration strategy is doing and delivering.

Slide 14:

But let me turn now to gas, and I'll talk about the other two parts very quickly just to give you a bit more background. I think you're all aware of our Gas Commercialisation activities. I'll comment about Northwest Shelf first. This year we'll deliver about 132 cargos to Japan and Korea. And the fourth train, as I said before, was approved in April 2001, and is expected to come onstream round about the middle of next year. There are no major issues. Going forward, of course, we still haven't made a decision about train five. Train five will be built; it's really about the timing. At the moment, as you're aware, we completed the paperwork on the equity arrangement the other day, but there are still a lot of conditions on the Chinese contract that haven't as yet been finalized. There are no issues about these, it's just really about going through all the approval processes. The contract we had with the Chinese is with the terminal company, which then has contracts with utilities, which then has contracts with power stations, and all of these conditions have to be satisfied before the final China contract is done. The volume has increased. The original volume was 3 million tons. I think we're up now to about 3.6 or 3.7 million tons, due to extra requirements for gas in the South of China. As you may know, I was heavily involved in that contract and when I was last there, which was before SARS, I actually spent quite a bit of time looking at the upside, and we do believe there are considerable amounts of upside in that South China area, but already the volume has increased quite significantly.

Moving on to LNG. Going into the future, there's no doubt that the contract we signed with Korea recently was a step forward for the Northwest Shelf, and I think we now have good diversification away from being reliant on the Japanese market; and I see the growth of the Northwest Shelf coming from not just Japan, but also coming from more contracts into China, and more into Korea.

In Eastern Australia, the completion of the Eastern Gas Pipeline, the completion of the pipeline to Tasmania and now the contracts we're signing into Australia are moving our business forward. That means we are supplying a lot more gas into the markets of Southeastern Australia. It's extremely important for us that we have this gas business. The decline in Bass Strait oil production is around about 15% per annum as we said to you before, but I mean, just in this month alone with the gas sales up because of the winter in Southeastern Australia, we're producing somewhere between 5,000-10,000 boes a day more as we bring more gas onshore and obviously have the associated condensate. So say, in the last quarter, we were averaging about 125,000 barrels a day of oil and condensate, in this month we're probably up more like 133- to 135-thousand, and with the completion of the Bream Pipeline, we now can bring a lot more wet gas onshore. Over the next few years you will see a stabilization in the barrels of oil equivalent coming out of Bass Strait as we produce more gas and the associated condensate. So really, that Eastern gas market is extremely important to us, and the contracts we've signed or are in the process of finalizing with TXU and AGL are under pending bigger gas sales into the Southeastern market.

I've already talked about Pakistan. As I said, the plant should be onstream in July; we are looking at another extension in the longer term, possibly into that market. The exciting one for us in the future is Trinidad. The first project we have in place is an oil only project, but obviously longer term we have the ability to supply gas into the Trinidad market, but that will come more into the future. So, that's Gas Commercialisation, still a very important part of our business, and a part of our business that we continue to grow quite successfully.

Slide 15:

The third part of our growth strategy is all about discovered resources. I would, at this stage, like to talk about Algeria. We continue to look at other opportunities in the Middle East and that will continue; and I think there are good opportunities there but our number one priority is completing the plants in Algeria. As you are all aware from the news, the tragic natural disaster that took place in Algeria is obviously going to have an effect on that country. There is now something in excess of 2,300 people dead and more than 10,000 people have been injured. Unfortunately, several of our long-term contractors and their families have been affected and our partner, Sonatrach has actually been affected with some 250 employees either killed or injured. Our facilities, which are in the southern part of the country, were unaffected. The earthquake took place up on the northern coastal plane and there's been no damage to Ohanet or ROD or associated pipelines, etc. But as you can appreciate, it's going to take Sonatrach sometime to recover from this huge personal loss that has taken place. I don't know people these personally, but talking to our Algerian asset team, there are a number who worked very closely with us who have either lost family or had injuries to their family. This is a very major event in Algeria. There's nothing at this stage that suggests that it's going to cause any issue with our plants and the projects overall, but obviously, we're going to have to monitor the situation over the next few months. So we still remain committed to Ohanet being onstream in the period, as I said, first gas should be in the plant in August, ramped up by October, and we're still looking at the first half of next year for ROD, but the tragic circumstances in Algeria will put some pressure on that. Obviously, if there are issues, then we will come back to you at the right time. At the moment though, our major issue is trying to help with the relief in the country and also to counsel a lot of our own people who have been affected by these very tragic circumstances. So, no issues at this stage, but just a comment going forward that we are going to monitor the situation in Algeria and this could cause some delays maybe into the future.

Slide 16:

Overall, though I think we've covered most of the projects going forward. Most of you have seen this before. As I commented, this represents something just under $3 billion of projects going forward. Just to cover them again very quickly: Zamzama will be onstream in June / July. I think it's actually got first gas into it now and they are beginning the commissioning process. The Bream Pipeline has come onstream. The GOM Infrastructure – This is the pipeline that will bring the oil and gas from the deepwater Gulf of Mexico, that's going well and on schedule. Minerva, as I said, is starting up the first half of next year. ROD, first half of next year; Fourth train, round about June, Mad Dog in '04, Ohanet later this year, Atlantis in '06, and Angostura in '04. Once again, all of these projects are known to you, but this just shows you that at the moment we've got a pretty heavy slate of projects, and obviously a lot of the priorities of management are making sure these projects come in on time.

Slide 17:

But the effect of all these projects is this slide, which you have seen before. This is not meant to be a take it down to the last micrometer to work it out. It's more of a plan going forward and it's the slide we showed last November. I specifically didn't want to update it because it is more of a guide. You can see back in '98, which was the Longford incident, and you can see our production ramping up over the last few years. I know our Production Report at the end of the Third Quarter was disappointing to some of you. I think we've been trying to say for some time that there was going to be a decline in our production, but it really was the success of our infield programs in 2001 and 2002 that kept our production up. Our production, if you look back over this period of time, has really been between 110 million barrels that year and 134 million barrels that year. Unfortunately this year, no infield programs, a few more cyclones, a bit more down time, and hence we have the reduction in our production in the last quarter. Next year, it's going to be very similar sort of figure, somewhere in that range, 120 – 125 million barrels. We'll have the continual coming down in Bass Strait. Laminaria is falling off quite quickly. We actually do have natural decline in Liverpool Bay but will be assisted in next fiscal year by Zamzama, Ohanet, and then later in the year, when we bring ROD and the Fourth Train onstream. It really is the year after when we get Mad Dog in December

'04 and Angostura that you start this ramp-up, and by the time Atlantis is in full production in '06 -- it probably won't be until the calendar year of '07 that it's in full production -- that's when I figure we'll talk to you before about going from about 130 to about 180 billion barrels. So, we're still very committed to that, but we are in this period of time where we are, you know, ramping up with very different projects to sort of offset the natural decline, not just in Bass Strait, but also in things like the Griffin Venture, Laminaria, etc.

We've probably got time for a couple of quick questions now. I'd like to then stop, so we don't run over and then later, we can come back and take more questions going forward.

Question:
What are you considering as changes to your strategy?

Answer:
What I was saying was, we've got the three areas: Exploration, Discovered Resources and Gas Commercialisation. I think it's about time we just reviewed what are the higher priorities. We've had a lot of success in Exploration. There have been changes in the Middle East. Do we do more Middle East or do we do less? Fourth Train, Fifth Train in the Northwest Shelf. Where do we go from there? So, it's really just a review of where the emphasis might be in the future. That's something we're doing at the moment as sort of an internal management review; not a change of direction, it's more about looking at the options going forward.

Question:
So you seem to be moving more toward Exploration?

Answer:
Well, that's the debate we've got. I think you'll hear from the guys today that yeah, we've got a lot of Exploration possibilities. You know, I don't think necessarily it will be a big swing. It's more about degrees of emphasis overall, but I mean, if you

look at that project suite, and we're talking to BHP Billiton about our project suite going forward, what comes after Atlantis? Hopefully, it's going to be Gulf of Mexico deepwater developments. Do we look at another project in Algeria? What's the next development in the Australia LNG business? It's really about talking about what happens post that period of time. So, it's not a change of strategy, not a change of direction. It's more about saying where we want to put more emphasis onto the future.

Question:
Isn't it a bit late to be having this sort of discussion?

Answer:
No, not really. As I said, it's not a change of direction. It really is about saying, what happens say, in that 2010 period going out? I mean, the oil and gas business is a business where you've got to be looking out, you know, ten years. We have a full suite of projects, and you'll hear about them this afternoon, Gulf of Mexico and Trinidad. We're already talking about ten years plus. So, I think now is the appropriate time to look it up.

Question:
Just quickly. The 180 million barrels target. What unsanctioned projects does that include?

Answer:
That's basically those projects, which have been sanctioned now with a little bit of infield development.

Comment:
There's a little bit of the air.

Answer:

There's a bit of air. Yeah. Quite a small part. I mean, the thing of it is, you know, projecting exactly where every field is in five years is pretty hard. So, as we've said, the 130-, well this year, it's going to be more like 120-something, plus the 180, you've got to take into the same sort of area, but it's basically driven by those sanctioned projects.

Last question:
Regarding the Middle East, with recent events, is it more or less interesting and if it's more interesting, how can you take advantage of it?

Answer:
Well, you know, the Middle East is changing, and this is why we're having this bit of a review now. If you look at Algeria, ROD is a PSC which goes back to 1989. As a lot of people know, we've been looking around for some time. Iran has buyback contracts, which are not particularly attractive. If you had to make a development, you'd probably go for an exploration play more than the buyback contract. You've now got the potential of Iraq opening up. You now also have potential of Kuwait being different into the future. A lot of the projects the Kuwaitis were talking about were in the northern part of Kuwait, which were sort of heading up towards Iraq, and those projects are probably a bit safer now than they were some years back, but the fiscal terms have been very clever. There are other parts of the Middle East you've got to think about. Now, we've always said, we'll look at the Middle East and look at opportunities. At this point in time, my number one priority is Algeria and getting those projects onstream, on time, but to take the question which came from the back before, we have to start to thinking about what's going to happen in five to ten year's time and now is the time to start thinking that through. This is an ongoing process, which we always do. We basically review our strategy every year, but this year we actually put a bit more emphasis on it.

Question:

My question is very short. Just following on from the BP and Shell decision about LNG from Saudi Arabia, do you think that's a permanent thing that they've done and how does that change your thinking going forward?

