



29 January 2007

Embargoed for Release at 1230 IST/0700 BST

CAIRN INDIA LTD

This is to make it clear to all readers / investors / analysts that this announcement is given on behalf of Cairn Energy PLC, UK and has been given only by way of good corporate governance practice and should not be construed as results or performance of Cairn India. The results of Cairn India will be published separately as and when they are due under the Listing Agreement.

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EMBARGOED FOR RELEASE AT 0700

CAIRN ENERGY PLC

Operational Update

Cairn will announce its preliminary results for the year to 31 December 2006 on 27 March 2007. In advance of these results, Cairn is providing information on recent operations since the last update on 5 September 2006 and guidance in respect of the Group's trading performance in 2006. This information is unaudited and is subject to further review.

Highlights

CORPORATE

- Initial Public Offering (IPO) of Cairn India successfully completed – trading commenced in January 2007
- Return of cash to Cairn Energy PLC shareholders scheduled for Q2 2007

INDIA

- Cairn India and ONGC progressing discussions with the Government of India (GoI) on midstream solution – resolution anticipated in H1 2007
- Ravva infill drilling campaign underway with positive results on first two wells
- Non-operated ultra-deep water well on KG-DWN-98/2 has encountered hydrocarbons and is currently operating
- New oil discovery in Rajasthan (Shakti North East)

BANGLADESH

- Sangu gross booked reserves reduction of 187 billion cubic feet (Bcf)
- Three well drilling campaign, including the potential high impact Hatia exploration well, commenced offshore Bangladesh in January 2007
- Onshore seismic campaign ongoing on Blocks 5 and 10

NEPAL

- Agreement reached to acquire 100% interest in Blocks 3 and 5, subject to required consents

Sir Bill Gammell, Chief Executive said:

"The successful completion of the IPO has created an autonomous business and management team for our world class assets in India as well as realising significant value for our existing shareholders. I am pleased to be able to report that good progress has been made by Cairn India in determining offtake arrangements for Rajasthan crude and remain confident that the first oil target of 2009 from Mangala can be achieved. The combination of future Rajasthan production and active drilling programmes in both India and Bangladesh provides the potential for continued growth in the respective asset portfolios and Cairn India is poised to play an integral part in meeting

India's growing energy demand.”

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Corporate

The flotation and listing of Cairn India on the Bombay Stock Exchange and the National Stock Exchange of India on 9 January 2007 was a major achievement. The culmination of Cairn's vision, focus and effort on South Asia has resulted in the creation of India's largest independent exploration and production company and raised a total of \$1.9 billion.

Cairn India is now an Indian listed company managed and directed from within India. Cairn has retained a holding of approximately 69% in Cairn India, with the balance of shares held by Petronas (10%), Indian domestic and global institutional investors. Cairn India is committed to continuing investment in India.

The Cairn India IPO underscores the increasing confidence of businesses and investors in the Indian regulatory environment, the Indian capital markets and the associated growth potential offered by Cairn India.

The proceeds of the IPO will be used to fund the future growth of both Cairn and Cairn India, with the remaining funds to be returned to shareholders of Cairn Energy PLC in Q2 2007. As previously indicated, this will be done in a way to maximise tax efficiency for shareholders.

To maintain future operational flexibility, all of the assets not transferred to Cairn India (Bangladesh, Nepal and some exploration interests in northern India) have been brought under a subsidiary called Capricorn Energy Limited ("Capricorn") which is 100% owned by Cairn Energy PLC.

Operations

Cairn India

Cairn India has active operated exploration and infill drilling campaigns in Rajasthan and Ravva, with further development drilling planned in the Cambay Basin during 2007. In addition, Cairn India is currently participating in an ONGC operated exploration well offshore eastern India in ultra-deep water. Cairn India and Capricorn both participated in an ONGC operated exploration well (Tisua-1) in the Ganga Valley which failed to flow on test and is interpreted as having encountered only residual hydrocarbons.

