Presenters: Phil Aiken, President and CEO Petroleum
Malcolm Garratt, Vice President, External Affairs Petroleum

MR AIKEN: Well let me start off, it’s Philip Aiken, I’m calling from London, and we have Malcolm Garratt and some other BHP Billiton people on the line there in Melbourne. The format of this conference call really will be that I'll just say a few words and then take questions about the Atlantis project.

Well let, me firstly commence off by saying that I think today’s announcement is another demonstration of the success that we are having with our high margin oil strategy, which is about pursuing growth through the exploration and discovery of major oil and gas fields, and as you’re all aware a lot of our attention in recent times has been spent on the Gulf of Mexico.

The announcement today is really in two parts. The first part is about the Atlantis 6 well. The Atlantis 6 well is extremely important as it's the first well that we've drilled in the northern portion of the field, which we actually hadn't actually had a penetration about before.

I suppose I can say that we're very pleased with the results. We found net oil pay of 460 feet and net gas pay of about 200 feet. It's interesting that this interval is actually thicker than anything else we have encountered in the southern part of the field, and therefore it's a very very promising result - the sands being very thick.

We will be revising our current reserve estimates when we've done more
work, but let me make the point now it's too early to be more specific about numbers, and if I get asked I really wouldn't even give a range because once you give a range people start assuming figures. Additional drilling will be necessary to further evaluate this portion of the field. At the moment we're planning to drill a side-track to Atlantis-6, and after that we'll decide what other operations we need to do.

So really this is the first penetration of the northern sector of the Atlantis field and the sands we've encountered have been very very promising and very thick sands of pay.

Development of the Atlantis field itself is in progress with the engineering plans and the development drilling under way. And we've now got a production estimate of proven probable reserves of about 635 million barrels of oil equivalent.

You'll note that when we previously talked about reserves the operator talked about 575 million barrels, so they've come up. This is due to more information being available now from the drilling programme, and it's likely we'll obviously increase it again following the well results announced today. So the 635 million barrels is really on the existing southern zone and crest, and they've come up because of more drilling we've done on the southern side, and really Atlantis-6 is upside to that.

The Atlantis production facilities will have a capacity of 150,000 barrels a day and 180 million cubic feet a day of gas. That's the design with the existing reserves, and in fact there was always some capability to upgrade the facility, depending on what we found on the northern side. There's also the possibility that we could actually look at another facility, but that's really subject to a lot
of engineering work, which will be done over the next period of time. So exploitation of any additional upside volumes are subject to further design engineering of the Atlantis facility or other facilities.

The oil and gas which is going to be produced by Atlantis as you know will be exported via the Cleopatra pipeline infrastructure which we've taken a 22 per cent interest in the oil line and 25 per cent interest in the gas line. These lines will take production into markets on the Gulf Coast and gives us the ability to get into both the Louisiana refineries and also the Texas refineries.

Just as an aside the test lays of these pipelines have now taken place and everything is proceeding quite well with that project.

Atlantis is obviously now - well it's always been one of the biggest fields in the Gulf of Mexico and it will come into stream in 2006 with the Mad Dog facility coming on towards the end of the 2004 calendar year.

You'll note that we now have got a slightly later start up for Atlantis; we're looking somewhere in the third quarter of 2006. This is really due to the fact this is a very very large project, and now the timing has been optimised in light of the latest design ideas, and when we actually did pre-sanction or part sanction the project back last year we said then the capital cost and the first oil date would be subject to the final engineering. I think really with a project of this type we're more concerned about doing it properly and getting it on time than rushing it through. So there is a slippage of the first oil date but that is something which we're quite relaxed about because we really think we have a very very robust project.

I suppose another comment I'll pass before opening for questions, you will
have also possibly seen we’ve now started production from Boris. Boris is a tie-in to the Typhoon development. It came on stream the other day, it’s currently producing about 7,500 barrels a day of oil and will move up to 10,000 barrels. And then later in the year when we bring on the second development well it will climb to 18,000 barrels a day. We always said Typhoon was going to be a production hub for the area and this is the first of the tie-backs to it.

