



For Immediate Release

27 April 2007

### Cairn India Limited (Consolidated) First Quarter Results 2007

The following commentary is provided in respect of the unaudited financial results and operational achievements of Cairn India Limited and its subsidiary companies (referred to as "Cairn India") during the first quarter of 2007.

#### OPERATIONAL

- Rajasthan midstream solution progressing well with ONGC - discussions on going with Government of India (GoI)
- Civil works for Rajasthan development underway
- First oil production from Mangala on schedule for 2009
- Field Development Plan for Bhagyam submitted to Operating Committee
- First phase development drilling completed at Saraswati and Raageshwari oil fields
- Ravva infill drilling campaign ongoing – four development wells completed
- Ravva exploration well spudded April 2007
- Two blocks awarded in NELP VI licensing round
- 500km 2D seismic programme initiated in Bihar
- IFC-Cairn programme agreed for Rajasthan community projects
- Gross operated production 74,830 barrels of oil equivalent per day (boepd) (working interest 19,811 boepd)

#### FINANCIAL

For the first quarter of 2007 the consolidated revenue of Cairn India Limited and its subsidiaries was Rs. 2,726 million (US\$ 62 million). The consolidated profit after tax (PAT) for the quarter was Rs 376 million (US\$ 8.55 million).

The cash flow from operations, worked out as PAT prior to non-cash expenses (non-cash employee cost, depreciation, depletion, amortization and deferred tax) and exploration cost write off was Rs 1,801 million (US\$ 40.96 million) for the quarter.

- Net Revenue from operating activities at Rs. 2,364 million (US\$ 53.77 million); Average oil price realisation US\$ 61.04 per bbl, average gas price realisation - US\$ 4.07/mscf, average price realisation US\$ 42.25/boe
- Credit facility of US\$ 850 million in place
- Cash (net of borrowings) available at the end of 31 March is Rs 24,010 million (US\$ 552.40 million)

\* Amounts shown in US\$ are converted based on average exchange rate for the first quarter - 43.967 and closing exchange rate as at 31 March 2007 - 43.465

**Rahul Dhir Chief Executive Cairn India said:**

*"Cairn India remains focused on driving forward the Rajasthan development to bring new production onstream, while maximising the production potential from existing assets, enabling increased exploration activity and ensuring the Rajasthan upstream project remains on track to produce first oil in 2009."*

#### BUSINESS REVIEW

##### Overview

It is just over three years since Cairn made the transformational discovery of Mangala in Rajasthan. Following the successful completion of the IPO and listing in 2007 and its establishment as an autonomous business, Cairn India is well placed to move that discovery and others in Rajasthan forward in preparation for first oil production in 2009.

Cairn India's oil and gas fields at Ravva and CB/OS-2 continue to be the cornerstone of its existing production. During 2006 both of these assets benefited from revised gas prices and improved oil production. An ongoing drilling programme at Ravva and new developments planned on CB/OS-2 will ensure that these assets continue to underpin Cairn's India's activities elsewhere in India.

The step change in production is expected from 2009, when the first of the Rajasthan developments is scheduled to come onstream. The Mangala field will be brought on production first followed by the Bhagyam and Aishwariya fields and the targeted gross production from these three fields is 150,000 barrels of oil per day (bopd). Once onstream, these fields will create significant value for the GoI, the Rajasthan State Government and for investors and other stakeholders in both Cairn and Cairn India.

Laboratory studies have indicated that the early application of enhanced oil recovery (EOR) techniques on the Mangala and Bhagyam fields is expected to extend significantly the production plateau and ultimate reserves for these fields. Further work is also planned to determine the best method of extracting the oil from the potentially productive Barmer Hill formation.

Cairn India has recently secured two new exploration blocks in the NELP VI licensing round and now holds interests in a total of 15 blocks in India. Cairn India is well placed to build on this asset base and to bid for further exploration acreage that may be offered in future licensing rounds.

