

BHP Billiton Petroleum
CSG Briefing
19 October 2006

Well good morning ladies and gentlemen, pleasure to be here with you today. My name's Mike Yeager. I'm the Group President of Energy for BHP Billiton Petroleum. And I'm really looking forward to spending about the next 45 minutes updating you on our business and then turning it over for whatever questions might be on your mind.

Before I get started, let me just briefly introduce my two colleagues that are here today, Zlatko Todorovski, our CFO, who's here in the middle and then David Walker, one of our Presidents of Production and we will talk more with those guys as we move along.

Slide 1

Let me go ahead and get a little bit of the required disclaimer stuff out of the way. I'm sure most of you are familiar with this and I won't read it. But certainly, we are going to put forward our very best judgments and then let you make your judgment. So thank you for letting me do that.

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Here, let's get into a little bit of the objectives that we want to, or the agenda that we want to cover for today. What I want to do briefly is lay out the objectives of what I hope we're going to be able to accomplish together over the next hour or so. Try to give you a little bit of information on myself, being new to BHP Billiton, go through my background a little bit and some of the things that I've been up to in my career.

Also, and probably one of the meatier parts of our discussion today, we'll certainly want to spend some time talking about the BHP Billiton Petroleum approach to business, how we intend to work, what we're doing and certainly try to show you some things that we think will allow us to be a little more effective, a little more efficient and be able to execute a little stronger.

Based on that then we'll try to move into our strategies, what we're up to, what we're trying to accomplish and how that fits into both our near term and long-term objectives. We'll go through each one of the individual strategies in a great deal of detail, show you some of the components of those. And then by all means after that certainly try to show you where we're spending our time right now. But then also give you a little bit of guidance on what our next areas of focus are going to be and how that fits in. And at the end of it summarize for you what we think will be a pretty compelling story and one we're very, very proud of.

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So, let me just briefly comment on our objectives for today. We want to show you the approach we're taking to manage the business. I'm going to spend a little bit of time probably talking about the oil and gas business in detail from a BHP Billiton perspective, show you what we're trying to accomplish, how we go about doing things, how we measure things, what's important to us and how we go about ending up with a good accomplishment. And I think you'll find that to be interesting. And update you, of course, on the status of our very high value activities and projects. And, as you know, we've got a number of those, very, very fortunate in that regard. And I'm going to give you a good in-depth view of those.

Going to give you a view of the additional depth of our opportunities and, like I said, that's going to be both exploration and some of the longer term things we're looking at. And try to link all that together and show you how our knowledge fits through there. How we're confident in what we're chasing has a very, very good chance of being brought to bear. And then hopefully at the end of that show you just the significant confidence that we have that good things are ahead of us.

So, let me obviously tell you just a couple of things there, as I finish that chart up. Having been here for six months I want to try to be as credible as I can with you. I'm going to tell you everything that I can that I know. I'm going to emphasize the things that we've been studying very hard in my first six months. I'm sure some of you will be wanting to know the exact number in 2011 and some things like that. And that may not be exactly what we can do today, but

certainly we'll pledge to come back to you, talk to you more about those specifics as we do know more. But clearly we're going to try to do our very best to regain our credibility and show you where we're going to be putting our attention.

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Let's spend just a couple of seconds on myself. And, once again, I think most of you are aware that I'm fairly new to the Company. I'll have six months in on 28 of this month. I started with BHP Billiton on April 28 this year. Spent 25 years with Mobil and ExxonMobil, worked all around the world. My family have moved 18 different times, lived around the oil patch quite a bit. I'm sure some of you, that makes you shake your head a little bit. It certainly makes my wife and children do the same when we look back on it, but it's been a lot of fun. Lived in all the little dusty oil towns around the world and then finally got a chance to go to the big city a few times. So, enjoyed four years over here in London, where I was responsible for Europe operations. But clearly, I've never done anything but the oil and gas business and all of it, 100%, in the upstream.

I have no background in refinery operations, or gas selling process, or petroleum issues, or whatever stuff. If that's on your mind you've got the wrong guy. But certainly 25 years of doing nothing but this, so drilling and producing wells, and working around the world.

I've worked in all different parts of the upstream business. And, as most of you know, when we talk about the upstream we mean the exploration, the development of the projects, the producing of those fields and the marketing of that oil and gas. And I've worked across all of those different activities.

Some of the big influences on me, and I think you'll see it as we come through the discussion today. But clearly I was very, very heavily influenced by my 19 years with Mobil and how Mobil was extremely good in the creative side of the business, valued relationships, worked well with others. And certainly that's a hallmark of what I know BHP Billiton is about today. So, clearly that had an impact on me. And then, of course, in the last six years with ExxonMobil, the strong performance drive that company has, the discipline on the capital side and the approach to business and all. So, once again, those were some of the things that have touched me a lot. And clearly you'll see some of that as we talk about the activity that we're going to describe today.

I have to admit to you and I admit to my colleagues all the time that I really love this business. I've been in it for a very long time. It's more than just a job. Certainly there's a romance about the oil and gas business that I'm sure many of you are familiar with. But it's amazing how tight as a community it is. You can go around the world in Saudi Arabia, or Jakarta, or Malaysia, or Houston, or Canada you know people, or you know people that know people. And it's a very, very tight thing.

I'm sure most of you also know that we have the privilege in this business of working with highly technical issues, highly complex financial issues, people, operations, work practices. So, from that standpoint it also has an awful lot of variety. It clearly is something that I've greatly enjoyed.

BHP Billiton has welcomed me warmly. Certainly I have felt like we have had a good fit with what I like to do and what the Company needs. I feel like I've got some things also there. But more importantly, it's full of good people, strong management, people that care, who want to win and succeed. And certainly, that's very, very important to me.

So, that's a little bit of background on myself and certainly coming up on six months and I've enjoyed every day of it.

Slide 5

And speaking of six months let me just mention to you clearly what I've been trying to do. And I hope this makes some sense to you. Many of you are used to looking at, or looking with, new management and how they go about trying to assess the business. But clearly this is what I've try to spend an awful lot of time on in these first six months.

The first thing, of course, is try to assess our leadership capability and our overall organizational capability as a petroleum organization. When it comes to what we do every day with our money, our knowledge and how to go about it, it is so important that clearly me understanding what we're good at, what we're not good at, where we've got some gaps. That's important and I've tried my very best in this early period of time to assess that.

The second thing, of course, is to understand the status of our highest priorities. We've got some major, major activities that we are committed to. We are in the process of either beginning to execute those or we'll be ramping that up very, very soon. From my very earliest conversations with Chip Goodyear, our CEO, and our Board of Directors it was very, very clear that we have these major priorities and clearly I accept those. But understanding the status of them, understanding how we're progressing has been a major, major part of what I have been up to. And I think you'll see that during our discussion.

Thirdly, of course, as I look at that, and having spent 25 years in the business, I've done my very best to assess the gaps in our execution capability. That's certainly something we have to be good at. We have to get done what we've already committed to. And if we ever wanted to acquire something, or take on ownership and expand our fit clearly in a bigger way, our execution capability will be our number one asset to do that. So, I've clearly tried to make sure that I understand those gaps and go about correcting them. And you'll see some of that today.

Of course, once that's been done and we look at our activities and got a clear understanding of what we need to do, and made some changes in the way we work, you're going to find that we've tried to build some very good alignment in our Company, have everybody understanding clearly what our targets are, what their roles are and even how their individual components of performance and compensation and things tie in to that. And I think we're making a very, very strong progress and have everybody understanding the five or six major things we've got to get done and linking everybody to that. So, I feel good about that.

And then lastly, the piece that will never stop, we're going to measure our progress, understand how we're doing and start to adjust if necessary. I'm sure many of you understand the oil and gas business, but let me just remind you a little bit about what we do here, particularly on that last topic.

We try to go to some of the higher risk parts of the world, or a lot of depths, as deep as 5,000, 6,000 and 7,000 feet, drill wells 10 miles below the ground, drill for months. And of course, we try to build the facilities, put all that together and then install it. And I can assure that not all that goes right all the time. And any man, like myself, or a leader like myself that's in charge of these kind of operations that stood up here and tried to tell you that everything goes perfectly, I would encourage you never to believe that. And I'm sure you wouldn't, because if there's anything that does happen is that our plans change.

Things happen that are unexpected. We have sometimes good news on going faster than we thought. Often times, things are dragging a bit. So, our ability to measure our progress and adjust as necessary is a vital part of management. We do that literally daily. And the two guys here with me, as well as our broader management team, as you'll see as we describe how we work today, clearly that's we try to be good at, know where we are and to take the actions it requires to get back on progress and get back on task.

Slide 6

Let me now describe a little bit of our organizational approach because we've made some changes in the time that I've been with the Company, and I'd like to describe those to you. For the last several years of BHP Billiton Petroleum we've been organized on a geographic basis. And what that really means that you have an organization that does a little bit of everything in that geography. It drills. It produces. It builds projects. It markets the gas and things of that nature.

And clearly now, as we look at both the condition of our Company and where we are with a major execution focus that we're in the process of doing, as well as just assess the difficulties around the world at getting things done it certainly appears that we can get more mileage out of having a stronger, more functional approach to business and making sure that we've got an intense bright light shining on those things every day, and have continuous management approach on those things every day that a functional organization gives us.

And what that means is that now very simply our explorers explore worldwide and they handle every bit of it from a central organization. Same with our developers, our developers are building the projects and handling the drilling and doing nothing but that, but doing it around the plant. And, as you'll see, we have an enormous amount of efforts going on. But doing that with an intensity where it's not just a morning job and doing something else in the afternoon.

Our producers are producing worldwide. And I'll show you what that means and how the 330 some odd barrels a day that we produce today have that intense focus to try to maximize every dime of every barrel that we produce.

And lastly, our marketers market, we don't have managers that are trying to market gas in the afternoon after having done something in the morning. We have a dedicated marketing organization that is trying to move our gas and our crude oil to the hot markets of the world in an intense way.

So, this has been a bit of a change for us. It's a very simple approach. It's complex once you get inside it. And clearly we have very, very senior management that's focused on each one of these pieces and I'll show you how that works as we go through.

Underpinning that, of course, is that we have our support organizations, our finance, our HR, our health, safety and environment, public affairs, all the different groups that it takes, our investor relations group, that it takes for our business to run underpinning all that and all of that on a common system. We're not trying to duplicate those different systems around the world. So, a common worldwide system is something that we are trying to evolve to.