The Rajasthan development continues apace, with construction work commencing shortly in preparation for planned first oil in 2009. Talks on determining the offtake arrangements with the GoI are progressing and Cairn India is confident that a satisfactory resolution will be determined in the interests of all stakeholders in order to maximise the value of this world class resource base.

Capricorn

For a combination of reasons explained in the reserves section below, gross Sangu field reserves have been reduced by 125 Bcf. A further 62 Bcf has been reclassified from the probable (2P) to the possible (3P) category resulting in a total gross reserves reduction of 187 Bcf.

A three well drilling programme was commenced in January 2007 targeting an appraisal well on South Sangu, an infill development well on Sangu and an exploration well on the Hatia prospect.

Rajasthan RJ-ON-90/1 (Cairn India 70% and Operator)

Development Areas Construction work will commence shortly for planned first production from Mangala in 2009. The Field Development Plans (FDPs) for the Mangala, Aishwariya, Saraswati and Raageshwari fields have been agreed by the GoI and the funding secured for the initial upstream development, with the first phase of

development drilling on Saraswati now underway.

All the permits and permissions required to begin major construction work have been granted and Cairn India is currently procuring the major items of long lead equipment required to establish the production facilities as planned. The technical specifications for three purpose built rigs have been released and bids sought for the provision of these 'flex type' modularised rigs which will be used to drill the development wells. These state of the art rigs will allow the drilling of the Mangala horizontal wells and running completions which will be used to deliver the first phase of the target production rate of 150,000 barrels of oil per day (bopd).

The detailed engineering design for the Mangala development is progressing in Houston; the design team comprises Cairn India personnel working alongside colleagues from Mustang Engineering. The impact of the severe flooding in Rajasthan last year on field development design and activities is being assessed.

The GoI has approved the Declaration of Commerciality (DoC) for Bhagyam, the second largest field, along with the Shakti field. These fields are contained within a second development area of 430 km². It is currently anticipated that FDPs for Bhagyam and Shakti will be submitted to the GoI in Q1 2007. An FDP for the Guda field will be submitted separately.

An additional discovery, Shakti North East, has been retained within the Bhagyam/Shakti development area. Shakti-NE-1, which is located 6 km north-east of the Shakti-1 discovery, encountered approximately 6 metres of net pay of oil with an API of 13-15 degrees. A cased hole test on Shakti-NE-1 confirmed a flow of 83 bopd.

Midstream

Under the terms of the RJ-ON-90/1 Production Sharing Contract (PSC), the GoI or its nominee is responsible for the purchase of crude oil and the transportation of the crude oil produced from the delivery point at the field facilities to the refinery (midstream activities). Transportation currently entails the construction of a pipeline downstream of the delivery point to handle the expected volumes of crude oil.

By conducting studies and third party discussions relating to the evacuation of the crude, Cairn India has built up a comprehensive understanding of the likely construction timescale for the pipeline and the associated technical and commercial issues involved.

In order to ensure efficient offtake of the Rajasthan crude, Cairn India has been involved in ongoing and detailed discussions with the GoI, ONGC and other third parties. The purpose of these discussions is to ensure the proper integration and control of both the upstream and the midstream in order to maximise the distribution and marketing options. Discussions are progressing and Cairn India believes that this issue will be resolved in order to meet the schedule to achieve first oil in 2009.

Subject to the outcome of discussions with the GoI as to its role in the midstream project Cairn India is ready to award the front end engineering design (FEED) contract for the first phase of the preferred pipeline alternative.

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.

Northern Appraisal Area (Cairn India 100% and Operator)

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 has subsequently ceased operations in this area and is in discussions with the GoI for a further extension of part of this acreage to complete its work programme.

Eastern India

Ravva (Cairn India 22.5% and Operator)

An onshore exploration well (RX-9), spudded in June 2006, was plugged and abandoned after encountering non-commercial quantities of hydrocarbons.