Answer:
Now, the Shell thing is Russia in Sakhalin. I think it was LNG. I think the thing is with LNG that you now have Sakhalin coming up, you've got BP still trying to get Tangu up. The LNG market is changing quite dramatically. There's a lot of LNG projects, you know, on the agenda, and we really understand what that means to us overall, but it's also a market which is much more dynamic than it was years ago, and therefore a lot more opportunities to grow the business. So, I think, you know really this is why you have got to be constantly reviewing your strategy and where your priorities are, and this is what we are currently doing and I think now is the appropriate time because we are into the next phase of the Gulf of Mexico. I'm going to stop now.

Question:
You know, just in the calendar of events, there are a lot of dollars. When would you expect the group to become free cash flow positive?

Answer:
We're free cash flow positive now. At our projected oil prices, which is basically the forward curve in the next couple of years here.

**Francis McAllister:** Listen, we're going to have time after the presentations for additional questions, so if you do have some that you want to ask, go ahead and write them down and we'll come back to them. Right now, we'll turn to Steve.

**Steve Bell:** Thank you Phil and welcome everyone to Houston. I enjoy talking about Petroleum Exploration. I could stand up here for hours and go on about it, so if you have the time just to sit back we'll do just that. No, I won't do that. I'm actually kept to half an hour, but what I would like to do is cover the types of business we've been

conducting with the Group. I am very proud of the accomplishments and the prospects and the people here at BHP Billiton and with the petroleum exploration program.

Slide 19:

Some of the topics I'm going to discuss today are: How exploration adds value, and the particular point I want to emphasize is that exploration adds value significantly. And then I want to go through the portfolio. While conducting seismic and drilling exploration wells is a costly enterprise, done well, they add considerable NPV to our business and this is often lost amongst investors and industry analysts who look solely at the financial statements. I'd also like to describe here today our recent exploration results and how this compares with the rest of the industry, and I think you'll find this quite enlightening. I'll go over the highlights of our drilling activities, and pretty much go over what we're going to do in the next 12-18 months, and review the portfolio of opportunities which really are focused in the basins and regions that we're involved in.

Slide 20:

Exploration brings tremendous value to our business. The cash flows and income measured and scrutinized so carefully by people like yourselves wouldn't be possible without the discoveries made by geoscientists. When I've spoken with investment analysts throughout my career, I've often had to explain and occasionally defend the purpose of exploration. So, what I'd like to do is clarify some brief remarks here about how this function can create value. This is really a simple value curve. You can see the slide of turning ideas into discoveries. Ideas such as the Deepwater potential in the Gulf of Mexico all by themselves have little value, but when tested with an exploration well, when that well is converted into a discovery, that discovery is appraised. These ideas can create significant leaps in value to our company. Upon appraisal, we'll turn those over and those finds become producing fields. In significant leaps in value that we've had, such as Mad Dog and Atlantis, in developments such as Typhoon, it takes it up another notch with reserve additions and that's really what these are meant to represent. Reserve additions in the field adjacent

to existing facilities add even more value, so by the time these fields are depleted, we've learned a great deal from them, we move on and we find other fields. So, the opportunity to create value is significant; and I mention this so you can keep this in mind as a review of the Company's Exploration Program. In the Gulf of Mexico and elsewhere, we have a number of ideas that we're currently pursuing to translate into value for our shareholders.

Slide 21:

Our portfolio is focused on high-growth opportunities. These are high margin oil plays that have the opportunity to add significant value to the Company. Execution in my shop is conducted by quarterly business reviews. These are designed to ensure a number of things. First, that we achieve the targets that we set out; that we look at our business milestones, that they are delivered, and that we attempt to shorten the cycle times. We continually and constantly upgrade our portfolio. The dollars go to the projects with the highest potential return. We really look at our capital in human resources to make sure they are allocated in the best possible ways. A significant portion of the exploration community is involved. We will tend to fill up about half this room with some of the best and brightest minds on a quarterly basis to review this portfolio to make sure we aim our capital and our people appropriately; and the best thing about it is that prevailing views are challenged and new ideas are heard. So, it's a very engaging environment. It's very dynamic and it seems to work. Our focus areas in the group -- well, we're going to cover most of these areas -- but our focus areas in the company are the Gulf of Mexico, Trinidad and Australia, and I'll touch upon a few other areas that we're exploring as well.

Slide 22:

We have, though, some unique challenges to the portfolio, and I would like to point this out a wee bit, too. We have a fairly unique portfolio in the company, and the point I want to make is that we're a different kind of wildcatter. If you followed any other oil companies, especially in North America, where there are drilling programs, we have a very wildcat weighted portfolio. It's weighted much towards the prospects in deepwater, frontiers and ultra deepwater. We are drilling for enormous structures

covering thousands of acres. Exploration here is not only technologically challenging, but deepwater wells are very expensive with higher rig rates and longer drilling schedules than other wells. We're going to participate in over half a dozen of these wells this year in the Gulf of Mexico alone. But the point is the prospects in our portfolio have tremendous potential, and discovering them, appraising and developing them takes careful analysis. To offset this, we have nearfield and other opportunities that again, can provide shorter cycle times, but our best prospects still lie in the deepwater. A 15-month turnaround, like we've seen at Boris, is really a world-class achievement. The point I want to make here, is that, in some respects, while you want to measure on a four-quarter basis for the exploration program, our reserves booking conversion is really taking place in a 10-20 quarter environment from discovery to appraisal to actual reserve recognition. For us, reserve bookings are an artefact of time. So, the best way for you to measure us, for you to measure how my group is doing is on a rolling three-year average to properly track our progress.

Slide 23:

I'd like to take a few minutes to talk about a study that's recently come out, and it's made quite a ripple through the petroleum industry and significantly in the upstream industry. The study recently completed by Wood Mackenzie did take a longer term view of the company's exploration efforts and their impact on value. For those of you who are not familiar with them, Wood Mac is a U.K. based organization; it's a premier independent research and analysis group that consults in the energy industry. We participated and subscribed to a study, which tracked the results of twenty-five companies that explored more than 80 countries, spending about $50 billion. According to their findings, the companies in the study group created some $23 billion of value through exploration by discovering 45 billion barrels of commercial reserves, providing an 11% return on exploration investment. That good news, though, is tempered by the results of companies that don't explore well. This is a difficult business. More than 1/3 of the study group failed to replace production from exploration and only sixteen of twenty-five companies created value through the drill bit. I think what the statistics alone demonstrate is that while it's good to be in the

right place in the right time, you really need to know what you're doing when you get there.

Slide 24:

So, the next few slides demonstrate the data that was collected and describe how we rank amongst our peers. This first slide explains our expenditures. $50 billion was spent by the companies over the study period, and as you would expect, the super majors are in green on this, and the blue is other independents; we will always be in orange. The super majors such Shell, BP and Exxon Mobil have the deepest pockets and are at the top of this list; they spent the most money. The independents follow as I said in blue, and as you can see, we are ranked 14$^{th}$ amongst the study group in terms of exploration expenditure. I should mention that we do have permission from Wood Mac to show these slides to external audiences such as yourselves, and we aren't allowed to really reveal the names of the other companies, although I know you're sitting there trying to figure them out. So, this really reflects investment from all over the world across the top twenty-five companies; and it is in the Gulf of Mexico to Brazil, Africa and the FSU. It is the whole world.

Slide 25:

Value Creation. This slide really takes a look at the value created by these companies during the course of study period. In terms of total value, which takes the NPV of discoveries and subtracts the present value of exploration costs, we placed in the top quartile and we're second among the independents, and so a fairly good result; and you will see a few other slides similar to these in Bernie's talk, but they will be primarily focused on the Gulf of Mexico, so you will see a few slides that look like these again.

Slide 26:

And finally, to get to the money slide. Where do we rank? Well, you can see by the slide that we're pretty much at the top, tied for number 1 with one of the super majors, with the best return of approximately 15%. So, I think the point here is that, exploration, when done well, when done well by good people, can create value, and I

think it is very much these results are a testament to the quality of the people that BHP Billiton has in its organization.

Slide 27:

Okay, so, that's what's happened in the past five years. What do we plan to do for an encore? I'd like to give you a quick summary, starting with the Gulf of Mexico, but we'll do a little bit of a world tour and look at which wells we're going to drill in the next 12-18 months. We're currently participating in two exploration wells in the Gulf of Mexico: Champlain and Chinook. We are drilling at Champlain right now, and that was a prospect we farmed into earlier this year. It's a discovery made by Texaco about three years ago. We're also drilling right now at Chinook, and you may recall that we drilled there once before, but we have a new idea on the structure and we are currently underway on the drilling of it. Other potential wells in the next 18 months include appraisal wells at Neptune and at Cascade, and a nearfield test at Tiger. As you can see, it's a fairly dynamic program, and we're likely to drill some other wells. As I say, quarter-by-quarter, we take a look at the portfolio and we rank it, but this is the program as we go forward right now. It's worth noting that in our path of future activity, we have that much higher concentration of operated prospects than we have had in the past, and as you have heard today, we are going from a non-operater to an operating position, and you'll hear this again with Mike Weill.

Question:

When will you go to Shenzi?

Answer:

We go to Shenzi in about August.

Slide 28:

One of the old sayings in the oil patch is that: "the best place to find hydrocarbons is in an area where you have already found them" and following that tradition, we are continuing to explore with a very active program in Trinidad and Tobago. In addition to exploring acreage on Block 3A, we're going to be drilling on block 2C, and will be

drilling a well down here at Howler starting in a few weeks. We wanted to pursue a few new ideas, so we extended an initial six-year exploration term on the acreage. The prospect is on the southern half of Block 2C and again, that will be about a 45-day well, spudding in mid-June. We currently have the rig on site and operations are being prepared before we move off to spud. It's approximately 40 kilometres off the Northeast coast of Trinidad and very much like the Angostura structure. Each target is in shallow water, about 40-60 meters deep and the targets themselves are relatively shallow drilling depths. Last year we signed a Production Sharing Agreement on Block 3A, which is just to the East here and unlike the Gulf of Mexico where a single block might comprise about 5,000 acres, this is an enormous piece of acreage. It has over 600 square kilometres, or nearly 150,000 acres. We're currently in the initial three-year phase of the program, and we've conducted a 3-D seismic survey over most of the block and we will be drilling our first exploration well after the Howler test is completed; and just to remind you, we are the designated operator of both blocks.

Slide 29:

In 2001, we completed a 1,100 square kilometre proprietary 3-D seismic survey off the West coast of Australia on Block 255P. The program targeted an extension of the Laverda fields in an adjacent block. We've found a number of promising leads, and our very first test has had promising results. The Stybarrow 1, which we completed in February, encountered a 75-foot oil column, with 61 feet of net pay. We are currently drilling another appraisal well in the area right now and planning studies are under way to determine how we may develop the Stybarrow find, although these won't be completed until appraisal activity in the permit is more advanced.