I suppose the very pleasing thing about Boris is this is the sort of thing you can see we can bring on very very quickly. We’ve actually had say 15 months from discovery to first oil, and we will continue to look in that Typhoon mini-basin for other opportunities to tie-back and keep the production of Typhoon up.

So the major announcement today obviously will be and I’ll take questions about is the Atlantis-6 well and also the project. Obviously we’re very pleased with the development of Atlantis-6 and we think this gives us some opportunities for an even larger project now with this discovery on the north side of the Atlantis structure.

So I might stop with that and throw it open for questions.

QUESTION: Just on the Atlantis production facility that you’re putting in, you’re talking about 150,000 barrels a day. I’m just wondering what size could that go up to, you know, if the northern field was commercial and it was big or whatever, and when would you consider actually putting in a separate platform? And if you did increase from 150,000 barrels a day to something else, would that delay the oil production from Atlantis as well?
MR AIKEN: Well, we had a meeting in Houston a couple of weeks ago and one of the things we decided then, this was before we actually had the Atlantis-6 discovery, but one of the things we agreed with BP at that stage was that we would do nothing to slow down the Atlantis project. So, whatever we do with the existing facility with the bottlenecking or whatever, we would not slow down or do anything to put the current project's start-up date at risk.

There is actually provision on the Atlantis facility for another oil train, which could add 50,000 barrels, say, that sort of magnitude to the facility. The Atlantis facility can probably be debottlenecked and say you could increase the production by about another ten percent. So there's a possibility of taking the production up somewhere towards about 200,000 barrels a day.

Now, you know, depending on what happens with the side-track and other drilling on Atlantis-6, I mean if we really get huge extra increases in reserves that mightn't be enough, and that's when we would consider possibly what we might do with some other facility, but as I said that's some time away and we need to understand more what the reserves are on the north side, and understand what we can do to put another oil train on the facility we're currently building and how we might debottleneck it. So there really is quite a few options going forward.

But we make the point, we agreed quite strongly with the operator that we don't want to do anything which deflects people's attention from bringing the first facility on stream in the third quarter of '06.

QUESTION: When you say it could be some time a way before you know how big the oil field is, how long's a while?
MR AIKEN: Well you know, we're going to do a side-track. We're doing a bypass core, we're going to do a side-track. Now depending on what happens with the side-track, you know, we're going to get a better handle of what we've got, and then really we'll decide whether we need to drill another well. If we drill another well that's probably going to be some time towards the middle back end of this calendar year. Our drilling programme at the moment is fairly defined over the next say three to six months, but you know, depending on what happens we could fast track another well. But I think we'd be looking at some sort of position during this calendar year.

QUESTION: The last question pretty much asked the question I was going to ask about what was your drilling programme like, so you've sort of cleared that up.

Just on the size of the north field in terms of its aerial extent, can you give us an idea of how it looks compared to the southern side of the field? Does your seismic tell you in area that it's a similar size, bigger, smaller?

MR AIKEN: One of the problems is that the whole north side is covered in salt, so it's pretty hard to tell from the seismic what we've got, but it certainly is a large field. I don't think it's quite as large as the south, but certainly aerially it could be, but as I said it's actually very hard to give you an answer to that because virtually - well actually the whole of the north is covered in salt. And that's one of the reasons that we drilled later, that there was more uncertainty about it because of the inability to look at the seismic.

Now with this data we've got plus data with data we have to get from the side-track we should be able to re-map the north fairly well, and when we re-map the north we'll have a better idea of whether or not we want to drill
another well on the north side. So really it's a difficult question to answer because we're really just now looking at better data.

It's fascinating, the other day I was looking through the data we had pre this well and the data we've got now, and it obviously means there's actually a salt finger which we hadn't seen before which distorts the seismic which the guys will re-map over the next few weeks, or the next few months.