An 8 well offshore infill and exploration drilling programme on Ravva commenced in October 2006. The first appraisal well (RD-7) encountered oil and gas in the main producing intervals at Ravva with 38 m of net oil pay. The second well (RD-8), also an appraisal well on one of the main Ravva fault blocks, encountered 16 m net of Middle Miocene oil bearing sands with average porosity of 30% and average oil saturation of 60%. In addition a 3.5 m thick sand prognosed to be absent was encountered in an oil leg. Current operations are on a crestal infill development well (RC-5).

Gas sale price increase

The ceiling prices under each of the Ravva gas sales contracts (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 G-1 exploration well drilled in August and September 2006 was plugged and abandoned with gas shows. The UD-1 ultra-deep water exploration well, located 140 km south of Ravva, was spudded in late September 2006 after the acquisition and interpretation of additional 2D seismic data. The UD-1 well has encountered hydrocarbons in a secondary objective. The well has been side-tracked for mechanical reasons and is currently operating above the main target.

Northern India

GV-ONN-2002/1 (Cairn India 50% (Operator), Cairn Energy PLC/Capricorn 50%)

An airborne geophysical survey is scheduled to commence shortly followed by a 2D seismic acquisition programme commencing in March 2007.

GV-ONN-97/1 (Cairn India 15%, Cairn Energy PLC/Capricorn 15%; ONGC Operator)

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

Western India

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

An offshore four well infill development drilling programme is scheduled to commence in H2 2007.

The GSCs with the buyers (GTCL and GPEC) have been re-negotiated and these contracts are currently being finalised with the joint venture partners. Engineering studies to upgrade the oil handling facilities at Gauri to 9,000 bopd have been completed and an upgrade is scheduled for completion in Q3 2007. During 2006 oil sales to private buyers averaged 3,539 bopd at an average realised price of \$57 per barrel. The onshore CB-X well has been completed and the pipeline installation is in progress to deliver first gas in Q2 2007.

Block RJ-ONN-2003/1 (Cairn India 30%, ENI Operator)

The Operator has recently commenced acquisition of a 3D seismic survey on this Rajasthan block, which was awarded in NELP V.

NELP VI

The GoI has yet to formally announce the outcome of the sixth New Exploration Licensing Policy round (NELP VI). There was an unprecedented level of interest in this latest round with highly competitive bidding from domestic companies. Cairn, through Cairn India and Capricorn, submitted joint venture bids along with ONGC, Videocon, Tata Petrodyne, British Gas and Total.

Following the bidding, which closed on 15 September 2006, the GoI has indicated that the relevant PSCs will be signed in the coming months.

Bangladesh (Cairn Energy PLC/Capricorn 75% and Operator)

The Sangu gas field, although now in decline, has produced in excess of 400 Bcf since commencement of production in 1998. To date, the Sangu joint venture has generated gross revenue of approximately \$800 million.

Cairn has commenced a three month offshore drilling programme in Bangladesh which will consist of three wells. The first of these is an appraisal well on the Sangu South field approximately 4 km south-east of the main Sangu field. The second well will target a potentially undrained part of the main Sangu field. The third well (Hatia-1) will be a vertical exploration well to be drilled on a 1 trillion cubic feet (unrisked) prospect located approximately 10 km north-west of Sangu.

In parallel to the drilling of these three wells, Cairn is also undertaking well intervention work on some existing production wells which is intended to boost production.

A 392 km 2D seismic survey has recently been completed on Block 10 and a further 296 km 2D survey has now commenced on Block 5.

Nepal Blocks 1, 2, 4, 6 and 7 (Cairn Energy PLC/Capricorn 100% and Operator)

Assuming continued improvement in the political climate in Nepal, Cairn anticipates that it will be in a position to commence field operations in late 2007 or early 2008, subject to agreement with the Government to cease the contractual force majeure currently in place in respect of these blocks.

In addition, Cairn has reached agreement with Texana for the acquisition of a 100% interest in Blocks 3 and 5 in Nepal, subject to contract and required Government approvals.