Slide 30:

Bass Strait has been long one of BHP Billiton's most profitable assets, with production sourced from over twenty fields since the production of first oil in 1969. In an effort to bring new production from this asset, with our partner Exxon Mobil we completed the most extensive 3-D survey ever done in the area. It covered nearly 4,000 square kilometres, and with data acquired from this, we expect to identify

hydrocarbon targets over a range of geologic horizons. As the study of this data progresses we expect it to result in a new round of drilling in 2004 that will add to our Reserve Base from this basin. It's odd to think that a basin so prolific has had its first exploration 3-D in the year 2003, but that's indeed the case.

Slide 31:

Last year, we announced the acquisition of Block J in offshore Brunei. This was only one of two blocks offered. We're part of the consortium that was awarded acreage; our partner's being Total, which at 60% is the operator; Amerada Hess at 15% and us holding a 25% equity position. We plan to be drilling a well on this block later this year. We've evaluated the data; we were looking to spud the first well, but a border dispute between Malaysia and Brunei has delayed our progress. So, until that has resolved, we will forestall the drilling of that location.

Slide 32:

Now, south to Brazil. Last year, we acquired a 100% working interest in Block BMC24 in the Campos Basin offshore Brazil. We've been wanting to get a block in this basin for quite some time, and this particular acreage holds a pretty high quality prospect with a material equity position that we can use to grow our business. We have 100% of this block at the moment, and we are in the process of farming this down. We've had a lot of interest from the industry, and we will look to spud our first well here later this year.

Slide 33:

Lastly, Africa: We continue to work our program in West Africa. As you may have seen in the past, we've actually pulled out of Angola. We are in the final stages of evaluating our position in Gabon, and we are gearing up to be prepared to drill in South Africa. Last year, we farmed into a dominant acreage position acquiring 90% of Block 3B and 4B for a capture of a significant deepwater test on a very large prospect. Like the new ventures in Brazil and Brunei, this particular prospect played to our deepwater strengths where we can use our expertise in both seismic and drilling and our propriety knowledge developed in the Gulf of Mexico to try and create some

value for the Company through further discoveries elsewhere. So, following the evaluation of the seismic, we are currently in the process to try to farm this block down and get a partner, and we may spud by year-end or the end of next year.

Slide 34:

So, I've gone through a lot very quickly and I hope you've been able to keep up, but to sum up my remarks, our exploration program is a very focused program. It's focused on high quality, material, value adding prospects. We've been successful in generating ideas and turning those ideas into money -- very successful in translating into value discoveries at Typhoon and Boris, Mad Dog and Atlantis in the Gulf of Mexico, and Angostura in Trinidad, to name just a few examples. We have built a very strong competitive position in the Gulf of Mexico, which you'll hear again from Bernie, one of the premier basins in the deepwater exploration world. We are pursuing new ideas that we believe can make other significant contributions to the value of our portfolio, both in the Gulf of Mexico and in new regions such as Brazil and in South Africa. I'd like to emphasize, although you don't get to see the whole group here, we have a very talented exploration team that's very talented, very skilled, and a very motivated group of people. They're actually quite a lot of fun to work around, especially when they're having success like they are. They're very charged up. They are skilled particularly in technologies used to analyze deepwater opportunities, and they have a very good component of commercial background and other expertise for competing effectively in the target areas in which we choose to operate. Finally, we have been active in replenishing our inventory of exploration prospects, giving us opportunities to pursue more new ideas and to continue to add shareholder value. So, with that I think I'll turn it over to Mike Weill and we'll take questions at the very end.

Question:

With all the success that we've had, how do we actually keep a team of people motivated? How do we retain them – compared to a pure play independent?

Answer:

We have very competitive practices in terms of salary and bonus, so we continually monitor our abilities to compete in the marketplace for talent and make sure our remuneration can complete in that front. Also, explorers are a unique breed. They tend to want to go places where they can get their ideas tested and they can test their mettle. So, the opportunity to come to a company that is willing to fund exploration, is willing to take an active program and actually execute it, and where one can come here and see their ideas translated into wells, wells translated into fields, is a strong attractor to people. Interestingly enough, in the past year and one-half to two years, we've actually been able to fill most of our needs in terms of people. Our people wanted to come here. We haven't really had to use much in the way of headhunters because of our success rate, because of the teams, and in particular the Gulf of Mexico and Trinidad teams located here. There are people who really want to join a group like this. People want to be around successful people and that's what really keeps them on board.

Question:
What's your view on current U.S. gas prices? And what is your exploration budget?

Answer:
We have a fairly robust view, as everyone else does if you go around the U.S. I don't think you can find anyone that has a low view or a weak view of gas prices. We have a fairly strong healthy view of gas price. In the Gulf of Mexico, we actually have exploration programs that are aimed at gas in the deep shelf, and our discoveries in the Eastern Gulf of Mexico are primarily gas prospects. So, we look at gas prices with a fairly healthy view, and we have a portfolio that's emerging that I think we can take advantage of that market. Right now, part of the program that we're going through with the strategy is one of the fundamental questions on that front. Right now, our forward budget is -- Phil, can I share the forward budget?

**Comment by Phil Aiken:** This year, we're going to spend about $250 million.

**Back to Steve Bell:**

This year, we'll spend $250 million, and the rest is really subject to review with the strategy, but I think it would be fair to say that we'd expect it to at least be the $250 million if not more.

Question:
Will you be adding more reserves?

Answer:
What you're seeing on that list is a five-year cycle. You're seeing a five-year snapshot of results. Once those fields are all in, there will be further reserve adds with the infrastructure already installed, so my anticipation would be if you were to take a look at the life cycle, you would perhaps be able to have a higher return. I think, to us, we do find that as an acceptable number.

**Mike Weill**: Steve's earlier analogy is that the business is basically about taking ideas, converting ideas into barrels in the ground and converting those barrels back to money. What I'm going to spend my time talking about this afternoon is the barrels in the ground that Steve and his gang have handed over to us and how we're going to turn those barrels back into money.

Slide 36:
Phil's already shown you a map of the world showing the spread of our Operations and the $3 billion project slate that's ongoing. My talk this afternoon will be primarily focused on Trinidad and the Gulf of Mexico projects. If you step back away from BHP Billiton for a second, and talk about the Petroleum Company, we're basically in our third phase of growth. The first phase was the two big projects in Australia, Bass Strait and Northwest Shelf; the second phase is when we entered operations in western Australia and developed an oil position in western Australia and the Hamilton acquisition in the U.K., which got us into the North Sea. The third phase, really of our growth, is what's going on now, and part of it's in Algeria, part of it's in Pakistan and a big piece of it is here in Trinidad and the Gulf of Mexico. As we get into further and further phases of growth, we're also getting to the point Steve

made earlier, more and more operations as opposed to a non-operated world, so I want to talk a little bit about that as well.

A big portion of my talk this afternoon will run through the recent highlights both in the assets that are producing already, as well as the projects that we have in train, things like Trinidad, Mad Dog, and Atlantis. I want to finish with a couple of slides though and talk a little bit about capabilities because as I make a statement that we're getting into an operator world, hopefully in the Gulf of Mexico, how are we in fact prepared to do that. How we can handle it, both from a people perspective and a technology perspective, and I want to spend a couple of slides and talk about that.

Slide 37:

First: Trinidad and the Caribbean. This past March, we committed $327 million to the Angostura Project. It's the first oil development in Trinidad in the last 30 years. Trinidad and Tobago has a long history in the oil and gas business but it's been a long time since an oil discovery was made. We are fundamentally in a different geologic play than the fields down in the lower right-hand corner, where BP has a dominant position and from the gas fields up in the North. We're basically playing Venezuelan geology into Trinidad, and one of the main reasons for that was the good fiscal terms in Trinidad as opposed to horrible fiscal terms in Venezuela. There is some running room in this play. We absolutely dominate it. We operate the two blocks that are in yellow there. We operate the project going forward. There is upside on the exploration as stated a little bit earlier, and we will get an early infrastructure advantage because the only infrastructure in this part of Trinidad will be ours. We can clearly access robust markets from Trinidad. Tankers will export the oil, and the gas will either go into domestic use in Trinidad or through an LNG train and exported in the form of LNG.

Slide 38:

Looking at the project. Our interest in this project is 45%, Total has a 30% interest in the field, and Talisman Energy has a 25% interest in the field. The gross capital expenditure is $726 million that we're managing. $327 million of that is ours. We

sanctioned, as I said, in March, and first production is expected roughly 18 months from now in December of 2004. Gross reserves for the field are 450 million boes. What kind of an expectation? 160 million barrels of that is oil and 1.75 TCF of gas. The field has a life of 20-25 years. Pictured here, on the left-hand side, is a picture of the central processing platform and one of the wellhead jackets connected by a bridge.

Slide 39:

We're going to build one production facility and three wellhead jackets. The one jacket, over there, labelled "A" is basically a monitoring well among the gas reservoirs, and the issue there is connectivity, which I'll get to in a second. The oil and gas will be produced through the central platform, separated there, the oil will be run through a pipeline to be built to the onshore terminal, also to be built, stored there and then run to a loading buoy on the Southeast corner of the island for export. The gas, after separation, will be reinjected into the ground for the first couple of years of the project, so the first phase of this is basically about oil production. We're reinjecting the gas into the ground largely for reservoir recovery. Reasons: we've got oil on top of gas and until we understand fault block separation, and how the gas moves around, we've got to do that. We expect to be looking to sell gas somewhere in the three to nine year timeframe.

Slide 40:

Turning to Gulf of Mexico. This slide shows our lease position – all those yellow and red blocks in the Gulf of Mexico are ours. We want to talk about the red ones. The red ones are the ones that are producing today. You can see our very large deepwater position kind of through the middle of the slide. I would like to focus first, and basically work my way counter-clockwise around this starting with West Cameron. West Cameron 76 is a small gas field located up on the shelf. It peaked about two years ago, and it still makes us about 6,000 barrel equivalents a day, net to us. It's an unmanned facility, but we're quite proud of it as it's one of the largest unmanned facilities in the Gulf of Mexico. By unmanned, what I mean by that is it's close enough to the shoreline that basically the crew goes back to the beach and stays onshore every night and comes back out by boat in the morning, working on the

platform during the day and going back at night. So, we have to be basically prepared for shutdowns overnight and react to that remotely. The facility just finished ten years without a lost time incident; a record we're very proud of and perhaps, as important, last month received ISO14001 Certification for the field. We're only the third operator in the Gulf of Mexico to achieve that, the first two being BP and Shell.