### **Rajasthan Upstream**

The upstream picture in Rajasthan is progressing well. Current estimates for the proven and probable (2P) hydrocarbons in place for the six fields Mangala, Bhagyam, Aishwariya, Saraswati, Raageshwari Oil and Raageshwari Deep Gas total 2.2 billion boe and the associated 2P reserves plus contingent resources are 864 million boe.

The additional smaller and/or low permeability fields and reservoirs have an estimated 2P hydrocarbons in place volume of more than 1.4 billion boe. Over the coming years, Cairn India's focus will be on converting as much of this contingent resource base into 2P reserves as is economically feasible.

The first phase of development drilling on Saraswati and Raageshwari has been completed successfully. Development drilling on Mangala is scheduled to commence in 2008.

The GoI has approved the Declaration of Commerciality for Bhagyam, the second largest field in Block RJ-ON-90/1, along with the Shakti field, following which the FDP for Bhagyam was submitted to the Operating Committee in Q1 2007.

### **Rajasthan Midstream**

A proposal to the GoI seeking approval to include within the FDP a pipeline to transport Rajasthan crude from Mangala to a coastal terminal facility is currently under discussion. The proposed routing of the pipeline will allow access to the existing pipeline infrastructure and refinery network, with a final coastal delivery point that also affords access to the majority of India's refining capacity. It is proposed that the pipeline will fall within the definition of the field development activities and will accordingly be funded 70% by Cairn India and 30% by ONGC. If the pipeline is included in the FDP, the costs would be recoverable under the PSC. The conceptual engineering and route identification for the pipeline are at an advanced stage.

### **OPERATIONAL REVIEW**

Gross operated production in India for the first quarter of 2007 was 74,830 boepd (working interest 19,811 boepd)

Operational activity has been largely focused on the continued appraisal of Block RJ-ON-90/1 in Rajasthan. There are now a total of 20 discoveries in this block including the world class Mangala and Bhagyam oil fields in the northern part of the acreage. FDPs have been approved or are pending on 6 of these 20 discoveries.

An independent report prepared by DeGolyer and McNaughton (D&M) in August 2006 estimated 3.4 billion boe in place in the combined discoveries in the Rajasthan block. Cairn currently estimates there to be at least 3.6 billion boe hydrocarbons in place, of which 2.2 billion are under active development planning, with the remaining 1.4 billion identified in other fields under review.

The Mangala, Aishwariya, Saraswati, Raageshwari Oil and Raageshwari Deep Gas fields all have GoI development approval, while work on approvals for the development of other discoveries, in particular Bhagyam and Shakti, is ongoing. The remaining discoveries require further appraisal or evaluation.

## **RAJASTHAN BASIN – North West India**

### **Development Area (Cairn India 70% (Operator); ONGC 30%)**

Civil construction work is now underway to meet the planned first oil production from Mangala in 2009. FDPs for the Mangala, Aishwariya, Saraswati and Raageshwari fields have been agreed by the GoI and, in addition to the retained IPO proceeds, bank funding has been secured for the current development.

All the permits and permissions required to begin major construction work have been granted and Cairn India is in the process of procuring the major items of long lead equipment required to establish the production facilities. It is planned to contract purpose built rigs which will be used to drill the development wells.

The GoI has approved the Declaration of Commerciality for Bhagyam, the second largest field in Block RJ-ON-90/1, along with the Shakti field. These fields are contained within a second development area of 430 km<sup>2</sup>. The FDP for Bhagyam was submitted to the Operating Committee in Q1 2007. The current 2P reserves base case for Bhagyam envisages a plateau production rate of 40,000 bopd

Two more small scale discoveries (Shakti North East and N-1-North) have been retained within the Bhagyam/Shakti development area, together with the N-I, N-E, N-P and Bhagyam South discoveries.

The Saraswati Crest-1 well was spudded in April 2007.

### **Enhanced Oil Recovery**

Work is also ongoing to establish optimal EOR techniques in the Rajasthan block with a view to extending plateau production and increasing ultimate recovery of oil. Laboratory work is currently underway to establish the potential of these technologies to facilitate early implementation of a field scale pilot project at Mangala, the largest of the Rajasthan fields.