Group Production

The Group's entitlement production for 2006 was 24,500 barrels of oil equivalent per day

Production (boepd) (approximate)	Ravva	Lakshmi/Gauri	Sangu	Total
Gross field	61,600	21,200	22,200	105,000
Working interest	13,800	8,500	16,700	39,000
Entitlement interest	6,500	8,100	9,900	24,500

Cairn's current production is 74% gas: 26% oil. This high gas weighting, combined with the contractual caps on the gas price received, means that the average price per boe in 2006 is approximately \$32. On commencement of oil production from Rajasthan, the majority of Group production will be oil (currently estimated to be approximately 90%). As a direct consequence of this, the Group will become much more highly geared to prevailing oil prices.

Group Reserves

The FDPs for the Mangala, Aishwariya, Saraswati and Raageshwari fields were approved by the RJ-ON-90/1 Management Committee ("the Management Committee") and initial reserves for Mangala, Saraswati and Raageshwari to 2020 have been booked. The proposed development sequence for the Rajasthan northern fields is Mangala, Bhagyam and Aishwariya. A decision on the booking of the Aishwariya reserves will be deferred until the Bhagyam FDP and associated expenditure have been approved by the Management Committee.

The draft FDPs for the Bhagyam and Shakti fields are scheduled to be submitted in Q1 2007 for approval by the Management Committee. Once this approval has been obtained, associated reserves from these fields to 2020 will also be booked. An FDP for the Guda field will be submitted separately.

Sangu gross proven and probable (2P) reserves have been reduced by a total of 187 Bcf. Of this 69 Bcf is attributable to the results of the 2005/2006 Sangu appraisal drilling campaign, combined with poorer than predicted production performance in 2006. Another 56 Bcf is attributable to a decision to reclassify the reserves associated with Sangu gas compression to the contingent resources category.

Currently, an additional 100 Bcf of gross reserves is attributed to a potentially undrained compartment of the Sangu field on which an infill development well is planned as part of the ongoing drilling programme. Of this, a decision has been taken to move a risked 62 Bcf from the probable (2P) to the possible (3P) category. The impact of these adjustments is to reduce current Sangu gross booked reserves to 142 Bcf, which represents less than 6% of the total estimated currently booked Group reserves for 2006.

The final Group reserves position for the year ended 31 December 2006 will be included in the results announcement scheduled for 27 March 2007.

Notes to Editors:

- 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 majority shareholding in Cairn India Limited.
- "Cairn" where referred to in this release means Cairn Energy PLC and/or its subsidiaries (including Cairn India), as appropriate.
- "Cairn India" where referred to in the release means Cairn India Limited and/or its subsidiaries, as appropriate.
- Cairn focuses its activities on the geographic region of South Asia. The Group holds material exploration and production positions in west India, east India and Bangladesh along with new exploration rights in India and Nepal.
- This focus on South Asia has already resulted in a significant number of oil and gas discoveries. In particular, Cairn made a major oil discovery (Mangala) in Rajasthan in the north west of India at the beginning of 2004. Cairn has now made over 20 discoveries in Rajasthan block RJ-ON-90/1.
- Cairn operates Block RJ-ON-90/1 under a Production Sharing Contract (PSC) signed on 15 May 1995. The main Development Area (1,858 km²), which includes Mangala, Aishwariya, Saraswati and Raageshwari;

is shared between Cairn and ONGC, with Cairn holding 70% and ONGC having exercised their back in right for 30%.

- India currently imports approximately 2,000,000 barrels of oil per day (bopd). It produces approximately 700,000 bopd itself of which 50,000 bopd comes from the Cairn operated Ravva field on the east coast of India.
- Cairn India is headquartered in Gurgaon on the outskirts of Delhi, with operational offices in Chennai, Gujarat, Andhra Pradesh and Rajasthan.
- Cairn Energy PLC (including Capricorn) will continue to be run from Edinburgh with operational offices in Dhaka, Chittagong and Kathmandu. For further information on Cairn see www.cairn-energy.plc.uk