We also have production from Green Canyon 18 and 60 located in about 800 feet of water right on the shelf break. That's operated by ExxonMobil. Our production there is about 2,500 barrels per day net to us. We hold a 25% working interest in Green Canyon 18 in the major part of the field and 45% of Green Canyon 60, which is a satellite tie back to it.

Now, out to the deepwater. In 2000, we bought a 5% interest in the Genesis Spar. That's operated by Chevron. As I said, we have a 5% interest, but that 5% yields us about 3,000 barrels a day. More importantly, what we get out of this platform is working day-to-day knowledge of a spar system in almost 3,000 feet of water and the issues that are associated with that, both from an operational perspective as well as from a design perspective.

The last photograph shows Typhoon. I'll go to the next slide and talk about it some more.

Slide 41:
This is a picture of Typhoon with Boris in the background, roughly five miles away, and the rig completing Boris at the time. I'm going to talk about both of these projects. We hold a 50% interest in the Typhoon field. ChevronTexaco owns the remaining 50% and is the operator of the facility. It's in about 2,100 feet of water. The field development consists of sub-sea completions, four of them, tied back to that platform, a mini TLP. It's a tried and tested development concept for the Gulf of Mexico and frankly, one of the fastest done to date. From discovery to first oil, it was only 3.2 years or basically 3 years and 1 month. From sanction, we achieved first oil in 18 months. That's world-class performance in any arena. The facility has a

nameplate capacity of 40,000 barrels a day and 60 million cubic feet at capacity. The project itself is off peak at this point, and we're actively working to fill it up.

Slide 42:

We had questions during the break about how do we supplement the profitability of the platform. The Typhoon mini-basis is a good example of this. In the middle of the slide is Typhoon itself. The yellow position around here is where we have over 30 blocks within a 25 mile radius of the Typhoon platform. The vision, of course, and the thing that we did by building a free-standing structure at Typhoon, was we brought the infrastructure, the oil pipelines out from the shelf edge and the gas pipelines out from the shelf edge to a facility that could be tied back in about 2,100 feet of water. The idea was to bring some of these things and tie them back to it. Boris is the first of those. Boris came onto production in February of this year. It's making 14,000 barrels a day, 50% of that is ours and it's very high margin production and it's very quick to production.

Question:

Why was Boris delayed, and what's happened? What was the issue?

Answer:

Boris came on 15 months roughly from the discovery, and we'll going to talk about that in a second. It was about two months late, largely because we had a bad hurricane season last year. We had two hurricanes come directly through here. In fact, one of them was a category 4 storm out of 5, and Typhoon itself took a direct hit. There were no issues with the facilities, but it did shut us down.

Slide 43:

As I said, we have a 50% working interest in Boris. The capex for Boris was about $25 million. The field was discovered in October 2001 and we got it on in 15 months. The schedule slip, if it was that, 15 months is actually a pretty fast performance; from 15 months to first oil was due to the hurricanes. Boris is in about 2,400 feet of water. It's tied back by a single flow line. There are three slots here. The first well is

producing, the second well – we have all the equipment. The rig should be on location in a matter of weeks and we're looking for production in the third quarter of this year from the second well. Once we get the second well producing, we should be at least at 20,000 barrel equivalents a day.

Slide 44:

Now on to the projects with BP: The first of those is Mad Dog. Mad Dog was sanctioned last year. It's a major field located in the Atwater fold belt. The project is on budget and on schedule for first oil at the end of 2004. Phil, I'm sure the project team would have appreciated the extra couple of months, but we're going to hold them to December of '04. I'm going to show you a couple of pictures of it in a minute. The gross reserves – we've placed that at 200-450 million barrels. We're in the middle of a drilling program now, which I'll discuss in a second, which should tighten up that band some. The capacity of the facility is 80,000 barrels a day and 40 million cubic feet of gas. It's a truss spar, which you see in a picture there on the left. The fabrication of the hull started in July last year, the topside in August last year. The pre-drills -- and there's four of twelve wells that will be pre-drilled for the facility -- two of them are doen and we're almost complete on the third one as we speak The fourth one will follow, and then the rest of the wells will be drilled once the facility is put on location.

Slide 45: Two pictures: the picture on the left is the hull being built in Pori, Finland; the picture on the right is the beginning of the topsides. The deck is being built at McDermott's yard in South Louisiana. Just to give you a feel for the magnitude of this thing. This hull is about 130 feet in diameter. That's basically the width of this building less this room. In terms of height, when it's finished, it will be twice the size of this building, about 55 stories tall, a very major piece of equipment. You can see here, if you look carefully, there's a square in the middle of the structure, that's where the wells will be run through the platform down to the sea floor. This is a Dry Tree System, so the wellheads are actually on the surface in the initial phase of development here, as opposed to Typhoon where the wellheads are on the sea floor. The jacket, basically, what you're seeing here, is the beginning of the structural work

without any equipment spotted on it, but a year from now, we will be getting close to putting this thing in the water and mating the hull and the topsides, and it will look a whole lot better.

Question:
Why are you building the spar in Finland?

Answer:
As the industry got into the building spars, there was basically one yard in the world that could build them, in Finland. It's interesting because, I mean, this is basically a big, a very big tennis can, if you will. The other business that that yard is in is building Royal Caribbean's cruise lines. So, it's an odd place, but it had to do with who owned the shipyard and that's where they've been built now. Since then, others have been built on the Gulf Coast, and McDermott can build these things in Louisiana, but it is the best location for the job today.

Slide 46:
The second part of that initial project, Mad Dog, was the infrastructure associated with it -- what Phil called the GOM Infrastructure is the Mardi Gras Pipeline System. The actual names of the pipelines are Caesar and Cleopatra. It's an absolutely critical piece of this. As you can see, Mad Dog and Atlantis are quite a way from shore. The existing infrastructure in the Gulf of Mexico basically ends at shelf break, and we needed to get pipelines out here. Caesar and Cleopatra are basically the oil and gas lines to export and are underpinned by three fields: BP and Shell's Holstein field, and the Mad Dog and Atlantis fields that we participate in. These pipelines basically serve three purposes. The primary one is to get oil out of here and get it to a place here, where we actually have three export routes: Amberjack, Poseidon, and the AG&L pipeline system to get it into South Louisiana, and perhaps more importantly, is the El Paso project that's been proposed called the Cameron highway, which will be underpinned again by these fields, which would take crude to the west. The significance of that is there is a limited amount of refining capacity in South Louisiana and no easy way to get it across through the Houston Ship Channel. By

accessing Houston directly offshore, you get into about 2½ million barrels of refining capacity. That gives you an option in terms of the marketing the oil.

Slide 47:

The second thing is by building the pipeline and owning it, we have ownership in it, so things like Shenzi, Neptune, Cascade, etc., could flow through the line; and third, there's a third-party opportunity associated with the lines. In terms of the project itself, we own 25% of Caesar, which is the oil line, 22% of Cleopatra, the gas line, our capex in this project is about $100 million and first production will be at the end of -- or actually mid-2004 -- Holstein will be the first project into the system, followed by Mad Dog, followed by Atlantis. At this point in time, the projects are about 50% complete. The shallow / deepwater portion, if you will, has been completed. The deepwater legs are now being laid. The Mad Dog gas spur has been laid. This vessel is one of the largest lay barges in the world, and this tower here is used basically to jay lay the pipe. Basically, they lower the pipe vertically and lay it onto the ground, hence the jay lay term. The 28" diameter pipe, when we get to it, for Caesar, will be the largest diameter pipe laid in these water depths to date. So, it will be an industry first. There was extensive program testing, both on the capability of this vessel to run this stuff, as well as our ability to lay it. Those tests occurred last summer and we're quite comfortable that we can get this stuff installed.

Slide 48:

The last project is Atlantis. Atlantis was fully sanctioned in February of this year and is on course to a third quarter 2006 start-up. Our interest in Atlantis is 44%. Our share of the cost for this development is about $1.1 billion dollars. Gross reserves for Atlantis are about 635-million barrels. That's up about 10% from the last public

disclosure we made, and that's largely on the back of the drilling program, a pre-drilling program that's now finished. One thing that you'll notice, the Atlantis 6-well that we announced a couple of months ago, the significance of that well was it found hydrocarbons on the north side of the structure. The Atlantis development, as sanctioned, was basically a development on the south side of this big four-way closure. The Atlantis 6 result proved that we had hydrocarbons on the north side, and we're working through the implications of that. Atlantis is the third largest oil and gas field yet discovered in the deepwater Gulf of Mexico. It ranks in the top 50 in the United States out of some 35,000 fields. It is a significant project, and it will be significant to the company as we go forward. The capacity of this facily is 150,000 barrels a day and 180 million cubic feet; and again, our share of that is 44%.

Slide 49:

What's the impact of all this activity? This slide shows the top 22 Gulf of Mexico producers. We're currently number 22 on that list at about 25,000 barrels equivalent a day or so. The yellow represents current shelf production, the blue represents current deepwater production. As you can see, we're aspiring by the end of 2006, beginning of 2007 to get into the "100,000 Barrel a Day Club". By 2007 or so, that would probably put us in the top 10 producers in the Gulf of Mexico, potentially in the number four spot in the deepwater, so this will have a significant impact for the company.

Slide 50:

Now, let me step back and talk about technology and people. You've probably seen versions of this slide before. Basically, to tell the story of deepwater development, in 1978, Cognac was put on the shelf in the Gulf of Mexico in 1,200 feet of water. At the time, this set the depth record for producing platforms. That was in 1978. It took until 1993 for the industry to get to out to 3,000 feet of water. Today, we have production in 7,200 feet of water. We're marching out very quickly. The drillers are actually quite comfortable drilling wells in 9,000 to 10,000 feet of water. Atlantis will be in 7,000 feet of water when it's developed, so the industry is very quickly moving out. One of main reasons I show this slide is that there's a whole bunch of

different ways you can develop these fields. Each one has its limits. We ran out of, basically, the fixed structures, things that are tied to the sea floor at about 1,300 to 1,400 feet. They become uneconomic, just the sheer amount of steel required to build them. You can go out to water depths of about 2,000 feet with the compliant towers. Past that, you're into some kind of floating system. There are a number of these systems, and you see a variety of projects listed here that have actually utilized them, so there are very few serial number 001 per se. What I've highlighted in red, though, are the projects that we've participated in, and it's important to note that we've been in and had an active part in basically all of these systems. We know them reasonably well. We're fairly comfortable with the systems. The real push as we get into deeper and deeper water is not what this thing at the surface looks like, and not really what the wellhead looks like, although as you get into deeper and deeper water depths, there's some issues with wellheads. The real issue is how you connect the two pieces, and that's the technical challenge going forward and that's being worked by the industry.