Obviously what this results in hopefully is that our leaders are leading, providing direction in these functional areas, guiding it every day, measuring it every day, ensuring that our targets are either being met or that we're taking appropriate actions to do that and all this, of course, against the backbone of our BHP Billiton hallmark of zero harm. We take great, great pride in our safety and environmental performance. Those things are paramount and clearly first in our objectives. And certainly, that's the bedrock that we stand on.

So, we'll operate a little differently. We're in the process of making this change. We think it will help us, clearly on our execution side. I'm now going to show you a little bit about what that looks like when you get inside a little bit.

Slide 7

Clearly, the major objective, as I think I've tried to describe to you, is the challenges out there, picture 5,000 feet of water and picture trying to spend \$4.4b, which is what our biggest project is that I'll show in a just minute, our Shenzi project. But the challenges that it takes to do that in our opinion is not something that we can take a general approach to. So, what we're trying to do

and one of our major objectives here is to obtain world-class functional excellence in every piece that we do.

Our drilling, we want to be drawing on our knowledge from around the world so that everything that we've learned last week we can functionally bring to bear in the operations that we're performing this week. So, functional excellence is something we talk a lot about and we try to make sure that every single person that's involved in the decision is supported functionally, so they can have those learnings being brought to them literally on a daily basis.

The second objective there that I wanted to mention was to ensure that whoever knows the most about a problem is involved in solving it. When you've got a geographically based organization of people spread out around the world it's a little harder to make sure that people touch the things that they know most about. With the approach we're taking we'll have people that know the most about our drilling operations, most about our geoscience, most about our engineering, most about our financial aspects. And they'll be touching each and every bit of the major difficulties we have and getting involved in solving that. And that'll be a big change for us.

The third objective there, work in a very purposeful way. Once again, when you look inside of our Development division, our Exploration division and our Production division you will see that purpose there. And everything that's built there is to streamline that and try to maximize the value of that. Obviously having the right people there, giving them the right knowledge and making sure that we've got the right information certainly gives us the very, very best chance of making decisions. And as you know in our business we make decisions that will be five or seven years before we ever bring anything to bear on that. And then another three or four years before the pay out occurs. So, the premium around good timing, good upfront thinking cannot be over-emphasized and that's what we're trying to achieve.

And then our fourth objective then, of course, is to emphasize what's most important to get it done, try to eliminate the things that that are not urgent and make sure that management is not only attending to that, but the whole organisation is built around what it is that's most important. And I think you'll see that as we talk through.

How are we doing this? We're trying to give very clear roles. Certainly when it comes to marketers marketing the gas and oil that we do is not being blurred on that that's an example of not trying to do that, as well as drill wells. So, we've got very, very clear roles for everybody in our Company now.

Placing a much greater management emphasis on the parts of the business that are critical, what you'll see in a minute we have very senior management that is totally focused on these things, that are paramount to our shareholders and to ourselves that we must get done. And certainly we're very confident that we can move forward here in a better way.

And then, as I mentioned to you, measuring our progress in a more systematic way. We're trying to make sure we can put every project we have or every thought we have on the wall on a common basis, and be able to measure those things and make decisions about their rank order in a common way. And the way we're approaching the business will give us a much better chance at doing that.

The why I think is pretty self-explanatory. It's to allow that excellence in our execution. That's where we are today. We're in a major execution mode like we've never been in BHP Billiton Petroleum before. And clearly we look at these aspects as being great aids in being able to get that done.

The last thing is just as important as being able to do it again. So we're trying to build an organization that can continuously learn. Like I said, things that happen in another part of the

business, we want to make sure we're using them this week if they happened last week so that we're adjusting, as I have described.

So this is a little bit of what we're trying to do. We'd like to think that people like yourselves are interested in how companies work inside of them, what their focus is, how they're going about their business and that's what I'm briefly trying to describe to you. And just as importantly, we're well aware that we've got some performance gaps that have been evident and we're trying to make sure those are closed. So, you seeing these changes are important to us, because this is what we're working on.

Slide 8

Now let me briefly wrap up this session by just talking about our functional organization and then you seeing what it really looks like up close and personal. Let me just draw your attention to the arrows across the top of the page there. We're now on slide number eight for those that don't have the video.

As you can see, 99% of the new opportunities we bring into this business are brought into our Exploration side. Occasionally we might do something from a new business nature or a business development nature, but primarily it's the exploration through the drill bit. That will eventually at some point get passed across to the Development organization who will take that and try to turn that into a project. And obviously if they are successful in doing so, then that will be passed along to Production who will be able to run that project and deplete it over the 10, 20, 30, 40 years of its life. And then pretty much simultaneous with the producing aspect is that we'll be marketing those products at the same time.

What we have with those four divisions that are based just like you can see there. And the four or five very simple, very straightforward metrics that the senior managers at the bottom, the worldwide presidents we have of each one of those organizations are accountable for. As you can, safety is number one. It's greater than number one. It's point zero in every one of those. So, certainly that's the bedrock of what we're trying to do.

But when you look at Exploration organization you can see that Steve Bell, our President of Worldwide Exploration, is attacking every day our opportunity inventory, our resource edge, our seismic and data quality and our overall finding cost. Steve will hold on to anything that we've discovered until we reach a point that we call the Critical Resource Threshold. That means that both he and Nigel Smith, the President next to him, have agreed that we've discovered this many resources and it's now ready to have a project team placed on that. So, it's very, very clear as to when Steve owns this and it's very, very clear when it passes across to Nigel.

When it does Nigel Smith, our President of our Worldwide Development organization, will then take that, develop a concept for the optimization of those oil and gas reserves that we've discovered, develop a project and a drilling execution schedule, be responsible for a costing schedule on that and bring it all the way through to commission and start up.

At start up then it will be passed on to our Production organization who, by the way, will have been very involved in the development of the project and will have actually been living with the project during its final stages of construction. But at start up our Production organization will take it and drive it forward, be responsible for all the daily production, be responsible for turning it into the lowest cost operation that it can. Ultimately, over its 20 to 30 year life responsible for the reserve adds and the reserve recoveries and maximization that needs to occur there. And then last but not least, responsible for any additional opportunities that may develop in that project or around it, or in any relationship to it.

David Walker, who is here with us today, is our President of Production for Europe, Africa and the Middle East and Australia. And Mike Weill is responsible for all the activities in the Americas,

particularly with our emphasis on the deepwater Gulf of Mexico. These guys handle these metrics. We measure these weekly and clearly that's what we're looking at.

And then finally on our Marketing side, in addition to our, of course, maximizing our revenues is very important to us, but Rebecca McDonald on the gas side and Alex Green on the crude side, responsible for developing, particularly on Rebecca's piece, our gas markets around the world, where should we take gas that we discover, what's the best way that it can get there. That often times has her involvement in the gas projects that are developed and her sponsorship of those projects until we have a market figured out and then finally taking that through all the way through to contract management, contract negotiation on that.

So, once again, a pretty simple, straightforward organization, but for BHP Billiton Petroleum a significant change from what we've been doing in the past. And clearly we like the opportunity that we feel this presents us to get at our business in a very meaningful way.

Slide 9

So, let me wrap this piece up by just describing very briefly. Here are the advantages that we feel we will have now relative to the way we've performed in recent times. Our clear accountability and our clear focus of management of our organization certainly gives us the intensity every day that we can feel and that rate of change that we can accomplish in our major functional areas. We're certainly pleased with the early progress that we're making there.

Point number two, it does give us the sense to emphasize the functional excellence that I've described. We want to be excellent in every single part of everything we do. And we now have people sitting next to each other, juxtaposed to each other, with a clear line of sight of what their role is. And then they're supported by those that know more about it than even they do.

Picture one of our project engineers working on a project supported by a project supervisor, supported by a project manager, supported by Nigel. That line of sight and the work that goes on there in that intense manner every day is very pleasing to us and a really big change from the more general approach that we have taken in the past.

Like I've mentioned before, it does give us a common approach in measurement across our entire portfolio. Our top talent touches all similar activities I have described. Measure against milestones, measure against our activities, measure again and again and again, and clearly that's an important piece.

Nigel Smith, who I just showed you, is our President of Development, would have been here today. Nigel planned to come. But in Nigel's measurements over the last couple of weeks one of his projects that should be attaining about 2.5% of accomplishment every week is only running about 1.5%. So, he's visiting that yard today of where that construction's going on to get that changed. That's the intensity and that's the change that we feel we're bringing to that business now.

Lowest cost per barrel, we now have a lower cost organization, lower leverage to that, and clearly feel like it gives us a chance of having a higher value company as we move forward.

And all this, of course, allows us to be set up for year on year drive for functional improvement in the way our business is managed in leading to overall business accomplishment.

So this is how we're working. A little different. I think we're making rapid progress, rapid change there. And, clearly, over time, as I come back and update you on how we're doing, these functional worldwide presidents will be able to wade into their piece in a very, very big way. And I think that will be something that we'll benefit from as well as our shareholders.

Slide 10 & 11

Okay, with that said, let me now get into what we're trying to do and how we're trying to accomplish it. So I just want to spend a couple of minutes here outlining what appear to be very simple and very straightforward strategies driving our base performance, executing this large and meaningful Project Portfolio that we have. And then, thirdly, of course, making sure that we are always, even now, attempting to capture additional opportunities, but doing them in a way where our knowledge today, and our activities today, can be brought to bear. So certainly I'd like to go through each one of these in a little bit of detail. And, hopefully, you can see the value that we're trying to build, drive as we approach these.

Slide 12

And we start with our drive on base performance, if I can. While we do so, just briefly mention to you, and I'm sure many of you that have been following BHP Billiton Petroleum for some time are aware of this, these are where our base operations are today. And, once again, I will just remind you this, what's encompassed here, is a little over 330,000 barrels of oil and gas equivalent on a given day.

Major operations in the Gulf of Mexico and in Trinidad in the Americas. We have operations in Liverpool Bay, here in the Irish sea in the U.K., as well as joint interest ownership in several key North Sea assets. We operate a gas plant and major field developments in Algeria and Pakistan both. We have operations in the Exmouth Basin of Western Australia, as well as major joint interest ownership in the North West Shelf of Australia and the Bass Strait in Australia. Many of you, like I said, that have been following us for a while are aware of those but, clearly, that's what we mean when we talk about our base operations.

Slide 13

Now let me briefly describe what we try to do with those now that it's a little more intense and a little more tactful in the way we're trying to prosecute this than the way we've done in the past. First of all, it's probably very apparent to you that our production management is responsible for all of our base performance worldwide. And, once again, as I mentioned in the fourth quarter of last year, we produced about 336,000 barrels of oil equivalent, oil and gas equivalent, on a given day.