### **Northern Appraisal Area (Cairn India 100%)**

In June 2005, Cairn was granted an 18 month extension (until 14 November 2006) to complete its activities in the northern appraisal area to the north and west of the Development Area. However, the work programme in this area was interrupted by the severe flooding in Rajasthan in 2006. Cairn India has ceased operations in this area and is in discussions with the GoI for a further extension of part of this acreage to complete its planned work programme.

### **Southern Fields**

In the south of the Rajasthan block, first commercial production by trucking from the Saraswati field is ready to start and will begin as soon as an arrangement for oil sales has been finalised with the GoI. First commercial production from the Raageshwari oil field is expected to commence within 12 months of Saraswati. The first phase of development drilling on Saraswati and Raageshwari has been completed successfully.

### **Block RJ-0NN-2003/1 (Cairn India 30%, ENI Operator)**

In early January 2007, the Operator commenced acquisition of a 3D seismic survey on this Rajasthan block, which was awarded in NELPV. The 3D programme is nearing completion.

## **CAMBAY BASIN – Western India**

### **Block CB/OS-2: Lakshmi and Gauri Gas Fields (Cairn India 40% (Operator))**

Average gross production from the Lakshmi and Gauri fields for the first quarter 2007 was 16,997 boepd (comprising average oil and condensate production of 3,555 bopd and average gas production of 81 mmscfd).

The CB/OS-2 joint venture is focused on further development of the field with a planned offshore four well infill development drilling programme and also the conversion of three wells into oil producing wells following the continuing success of the Gauri-3 oil producer. The infill development drilling programme is scheduled to commence in H2 2007.

Engineering studies to upgrade the oil handling facilities at Gauri to 9,000 bopd have been completed and this

upgrade is scheduled for completion in Q3 2007.

The onshore CB-X well has been completed and the pipeline installation is in progress to deliver planned first gas in Q2 2007.

The gas sales contracts (GSCs) with the buyers (GTCL and GPEC) have been successfully re-negotiated whereby the contractual terms for volume commitment and price have been reset and the Gauri gas field volume committed to the current buyers under the new pricing scheme.

### **Cambay Basin**

#### **CB-ONN-2001/1 (Cairn India 30%, ONGC Operator)**

The fourth and final commitment well was drilled and abandoned in April.

#### **CB-ONN-2002/1 (Cairn India 30%, ONGC Operator)**

Following the acquisition of a 100 km<sup>2</sup> 3D seismic programme on this block, three wells are scheduled to be drilled during 2007.

#### **GS-OSN-2003/1 (Cairn India 49%, ONGC Operator)**

The Operator is currently acquiring a 3D marine seismic programme on this block. The programme is nearing completion.

### **KRISHNA-GODAVARI (KG) BASIN – Eastern India**

#### **Ravva (Cairn India 22.5% (Operator))**

Average gross production from the Ravva field for the first quarter 2007 was 57,833 boepd (comprising average oil production of 45,929 bopd and average gas production of 71 mmscfd).

An extensive offshore infill development and exploration drilling programme on Ravva commenced in October 2006 and is ongoing. Production from RD-7 commenced in December 2006 and from RD-8 in January 2007. The Ravva field has been on plateau for a number of years and the current drilling programme is aimed at continuing the strong production performance at Ravva.

The RC-5 well has been completed and commenced production in March 2007. A subsequent workover well on RC-3 was also successfully carried out in March 2007 as well as a further successful infill well (RE-4).

The Ravva exploration well RX-10 spudded in April 2007. An exploration well MM 301 is scheduled to be drilled later in Q2 2007.

The ceiling prices under each of the Ravva GSCs have been increased following re-negotiation with the buyer (GAIL). The ceiling price for associated gas has increased by 18% and the ceiling price for non-associated gas has increased by 30%.

#### **KG-DWN-98/2 (Cairn India 10%, ONGC (Operator))**

The UD-1 ultra-deep water exploration well, located 140 km south of Ravva, was spudded in late September 2006 in 2,841 metres water depth after the acquisition and interpretation of an additional 255 km<sup>2</sup> 2D seismic data. The well encountered gas in a secondary objective. Options for further appraisal are currently under consideration with the Operator.