Slide 51:

The second thing I'd like to talk about is people. Our strategy of entering the Gulf of Mexico basin as a non-operator has allowed us to build a team on a timeframe that's realistic -- before we actually get to operations. We're a relatively a new company, as I said, in terms of operations. We don't have a 50- or 100-year history of operations, but what we do have, in fact, at one point in time in the 1980s, every field that we operated was a floating system with a sub-sea wellhead. Granted, the water depths were shallower. We are very comfortable with floating production systems, and we are very comfortable with sub-sea wellheads and the kind of developments that derive from that. Internally, we obviously can draw from that experience as we go forward. We also have the experience that we've generated from Zamzama, Algeria and in the North Sea and Liverpool Bay.

Externally, a question was asked earlier about the employee proposition. Our employee proposition is even easier on the engineering side than on the geoscience side. What we basically offer here is the ability to work on world-class projects in the

environment of an independent, which is like a light and a moth. It's very easy for us to attract people. We've done this, and to give you some feel for the staff that we have attracted: Our people have come from eight different majors. Yes, there were eight majors at one point in time. An interesting thing about that is it's actually provided real opportunity as the eight have become four or five. It's not the redundancies that they've made and the people that have walked out the door or that have been pushed out the door, if you will, through the synergies -- it's the people that are left behind that are disgruntled about what happened that we've targeted. We've got people from nine independents. We've got people from four contractors. All in, the average experience on this team is about 20 years. We've got about 600 years of project experience that we can call on in this office today to work forward, roughly a third to half of that is deepwater experience. So, I think we're actually quite comfortable and I think Bernie will attest to the fact there's a stream of people beating down his door waiting for the first operated project one that we actually get to go build.

As a non-operator in the Gulf, I can stand up here all day long and tell you about how good our people are. One of the ways that we actually see that we, in fact, have good people is their participation in the project. It's a standard pretty much across the industry to form integrated project teams. What that means is even though BP is the operator of Mad Dog, we have the right to put, in the case of Mad Dog, roughly 25% of the people on that project. We've chosen not to actually staff 25% of the project with our people, but have gone after key project positions. The deal is, if you put them forth, they have to take them. So to get people into key project positions, you have to have good people to put into them, and what I've listed on this slide is some of those positions. On the Typhoon Project, we had the lead facility, basically the topside engineer, we had the lead sub-sea engineer and the lead commercial positions, which were all about getting the infrastructure brought out there and the commercial deals that were driven. In Mad Dog, that hull that you saw in Finland, it's a BP project, but the construction superintendent building that hull is our guy, over in Finland. The operations manager on the Mad Dog Project, interestingly enough, is our guy. So, the guy basically worrying about how it's going to operate after it starts

up is our guy. On Atlantis, a critical part of the Atlantis Project is the hull system itself, and one of our guys is the hull delivery manager for the Atlantis team, responsible for getting that hull designed, engineered and built. On Trinidad, of course, we have the entire Project team, and in Boris we have the entire team.

Slide 51:
So, in summary, hopefully I've illustrated that we have the people in place, that we have the technology. Phil made the point earlier we're number 10 or in the top 50 energy companies. We have the clout to fund these projects and with that I'll turn it over to Bernie to tell us about when we get to operate more.

Question:

Can you just explain why it's so important to have operatorship?

Answer:

It's not. I don't want to sell the case that we should be the operator all the time. In fact, we probably ought not be the operator all the time. Effectively, though, at the end of the day the operator controls the schedule and the pace, and one of the absolutely most critical things for us is minimizing the time from when we discover the oil to when we get it on production. That single piece, as much as anything else, drives the profitability of the venture. If you're not the operator, when you're tied along with somebody else, they have other agendas and other timeframes and your project may rank at the top of your portfolio but if it's not at the top of theirs, you get into all kinds of things. So, we've been very lucky on Typhoon. Chevron opened the door, frankly quite wide, and we were able to take a very active position there and drive that project very hard. The performance from discovery to first oil shows that. On Boris, we operated it ourselves. So, it's a pace issue at the end of the day.

Question:

Has that been an issue by not being the opertor?

Answer:

The issue, for instance with BP, is that they have four projects that are of Mad Dog / Atlantis size in the Gulf of Mexico. We want to make sure that Mad Dog and Atlantis occur as fast as possible, as cheaply as possible, as well built as possible. Our drivers may be fundamentally different, and it can cause differences. When you're the operator, you drive that process.

**Comment by Bernie Wirth:**

I was just going to say, on the Operatorship issue, it sounds really good to people because they want to work for a company who operates part of their portfolio, both on the exploration side as well as on the production side.

Question:

If you're an operations kind of client, obviously you have to know about Atlantis. Are you're tempted to stand back and see just what you've got with the Atlantis-6 well? Should you stop and step back after Atlantis 6 and reconsider what the optimal production in capex profile is for Atlantis?

Answer:

We did precisely that. We stopped long enough and had a conversation with BP to talk about whether the right thing to do going forward was to plough ahead. I mean, we were frankly in the early days of engineering, that is, we hadn't started building anything yet. We did have that conversation with BP, and the decision at the end of the day was to continue the project as is. Frankly, one of the issues for Atlantis is

150,000 barrels a day on one platform is about as big as you can build. There are some de-bottlenecking opportunities, and we've actually set up a team to look at how we de-bottleneck that facility going forward, to find out what is the ultimate capacity that we can put on that platform. But, it's being run independently of the team who's focused on delivering that project in mid-'06.

Question:
What if Atlantis-6 turned out to be like Atlantis South?

Answer:

We would be looking at another structure. There's no way that we would build one structure big enough to handle all of those reserves. It's just too big. It becomes a Brent A-Brent B situation.

Question:
Regarding the progression through deepwater. Can you spend a little bit more time on what actually the technical risks are associated with deepwater construction, the capital risks, and the operator risks?

Answer:
Most of the basic technology in the deepwater is pretty proven today. As I said, the biggest technical issue facing us is really two things: the pressures as we get into deeper water and deeper wells. The well pressures are going up, therefore the required equipment ratings have to go up. So, today 15,000 psi wellheads are fairly standard kit in the industry, but if we have to go to 20,000 psi wellheads, it means developing them. The other issue is really connecting the surface to the sea floor, and it's basically how you moor these floating systems to the sea floor. There are two basic types, the way TLPs are moored -- and they're basically fixed and restoring forces are generated -- and the other is a floating system like a semi or a spar which is allowed to bob around and move around a bit. The issue becomes one of design early on in the project. Long term fatigue of these structures is an issue. It's something

you have to not only design for early on, but watch and monitor through the life of the facility.

Question:
What is the issue with Typhoon's falling production – is it the facility? And I guess the second part is why we shouldn't discount initial capacity the projections of future projects?

Answer:
The Typhoon project was delivered on time, actually ahead of time, under budget and with a great safety record and with a nameplate capacity being delivered. The issue with Typhoon in the long term performance was the P50 reserve estimate. Going in it was a little high and that's going to happen if you drill ten projects you have a P50 estimate going; some are going to be higher than the P50 and some are going to be lower. Atlantis, for instance, is actually designed for a peak life where you have a five or six year peak at the facility capacity, but a smaller field like Typhoon, and especially Typhoon where we had a lot of near field opportunities around it, you basically hit the peak and you're declining at 15% almost from day one.

Question:
What were operating problems on Typhoon over the March quarter?

Answer:
They are being remedied. Two things happened at Typhoon. One, we had the weather last year, which basically deferred a number of rig activities and the precursor to it was we lost two wells. It's a four well field, we lost two wells, one by normal decline and the other with a gravel pack failure and we had to work them over. What happened to us is that we had one rig programmed through the field, and with the severe weather, everything got backed up and delayed. It delayed the Boris completion and delayed the workovers of the two wells at Typhoon. The first of those two Typhoon wells is now completed; the Boris well wase completed in February and the second one is almost finished now.

Question:

When do you get a reasonable idea as to the size of a field – during exploration, appraisal, once the field comes into production?

Answer:

As Steve's chart on the value creation of exploration portrayed earlier, we appraise discoveries to determine as best as we can the P50 outcome going into the project. We then drill again in the pre-drill phase of most of these projects; and we drill again in the lead up to first oil or just after first oil. Then, you actually get real production data because one of the major assumptions in all this is your recovery efficiency. You don't get real data on that until you start producing. So, the answer is you really don't know where you are in some cases for years, especially big fields. There was a question asked during the break about if you went back to 1965 and looked at the P50 for the Bass Strait, I dare suspect that it's a much smaller number than has actually been produced, and that's a question of how much knowledge you have at a given point in time.

Slide 53:

**Bernie Wirth:** I'm Bernie Wirth and I've been working the Gulf of Mexico for BHP for about ten years, so it really was a gratifying year for me last year in taking three projects to the Board of Directors and BHP Billiton's net share of those project's, which Mike detailed, was about $1.5 billion. So the program has been going on for a number of years, and what I would say is that the main part of my talk today is going be to tell you we're here in the GoM and we're here to stay. We think it's a good place to invest substantial parts of our future exploration dollars. Going forward, we expect to spend about 50-60% of our exploration dollars in the Gulf and I'd say our past successes have really been marked by several factors; first is early entry; the second, I think, is focus; we focus largely in the central Gulf of Mexico though we are branching out a bit, but we are a much more focused player than a number of the other companies in the Gulf; and also, I'd say, good people. We have a really good balance and mix of great technical people and people with a great degree of commercial

acumen. I think if you put those together, that translates into discoveries that we can turn into dollars; and finally, I'd like to thank our management for being a patient management. In the Gulf, the deepwater is a difficult place to operate if you're going to be the one-hit wonder, you can't expect to come in and within a year make those discoveries and get them onstream. It does take a bit of a longer period of time for you to make the discoveries and actually get first production.

Slide 54:

In my talk today, I'm going to have several slides, which really try to make the case for you that the Gulf is a good place for us to be. It's been good to us in the past and we're looking at how the Gulf ranks against other places in the world to spend those exploration dollars. Second of all, I'm going to give you an update on our appraisal activities. We've got projects at Neptune, Shinzi, Cascade, Champlain and Vortex that I'm going to talk about specifically. Then, lastly I'm going to outline our future exploration program over the next twelve months.