What we're trying to do now is to make sure that our daily focus on our operations has such an intensity that we can measure both our wells and our facilities literally on a daily and a weekly basis. Our goal is to have 100% of our wells producing at 100% of our maximum rate for 100% of the time. That's an impossible measurement form but that's that's how much we're striving to maximize that piece.

I'm pleased to say as we put our additional focus on this, our early indications are that our fiscal year '07, the quarter that we're just finishing, our uptime to date has averaged about 94%. If you exclude the major planned shutdowns that we've had, then about 92% even if you include those. Our goal would be try to get all this to about 95% on an annual basis and stay there. If we could do that that would be amongst the best that I'm aware of and, clearly, would serve us very, very well.

So the intensity that it takes to do that on a scheduling maintenance, scheduling drilling rigs, doing all the operational things, making sure the equipment runs, making sure that every well is cared for, I don't want to understate with just some simple words. But I hope you can imagine that hundreds and hundreds, if not thousands, of BHP Billiton Petroleum people that are trying to do this on a given day. Very, very big accomplishment and we're off to a pretty good start.

The reason that's important is the fourth bullet here. Natural mother nature wants to decline our business by about 8 to 10% a year. I said a reservoir wants to gradually give up. Well, our Production organizations' challenge is to make sure that that doesn't happen. They do that by

trying to create new wells to be drilled, new compression, new opportunities. We'll recover more from a given reservoir. And certainly if we can do that we feel that we can offset that natural decline to something that's more like 5%. That allows our new projects to be laid on a stronger base and it gives us a stronger Company. That's what we're trying to accomplish.

Our quarter, first quarter of '07, of our fiscal year '07, we'll announce those volumes next week. But I'll go ahead and tell you right now that, clearly, we're going to be very, very near what we were in the fourth quarter of our last fiscal year. So we like the impact that this is having, the daily focus that we've got. We're going to be very, very near flat between those two quarters and those numbers will be out there next week.

In addition to volumes, which are critical to us, the other major areas that our production and our base gets focused on, this is where our unit costs are so important. This is the cost that it takes both capital and cash on a daily basis to produce a barrel of oil. We measure that every single week and month we get together and look at that, and our Production management's goal is to take that down over time.

Then, as I've mentioned to you, these reservoirs take 30, 40, 50 years to get all the oil and gas out of there. And sometimes the technology that can be brought to bear on something that's still 10 and 15 years old could be like the scrubbing and a new field from the field we already we have. Another 5% out of that reservoir, in many cases, is a lot of oil and gas. This is what these guys do every day is try to maximize that recovery and we're constantly measuring that.

So, once again, as you can see at the bottom there, our goal is to extract maximum value from every barrel we produce, and not just take for granted that this base is something that you don't focus on. This is where the bulk of our people are, this is our cash register, this is what's really ringing in our earnings today. And that's why we're placing a more intense focus on it.

Slide 14 & 15

Now if I could talk about our projects. And I'll begin by talking about the projects that are in execution, many of these that you're familiar with. First of all, let me just do a very, very brief scene set for you about where these projects are. Primarily the Gulf of Mexico, Trinidad, Pakistan and Western Australia, both in the North West Shelf and the Exmouth Basin. What's important about this is that you'll notice it's focused. The things you're going to see in a minute are very material, they have size, running room for them. They're not small, scattered things. They also sit in places that we already operate so our knowledge there is strong. And, clearly, our ability to execute this and do it well rises as we put this more intense focus on our business, as well as working in areas that we have strong confidence that we have the knowledge to do so.

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This is a brief list of our major projects that are in execution right now. Try to spend just a second here and then go through each one of these in a little bit of detail for you and describe to you where we stand on each one. I'm sure many of you are aware of the Atlantis South, the large Gulf of Mexico deepwater project. BHP Billiton having 44% of something that's going to produce about 200,000 barrels of oil a day, and 180m cubic feet of gas. Gross reserves for the whole project of around 600m and over \$1b of BHP Billiton share to get that done. Right now we're looking at that, at the start-up on that, and I'll describe a little bit more about it in a moment.

After that, our Neptune project is also in the deepwater Gulf of Mexico, a little smaller but still a very sizable thing. Stybarrow in Western Australia, the North West Shelf Train 5 in Western Australia. Both of these, Stybarrow being operated by BHP Billiton, Train 5 being part of the North West Shelf Joint Venture, as is the Angel project, which is a large gas development offshore that will feed the LNG Train 5 plant. Our Shenzi project that we've just announced

recently here in June of this year, a very large BHP Billiton-operated deepwater Gulf of Mexico venture, 100,000 barrels a day, major reserves and quite a bit of money. And then of course an expansion of our Zamzama gas plant in field in Pakistan that's in progress right now.

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So if I could, let me just spend a minute now and talk to you very briefly about each one of these. First of all, in regards to Atlantis. You can see how large and how meaningful this is and, clearly, we have an intense focus on it. This is BP operated with, as you can see, with a large BHP Billiton ownership segment. We have joint teams with BP, we work with them, and I had the pleasure of sitting down with their management and going through this from head-to-toe as recently as just last Tuesday. And certainly we've got a good team on it and we're very pleased with the way that the efforts are going forward.

The major accomplishments that have occurred very, very recently, as you can see, the picture in the upper right depicts the huge facility being floated out of the yard in Corpus Christi, headed out into the deepwater Gulf of Mexico. That arrived out there in August. They're in hurricane season but we were very, very fortunate to get out there and get all 12 of the timber lines that connect that facility to the sea floor in place and as planned. So we are now secure and ready for any type of weather that could come up and, other than having to evacuate personnel for extreme conditions, we'll be working straight through now to get this thing commissioned and on stream.

The development drilling is in progress and right now we see the wells and their capacities being able to meet our start-up requirements. The Capex, of course you're aware that we've announced that that Capex is going to be at least 30% over, and I'd like to come back and make sure you understand a little bit about what that means at the end. But, clearly, the Capex will be greater than our funding.

Many of you may be aware that in the deepwater Gulf of Mexico recently, there have been some issues around what's called a manifold that sits on the sea floor. A manifold is where various wells come together and then go into a common pipeline ahead of the facility. Some of those manifolds in other projects have experienced problems with the welding where dissimilar metals, due to the pressures and temperatures and oil and gas content, have caused some contamination of those wells. We're in a position right now on Atlantis where we're learning from those other projects. We do have some issues that we're going to now need to fix relative to those same issues. But we have three different options in progress are being finalized there, and feel like we'll be on top of that. So actioning that problem in this project, we feel like we've absorbed that and we'll be moving forward without a great deal of interference.

In the lower right hand column, I'll just mention briefly, around the hurricane piece. As you can imagine, last summer, both this project and many others were delayed due to the major storms that were there in the Gulf of Mexico. There are only about three vessels in the world that can work to hook up the huge amounts of steel between the sea floor 5,000 feet below you, and these projects. One of those is the vessel called the Balder. It's visible in the picture in the lower right in the background. That's the heavy-lift vessel, like I say, that picks up these huge risers and connects them. We're in the process of working that right now. We are hooking the risers up on Atlantis, but we will have some issues around having to share that vessel with other projects in the Gulf of Mexico over the spring of next year as that schedule has been impacted due to everybody having some delays there.

What this is probably going to mean is that Atlantis will most probably start up in a split mode, meaning that we'll bring some of the wells at one side of the field up, because we're hooking that up right now, and then we'll come back and do the other bit a little later. The field is designed that way, where the north side can come on separately from the south, so I do think that's what will occur.

So, in summary there, I think the Operator of BP is still saying that in using a target of the first half of '07, I would say, based on our review this week that we're going to be very, very near the end of that. And, clearly, right now I think we would need to say that our judgment would be that we'll have very little impact from Atlantis during our fiscal year of '07.

We do expect it will be very, very near right at the end that we're going to. Hopefully with the extra time we've had and the extra wells to be drilled, we're working on being able to ramp it up quicker, get it to a plateau faster, get it stronger, even seeing if we can run at rates possibly above what we've got here. So far the reserves picture and the drilling has gone very, very well. But, clearly, we do expect to have that start-up very, very, very late in the first half of '07 and probably so late that it won't impact our fiscal year of '07, which will end at June 30, as you know.

Now let me just mention briefly about the cost overruns and make sure that you have a little bit of a qualification on that. When these hurricanes occurred last year and we had the major Thunder Horse incident in the Gulf of Mexico, well that you know had problems with water. The coastguard and the American Bureau of Shipping in their evaluation of that certainly have provided guidance to us that there are some upgrades they would like for us to make in these vessels that are some 200 miles offshore. So that if events happen like that, water can be contained in the compartments a little better than it was found.

So we had to go back on Atlantis and retrofit that with some changes that were learnings from the Thunder Horse incident. Other projects have had the same thing. So that is behind us now. Those retrofits have been made. It did cost us time, it did cost us schedule. But, as far as the main project is concerned, the reserves and the basic facility and all, other than this cost, we're pretty much exactly what we were hoping for.

The other big piece of course of money that you try your very best to judge back when we funded this project several years ago, and that is what rig rates were going to be. And we're now, with the rigs we'll drill on this project for another six, eight, 10 years. So when you see us talk about our cost overruns we're also trying our very best to project rig rates out six, eight, 10 years. And we are now having to project those as being higher than what those rates were several years ago. But, once again, not a fundamental change to the project. So the costs being up but also, should the world be a little bit kind to us, our realization should be up quite a bit too from what we had thought.

So, overall, we're very aligned with BP. We're working hard, we like what's going on. It will be very, very late in the first half, but we are now on a more predictable schedule and feel like we'll be able to measure those accomplishments and being able to track that in a very, very close way. This is big and very material to us and we're going to be as glad as anybody to have it online.

Slide 18

Let's go to the next one very quickly, on Neptune. This is our BHP Billiton most mature deepwater Gulf of Mexico project that we will operate. You can see the characteristics there at the top once again. The progress we've made, we have cut steel now almost a year, so we're well in the progress on the topside. Our whole fabrication started a little bit later last December but that's very well advanced now. Our development drilling is just kicking off. We've got the first well down and it looks pretty good. Our rig that we're using is there in the lower left hand corner, the Development Driller 1 by Global-SantaFe. So a rig that we have under a big secure contract for another several years. And we have a good relationship with Global-SantaFe and they are key partner with us. And we're very, very optimistic that this rig, it's modern, it's brand new, double-derrick, multiple capacities. It can do several jobs simultaneously, and we're expecting very, very good things from that as we drill this development.

And right now, any hurricane data that impacted this design, as I described, has already been factored in, placed in the design, and those changes have been made and that fabrication is in progress right now.

So, all in all, we're still looking at our first production in the fourth quarter of calendar year '07. Like I say, the well results and the content of this, are looking good and, clearly, our ability to measure this every day is important.