#### **KG-ONN-2003/1 (Cairn India 49% ONGC (Operator))**

Plans are underway to commence a seismic acquisition programme of 2D and 3D data on this block in late 2007.

### **NELP VI**

Cairn India has secured an interest in two new exploration blocks in India - PR-OSN-2004/1 and KK-DWN-2004/1 – in the sixth New Exploration Licensing Policy round (NELP VI).

## **HIMALAYAN FORELAND BASIN – Northern India**

### **Ganga Valley**

#### **GV-ONN-2002/1 (Cairn India 50%)**

An aeromagnetic survey commenced in January 2007 was completed in April 2007. A 500 kilometre 2D seismic acquisition programme started in April 2007.

#### **GV-ONN-97/1 (Cairn India 15%, ONGC Operator)**

The first exploration well in the Himalayan Foreland Basin in which Cairn India participated (Tisua-1) was plugged and abandoned after encountering residual oil shows.

#### **GV-ONN-2003/1 (Cairn India 24%)**

Subject to the receipt of the requisite approvals, a 2D seismic acquisition programme is scheduled to commence in Q4 2007 or early 2008.

#### **VN-ONN-2003/1 (Cairn India 24%)**

Seismic reprocessing is underway and planning will commence later in 2007 for a 2D seismic acquisition programme which is expected to commence in 2008.

### **Corporate Appointments**

In the first quarter Cairn India has made the following senior appointments:-

Indrajit Banerjee joined as Chief Financial Officer (CFO) and assumed his responsibilities and joined the board of directors of Cairn India Limited on 1 March 2007. Indrajit replaced Jann Brown, who stood down as interim CFO of Cairn India Limited with effect from 1 March 2007.

Ian Vann, recently retired as Group Vice President for Exploration and Business Development at BP, has joined Cairn India as an external advisor. Ian who was at the helm of BP's Global exploration team and spent more than 30 years at BP in a variety of roles will work with the exploration team at Cairn India and also sit on the Rajasthan Project Engineering Technical Advisory Board.

David Ginger will be responsible for the exploration team at Cairn India which currently has an interest in 15 exploration blocks in India. David joined Cairn in July 2006 from Amerada Hess where he was latterly their Exploration and Production (E&P) Manager for South East Asia. David has 23 years E&P experience in Asia, Africa and the North Sea. In addition to 11 years at Amerada Hess, he worked for LASMO and BP and has been leading exploration teams for the past 8 years.

The Cairn India Corporate Advisory Board (CAB) has been set up to provide advice and direction to the management of Cairn India Limited on matters pertaining to stakeholder relations and CSR activities at project and corporate level.

The CAB will be chaired by Sundeep Bhandari who has had a long involvement with Cairn. Sundeep has many years experience in the oil and gas industry in India and overseas and has previously advised not only Cairn but other international companies including Mobil and Marathon on E & P projects.

### **Rajasthan Community Overview**

The International Finance Corporation (IFC) has strengthened its ties with Cairn India by reaching agreement for a joint funding mechanism to support the socio-economic development initiatives in the Rajasthan block.

The Financial Support Agreement for the IFC-Cairn Linkage programme has been signed by Iyad Malas, Director, South Asia, IFC, and Rahul Dhir, CEO, Cairn India.

The agreement entails the creation of a Trust Fund which over a three year period will support the following:

- Establishing and Maintaining an Enterprise Centre at Barmer for local development and vocational skill development;
- A rural Dairy Development Project to create alternative income generation activities for rural households
- A Child and Maternal Health Awareness project for Rural women and children

The implementation partners for each of the above projects have been selected and programme details are being worked out. IFC will manage the programme and Cairn will be the financial sponsor. A manager for the Enterprise Centre has been appointed and will have responsibility for delivering the programme objectives. An Executive Committee with representation from IFC and Cairn will oversee implementation and monitor delivery of the projects.