Slide 55:

O.K., before I discuss the future potential for the Gulf of Mexico, I want to put up a couple of slides here that come from the Wood Mac Study that Steve mentioned. As a matter of fact, when we heard about the Wood Mac Study, we inquired as to the price and we thought it was pretty pricey, and we didn't think we were going to buy it. Then the guy with Wood Mac called up and said, "you guys came up pretty well on the Study, you really ought to consider buying it." So, that's probably about the best $30,000 we've spent. I like getting a good report card. Steve showed several slides from the Wood Mac Study. This really compares where the Gulf of Mexico deepwater is in terms of value creation compared to the rest of the basins around the world. Fortunately for me and my asset team, the Gulf of Mexico deepwater came out number one in the world, with value creation of about $10-11 billion. Of the 25 companies in the Study, 21 of those companies invested in the deepwater Gulf and oddly enough, about half of those companies made money and the other half destroyed value. So, while the Gulf is really a good place to be, it's not a panacea. You have to know what you're doing, and there are some big winners and big losers.

Slide 56:

Now, this slide shows how BHP Billiton ranks relative to our competitors. As you can see, the super majors are shown here in green, and the independents are in blue; and as Steve mentioned, we don't have the names of the companies on here, but super majors are the likes of Exxon, BP, and Shell; and the independents there are the likes of Kerr McGee and Unocal. BHP Billiton came up 4th on this Study and that's a result that we're really very proud of. Another thing to keep in mind with respect to the study is that it was from 1996 through half of 2002, and it doesn't include value for the discoveries that we've had at Cascade, Shinzi, Vortex, or any value for our exploration acreage. Those took place after the study was completed.

Question:

Excuse me Bernie. How does this translate into a rate of return?

Answer:

What would our return in the Gulf be? I don't think they have one for the Gulf, specifically. We would be higher than the 15% if you looked at what our performance is on a worldwide basis, but I don't know what the number would be.

Slide 57:

This next slide is a geological cross-section through the Gulf of Mexico, and it illustrates why we believe the GOM still has a lot of running room. As you look at the chart, water depth increases from left to right as you go from the Continental Shelf out to the deepwater. So, you're going from shallow water out to the deep here, and the various colors on the cross-section depict the different sedimentary ages -- with the light blue regions representing salt deposits and the yellow slivers representative of oil and gas accumulations. We wish it was this easy to find oil and gas as on a cartoon of this nature, but it's just stylised here. Now the industry has been going in two directions in search of new plays. We've been going into deeper water, into deeper stratigraphic intervals and now even to the Shelf, which has produced in excess of 40 billion barrels of oil equivalent to date. It's really been very lightly

tested below 15,000 feet and it's been virtually untested below 20,000 feet. The area now is a focus for deep gas exploration by a number of companies, ourselves included. The early discoveries in the GOM deepwater were primarily in the Pleistocene to Pliocene to the upper Miocene zones, which are shown up here in brown, purple and light brown, and those were near salt types of discoveries and they were, for the most part, amplitude related. There were the early discoveries by Shell of Auger, Mars, Ursa and Bullwinkle. Now post-1995, the discoveries have been in the older sections and that's in the middle and lower Miocene, which are shown here in the darker browns, and these have been the bigger structures. They're either compressional folds or turtles like the Atwater Foldbelts or BP's Thunder Horse discovery. There's a lot of potential remaining in the Miocene and in the younger stratigraphy, and an example of this is how our explorers are pushing existing Miocene plays further under salt and into areas that are not yet well imaged. Now the deeper plays are also emerging. Until recent drilling, everyone was certain that the pre-Miocene section, which is the green portion of this slide, was really all carbonates, but we broke the mold on that a bit with our Cascade discovery. The prolific GoM source rock, which is shown here in blue at the bottom of the cross-section, puts an enormous potential volume of oil in those deep primary traps. Also, the GoM is unique in that it does have adequate permeability for commercial rates and recoveries below 20,000 feet and those emerging plays are even pushing that out to 30,000 feet. So, when Phil and others come around and they say, "O.K., where are you guys going to find the next deepwater Gulf of Mexico?" We say, "in the deepwater Gulf of Mexico. Just look deeper."

Slide 58:

Now this chart shows the discovered volumes in the deepwater Gulf by geologic age with examples from our own portfolio. Note that approximately 3 billion more barrels of hydrocarbons have been found to date in the Miocene compared with the Plio- Pleistocene but with fewer fields. That implies a much larger field size distribution. Now the deeper and still perspective pre-Miocene zones are in their exploration phase and may still have volumes of hydrocarbons that are comparable to those in the younger strata.

Slide 59:

It's worth knowing what we view as keys to the past and future success in the Gulf. I've already highlighted the favourable setting in the deepwater GoM in terms of its proven prolific basin, and favourable basin factors also include the frequent turnover of acreage and an excellent fiscal regime. But first and foremost in my mind in the GoM and any other basin, is really having a high performing, highly experienced team. In the past ten years, we've assembled a top rank exploration, commercial, and reservoir engineering team, and we're now doing the same on the operations and development side of the business. Also, it's critical to utilize a petroleum systems approach, which we've done. That, in many cases, can take years, which is why new entrants have a very difficult time breaking into the Gulf. The people that we've hired in our business have come from, in many cases, major oil companies, and put together that petroleum system story. Also, as I mentioned, commercial flexibility and acumen is critical. The Gulf of Mexico has very small blocks – 3 miles by 3 miles -- and putting the geoscientists and engineers together with the dealmaker is more critical in the Gulf of Mexico than I think in any other part of the world, any other basin in the world. Now, obviously of importance during the development phase, cost control is equally important in the exploration phase. That's why I say in the deal side, what we try to do is get large working interests when we buy acreage, we'll then take a partner, promote a well, and we pay a disproportionately smaller interest in the well cost, thus promoting and using other people's money to test our ideas.

As well, we've had a good drilling performance. We think we have world-class drillers and when we benchmark ourselves, particularly to see our *Luigs* drillship performance. We've established the best drilling record of any 5$^{th}$ generation drill ship in the Gulf of Mexico with the *C.R. Luigs*.

Lastly, reducing cycle time from discovery to first oil has a very large impact on value. As Mike indicated with the discovery that we had at Typhoon and Boris, we set some world-class records in terms of cycle times.

Slide 60:

Now, I'd like to shift the focus of the talk to our exploration and appraisal activities, and this viewgraph summarizes our GoM activities starting with the clear objectives to grow profit and value in terms of net present value. The growth engine to date has been in the company's core exploration areas, the Atwater Foldbelt and the Green Canyon mini basin place. Mike and Steve outlined the discoveries that we've had to date there. The side of the business that I'm more concerned with now is how do we take these emerging plays and turn them into future developments? If we can do that, we'll continue to be successful in profitably finding and developing reserves, but there's going to come a time when there's a point of diminishing returns on these fields, and you've got to go into those higher risk areas. The attributes of the emerging plays are that they are now new concepts that have not been heavily tested by the industry. One of the keys to success for those new plays, as I said, is early entry. You've got to be ahead of the curve in terms of ideas and execution, and we'd like to build on our current knowledge base and our successes. Those new plays are going to inherently carry more risk, but the GoM is an attractive place because we have material targets remaining. We've got a very prevalent source rock and we've got an abundance of traps. I don't want to diminish the potential for luck, but you make your own luck, and in many cases if you miss one target, you've got another target that you can continue to drill through.

Infrastructure is another factor that will enhance our future position. As we've seen with the Typhoon mini-basin, we can add quite small volumes at very attractive net present values per barrel. We also expect to exert that same sort of influence and advantage as we move out into the Atwater Foldbelt with the infrastructure that we'll own there with BP.

Slide 61:

Turning to our appraisals under discovery: We've had initial success in these new concepts. Of note are Vortex, out in the Eastern Fold belt; and the Cascade discovery down in Walker Ridge; and also the Champlain appraisal. The locations of the

emerging play discoveries are shown on this map, and also I'll talk a little bit later about Neptune and Shinzi. Of these five discoveries, only one, which is Champlain and is currently drilling, is not operated by BHP Billiton. That's a real significant milestone for our organization as described when Mike was giving his people and capabilities run down. This is really critical for our business as we move forward because we're taking a major step from being a non-operator working with BP on many projects to operating a number of projects simultaneously.

Slide 62:

Turning to Neptune: we anticipate that we're going to use the *Luigs* drillhip to drill the fifth appraisal well in the Neptune field in the next few weeks. When we finish Chinook, we'll move the rig over to Neptune. This will be a very important well for us in determining the economic viability of the Neptune discovery. This map shows the location of the four existing exploration and appraisal wells that have been drilled, and the anticipated location of the Neptune-5 appraisal well, which you can see is testing the down dip limit of the field. You also can see the approximate outline of the field in green. The edge of salt is here in blue, and there are some imaging problems on the north side of the field that are not unlike what we have seen on the north side of Atlantis, Sub-salt imaging is a critical skill for us, and I think you'll see some of the difficulties as well as some of the progress that we're making in that front, so as you go into the visualization room in the next 30 to 40 minutes or so.

Question:

Sorry to interrupt. But, how long does it take to know something about the results of a well?

Answer:

Well, we'd have to have the well down, but with successful drilling Neptune-5 will be a quick well. It will be probably be 45 days before we'd have some sort of an announcement on the well, and we'd finish the well, obviously, before we'd make any sort of an announcement. But the last Neptune well, Neptune-4, unfortunately, was a

dry hole with wet sands encountered in the well. It was drilled in a record time – 2.6 days per thousand feet.

Question:
How large must the volumes be at these water depths for the well be to become commercially viable?

Answer:
I'm not going to get into volumes as to what we would consider a threshold, but as I said, we're testing the down dip limit of the field and that's critical for us. I think, as you looked at the down dip limit, we would need to have it as we had predicted or deeper. Also, you get into other issues -- is it an economic stand-alone versus a tie-back? Your economics for stand-alone developments and tie-backs are different. So, the deeper the contact, the better in terms of the ultimate size of the field.

Slide 63:
Now, turning to Shinzi. Once we finish drilling Neptune-5 we'll move over to Shinzi, which is a discovery that we have with partners, BP and Amerada Hess. This map shows the location of Shinzi and its proximity to Atlantis, as well as to the Marco Polo field. Marco Polo is reported to be on track for first production next year.

A question came up about Atlantis-6. Keep in mind the proximity of these discoveries and the possibility of, say Shinzi volumes, Atlantis volumes or other volumes in the area, that one fortunate factor we have is other infrastructure in the area. As a consequence, even a lower volume on a discovery could be quite economic similar to what we're seeing on the Typhoon mini-basin.