As many of you are aware of, when we use the word 'project' here, it's something that we kind of take for granted. We've got a project to build - these huge topsides that you can see in that picture in the upper right hand corner. A separate project that's been in the hull, that's a piece of marine equipment that has to float and operate correctly. A separate project to drill these wells in 5,000 feet of water to over -- to 15 and 20,000 feet of depth. And a separate project to install all this stuff on the sea floor, all the trees and all the umbilicals and so you then integrate all that together.

So, once again, I spent just a minute there to brag about what our people do every day because, certainly, the word 'project' just really doesn't give credit to what has to happen here in very, very harsh conditions. And so we're very, very proud of it. So we're making good progress there and we're very optimistic of a good outcome.

Slide 19

Our next one is a BHP Billiton operated FPSO off the coast of Western Australia, called Stybarrow. An FPSO is a Floating Production Storage and Offloading vessel. That's what FPSO stands for. The wells, you can see, are drilled onto the sea floor and are all tied back to that vessel. We've provided a little bit of a cartoon there in the upper right, where we've got the project drawn with the Perth, Australia, skyline. Below it you can see that aerial extent of what these things really take up when you put them on the sea floor and the enormity of what's going on there. At 850 meters of depth this will be the deepest development that's been done offshore Australia. Started the FPSO hull fabrication in this year, and you can see that down in the lower right. Our development drilling has just come in and it's in progress and, once again, we're very, very, very pleased with the progress we're making there.

We have a very mature team in Perth. They are all over this thing as well. It's Nigel and his development management now giving this the singular focus that I talked about. And we're very optimistic of what this is going to mean for us. As many of you are aware, this is a leased vessel. This profile of this steel has a very unique aspect in that it will have very, very high rates but they will only last for just a few years and then it will tail off very quickly. So I've taken that leased perspective, just with some flexibility in the out years just to how we want to manage that, as opposed to having to own that vessel. But, once again, as you can see, an enormous task and one that we're clearly going to be proud to put our flag on when we're done.

Slide 20

A couple of our Joint interest projects, very quickly. Talked about Train 5 at the North West Shelf. Tremendously new LNG capacity of about 4.2, that's your tons per annum. The civil works are near complete now, meaning that all the pre-fabrication that needs to be done to erect this new Train, has been done. We have the first shipment of the pre-assembled units being completed here in September. We're taking a different approach. We have modular construction going on here where we've got some 40 different modules being built and they will be floated in and be assembled in modules, rather than building it a piece at a time there on the site. Clearly, we will move in to that mechanical erection of those modules here in the fourth quarter of this year, and then be ahead of the race as far as headed towards start-up, which we hope will be late in calendar year '08.

As we've reported, we do have some market cost increases here of at least 20%. Certainly, once again, the fundamentals have not changed but there have been some market rate changes that have occurred in the yards there in South-east Asia, where we've been building these modules, that we will be absorbing.

But having said all that, I would also tell you that, as you're maybe well aware, the LNG, these trains are normally built where you have to be in those secure gas markets. The gas markets, particularly in South-east Asia, are moving very comfortably for us. We have a great deal of interest in the product that we're going to be pulling out of here and, as a matter of fact, have a number of Heads Of Agreement's that are in either very near final negotiation or final, towards the underpinning of this product.

So I think when we come online, we're going to be doing it in a very good time. The contracts that we're able to secure here, although confidential, they are a different structure than in the past. They are improved and we're very, very proud of what this is going to mean to our upstart in our ability to capture maximum value from this significant opportunity. Very, very large operation and, as you can imagine, this, in itself, this Train 5, and trains one through four are pretty enormous, and you can see those sitting there in the background.

Slide 21

To put the new gas through this, one of the first projects that we'll be developing is this one. It's the Angel project. It's an offshore platform set in 250 feet of water with three subsea wells. We'll be producing another 800 million a day, so these are large high-volume wells. This is the additional gas that's needed to underpin these contracts. Our jacket fabrication, the jacket is the part that sits on the sea floor there, commenced in March of this year in China and the topsides are well into their stage of fabrication in Malaysia. The topsides will be floated over the jacket when we're finally ready and we're certainly looking and tracking the operator's estimate right now of first production late in the calendar year of '08. So, once again, this will coincide with those new gas contracts that we have just describe, and all that will fit together.

So when you look at our field, the Angel field and the Train 5 piece, and those contracts bringing all that together once again, and just using the single word 'project' sometimes underestimates what really has to happen.

Slide 22

Now let me bring you to the big one that we've announced very, very recently, in June of this year. The sanctioning of our Shenzi project, the second BHP Billiton-operated deepwater Gulf of Mexico operation. Certainly, as you can see, the capacity is there, very, very large. Since our sanction we have moved rapidly to cut steel on the topsides as early as July of this year, and begin the whole work. And that little, small celebration is at the bottom there in that picture.

In September of this year our development drilling at this time, and it is being performed by our second deepwater Gulf of Mexico rig, the CR Luigs, another Global-SantaFe rig. And, once again, this shows the cooperation, the alignment and the joint partnering that we've had with Global-SantaFe for a number of years. This rig, many of you may be aware, it's won many awards for deepwater operations and safety and it's probably cut more feet of pay in the deepwater than any single rig operating in the Gulf of Mexico today. We have it all under our contract, secure for several years, and we'll be making sure that that stays that way as we move forward.

So we're building a good project, a big one. We've got a great set of contractors working for us, a very experienced BHP Billiton team. All of what you're seeing here we would have done this somewhere before, or industry's done it before, so there's no Serial 1, Number 1 type of work here. It's deep, it's difficult, it's hazardous but, clearly, we're doing it in the most confident way

and very optimistic of this being another major piece of our deepwater operations as we move forward.

Slide 23

Last one, and our execution at our Zamzama plant. In Pakistan, we have our Zamzama field, a plant in operation now. And certainly it's a pretty good expansion where we'll be taking it up from 300 million cubic feet a day to 450 million. We're building some cryogenic facilities and some pretty expensive treatment facilities to take gas that's a little bit nasty and clean it up before we put in the market. But we like this operation. It's performed well, we're now expanding it and there is more that could be expanded beyond this when the markets are there. We certainly like the idea of being in the Pakistani market and it's growth, and certainly this should be a very, very good and lucrative project for us.

The markets are evolving. We are in the process of moving forward for these additional sales as the country needs the gas. So, once again, a good long-term position for us and one we think will be very optimistically used as go forward.

Slide 24

Okay, if I could, those are the big ones. As you can see, fairly focused, fairly tight, things we think we can do. Now, very quickly, I'd like to describe our additional opportunities that we're chasing beyond these, and I'll do that in a couple of segments on both the Development side and on the Exploration side.

Slide 25

On the Development side, once again, as you can see from this map, most of these places should look familiar to you. The same basic places we're working today where we've got additional opportunities that are being pursued. Some of the unique ones though in here that maybe we haven't talked about before. Many of you are probably familiar with the Cabrillo Port LNG re-gasification facility that we are trying to permit off the coast of California to provide for that market when LNG does land there. Certainly we'll talk more about that, but that's primarily still in the regulatory process.

More projects in the Gulf of Mexico, Trinidad, Western Australia and the Bass Straits. Once again areas where we've got significant knowledge in areas where we can move forward to assess these things in a very rapid way.

Slide 26

Whilst we're near the time here, but just briefly mention some of the larger ones that we feel like are very, very sound and are technically being worked on and in some stage of commercial activity also. First one is Pyrenees, which will be a second FPSO off Western Australia. Be BHP Billiton operated. It involves two different blocks offshore where we have 71.43% in one and 40% in the other. But we'll be blowing the gas and oil from both of those into this facility and we have good technical work going on there, and we'll be bridging on our Stybarrow lines.

Angostura gas is in Trinidad. As you know, we've got major oil operations in Trinidad already. This will be gas that will be both the gas that we're producing now, but also new gas discoveries that will be made and those will be integrated with our existing facilities.

Further gas, we're seeking to underpin the Train 5 LNG plant in the North West Shelf. It's our North Rankin B project and our Western Flank Gas. Both of those once again will be needed for the next generation of projects, not only to keep our new Train 5 full, but to underpin the new contracts that will play part of Trains 1 through 4 that are already in progress.

In the Bass Straits, as you know, we've had the major interest there. Joint interest operations with ExxonMobil. We have two projects there that will be moving forward, we hope, in the very near soon. Despite not needing the gas, we have more gas there than we can sell now, these projects also have larger liquids volumes, and that will be the basis upon which we'll be trying to get those executed. Take advantage of those liquids now and then have the option for long-term gas sales in the future.

Scarborough is our major offshore field, offshore Western Australia. Over 6 trillion cubic feet of gas has been discovered there. We're now, with our partner, ExxonMobil, looking at the various options for bringing that gas into an LNG complex, whether it be a new build or something that's -- or projects that are already there, or even floating LNG offshore. These are the various things that are being looked at. Clearly, none of that has been decided. There'll be a commercial and technical and many other decisions will be part of that, but we are looking at all those options and we're confident that we'll be able to bring that to bear in the not too distant future.

I mentioned Cabrillo Port and the regulatory process we're in for California re-gasification. That's obviously got a lot of notoriety right now. I'll just remind everybody that, primarily, we're in the resource business. This is just a way of getting our resource out again and getting it to market. It in itself creates no new resources but it clearly is a very lucrative piece of gas sales if we can get this done. And we'd love to get it done but, clearly, the California regulatory markets will have to guide us there a bit.

And then, finally, a few things that are still in concept phase, meaning they're a little bit lesser advanced than the ones above it. And these are all in Western Australia and we'll be providing additional follow-up to our North West Shelf picture there.

So, as you can see, we've got a fairly good number of things that are right behind the ones in execution, and we'll be optimistically trying to provide what manpower needed to advance those and get those to a fundable state ready for sanction.

Slide 27

Now let me briefly describe the other part of our future, which is on the exploration side. Many of you are probably very familiar with these parts of the world, but here's where we're spending the majority of our time with our exploration coverage. Offshore Canada, obviously the deepwater Gulf of Mexico, and Trinidad. But we also have seismic that's been run in Colombia right now. Our operations in Algeria, we are supporting that with additional seismic that's going on there. New lands that we've acquired in Namibia and South Africa, off the West coast off Africa there, as you can see, that we're in the process of evaluating. And then in the Exmouth Basin, and, as you'll see, we have fairly significant continuous gas development.