QUESTION: And just on a more general aspect, were you a bit surprised at the way the market treated BHP Billiton post the quarterly production numbers out of Bass Strait, and is this announcement in some respect a response to that, or is this of such a material nature that you know you really had to report this to the market?

MR AIKEN: Well two questions. The first question, we had said for quite some time that Bass Strait was in decline and our production was going to be flat to negative in the next couple of years. The fact that it was in Bass Strait - we'd had a great success with our infill programmes, and therefore the decline in the natural production in Bass Strait had been not so obvious because of the successful infill programme. But we had said for quite some time that we were going to have a difficult period.

Now of course two things sort of pushed our production in that quarter. One was the decline in Bass Strait, which I think most people knew was going to happen. Obviously Laminaria has come off much quicker than we thought. I mean Laminaria last June was doing about 80,000 barrels a day. After we did the Laminaria North we got it back to about 140,000, but it's back now to 60,000 barrels a day and it really came off much quicker than we would have thought. So that came off very much during the quarter.
And then the other thing we had is we had some bad weather both in the UK and the US, and certainly the hurricanes which affected Typhoon. And the maintenance shut down at Liverpool Bay, which was scheduled, I think they all came together and we finished up with quite a decline for the quarter. So really it was a combination of things. You have good quarters and bad quarters, and this was not a good quarter.

Now this announcement has got nothing to do with that at all. We would have made this announcement - we have made this announcement in accordance with our undertakings to the ASX. Obviously this is a very very major well and we would have to make this announcement whether it was good days, bad days, or ordinary days. So the two are not linked at all.

QUESTION: Phil, I just want to continue the question with respect to Atlantis. Just trying to get a feel for the distance of this well in general terms from the ones in the southern end of the field, and if you can just, in a very general way, comment on the overall of map size of the field, including the salt area in the northern portion. The structure is where I'm coming from, just the gross structure. Just trying to get a feel in general terms. You know, I'm just trying to get a feel for how far away this well was from the ones in the southern end.

MR GARRATT: I think Atlantis-6 is about three miles to the north of Atlantis-2, which was drilled down the southern end of the field. If you've got a map, you'll see Atlantis-2. Just go pretty well north about three miles and that's where Atlantis-6 is.

QUESTION: And then okay, for the side-track, how far would you extend the side-track, do you have any feel for that now?
MR GARRATT: I was going to say our previous one went about one and a half kilometres, I think. I'm sorry I'm mixing my measurements here, but I think it was about one and a half kilometres from the straight well bore.

MR AIKEN: We haven't actually finalised where the side-track will be, I was actually trying to understand some of the preliminary information they've got and they were talking about a kilometre minimum and somewhere up to about one and a half. So those were very close to what Malcolm was saying.

QUESTION: So this net to gross for your oil columns, it's about 76 percent, that would be one of the best wells you've drilled so far.

MR AIKEN: This is one of the reasons why we're very very positive about this well. This is probably the best well we've drilled in the Gulf of Mexico. We've been very pleased with the Atlantis results before, and but this is probably the thickest sands we've encountered anywhere in the - I think anyone's encountered in the deep water Gulf of Mexico.

QUESTION: Just a quick question regarding the oil quality that you're seeing at Atlantis. I know in some of your earlier indicative economic sort of charts you were showing reasonable quality margin differentials?

MR AIKEN: The oil in Atlantis-6 is very similar to what we've found in Mad Dog and Atlantis. That makes it a sort of a mid-sour crude. It means it's going to sell at a discount to WTI. But I think the thing is there's a market there which is a very very large market, and the fact you're coming in by pipeline you're not going to have any problems selling this crude.
But you might remember the well we had a problem with was I think one of the Neptune wells where we actually found some biodegraded oil. This is only - that's the only oil we've found in all the wells we've drilled so far which has been biodegraded. And certainly the Atlantis-6 samples are as good or better as what we've achieved elsewhere.

QUESTION: And do you split of boe's roughly between oil and gas?

