

## Operations Review Exploration & Production

2008 was a year of notable progress for SPC's upstream business. E&P contributed significantly to the Group's bottom-line. Since venturing into the upstream sector in 2000, the SPC E&P footprint has extended across five countries – Australia, Cambodia, China, Indonesia and Vietnam.

### Financial Highlights

#### Revenue (\$ million)

2008	329.2
2007	145.1

#### Operating Profit (\$ million)

2008	156.0
2007	54.5



### Major Developments in 2008

- E&P contributed close to 40% of PATMI in 2008
- Total oil and gas production of 3.11 million barrels of oil equivalent from four producing assets
- Awarded the Mahakam Hilir PSC, SPC's first Indonesian operatorship
- Extended E&P footprint to 10 acreages across five countries in the Asia-Pacific region, namely Australia, Cambodia, China, Indonesia and Vietnam
- Drilled two exploration, one appraisal and 32 infill and workover wells
- Set up Shekou branch office to manage and operate SPC's upstream assets in China

### Focus for 2009

- Develop skill sets and technical expertise
- Enlarge E&P footprint and forge stronger partnerships
- Strengthen EHSS practices across all assets

## Introduction

In line with its vision to be a strong, integrated oil and gas company, SPC has further enhanced its exploration and production (E&P) portfolio in 2008. With the award of the Mahakam Hilir Production Sharing Contract (PSC) in Indonesia, and the opening of the Shekou branch office, SPC has strengthened its portfolio and operational base across the Asia-Pacific region.

SPC was awarded the Mahakam Hilir PSC through a competitive bidding process in the Indonesian License Round in November 2008. This 100% PSC operating interest will strengthen SPC's operational capability and provide growth opportunities in the Kutai Basin, one of the largest and most prolific oil and gas producing basins in Indonesia.

SPC also established its first E&P branch office in Shekou, China, in September 2008. This office will support the Group's E&P activities in China including the 100% SPC-operated Block 26/18, and the Bohai Bay producing assets.

Today, the E&P portfolio has grown to comprise 10 E&P assets stretching across five countries – Australia, Cambodia, China, Indonesia and Vietnam. SPC's producing assets comprise the Indonesian Kakap and Sampang PSCs, and the Bohai Bay Blocks 04/36 and 05/36 in China, while the six exploration assets that SPC holds interests in are Block 101-100/04

and Blocks 102 and 106 (Vietnam), Block B (Cambodia), Block T/47P (Australia), Block 26/18 (China) and Mahakam Hilir PSC (Indonesia).

In 2008, SPC participated in the drilling of two exploration, one appraisal and 32 infill and workover wells to further create value through the exploration and development of the Company's resources base.

In addition to the exploration and producing assets, SPC holds interests in midstream gas pipeline assets in Indonesia through its indirect stakes in PT Transportasi Gas Indonesia and the West Natuna Transportation System.

## Performance

2008 oil and gas production was strong with SPC's four producing assets yielding an average net production of 8,475 barrels of oil equivalent per day (boepd).

The combined production from Kakap PSC, Sampang PSC, and Blocks 04/36 and 05/36 totalled 3.11 million barrels of oil equivalent (boe) net to SPC during the year.

With a net realised oil price that averaged US\$90.67 per barrel, E&P's bottom-line contribution to the Group has been its largest to date. E&P revenue totalled \$329.2 million with an operating profit contribution of \$156.0 million, representing a 127% and 186% increase respectively over the previous year.



SPC is poised to grow in China with the opening of its first upstream branch office.



SPC was awarded the Mahakam Hilir PSC, as operator. This PSC will strengthen SPC's operational capability and provide growth opportunities in Indonesia.

## Operations Review

### Exploration & Production

#### Business Highlights

##### Producing Assets

##### Kakap PSC, Indonesia

SPC holds a 15% interest in the Kakap PSC. The PSC consists of two separate blocks, covering an approximate combined acreage size of 2,006 km<sup>2</sup>. The offshore acreage is located in West Natuna Sea, 486 km northeast of Singapore.

The Kakap PSC currently has nine producing oil and gas fields, integrated by four platforms and seven subsea wellheads. Oil is processed by a Floating Production Storage and Offloading (FPSO) vessel, and gas is transported through the West Natuna Transportation System pipeline to Singapore. The Kakap PSC contributed 2,142 boepd in 2008, net to SPC.

During the year, the block's co-venturers committed to the KG Development which is scheduled for completion in 2010. Two subsea wellheads will be tied back to the KG platform, and are expected to increase gas production by approximately 20 million standard cubic feet per day (mmscfd).

##### Sampang PSC, Indonesia

SPC holds a 40% interest in the Sampang PSC. The PSC is located in the Madura Strait, offshore East Java, and covers approximately 535.5 km<sup>2</sup>. The block consists of the producing Oyong field, the Wortel gas field development and the Jeruk oil discovery.

##### Oyong

2008 Oyong oil production averaged 2,527 bpd, net to SPC. During the year, the PSC partners embarked on the second phase of the Oyong development to commercialise the gas reserves. Gas production from Oyong remains on schedule and is expected to commence in 2009.

##### Wortel

Development of the Wortel gas field is in progress, pending the approval of the plan of development by the Indonesian authorities. First gas production is expected in 2011.

##### Jeruk

The PSC partners continue to examine possible development scenarios to commercialise Jeruk's resources.