Slide 28

I'll just briefly mention these to you. I won't go into a lot, but obviously the Gulf of Mexico is our bread and butter of where we've been very successful. We have an exploration team that has found a large amount of oil and gas in the Gulf, in the deepwater Gulf of Mexico. We're very proud of them, we know this geology well, we're active in the lease sales and we'll be a major player continuing to pore over that. As you can see, the Gulf of Mexico, we've already got a couple or three things there that we've discovered, but are not yet able to say that they're commercial, so we are still appraising them

The first one is the Puma discovery, BP operated. This is about six miles from our Mad Dog facility, where we already have facilities out there. So that gives us some optionalities, whether this ends up being something we go at alone, or whether we might incorporate it into the Mad Dog operations. So we will be looking at that, over time.

Knotty Head is another discovery that was made and we will be looking at the appraisal drilling on that. Several different operators have different pieces of this major structure. So there will be some more commercial activity that will have to take place before that comes together.

And then our major Mad Dog development that's been on line for several year, as you know or you may know, Mad Dog is drilled from a rig on the platform. Well, that rig can only reach so far. And we now know that the field extends beyond the reach of that platform rig. So, we are going to be doing some contemplation of moving forward for the drilling of those wells, which will be drilled by separate floating rigs, and then tying that back to Mad Dog. We are working with BP on that now. Very optimistic about being able to move what could be a pretty good little piece of business for us to move forward quickly.

Trinidad, I've described that, we've got operations there that, we are trying to make sure we are looking all around us, to mop up anything that we can near our current activity. But, also in Trinidad there are deepwater and ultra deepwater leases being put forward, and we are in evaluation and even negotiation on some of those now.

Western Australia, the Exmouth basin is where we operate today. That's where Stybarrow and Pyrenees will be. So, we are continuing to explore around those to make sure we can take advantage of that infrastructure. But the Browse complex, or the Browse gas area is a little bit north of there, and it is the next major area in Western Australia that we feel has gas already discovered. We'll to continue to explore and appraise and we are proud to be a part of how that's going to come together over the next few years.

Our operations in Algeria I've described. We have three large blocks that we would operate. We are running 2D seismic over those today. And we will be learning more about that in the near term.

Slide 29

Columbia is the brand new acreage that I mentioned to you. We would operate this. It has both oil and gas prospectivity. And if we are commercial there, it's large and significant and would have a lot of running room. So, we are clearly early there, and that's where you want to be in a very prospective area. So, we are optimistic, and we are clearly hopeful and we are running that seismic now to try to progress that.

Maritime Canada, we are in partnership with ConocoPhillips, close to one of the largest gas markets in the world. So certainly that would play into our plans there. These would be tough developments if we are successful. But we are out there right now, currently looking on our 3D.

Both South Africa and Namibia, as I mentioned to you, new positions we've taken over the last several years. In South Africa we've advanced that, we are going to be ready to drill here in the next calendar year. And in Namibia we are still looking at our data there. But both of these would be operated, and we are working on the commercial terms of those.

In addition to these things, ladies and gentlemen, we want you to know that we are active in other lease offerings and other opportunities around the world. And we have several confidential bids that are under evaluation, and negotiation and discussion in additional countries beyond these. And we are hopeful of something there.

Slide 30

So, let me move toward, wrapping up. Obviously, when you think about what we've got, and what we've got on our plate it's a lot. But we do need to be thinking about what's next. All of you are well aware that there is cost pressure in our industry, an over inflated situation that comes with high prices in oil. That's one of the downsides of the good times, if you will. We are going to continue to be all over that.

Our improvement on both our capital expenditures and our operating expenses, requires intense focus. The lower we make that the better we are prepared for whatever price occurs. And clearly everything that you've seen is capable of significantly valuable economics, a process far below those that are being experienced today. So, we are not price driven whatsoever, but our emphasis on capital and operating expenses is just fundamental of what we are trying to achieve. And clearly will not be anything that we will ever let up on.

The second major thing, as you can imagine, with everything that is going on, we want to continue to high-grade those opportunities, rank them. Make sure we are acting on the ones that look the best. Doing something with the one's that we feel better need to go to somebody else. Making sure the risk is appropriately managed. But as you can imagine, those things don't just happen. That takes intense analysis, intense partner work. And clearly, we are going to be doing that in a very solid way over the next several years.

Booking schedule for our discovered barrels to proved reserves, as you can imagine, those projects that I've already described, we've got some aspects of reserves that we are allowed to book now under our SEC regulations. But a great deal of it requires a well to be down there or some kind of technical data to support the seismic image that we feel that we have, so how we attack that is very, very important to us. We've got over 300m barrels that are technically discovered and we feel extremely good about, but they are not yet able to be called proved, until we do something operationally to make that happen. So, having those barrels being brought into our proved category will be a big piece of it. And as you can imagine that helps our earnings and optimizes our forward profitability.

And then, of course, we are going to continue to evaluate our execution status and act. Once again, I said it before, the reason I've spent the time up front with you a little bit is two-fold. One, to make sure you can feel and see the differences in what we are trying to do, compared to what we've been doing, as a way of trying to re-establish our credibility around execution and being able to have a credible discussion on the launch portfolio that we have. But just as importantly, if we wanted to acquire, we want to expand we want to do anything it will take this execution in order to make that work. So, clearly that's important to us in a number of ways.

Those four big areas that are next years focus are very, very material to us, to BHP Billiton over the next several years. This is what, in some ways, we've been waiting on. It's to bring this stuff to bear. We are going to do this. We are going to make sure that it happens. And certainly, looking forward, to what it will mean to our company, because it will be very, very material.

We do have cost pressure it's there every day it's in every form. We do have people pressure, we have a shortage of people in the industry. We've got a number of things going on right now that make this thing very, very difficult to do. But, clearly we are going to be working to offset that cost and then making sure, as a part of that, we are taking care of our people, and that includes our contractors.

But as I've said, in the case of all this, we are not going to chase anything that requires a certain price. We have a fundamental price outlook, it's much different than the way things are today. And, clearly we will continue to have that long term view as we evaluate our opportunities of where we will go next.

Slide 31

So let me close with this. In summary, we feel like our new organizational alignment, our management focus allows us to do the things that I've described. It gives us a chance of having continuous improvement on our cost, allows us to rank and high-grade our opportunities because we will be able to compare one against the other. And then last but not least this intense daily focus will allow us to adjust the problems. And I've tired to just describe to you a

little bit around we have problems on every single one of these things every day. It's what we do about those problems, it separates the good operators and the good companies from those that are less so, we want to be in the good category.

The second summary point there about our base production focus, I want you to know that 300,000 plus barrels a day, we are going to try to hold that as good as we can. We are going to chase every barrel and then we are going to squeeze the cost on that to try to maximize those margins in an intense way, and make sure that everything that we do bring to bear, everything that we do produce is of the highest value.

The third summary point there, as you can see, we have an extremely strong project slate. It's going to yield significant new volumes for BHP Billiton Petroleum. These production increases are going to mean that by the end of the decade we are going to have a much, much larger company than we do today. I know everybody would like to know the exact number and all certainly we've kind of laid out these projects where you can do your homework. But we've done our very best to tell you right now where we think those projects sit. And what they are up to and how good our confidence is. But we are going to bring that stuff to bear.

Then I would also tell you what's in those projects. We can already see that several of the subsurface, the reserves, could be slightly larger. We are already seeing that there maybe adjacent projects to the ones that we are putting in place. So, the upsides around those are already identified and we will be progressively working those and trying to bring that to bear.

I showed you the additional opportunities that we are chasing that are not sanctioned yet that are not in any kind of a firm mode, but its deep and it's extensive. And we are clearly proud of that, and we'll be ranking there.

My penultimate point there is starts to get in just to closing about what we are in BHP Billiton. It's going to be quality and quantity. As you can see there is an awful lot of emphasis on here around quality, around cost, around execution, around the things that it takes to be a good company and survive and thrive for the long term. That's what we want to do that's the emphasis, not just chasing barrels to grow, grow, grow. We are going to grow, but we are going to do it in the right way, and hopefully in an optimum way. Because quantity is important, we know that, you know that and that's where we are going to be. But we are going to be there in the right way at the end of the day.

And then my final comment there is I hope you can see and feel what we do. We are very, very optimistic that we have an improvement in our base business. We think it's focused in the right way we are measuring the right things. And we are never going to let up.

So, I want to thank you for the time to allow me to go through this, and wander around a little bit. I know many of you have various understandings of our company from a lot to maybe not a lot, and that's why I wanted to talk a little bit about what we do, the difficulty in doing it, but the enormity of what we have ahead of us, and the optimism that we have to get it done.

So, with that I'd like -- I'll be glad to turn it over to you, and answer any questions. Certainly Zlatko and David and I, will do our best to tell you what we know. And if we don't know, we'll have to tell you that also.

So, I believe the program is to start here in London, was it not? So, we will do that then.

QUESTION AND ANSWER

Question

Just after you joined we did see some asset sales, and we got the feeling that you were pruning your portfolio a little bit. Is that finished now or is that going to be an ongoing process?

Mike Yeager

That's a good point. First of all, I would tell you that we have a very, very unique portfolio. We do not have a lot of junk in it. It is very clean, you can see the dots where we are sitting on our maps, most of those represent material assets that we operate. We've got a little bit of stuff around the fringes that we would continue to look at. But for the lions share we don't have anything that has a near term, urgent aspect of get rid of it, or we've got issues.

We have tested the market on a few things recently. We will always test the market around how is the asset performing today, and what other technical opportunities do we have for that asset going forward. A couple of things that we tested recently we did not find that the market would reward us. But everything we thought still remained in those assets, so we've chosen not to go through with the final sale. But in general, Jason, we don't have a lot of things, so nothing material that we would be going forward with at this time.

Having said that, as you can imagine we are a company that places itself where value is first. So in that sense I have to say that kind of everything is for sale, but at the same time we are proud of what we have at this time.

Good question, thank you.

Question

Hi there. You mentioned that you won't chase price to justify new projects, but I just wondered what oil prices you are using to sanction new projects?

And secondly, you mentioned your relationship with GlobalSantaFe, but I just wondered perhaps more generally, whether you've had any problems securing deepwater drill ships in the Gulf of Mexico?

Mike Yeager

Obviously our views on pricing are confidential and it's not something we share or move into. I can just tell you that clearly when we test things, we test them against historic pricing norms and means. And certainly have a view that there's a lot of crude out there, and that over time situations can solve themselves where the true supply-demand balance is the true market right now, I think we've got a little something extra in there. But we are very comfortable at prices, very, very lower, much lower than we are today.