Slide 64:
Now going south quite a ways to our Atwater Foldbelt in the Walker Ridge area, where we've had our Cascade discovery. Cascade-1 was drilled last year, and it encountered hydrocarbons. As I mentioned earlier in the presentation, it's an older stratigraphy than the nearby Atlantis and Mad Dog fields. This is really an exciting

new horizon, not just for ourselves but also for industry. However, there are a lot of variables to consider, and we're planning our appraisal program very carefully in order that we optimise our efforts. We do anticipate drilling an appraisal well at Cascade sometime within the next year. Now, just to the south of Cascade, we go to Chinook and the Chinook-3 well, which is currently drilling. It's testing in deeper horizon than what we encountered in Chinook-2, which was a dry hole that was drilled in fiscal year 2001. One note, just because of the oddity of the numbers in the well, Chinook-3 is actually the second well in the field; Chinook-2 was the first well. Chinook-3 is located in ultra-deep water depths, approximately 8800 feet, and that introduces additional challenges should we find a commercial volume. At these water depths, it's possible that it may be more technically and commercially attractive to use an FPSO; which would be combined with a shuttle tanker in lieu of a pipeline option. But that will be looked at and examined as we get more subsurface data and look at the engineering studies. While FPSOs are common around the world, they have not been used to date in the Gulf of Mexico, but as we step out into deeper and deeper water and farther from infrastructure, it is possible that they may very well be the best option. The U.S. Minerals Management Service, another government agency, is presently clarifying the regulations and requirements that would allow the use of FPSOs and tankers in the Gulf.

Slide 65:
Earlier there was a question about the U.S. natural gas dynamics and are we looking at gas. You might have seen the *Houston Chronicle* this morning in the Business Section; the lead article was on U.S. gas and a very positive view on U.S. gas, which we share.

The last appraisal project I'm going to talk about today is our Vortex gas discovery, but I first wanted to make a few observations about the market. This slide illustrates the historical U.S. gas supply demand balance, which is on the left, and forecast from the MMS of the expected future supply of gas from the Gulf of Mexico, which is here on the right. As you would all be very aware, the U.S. has been struggling for some time to keep its production growing with demand, and that's really what's led up to

the current robust prices. Now the Gulf has managed historically to maintain annual production of about 5 TCF per annum. That's more than a quarter of total U.S. annual production. This graph on the right shows that according to the MMS the Gulf of Mexico is going to be challenged to keep pace, and they've estimated that only on their high-side case will the GoM maintain that 5 TCF per annum production level. The deepwater currently contributes only 30% of the U.S. GoM gas production, and that's primarily with associated gas, not gas well gas.

Slide 66:

The Vortex gas discovery, in contrast, may be in a trend with substantial future gas production from gas-only fields in the deepwater. If it's a biogenic gas/dry gas discovery similar to the Mensa discovery by Shell and Kings Peak by BP, Vortex is in an area luckily where we have had several very moderate-sized gas discoveries by industry. We've got Kerr McGee's Merganser field to the north and also the recently announced Anadarko Jubilee discovery to the south. These fields very well could lend themselves to an area wide development such as TFE's Canyon Express project. With the robust U.S. gas market, we're hopeful that we could move forward with development in this area with a potential area-wide development. We'll also be participating in the next few weeks in a well at our Santa Rosa prospect, which will be operated by Kerr McGee. We will have a 1/6 interest in Santa Rosa.

Slide 67:

This is my final slide. Just to wrap up as to where we're going in the future in exploration. One thing we have to do is ensure that we have a solid pipeline of developments in the future. We've got to maintain a robust seriatim of exploration prospects, which are leads, advanced leads and maturing those prospects. We're also looking at our core areas but also on those emerging plays that I previously highlighted. This map shows the location of those core areas, outlined in red or orange, and the new emerging areas are in blue. Now, our forward drilling plans are not yet complete, but within the next twelve months, we expect to drill about three to five exploration wells, and one of those will be Tiger, which is in the Typhoon mini basin, fairly close to Typhoon, and also we'll be drilling a well in our Puma prospect,

which is to the west of Mad Dog, and the remaining two to three prospects probably will be in these other emerging areas.

The next two emerging immature plays that we're pursuing are the Perdido Foldbelt, here in the Western Gulf, and also the Deep Shelf Gas Play. The Perdido Foldbelt is interesting because it's an extension of and a take off of the deep pre-Miocene discovery that we've had at the Cascade prospect, and we recently picked up a number of blocks here in the western GoM with Amerada Hess. We'll be doing seismic studies over those blocks over the next, say, twelve to eighteen months, and looking at what the drill-ability of a prospect might be in the next couple of years.

Also, finally, the newest play that we have in our inventory. We've gone back onto the Shelf after a 5-year hiatus. We picked up 30 blocks in the March lease sale with Newfield Exploration. You may have read how the industry is looking at the deep gas play on the Shelf with the very positive economics of gas and the increased efficiency of drilling. We're now looking at drilling deep gas wells in the 15- to 25,000-foot range. But, the nice thing about gas on the Shelf, albeit you have deep drilling depths, the economics of doing a development in several hundred feet of water are really outstanding in that you have a ready market and your cycle times really are much shorter, which is why we and a number of the other companies in the industry, even mega-majors, are looking at going back onto the Shelf a number of years after having left the Shelf.

That concludes my prepared remarks.

Question:
How are you seeing acreage costs and availability in the GoM?

Answer:
Well, there was a period of time in the deepwater when there was virtual feeding frenzy in terms of prices. When we got in, in the 1995-1996 timeframe, we had paid an average of about $400,000 to $500,000 per block. In 1997-1998, that more than

doubled. It went up to well over $1.2- to $1.5-million a block. We've maintained a philosophy though, that we're not going to be out there bidding exorbitant amounts for blocks. You do that once or twice in your career, and you learn that you're not as smart as you thought you were the day before the bids go in. In a number of companies, if you look at that graph and you study how much some of those guys spent for acreage, they pretty much put a big negative in their portfolio by spending too much. I think the industry has learned some of those lessons, and the bidding is competitive in terms of companies putting multiple bids on blocks, on good blocks, but I don't think you're seeing the high bids that you saw in the late 90s.

Question:
How to you rate the industry's pursuit of deepwater acreage?

Answer:
Well, deepwater is still where you're going to see some big bids, and you'll see it in and around discoveries. You know, it's not unusual to see a bid at a lease sale going out to $15- to $20-million a block, but that's the exception rather than the rule. A lot of bids are going to focus in and around from half a million to two million per block.

Question:
Given the varied opinions on the northern part of the Atlantis structure, I understand there's going to be a significantly large lead time from discovery to booking those reserves. Can you give us an indication of what sort of timeframe it might take before you can actually realize those volumes?

Answer:
As Mike had said, we looked at the possibilities for Atlantis-6 and we and BP agreed that we would defer it. We've got to do about 12 months of seismic work, so first of all, what we've got to do is get a better image, and at costs of $30-million a well, you can't just go out there and poke holes, you've got to have some idea what the subsurface looks like. To try and to predict when we would actually book more

volumes there would be hard, but I would say it would at least require another well, and the expectation would be we would drill a well sometime in the next 12 months.

Question:
With your tax-loss position in the US, does it make sense to own infrastructure?

Answer:
Yes. As Mike indicated, pipeline participation is really an enabler. It allows us to do a lot, giving us several options, and adding value to the crude as well. It's not owning infrastructure per se, if it's all a generic investment. If you own the nodes that are out at the end of the pipeline, you've got access to that line preferentially to others, you can get into certain pipelines and markets. That's going to add value to your equity group so I think it is a good investment.

Question:
This question often comes up. Why haven't you been more active with acquisitions?

**Answer by Phil Aiken:** We don't comment about speculative acquisitions.

**Summary and Wrap-up**

Slide 68:
**Phil Aiken:** This is really the closing session. We'll take some questions in general. This afternoon, you've seen Steve Bell, Bernie Wirth and Mike Weill. As I said, we've had a Petroleum Executive Committee meeting here in the last couple of days, so I'll just take the opportunity to introduce the three other members of the Exco: David Walker, who is based in London and is responsible for operations and developments in the Middle East and the U.K. So David is responsible for Algeria, Pakistan, Liverpool Bay, etc. Mike Herrrett, if you want to ask some more questions about how well people are paid here. Mike can tell you that; he's the head of Human Resources and he's also based in the U.K.; and last, but by no means least, Greg Robinson. Greg is the CFO. He also is responsible for strategy, planning, and M &

A, and he also takes responsibility for the Bass Strait asset. So, I asked the other guys to join us and obviously, on the way through with questions, if they're the best people to fill them, I'll defer it to them.

Slide 69:

Just to sort of conclude, what are our business priorities? Look, obviously, #1 is to maximize the existing value from our current portfolio, and it's really about generating cash and operating safely and soundly. That's obviously #1 priorities and has been for some time. We take the delivery of our projects very seriously. I know a lot of you have got models about production and what's happening in our assets. Yes, this is a business that didn't invest for quite some time. But we've got a big investment program now and having our projects come in on time, on budget and having them produce what we say they're going to produce is very important. I can assure you that is very, very high on our agenda. When I made the comment before about strategy and where we're going, I think what this business did to some degree and the reason for its flat spell now is because a few years ago we didn't think about where the business was going to be in 10 to15 years' time. Now, we've got the three great strategies: high-margin exploration, access to discovered resources, and gas commercialisation. We've got a great project suite on the line. We've got to live with that, but really where are we going to be in 2010, 2012? And that's why we continue to look at new opportunities, and we'll look as the world's politics change and as opportunities come ahead, but we're really sort of going through an ongoing program about looking at how we can create new opportunities; and a thing we take very seriously is our HSE performance. You know, this is an industry where #1 comes safety, #2 comes production, #3 comes cost because if you get shut in for an unsafe act, you can't produce and really, we take safety extremely importantly. Mike made the comment before we've now got three of our assets with ISO 14001. In our lost time injury frequency rate, our total frequency rate – we're right at the top tier of the industry. That's a very important part of our business, and we do take our attitude towards the community overall very seriously. So, all of those priorities are very serious to us, but it's very simple: keep delivering on the existing business, get the

new projects in, and look at where the next set of opportunities are to grow the business going forward.

Slide 70:

We think we are an important part of BHP Billiton. I know you talked to other resource companies, those that are unlucky enough not to have an oil and gas business. You know, some people are better than others and we can't help that. We think Petroleum is a differentiating factor of BHP Billiton. To me, it's a very important part. In a lot of degrees, we think it is counter-cyclical to what happens to minerals prices, but really the only reason BHP Billiton has a petroleum business is to be a tier one performer in the industry, and we think we've got a solid performance and great assets and good value opportunities, and I think we've got some good strategic direction.

What I'd thought we'd do now is take general questions. I'll field them here. I'll either answer or I'll field them to the guys. To add, it might be nice if you stood up because people can't hear at the back, so let's try that for those general questions.