##### Blocks 04/36 and 05/36, China

SPC holds a 8.91% interest in Block 04/36 and a 7.82% interest in the unitised fields in Block 04/36 and Block 05/36. The blocks are located in western Bohai Bay, 190 km east of Beijing, covering approximately 225 km<sup>2</sup>.

Blocks 04/36 and 05/36 contain six producing fields, which are tied back to an FPSO vessel. These fields have a total gross oil production of 44,664 bpd (3,806 bpd net to SPC). 2008 SPC net cumulative production from the blocks was approximately 1.4 million barrels of oil. Thirty-two infill and workover wells were drilled during the year. The blocks' partners will continue to identify new development opportunities in these oil fields.

##### Operated Exploration Assets

##### Mahakam Hilir PSC, Indonesia

Mahakam Hilir PSC covers approximately 344.14 km<sup>2</sup> and is located onshore in the Kutai Basin, East Kalimantan. The Kutai Basin is one of the largest and most prolific oil and gas producing basins in Indonesia.

SPC holds a 100% operating interest in the block, and will conduct seismic surveys and exploration drilling under the PSC. SPC will establish a branch office in Jakarta in 2009 to facilitate and manage the operations of the block.

##### Block 26/18, China

SPC holds a 100% operating interest in Block 26/18. Located in the Pearl River

Mouth Basin, South China Sea, the block covers approximately 4,961 km<sup>2</sup> and is 150 km from shore in water depths of between 85 and 200 metres. Block 26/18 is the first offshore block operated by SPC.

In September 2008, SPC established the SPC E&P (China) Pte Ltd branch office in Shekou, China, to manage the operations of the Group's E&P assets in China.

In 2009, SPC plans to acquire and process 3D seismic data over the block and will continue to perform further geological and geophysical studies in preparation for exploration drilling.

##### Exploration and Non-Operatorship Assets

##### Blocks 102 and 106, Vietnam

SPC holds a 20% participating interest in Blocks 102 and 106. Located in the Song Hong Basin offshore Vietnam in the Gulf of Tonkin, the blocks cover an area of approximately 8,560 km<sup>2</sup> and contain several oil and gas discoveries along with several undrilled exploration prospects and leads.

The Ham Rong-1X exploration well was drilled in July 2008 to test the presence of oil in pre-Tertiary Carbonate basement structures in the block. In December, the well reached a total depth of 3,767 metres and flowed approximately 4,859 bpd of 39° API gravity oil and about 6 mmscfd of gas upon drill stem testing. Following this exploration drilling of Ham Rong-1X, the block partners drilled the Yen Tu-2X appraisal well. This well reached a total depth of 2,636 metres in the pre-Tertiary basement. The well was plugged and abandoned on 29 January 2009. The block partners will continue to work closely together to evaluate the drilling results and the hydrocarbon potential of Blocks 102 and 106.

### Block 101-100/04, Vietnam

SPC holds a 45% interest in Block 101-100/04. The block covers approximately 6,174 km<sup>2</sup>. Located in the Gulf of Tonkin, it is adjacent to Blocks 102 and 106.

During the year, the block partners continued to fulfill their commitments under the terms of the PSC which included the acquisition and interpretation of 3D seismic data. Exploration drilling is planned for the first half of 2009.

### Block B, Cambodia

SPC holds a 33.33% interest in Block B. The block is located 250 km offshore Cambodia, east of the Khmer Basin, where a number of oil and gas discoveries were previously made. It covers an area of approximately 6,560 km<sup>2</sup>.

The Vimean Morodok MahaNorkor-1 exploration well was drilled in June 2008. It was later plugged and abandoned with non-recoverable oil shows. In December 2008, SPC and its partners extended the exploration phase of the block for two years to undertake technical study to further evaluate the block's remaining potential.

### Block T/47P, Australia

SPC holds a 35% interest in Block T/47P. The block covers approximately 2,890 km<sup>2</sup> and is located offshore southeast Australia, about 200 km from Melbourne, at water depths of between 50 and 100 metres. The block contains the existing Cormorant oil, condensate and gas discovery.

SPC and its partners are actively evaluating the potential of the block

in preparation for exploration drilling. 2D and 3D seismic acquisition and processing of the surveys were completed in 2008. Exploration drilling for the block is planned to commence in 2010.

### Midstream

SPC has a deemed 6% interest in PT Transportasi Gas Indonesia (PT TGI) through its 15% interest in the Transasia Pipeline Company Private Limited (Mauritius). PT TGI owns and operates two gas transmission lines: the 536 km Grissik-Duri pipeline and the 468 km Grissik-Batam-Singapore pipeline.

## Proven plus Probable Reserves based on Working Interest (SPC Share)

	Net SPC Share
Estimated Net Reserves Year End 2008 (million of boe)	21.9
Net Average 2008 Production (boepd)	8,475

## SPC Assets Summary

	Location	Working Interest (%)	Status
Kakap PSC	Indonesia	15.0	In production (oil and gas)
Sampang PSC	Indonesia		
– Oyong		40.0	In production (oil) Development (gas)
– Wortel		40.0	Development (gas)
– Jeruk		21.8	Pre-development (oil)
Block 04/36	China	8.91	In production (oil)
Block 04/36 and Block 05/36 (unitised)	China	7.82	In production (oil)
Mahakam Hilir PSC	Indonesia	100.0	Exploration
Block 26/18	China	100.0	Exploration
Blocks 102 and 106	Vietnam	20.0	Exploration
Block 101-100/04	Vietnam	45.0	Exploration
Block B	Cambodia	33.3	Exploration
Block T/47P	Australia	35.0	Exploration