In regards to deepwater drilling rigs, we are very, very fortunate that we took two of the premium rigs in the fleet under long term contracts several years ago. We are secure in those contracts for several years out. And we are already working at the additions and follow on should be in that regard. GlobalSantaFe have been a tremendous team, and we got a lot of good things together. So, we are very fortunate we have. Adding a third or fourth to some kind of discretionary activity like that is something we've had to look at. But our base load is well covered right now.

Question

Michael you've given us an indication, obviously, of the natural field decline and some of the new projects, and obviously a hint on first quarter production levels. Given the disappointment

there in the last few years, in terms of that field decline, can you give some indications of range, perhaps, for the full financial year, and perhaps for 2008 as well?

Mike Yeager

I guess right now I can tell you what we do know. We provided at our end of the year results, providing that during this next fiscal year we would need Atlantis to come on in around the first quarter in order to have a view that we could hold things flat year on year. Obviously now that has slipped some. So that is a disappointment and that's going to be a little bit of a loss during the '07 fiscal year.

Having said that, we are able, right now, to say that our base operations are performing as well as we hoped for, maybe a little better. The intensity that you've seen that we are placing on that gives us some reason to think that we have additional ways to offset that. It's going to be very difficult to offset all of it though, but we are going to do our best to claw some of that back. And we will just have to provide that guidance as we know more about it.

And then as far as '08 is concerned I think we've tried to give you, as our very best guess, is that clearly we ought to have the Atlantis piece there, moving forward, by that time that would be our views. And we are now looking at things that would allow its ramp up and its start up to be more abbreviated. But, other than that I think you just need to give me a little more time to get my feet under me before we do anything more there now. Thank you sir.

Okay, I believe our format now is to go to Sydney, and then we'll come back here.

Question

Good morning. Mike, I was just wondering, you've only been in the job six months, but there is a lot happening here in Australia, and Western Australia in particular with the problem you are talking about quarantining 15% of gas reserves going forward. I was wondering if you could share your thoughts on that issue, and how if that does come off, how does that impact some of your development plans?

Mike Yeager

Yes, obviously we've had wonderful relationships with the Government, and we have avenues there for those dialogues and for those discussions to be continuous. So, when it comes to something like this, I think we have the ability to sit down and talk and understand.

I will just say that there's a couple of different aspects to this that I think we have to be mindful of. Number one is it is our understanding that we will take a case by case view, on how something like this would be dealt with and be contemplated. As you are well aware the North West shelf has had a dedicated domestic gas component for a number of years. So it's not impossible to work both of these and that's well known. We also have been able to work with governments, like in South East Australia, how to manage markets and all.

So I think as long as we keep the dialogue open and we work together. And we take the open view that what industry needs, and what Government needs, and what citizenship needs and citizenship needs, we will be able to arrive at the right conclusion. But right now we don't have anything that states that we've got an immediate and urgent negativity being place on us. We want to prevent that, and we want to do that through open dialogue and discussion about each one of these things on a case by case basis. So, I think that's the only thing we can say and we are clearly in active dialogue and we are going to continue to be.

Question

I just wanted to go back to Atlantis. You commented on particularly a modal type commissioning of the facility, and what I read into it was you are really talking about gas production coming through of first oil from the start of it right away. What I am trying to get a feel for, is what sort of volumes, given that type of commissioning plan, can we expect for FY08 given theoretical capacity rates of 28m-ish barrels of oil equivalent, there around?

Mike Yeager

I am going to have to ask you to give us a little more time on that. I will just tell you that the good parts that I can describe on it, are clearly the extra time that we've had here during our hook up in commissioning has given us time to drill a few more wells. It's going to give us the time to have the facility understanding a little better. That well understanding and that facility understanding, and the good technical analysis will then allow us to look at what could be the more abbreviated, or more rapid build up in those rates. So that we can get, like you say, to that more full volume as soon as possible.

So give us a little more time. But I would say that clearly the extra time we've had in the delay is being used to analyze that. And I think we will be able to provide a little bit more of that as we know more about it. But we are clearly trying to make sure we do get to where we got this facility at full capacity as soon possible. And there is an intense focus on that.

Question

I have a question in regard to mergers and acquisitions, activities that you may undertake in the future. In your presentation you had a lot of emphasis on core and getting back to core activities and focus. I am just wondering where does M&A come into that picture for extension of core activities? And indeed, even going to greenfield areas and activities, how does M&A fit into all that picture please?

Mike Yeager

Okay. Well I am very pleased that you picked up that core aspect because clearly it's our view that we could go out here today and probably buy most anything as long as we keep adding enough zeros to it to until you finally get somebody to say yes. It's what can you do with it when you get it in house. And I think all of us are aware of things like winners curse and things like that, so we want clearly to avoid that.

But our understanding of the areas that we are in is very deep. And you can have confidence that if something is going on in kind of what we would call our three or four backyards that we are going to be all over it. Obviously we are trying to extend ourselves in those areas where we've made significant investments. If there are activities to be had across the fence line from us, we are going to be engaged with those people and moving that forward. But it's all based on the fact that our knowledge will be superior, and our positioning to execute whatever we bring in being superior.

So we are putting the lion's share of our efforts right there right now. But it clearly will pay the benefits that you are describing if we can get ourselves tooled up quickly. We are looking at a few things and certainly you can expect that would be right in the areas where we are good, and feel like we have high confidence today. So over time we'd like to see this be something that is a tool for us. But right now our focus is on getting our platform and our foundations strong enough to where that's a credible discussion. And we are rapidly making that change. Thank you for that question, I appreciate it.

Okay, do we want to go to the phone line now?

Question

You talked a lot about strategy and I am just trying to understand, you divested some assets in the Gulf of Mexico to Petrobras, I believe back in August. I just wanted to understand what was behind it, I think it was the Walker Ridge area, Cascade and Chinook.

Mike Yeager

Okay. thank you. The Cascade and Chinook were two discoveries that we had made over the last several years. And had done our usually, and hopefully, even better as we moved forward intense evaluation of the economic potential there. These things were in very, very deep water, as you are aware of, out there in the 8,000, 9,000, 10,000 feet range and they are in a geologic province that is different than our bread and butter deepwater Gulf of Mexico operations today.

The oil quality in both of these reservoirs, in our opinion, was a heavier oil. We had done the technical work on that, and clearly when you start having heavier crude, in these deepwater reservoirs your ability to predict how they are going to deplete and all, is certainly not something that we know a great deal about. And certainly something we have less confidence in.

The other aspect of the two discoveries we made was in the rock matrix itself. As we examined the rock matrix, we were concerned that the number one thing that you need in the deepwater Gulf of Mexico that being high rate was achievable over the long time. The rock matrix looked to us, to have some issues relative to it. So these two concerns, both of them very strenuously technically evaluated, led us to believe that we can take our money and use it in these multi billion dollar opportunities in a better way right now.

So we saw the commercial outcome on that. We did work with Petrobras and others that will now put this into a different portfolio, put it into different learning's and probably allow that to have a different thought process, and that's what makes companies different. But clearly we kept a significant override on that, it's a risk free without any money to us, so if there is significant upside there we are going to participate in it.

So I hope that makes sense to you that strategically this was based on our technical understanding, but also keeping a good commercial option going forward. Great question, thank you.

Question

Mike, with regard to Algeria, you have some operation assets there at present. I note that you are continuing an exploration effort in Algeria. Given the fixed rate of return type environment, and it appears fiscal regime is changing with higher taxes, I was just wondering if you could expand on the rationale for continuing in Algeria please?

Mike Yeager

Well, let me make a brief statement. And then I'll ask David Walker, who is our President of Europe and Africa and Middle East to elaborate a little bit more. But you are right the Algeria fiscal terms in the past have been really tough, and the Government is indicating to us rather strongly that they want to clamp down even more on that. The aspect of Algeria though that does appeal to us, is that we do understand that subsurface, we do have a good technical view there. And because of that, if we have opportunities we want to continue to evaluate them.

The acreage that was picked up was picked up several years ago. So the new pressure that is being placed on us is a bit new. But you are right this is a very, very difficult thing and one that

we are going to have to deal with. And Dave, you want to elaborate any more on the fact that we are in dialogue and what's going on there a bit?

David Walker

Yes if I may, I think, first of all you mentioned fixed rate contracts. That's probably closer to the truth on the Ohanet contract that we have that is a risk sharing contract with Sonatrach. But actually the other contracts, the production sharing contracts, are not really fixed rate returns. And so, in fact, in ROD at the moment with higher oil prices for instance, and we've production about 75,000 barrels a day growth, we see actually very, very good returns. And, in fact, Algeria last year made a very significant contribution to Petroleum.

And so we've also got the exploration acreage, as you mentioned, again those are production sharing contracts. And so, again, the rates of return we will get on those will vary, again depending on what we actually find, but it's very early days on the exploration side.

Mike Yeager

But you point about it being tough, that's real. And we have our eyes wide open on that and you should know it. Thank you.

Question

Mike, Just a follow up question really from the earlier one asked on mergers and acquisitions. I think your answer was that, when you do act you will act somewhere where you are good. Could I just ask where, as someone new to the organization, where do you BHP Billiton Petroleum is good?

And, also, could you just, I know its early days, but could you just give us some feel for how you see the advantages of BHP Billiton Petroleum being part of a major mining company?

Mike Yeager

Sure, I appreciate that. In regards to where we are good, our recent success, over the last five or seven years in the deepwater Gulf of Mexico to find oil fields in the industry is recognized. We've got some performance there that others have not been able to duplicate. And clearly we have a group of geoscientists and geoscience management that has performed at a very, very high level.

And we've done so, in a part of the deepwater Gulf of Mexico where we've got a commanding knowledge base up there, maybe its good fortune that's turned out to be one of the most prolific parts of the basin's development and everything. So we are sitting in pretty good shape there.

We are going to continue to be accurate we can look under the salt as well as anybody. The wells we have drilled, our drilling organization have excellent expertise. Others struggle on the drilling. Its always tough. You're drilling in deep water, through salt and then to 25,000 feet. But on our Shenzi project, as an example, we drilled up to 12 appraisal wells on it with various side tracks, and got to bottom all 12 times.

So when you look at what we can do there and what we've done there, clearly we feel like if we wanted to step across the fence and try to do something that we've got some reason to do it. You get outside of that, our operations in Western Australia this first step we've built right now with the second one in progress. With geoscience capability, we operate pretty strongly there.

So anyway, when it comes to the subsurface that's where we start our expertise and we are going continue to grow that. And we are now trying to develop our project execution capacity

and capability where it can match our subsurface field. But in doing so if we can get both of those right, I think we will be able to talk about being able to do things in a pretty meaningful way.