**General Question and Answer Session:**

Question:

Just a general question on capital allocation and how it's adjusted for risk: I was wondering if you could explain how you guys allocate capital and consider things like oil price, operationality?

Answer:

O.K. Let me start and I might ask Greg and Steve to cover anything I miss off. Firstly, when it comes to capital allocation, we look at our projects going forward. We evaluate them at a long-term trend oil price. As I think I've said to you before, we don't really look at one price; we look at a whole range of prices. We've got a lot of oil price tests, looking at a whole range of oil prices and reserve scenarios. I think one of the problems is that if you get too specific and have only one oil price, it's

going to be wrong. I mean, oil prices are always going to be all over the place. So, to some degree, we do a deterministic and probabilistic distribution of the returns and if there's enough things that suggest that it's going to be profitable, we will go ahead with the project. That's how we do the risking overall. When it comes to a project, we actually do a project on the P50 reserves. For example, Atlantis, I think the P50 reserves were totalled at 635-million barrels. We don't take into account whether or not we think there's more oil there, that's on the upside, which is what basically happens is like in any field you've got, particularly in the deepwater. You've got to remember in the deep, ultra deepwater, we haven't done any production tests, so until we actually start producing and have dynamic data, who knows what the P50s could be -- there's a 50% chance that that's what they are. But as we go forward and we actually do find production data, in the majority of the fields we have, we find there's more reserves than we expect and that really is upside and then of course, those reserves then get booked at that period of time. At the moment, on things like Mad Dog and Atlantis, under the SEC rules, we've only booked the P90 reserves. Obviously, as we get production data, we firm up on those and we start booking those reserves and that has effects on the DD&A. It has all sorts effects on the projects, so hopefully all our projects, the majority of them, will get better over a period of time.

Now, you made the comment before about Typhoon. Typhoon and the P50 reserves have been less than they were at sanction. We'll learn from that and obviously Typhoon's quite a lucky project because although the original reserves in Typhoon are lower, we've tied back Boris and hopefully, we'll tie back Tiger, and obviously, those incremental barrels are very, very profitable. So, I don't know if this answers the question or Greg or Steve do you want to add anything?

**Greg Robinson:** On capital allocation we also look at capital risk premiums. Algeria doesn't get the same cost of capital as something like Bass Strait. We look at project risk, capital risk, all those things, as we make the assessment.

**Steve Bell:** While the field itself may not have had the P50 reserves, adjacent and surrounding fields have added value and contributed to the performance of the asset.

Question:

How do you benchmark your performance in the industry?

Answer:

**Phil Aiken:** Well, it's interesting. We used to benchmark ourselves against a small peer group, which basically comprised independents. It was Paul Anderson, actually, who said, "that's wrong, you should benchmark yourself against the whole industry." So our benchmark group now comprises the mega-majors and quite a few independents. We actually do have the list. It's about 25 companies. So, when I showed that slide with finding costs, our finding development costs, we actually are benchmarking ourselves against about 25 companies, and we can give you a list of who's in that study. Actually, I think if you look in the 2002 Opertional and Financial Review, it actually does highlight who they are. If you can't find it, we can give you the title list. The irony of it used to be that we want to compete against the whole industry not just the independents, so we also include the mega majors in that list.

Question:

Looking well into the future, if you've got annual production of about 180-million barrels of oil equivalent, will that be easy to maintain, or are we going to see production levels drop back down?

Answer:

Well, that's the challenge we face. We're producing now say 120- to 130-million barrels. To stand still, we've got to book on average 110% of that per year, so if you're producing 120-, you've got to book 130-million barrels. Obviously, when you're up at 180-, to stand still, they're going to have to probably book about 200-million barrels a year. Now, don't expect us to book 200- every year. Some years it will be more, some years it will be less, but one of the things we've been talking about is where do we actually get that growth in the longer term? We don't want to get up to 180-million barrels and then drop back two years later. We want to keep it up to grow the business in the longer term. But the challenge really for us is having

the strategies, giving Steve the exploration acreage to drill; and looking at what we can pick up by either M & A or by acquiring resources in resource rich countries. Of course, of course, the thing we've always said is, we've got a lot of gas statics there, and if we can convert them from statics to reserves, then that's going to keep our bookings up. So the intention is not to get to 180-million barrels, for example, in '07 and then drop back to 135- years later, it's to continue to grow the business, but to say what that is longer term is very hard at this stage. It really depends about what we're talking about in our strategies.

Question:
Do you hedge your production?

Answer:
Well, on oil hedging, we still no intention of doing it. A few months back we asked the question again. Thank God we didn't because the oil price moved up again. That is a Corporate decision. The decision on hedging is made by the FRMC. It's not an open decision made in the petroleum business, but I don't think we have any major ideas at this point in time on hedging. I mean, when you hedge and you get it wrong, you get bolted by the market. When you hedge and you get it right, no one gives you any credit, so you know, and I think to some degree the hedging we did some year's back was when BHP had had some significant write-offs and we really were rocking in some cash flow. I don't think we're in that situation today. So, the answer is basically no.

Question:
How are the petroleum assets different from mining? It appears that the mining assets have longer exit lives and less demands on capital.

Answer:
The petroleum business is more capital intensive, but it also has higher margins than the minerals business. Today we've talked about some of the big investments in long-term assets such as Atlantis and Mad Dog. But Pakistan gas is a great example of

quite the opposite. I mean Pakistan gas is very low capital, very high margin and is coming onstream very quickly. And a lot of our infield programs have very low capital requirements because we have the basic infrastructure there. Today we actually talked about the bigger type investments, but we're continuing to have investments in assets that return the capital much quicker. And as I said, the inherent nature of the industry is that we do have high margins, which I think make it quite attractive. I still think you've got to look at BHP Billiton as a portfolio, which is what we've always said, and I think Petroleum gives it that differentiating view.

Question:
Can you just give some idea of what the exploration budget might be like over the next couple of years? And in review of this and as you grow to the 180 million barrels of oil equivalent production level, what your corporate overheads might be?"

Answer:
The exploration guys at the back have got their thumbs up. As said before, in the last few years we have edged our exploration budget up, and this year it will be in the vicinity of $250-million and it will be very similar next year. I think we cut it back to about $180-million about three or four years ago, and what we said was, we'll fund success. So if Steve and Bernie and the guys have a couple of big discoveries, we might need more money. So, the $250-million is a base sort of figure going forward. As we grow the business, we have to spend more on exploration. The metrics are there. I mean, if you've got to find 150- or 200-million barrels a year, you've got to spend more, and that's one of the debates that we're having at the moment; how do we allocate capital? Chip has a very simple way to do this. He and I spent a lot of time on all this when he was CFO and I was running Petroleum. His attitude is that he will fund success, so we're not going to give these guys an open checkbook, but if they make good discoveries and need money to appraise them, we will move with money, but the base figure is round about $250-million. With regards to our overheads, I don't think we will grow significantly in the next few years. We are bringing more people into the organization for Mike's projects teams, but their basically capitalized. We want core people in the business, but you know, we want to

continue to keep our costs down and hopefully, our overhead is a percentage of turnover. Oil production has come down at the moment, but this is a business that is growing and therefore, we are adding people to execute projects. I don't see our overheads blowing out because we're going up in size. It's really about growing the existing business.

Question:
What are the cost metrics for exploration and development?

Answer:
The metrics are pretty common. The basic metric for finding and development cost is $6.00 a barrel, so if you're producing 150-million barrels a year, you've got to be investing $900-million. If you're doing 200-, you've got to suggest you're going to be spending $1.2 billion. So, you know, if you take an average period of time, you've probably got to invest a billion dollars a year in exploration and capital to stand still.

Question:
How much of your costs are coming out of oil reserves?

Answer:
Very little. It's basically coming out of the minerals business. The reason is that we're investing in growth now. We are changing the nature of our assets. We are investing more into them and therefore very little of it is coming out of the petroleum business. The thing that you've got to remember with the petroleum business – and some of you guys who followed BHP pre-merger remember this – is that we did a major review of our structure back in 1998 and we took something like 600 people out of our overhead structure. We had a big office in Melbourne at 120 Collins Street -- someone said we went from the Paris to the Beirut in Melbourne -- and we went from Collins Street down to Bourke Street. We did take a very big swag out of our overheads at that stage. We're actually now in the new building, and we're going to be down to in Melbourne to 150 people in total. At one stage in Melbourne, I think going back to about the time when I came in, we had about 800 people there, so

we've actually taken a big swag of people out over the last few years, but the real thing for Petroleum is not about that area, it's really about these projects coming in and getting the grades into the business.

Question:
"Just to follow-up on your exploration. If the prospects were there, and if the opportunities were there, could you double the exploration budget? The returns have been there.

Answer:
No, don't say that to these guys. When I was asked that question before, I said that if you look at a company of our size, probably $250-million is about the basic requirement. Well, I think about two years ago we spent about $285-million because we drilled a lot of appraisal wells, so what I'm really saying at the moment is that's the sort of base figure we've set ourselves. If we need more money, we'll go back to the Corporation and ask for more money. But we are going to have to increase our exploration budget over the next five years because we are going to grow, and we've got to replace those reserves. So, yeah, the budget will vary. I was asked what's the budget over the next couple of years. The base figure is round about $250-million but if we get some good discoveries, then we're going to have to appraise them, we're going to have to do a lot more money. I mean, Steve/Bernie, what's an appraisal well in the Gulf of Mexico cost you?

Costs can range from $20-50-million.

So, if we drill the next Cascade well and it's successful, and we want to drill another appraisal well after it, we'll be looking for that sort of money.

Question:

Can you tell us about Bass Strait and drilling in 2004?

Answer:

The 3-D seismic is now complete and the interpretation is taking place. Yes, it has shown up some prospects, and I think the idea is to bring a rig in and drill a couple of them later this year. It's a big seismic shoot and there's a lot of data to be interpreted and I think at this stage, it's just too early to say when exactly we'll drill.

Question:

How does the company's board of directors support the petroleum business?

Answer:

Well, if you look at our board now, it probably has more oil knowledge than minerals knowledge. You've got guys like John Buchanan who was a CFO at BP until recently; you've got David Jenkins who used to run exploration; you've got John Schubert, who was with Exxon for a long time, you've got Cornelius Herkstroter, who came from Shell. Chip Goodyear is a geologist. I've got a lot of help. When it comes to the Exco, you know, really, the CSGs, the petroleum business is really run by the Petroleum Exco and the Exco is becoming much more knowledgeable in the way that the Petroleum business runs, so it's really not an issue, but I tell you on the Board, there's really a lot of knowledge.

O.K. Thank you very much. I'm going to turn it over to Francis.

The End.

Transcribed by Dody A. Ramos