#### **Enquiries to:**

##### Analysts/Investors

Indrajit Banerjee, Chief Financial Officer +91 124 4593000

##### Media

David Nisbet, Director, Communications +91 99104 87715

#### **About Cairn India Limited**

- "Cairn India" where referred to in the release means Cairn India Limited and/or its subsidiaries, as appropriate
- "Cairn" where referred to in this release means Cairn Energy PLC and/or its subsidiaries (including Cairn India), as appropriate.
- Cairn India is headquartered in Gurgaon on the outskirts of Delhi, with operational offices in Chennai, Gujarat, Andhra Pradesh and Rajasthan.
- On 9 January 2007, Cairn successfully concluded the flotation of its Indian business with the commencement of trading of Cairn India Limited on the Bombay Stock Exchange and the National Stock Exchange of India. Cairn Energy PLC currently holds a 69% shareholding in Cairn India Limited.
- Cairn India is currently focused on exploration and production in India where it has a working interest in 15 blocks, two of which are producing hydrocarbons. The company holds material exploration and production positions in west India and east India along with new exploration rights elsewhere in India.
- This focus on India has already resulted in a significant number of oil and gas discoveries. In particular, Cairn India made a major oil discovery (Mangala) in Rajasthan in the north west of India at the beginning of 2004. Cairn India has now made 20 discoveries in Rajasthan block RJ-ON-90/1.
- In Rajasthan, Cairn India operates Block RJ-ON-90/1 under a Production Sharing Contract (PSC) signed on 15 May 1995. The main Development Area (1,858 km<sup>2</sup>), which includes Mangala, Aishwariya, Saraswati and Raageshwari; is shared between Cairn India and ONGC, with Cairn India holding 70% and ONGC having exercised their back in right for 30%. A further Development Area (430 km<sup>2</sup>), including the Bhagyam and Shakti fields, is also shared between Cairn India and ONGC in the same proportion.
- The Operating Committee for Block RJ-ON-90/1 consists of Cairn India and ONGC.
- India currently imports approximately 2,000,000 barrels of oil per day (bopd). It produces approximately 700,000 bopd itself of which approximately 50,000 bopd comes from the Cairn India operated Ravva field on the east coast of India
- For further information on Cairn India Limited see [www.cairnindia.com](http://www.cairnindia.com)

#### **Glossary**

##### **Technical**

2P	proven plus probable
3P	proven plus probable and possible
2D/3D	two dimensional/three dimensional
boe	barrel(s) of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
bscf	billion standard cubic feet of gas
EOR	enhanced oil recovery
FDP	field development plan
mmboe	million barrels of oil equivalent
mmscfd	million standard cubic feet of gas per day
PSC	production sharing contract

The Fatehgarh is the name given to the primary reservoir rock of the Northern Rajasthan fields of Mangala,

Aishwariya and Bhagyam.

The Barmer Hill is a lower permeability tight rock which overlies the Fatehgarh.

The Dharvi Dungar forms the secondary reservoirs in the Guda field and is the reservoir rock encountered in the recent Kameshwari West discoveries.

The Thumbli forms the youngest reservoirs encountered in the basin. The Thumbli is the primary reservoir for the Raageshwari field.

***These materials contain forward-looking statements regarding Cairn India, our corporate plans, future financial condition, future results of operations, future business plans and strategies. All such forward-looking statements are based on our management's assumptions and beliefs in the light of information available to them at this time. These forward-looking statements are, by their nature, subject to significant risks and uncertainties and actual results, performance and achievements may be materially different from those expressed in such statements. Factors that may cause actual results, performance or achievements to differ from expectations include, but are not limited to, regulatory changes, future levels of industry product supply, demand and pricing, weather and weather related impacts, wars and acts of terrorism, development and use of technology, acts of competitors and other changes to business conditions. Cairn India undertakes no obligation to revise any such forward-looking statements to reflect any changes in Cairn India's expectations with regard thereto or any change in circumstances or events after the date hereof. Unless otherwise stated the reserves and resource numbers within this presentation represent the views of Cairn India and do not represent the views of any other party, including the Government of India, the Directorate General of Hydrocarbons or any of Cairn India's joint venture partners.***