In the Gulf, to your second question, and being part of the biggest mining company in the world, clearly from the standpoint of a petroleum company with our size, with the risk we take on, with the money that we need, we are very, very proud of the fact that this company has such sterling financial capability, depth and being a part of that, and being part of a company that warrants itself on value you know we're going to have a change to compete against other activities for the capital funding from a very strong corporation. So that's a wonderful place to be.

I would also say that as I have gotten to know the senior managers and become part of that group, when it comes to things like technology, operations, resource capture, access to new lands, project management, these are common things that we all talk about. And although we don't work together in an integrated way, clearly the learnings that are gathered from that side, and the learnings that are gathered from the petroleum side can be shared and can make the corporation a better place.

So those are some of the things that I feel like we're in the process of taking advantage of, and feel like we've got an awful lot more that can be done, and I'm looking forward to working with my mining colleagues, and with Chip on how to do that even better. Thanks for that, that's a good question I appreciate it.

Okay, we'll come back to London now here.

Question

A quick question you mentioned performance gaps you're trying to close and used the words 'regain our credibility'. Is it fair to say that the challenge of this role was perhaps greater than you first thought when you took it?

And secondly, can you say the shift from a geographic base down to the organization operational base that you talked about, it that now complete and you expect the benefits starting to come through?

Mike Yeager

Sure. Let me just say in regards to the challenges that are here and whether they're greater or less or not, I don't really know how to answer that. Part of that is the make up of myself as well as the job. Having a great passion for this stuff, and a love for it, I'm not sure that if you go about this work in a rigorous way, it's one of those things, probably like your jobs which are never ending, and it's really what's the most important and how do I get at that, and how do I get that accomplished. And in that sense, I've got my plate full yes. Is it more or less than what I thought, it's about what I thought. And it's full of wonderful people, talented people, and clearly the desire to win and succeed is present everything I go, and that's the number one ingredient. So in that sense I think it pretty well matches what I thought.

We've got some tough things to deal with, and high oil prices and in an inflated environment, and cost pressure and people pressure, and those are extra things on top of being in a new job. But certainly we accept those challenges and clearly feel like we're getting on top of them a little bit better every day.

The second part of your question was what, I'm sorry?

Question

The changes.

Mike Yeager

The organizational changes that we made, thank you. Yes, our Senior Management Group is in place and has been in place for several months. The second and third levels down are getting formulated and clearly we like the way that's going. I think one of our largest impactful on executives on that is Zlatko, and he's in the process of finalizing that, so Zlatko would you like to comment on where we are as far as bringing all this to bear.

Zlatko Todorovski

Yes sure. I think it's fair to say that Mike's brought a vision around drafting the organization functional structuring. And his management plan have been pretty accurate in making sure that vision gets achieved in reality. Where we're currently at is, Mike mentioned that his senior organization's been through. We've been working pretty actively both within each of our individual functions, as well as across the Group to make sure that as we design that organization, and it meets both the excellence and execution requirements that we've set ourselves, that it also fits the across the entire organization. So I'd expect that in the next two to three months we'll have the next two layers of organization pretty well defined. And we will say that by the end of the calendar year it should be pretty much in place and operating. Clearly there's still a lot more work to make it effective and operational, but the key elements will be in place.

Mike Yeager

I would also comment that we're using a very structured management of change process to where someone stays in their old duties until relieved on station, so we're doing our very best to avoid those gaps. Because we're in execution of a lot of this right now. Thank you. Good question.

Question

Mike, just a couple of questions. First one, in talking about your new approach of business. Are there any aspects of the project evaluations phase that you have changed in coming into the business? I'm thinking, have you listed or changed the hurdle rates requirements and/or the pricing protocols?

And the second question just in terms of just industry trends more broadly, oil sand is obviously is developing, could you comment on how you see the oil sands economics? And does it have any applicability to BHP Billiton given its mining expertise.

Mike Yeager

Sure thanks. Let's talk about the first piece as far as the project evaluation is concerned a bit. If you could indulge me for 15 seconds of educational stuff, but it's something that really drives this business. The petroleum business is really unique in the sense that, if we're going to build a facility out there and drill the wells, and then drill additional wells and care for that over its life, for 20 or 30 years, then we'll going to spend 50% of the money that's going to be spent over that 20 or 30 years before we ever get one penny of revenue.

So where we make our living and where we get our value is in the upfront piece and getting it right. If you get the concept right and get the execution plan right, you can be mediocre after that and still end up in a pretty good way. If you get that wrong you can't execute well enough to go back and fix a bad plan.

So our entire development division concept is around project evaluation. We have dedicated people now that are doing the evaluations on all the new opportunities, and what's the best concept as a single group. So that we've got the very best people we know that can do that doing all of that. But we obviously involve the units around the world and we draw in their expertise. We clearly draw in others that maybe have specialized skills but that development and evaluation piece upfront is so important.

Obviously the lion's share of what we do there is on the technical side to make sure the sandbox is sized right and we can put the minimum amount of Capex in there to drain in, we've got it. That's what we want to do. So quite honestly, hurdle rates and pricing forecasts and things like that are very subservient to getting that technical piece correct. So we've made huge changes in the way that's done, and clearly we'll be doing that in a common way.

As far as industry trends and places opening up and all, right now I think, given where we are and how loaded we are, that's certainly the reason I come back to doing things that you know is for that reason.

The oil sands, and I've worked in the oil sands is a tremendous opportunity. As you know right now that is going through some of the enormous costing pressures anywhere on the planet. And if you guys have never been to Fort McMurray Alberta Canada, you ought to go up there, it's like the typical gold rush where people are living in their cars, because there's so many jobs and so much work to be done, and everybody in Canada's rushed up there.

But I just say that because it's overheated. I think you're seeing right now that some of the major projects that are technically ready to go are being held back up there because the prices have increased significantly. So it's got a natural bit of intrigue because it's pseudo mining. But the other problem about the oil sands is, once you get that bitumen, a scoop of that stuff, the technology really kicks in, you get the sand out of it, get it manufactured if you will. So this is not something we know how to do. It's certainly something like anywhere in the world it's big and oily so we'll going to keep it out of the corner of our eye, but it's not something right now that we have a major focus on.

While places like expanding the deepwater Gulf of Mexico, making sure Western Australia, looking at in Pakistan and other places where we have a footprint where we can expand that, we're clearly trying to work on those places. Thank you.

Question

Mike if I look at the five year production record of the group, we've seen oil volumes drop by about a third from two thirds of the total. We've seen gas volumes I think increase by about a third to just over half of the total. Does that shift in the oil/gas balance have any bearing at all on the way you look at life now strategically in terms of project priorities, exploration, M&A, marketing, all that sort of stuff.

Mike Yeager

That's a good question on that overall balance. I would just say that right now, particularly in my first six months, the focus and the perspective we're trying to place there is, let's make sure that we are starting at the sub-surface, that we are gaining a better perspective on the fields that we have today because of that decline, and the things that are in this list that I've shown you. And I think when you look at the way we worked in the past and what we're trying to do now that I think everybody in our entire petroleum organization can feel the recommitment to getting the oil and gas in the ground right. And that shows up in a number of ways.

Right now, whether that's oil or gas is not something that we are putting as the first priority, but certainly when it comes to gas, particularly in these new areas like Colombia, Namibia, South Africa, were that to be gas, if it's gas of a certain nature it might be exportable. But if it's gas of another nature it can only be sold in country. So we'll be evaluating that very quickly and trying to technically understand that as fast as we can.

But I will tell you if there's anything to your question that I feel excited about, it's the fact that the portfolio that I described to you, particularly those in execution, and the new barrels that we have coming on line here in the very near term, are oil and gas in the best fiscal terms in the world, the deepwater Gulf of Mexico. Lower royalty, great markets, good crude quality.

So a lot of the oil and gas that we have today is in places where it has caps on it and it has different things around its realization. So I'm very excited about getting a big piece of our portfolio back in, where all of that upside belongs to us and it's not capped in a certain way. And that would be the big thing.

So right now, I would just say in direct answer to your question, we're trying to get the technical understanding of the sub-surface right. Low pressure gas in the middle of nowhere is hard to deal with. Anything else we're all over it by now.

All right, back to Sydney.

Question

Thanks Mike. Just a follow up question. This time just to focus on Shenzi. Obviously BP sold out of their share in the stake to the group Repsol. And I think to most people in this room we probably were very surprised at the amount of money they were willing to spend on the asset, the share of the asset. And I'm particularly interested in what you think we may be missing. Obviously there appears to be significant upsides to the reserve base, and I'm just wondering if you can give us any clarity on that.

And also is there any scope to increase the capacity of the facility, and therefore obviously bring barrels forward and maximize the returns you're going to get out of that asset?

Mike Yeager

That's a great question. Most of you are very familiar that BP made the decision to exit their 28% of Shenzi, and that Repsol made that purchase at a fairly significant market price. And you asked me first of all what we're missing. I hope that what we're missing is the fact that we feel that the upside in that base project and the fiscal terms that are in place there, and any kind of a slight surprise on the oil or the reserves side has a huge exponential upside with that project. So we sat down and we looked at what the offer was for BP's offering, looked at our interest, compared it on an equivalent basis, showed it to our Board of Directors, and quite honestly we're confident that if we can go about our business in a good way, that's the kind of return that we're going to get on the equivalent piece or maybe beyond.

Yes, in answer to your second question. The facility is sized in such a manner that once it starts making a lot of water it will have some limitations on its throughput. But in a water free state, meaning in the early years there's no water, it's all oil, we're hopeful of being able to take the rates above its original design capacity.

And then lastly, we've been very public that the Shenzi structure we can only see part of it right now. Our project is based on the part we can see, but when you've got a crest and you're heading up it, certainly it comes down on the other side somewhere, and we've got some confidence that it could be oil bearing in an area extent that's beyond what our project would

develop initially. So yes, there are upsides to the Shenzi project. It has great fiscal terms, we have a good execution plan and a good group of partners, and we're very optimistic there. And in essence that's why it's still in our portfolio, if that makes sense to you.

Anything else in Sydney?

Question

Can you comment on the other Gulf of Mexico projects as to how long you think you might be able to sustain maximum capacity at Atlantis and Neptune?

Mike Yeager

Well I would say in both of those cases of maximum capacity, there are a number of variables there that will become into play. If we held, I won't try to get into the reservoir of engineering too deep with you guys, but if you picture the balloon down there and it's full of oil. If it is just a balloon and it has no pressure support it will deplete like a balloon and the rates will get lower and lower over time. If that reservoir is connected to strong water pushing on it, then it will keep that pressure high and the rates on your wells will stay higher for longer. That's the number one variable that we will be looking to determine on these developments as soon as possible.