MR AIKEN: It's about 80 percent oil. The reason I've - I don't want to give sort of too much detail about that is we don't really know yet because the gas/oil ratios in this depends about how much gas we actually want to recover in the early days. But, I think of the 635 million barrels, I think only about 10 percent's gas, if I remember rightly. Malcolm is that right?

MR GARRATT: Yeah that's right, we're breaking it down in rough figures 570mmboe oil and 65mmboe gas.

QUESTION: You mentioned Phil a defined drilling programme so you won't come back to Atlantis if there is a need until later in the year. Can you just refresh my memory on the planned drilling programme? I think we had something on Chinook and Tiger and Habanero, is that still the programme coming up?

MR AIKEN: At the moment we've just started an appraised well on Shenzi, and we're drilling Chinook. After that there's nothing definite what will come next. Now you know, depending on what happens and in talking with BP we might come back and go straight to Atlantis, but there are other wells which you said we said we'd drill. Tiger is a tie back to Typhoon so that's got nothing really to do with BP, they're not in that, ands also in a different play,
and that's with Chevron. So whether we do Tiger would be quite a separate decision.

But at the moment as I said we're doing a Shenzi appraisal well, we're drilling Chinook, and we're looking at - after that we've got rigs but we haven't really made final decisions. That depends on talking to partners. Therefore it could be quicker but it's something that we haven't got to make a decision for a while.

The other reason that we won't rush into Atlantis well as I said before I think to a previous question we're going to do a lot of re-mapping because this feature is very much under salt. Well better - with well data we will be able to do some re-mapping and therefore we won't drill another well until we've got an idea more about the area and where we want to drill that well. So when I say we'll drill the well some time in this calendar year it could be in 60 days' time, it could be in 180 days' time. It really depends on how long it takes us to find the information.

The other reason is when Atlantis comes on stream there's plenty of reserves for it for some years and it's not going to come on to stream until '06, and it's not a sort of project we need to rush an appraisal programme, we've got plenty of time, and therefore obviously we wouldn't want to drill other well until we've had a chance to reappraise and understand the maps.

QUESTION: I was just wondering if you're anticipating any additional capex spending.

MR AIKEN: On the Atlantis field itself?
QUESTION: Yes.

MR AIKEN: No not at this stage. At this stage the facility we're bringing on stream will be more than loaded in its early days and obviously the idea now is to complete that by the middle of 2006. We'll spend more money appraising Atlantis but that will be covered as part of our exploration appraisal budget. If we look at bottlenecking Atlantis, that is something we wouldn't make a decision about yet but we'd make it later in the year when we've done more pre-engineering work on what we could do to de-bottleleneck or expand the facility.

QUESTION: OK and could you answer one more question. I'm just wondering if you are considering bringing in any new partners?

MR AIKEN: No not on this one, this particular field is 56% BP 44% ourselves and we certainly have no intention of bringing in any new partners.

QUESTION: You said that you were going to fund the additional $1.1 billion I wondered what BP’s contribution is.

MR AIKEN: Well BP is the other 56%. The 1.1 billion is our share, and the total project is $2.3 billion. As I said the $1.1 billion is the 44% BHP Billiton share, I think the total project is approximately $2.3 billion.

QUESTION: Has BP already cleared?

MRAIKEN: BP has sanctioned the project yes.

QUESTION: And just one other question, you said that you didn’t want to
put, sort of make a guess at how much more oil they would increase production by but you quoted this morning on AFX were saying that it's going to ramp up your production to around 200,000 barrels a day.

MR AIKEN: No what I actually said was that there's two things here. One is putting extra reserves on. The current operator estimate the reserves are 635 million barrels of oil equivalent and the production is going to be 150,000 and 180 million cubic feet. I said I wouldn't like to put a reserves number on part of the field. Someone asked me can you put more capacity on to Atlantis, I said you could actually add another production train which could be up to 50,000 barrels a day, so maybe you can de-bottleneck and add extra facilities to increase the oil production to 200,000 barrels a day. That's not a decision we'd make at this point in time.