We are advantaged there in that we're already a owner in Mad Dog, so we're 18 months into that and we're studying it every day what are those well pressures doing it, what can we tell. Atlantis will be next, certainly we'll have more Mad Dog learnings by the time we do that. BP is common in Mad Dog also, so two of us are the same. So that's the number one variable. If we get water pressure support, and if we get a lot of water pressure support, meaning its water from a 10 or 20 miles connected, then these things could stay online much longer. If that's not there then we have plans built into the facilities, and in the sub-surfaces scheme to add water injection to create an artificial piece of that. It will hold it up some, it won't hold it up like strong Mother Nature will but it'll still hold it on plateau.

So right now, I would say until we have a better feel for the offer for support and the pressure support, we really can't say much more than what we've talked about in our initial announcements around those reserves and how that will work. But clearly that will be a very big upside on all these projects and one that we're studying everyday.

Question

Just two questions. First how do you feel about your LNG capabilities, how well equipped are you in LNG in the market that's already short of operators and technical skills? And how much of a strategic push may there be in LNG given that it's not really at the moment a high focus for you?

And number two, could you give us some color on Bass Strait. In the past we've always been led to believe we should be allowing for a 15 to 17% natural field decline, and can you talk about that element?

Mike Yeager

Yes you bet. Let me take the LNG piece first on the capability side. Certainly when it comes to our LNG understanding we've got a couple of places right now where we're trying to make sure that that expertise and capability is being enhanced right now. Certainly our ownership in the North West Shelf gives us access to the technical understanding, the operational understanding. We've been in there a long time, we've been marketing in there a long time. So when it comes to how this is done and what's happening, and how to approach it, although

we've never stood in those, we've been observing this and learning it and been part of it for many years. So clearly that gives us some advantage.

We operate significant facilities around the world, gas plants around the world, and in my prior life the guys that moved into the LNG operations were the guys that had been heavily involved in the sophisticated gas plants of the world. We have those so that gives us some operating capability. And then lastly, as you can imagine the technical expertise that we're developing right now to build these complicated deep water projects, that I've tried to spend a minute or two making sure we can all understand how complicated. Our project management and our ability to carry that stuff out is growing every single day. So we've got a number of things there that are helping us. We've hired some people in the past year or so to help us. They've done these sort of things and they haven't done it with BHP Billiton of course, but we're bringing that LNG expertise in.

So yes, it is something that right now we can't rush and build a huge team until we have the need more apparent. But we're trying to make that need as strong as it can be and then we'll poised to move on that in a pretty good way, when it does happen. So I think we're in position now where we could react and will continue to make sure we get stronger.

In regards to the Bass Strait, I mean there's a couple of different things there. Your right when it comes to, I guess the oil decline, if that's been around a while and very mature, and it does have one of the more severe decline rates of anywhere in our portfolio, mainly because of its overall age and just maturing. ExxonMobil has done a great job on that thing, technically strong over the years, so clearly our confidence in them in their ability to mop that thing up is high. So decline rates around the world are different and that is one of the stronger.

Other places though that are still on plateau and even the Bass Strait where there's an enormous amount of gas, we could go right now and do a number of things on the gas side if the market was there. So the decline rates are different, they have different parallel activities around them declining and what we can do to offset that. So Bass Strait has a number of things colliding at the same time, very mature oil but a lot of gas that could be used but the market limits how quickly we can go there. So a number of things in place, but overall the Bass Strait is still one of the most important pieces of our portfolio and one that we give particular attention everyday and work hard with ExxonMobil to make sure it's maximized.

And some of these new projects as you can see, we are continuing to chase those liquids while we give the gas markets a chance to continue to work. Hope that helps.

Okay, was that our three in Sydney? Shall we go back to the telephone? Okay.

Question

[Technical difficulty] gas to liquid fuel technology?

And secondly I wondered if you could give a bit more detail on your South African and Namibian project please.

Mike Yeager

Okay. Your phone connection was a little bit rough there, but I think I heard your question around our activities relative to gas to liquids technology, and then possibly a little bit of an update on our South African, Namibia situation.

In regards to gas to liquids, as most of you know LNG is the primary method whereby gas is taken, converted into a liquid, hauled in ships and taken to markets and then re-gasified around

the world. And it has over the years become an extremely economic way of doing that activity, and is now the predominant method by which gas is liquefied. And it has gained nothing but technical and better technical answers to the problems of making it lesser and lesser costly and more and more advantageous to be done.

Gas to liquids has lagged that. Gas to liquids is a different technology whereby you're creating a different product that can be used in different ways and particularly in regards to the technical aspects of it, and it is more expensive. And it has not had the code cracked on that worldwide. Yes there are some gas to liquids activities that are going on, it does require a fairly high and robust view on liquids prices longer term. And I think we will see that that technology will get better and better.

BHP Billiton is involved right now with some of the leading gas to liquids technologists in the world. Because of our gas situation that I described and needing to get it to markets, we are in our own right partnering with people that do this well, have done it, have major plants in operation now and have pilots that are even expanding the new technology. So we're very familiar with that, it's not something that with our size and capability we can rush out and duplicate today, but we've positioned ourselves strategically to be in a place where we can deal with gas to liquids when it's novel.

In regards to the activities there in South Africa and Namibia. As I've stated, we've got seismic leads being progressed and we've advanced in South Africa to the point where we'll be ready to drill a well in the next calendar year, if we can get the final fiscal terms and all that worked out. We've still got a few things that are going on there, but we're optimistic and we're in dialogue with the government on how to do that. So if that's the case, then we'll know what's there, and be able to move forward.

And Namibia's lagging that a little bit, the seismic is still being run and certainly we'll continue to be technically savvy in regards as how that could work.

We're already working on the markets as to how this move indigenously onshore into those countries, or if it's of a certain extent to be exportable. So we're looking at those various options now.

Question

Thanks Mike. Just a question on Exploration spend. What do you expect the spend to be this year, or what do you expect your trend expectation to be with the Group under your direction over the next several years. How does that come out, what capitalization rate would we expect?

Mike Yeager

This year we are targeted to spend somewhere between around US\$450m in our Exploration spending, that's up a little bit on where we've been. We are once again, in a very good position there that others would love to be in, in that there is a fairly significant amount of our portfolio in Exploration that right now is in appraisal. That means we have found the hydrocarbons and we're now appraising the size of those hydrocarbons. That's quite different from the first test, so we do have the good fortune that a great deal of our spend is in that place.

I will just tell you that as far as that money is concerned, I feel like that our Company and our Board will want us to be prudent, that we need to be, but at the same time, open minded of what we need to get done. We are going to try to replenish our land and seismic and expand our footprint, and in that regard it will clearly put some pressure on what we want to do and how we want to do it. But I feel that those, Chip and the others that I will be working with, are supportive

of what we can do, provided we're creditable and strong and experiencing a track record that is sound.

So I would expect us to stay in that general range but it could flex up or down, depending on how the opportunities are and how creditable we feel. I hope you can see that over again here we're not going to rush out and do things that we don't know and we don't understand, and that we don't feel good about economic under the circumstances that we feel are there.

So we're going to continue to be prudent and you start to bulk up against how much can your organization do, and how much should we stress them to do and right now I think we've got a pretty good healthy load on. It's just that a great deal of it is appraisal.

Question

Mike, how could we expect that capitalization rate to be going forward based on increased exploration?

Mike Yeager

Yes I think in regards to the capitalization rate, there's always two different parts of that. Clearly the appraisal drilling that we're doing will give us a better chance of those things being final discoveries and being part of a project going forward. So that will be on the optimistic side. On the negative side, if you will, of that capitalization rate we do need to, if we want to continue to be active in the lease sales, we want to acquire new data and that's an expensable aspect. So let me have a little more time to sort through that in the first six months, I hopefully given you a little bit of the inflection points and certainly described to you how important this is, but let me have a little bit more time, if you would, before I start trying to predict that, if you don't mind.

Question

I've got two questions. You seem to be mentioning the word creditability a lot, do you believe that the oil and BHP Billiton petroleum sector has suffered from a lack of creditability in the past, and perhaps has been down on projects as a result?

And secondly in relation to Kipper you mentioned earlier I think that there's more gas than you can sell in that area. Do you see that moving forward in a timely manner or will it sit on the backburner for a while?

Mike Yeager

Okay. Well let me just start with the first piece. I think that any company that is attempting to do in a big way things that it's never done before that it's just wise to be a bit humble around what you can brag about and what you can't. Like I've said we are extremely credible on our finding in certain places. We have a track record there that many of the other majors would love to have, and clearly we're extremely credible in that sense. When I was over with BP this last week, we're sitting there almost as equals in the Gulf of Mexico talking about drilling and geoscience and things of that nature. And that makes me very proud. So, we're extremely credible in that sense.

When it comes though to saying that we've got a solid record of predicting our volumes and then delivering those, and a solid record of accomplishments in things that we're now facing, I think the word credibility there is really just trying to be humble around the fact that we recognize that we need to have a better, more predictable story there.

And hopefully everything you've seen today or heard today is about the fabric and the foundation of how we plan to do that, because clearly, it's credibility with you, and ourselves,

with our employees, with our shareholders that means a lot to us. And we'd rather say less but deliver more, and that's what we're trying to do.

But we clearly want to make sure that we don't have all the answers right now. I can't tell you the number for a certain thing in five years. I can tell you what we're doing so that that number will be as good as it can be. But right now that's what we're trying to do, to be credible and saying the things that we know to say, and staying away from the ones that we don't.

So, I hope credibility is discussed in a couple of different dimensions here.

When it comes to Kipper and that going forward, certainly our entire South East Australia portfolio has a number of things that are being looked at. We do have good liquids activities that are buried in there. And that helps us with the gas part of it. And that's the part that you're going to see us place the emphasis on.

And I think Dave right now, we've got Kipper moving forward and under evaluation, actively being worked with ExxonMobil. You want to comment on that at all?

David Walker

That field has got a fairly high liquid content. And the project is moving through our appraisal system as we speak, along with Exxon and Santos are the other partners there. So, hopefully we should see that come to a conclusion regarding sanctions within the next year or so.

Mike Yeager

Okay. So, moving forward but certainly based on the liquids piece, and we've still got a pretty good overhang there in South East Australia.

Thank you.

Okay, I think we're getting a signal that we've about, perhaps to pay the bills for all this and we've about run out of time. I want to thank all of you here in London for joining me and joining us. And be glad to stay around and chat for just a few minutes if you'd like.

For those of you in Sydney thank you. I look forward to meeting you and seeing some of you very soon. And to all of our callers thank you for your interest in BHP Billiton as a corporation, and Petroleum in particular. Thank you very much.

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