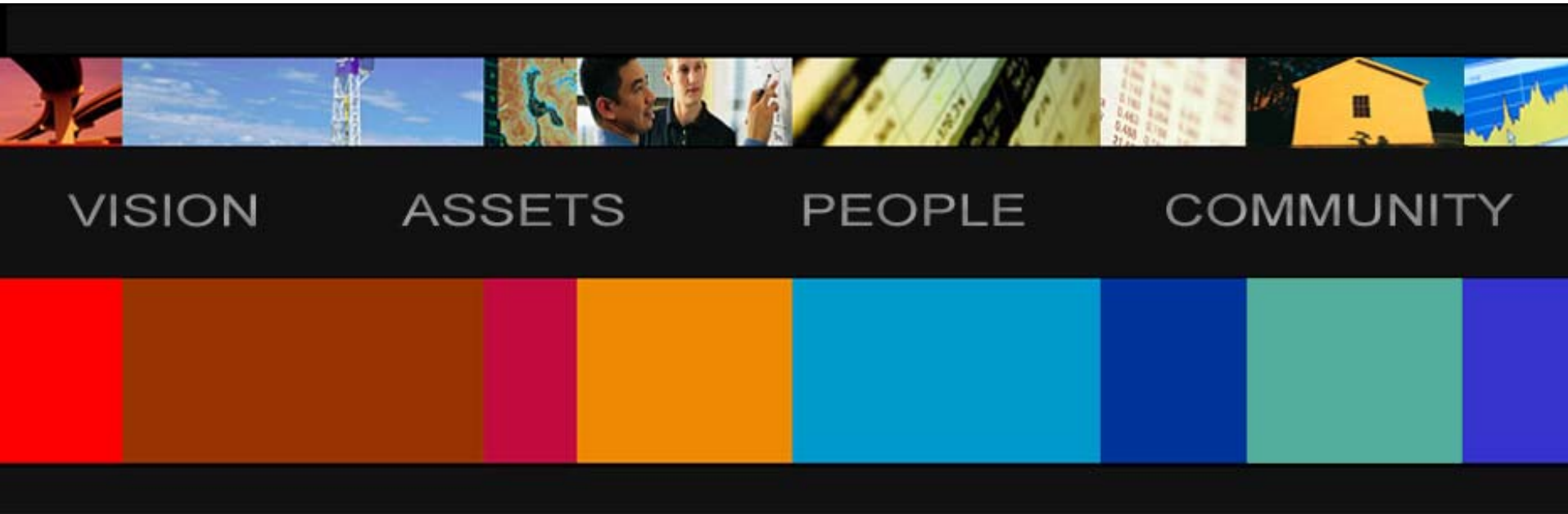


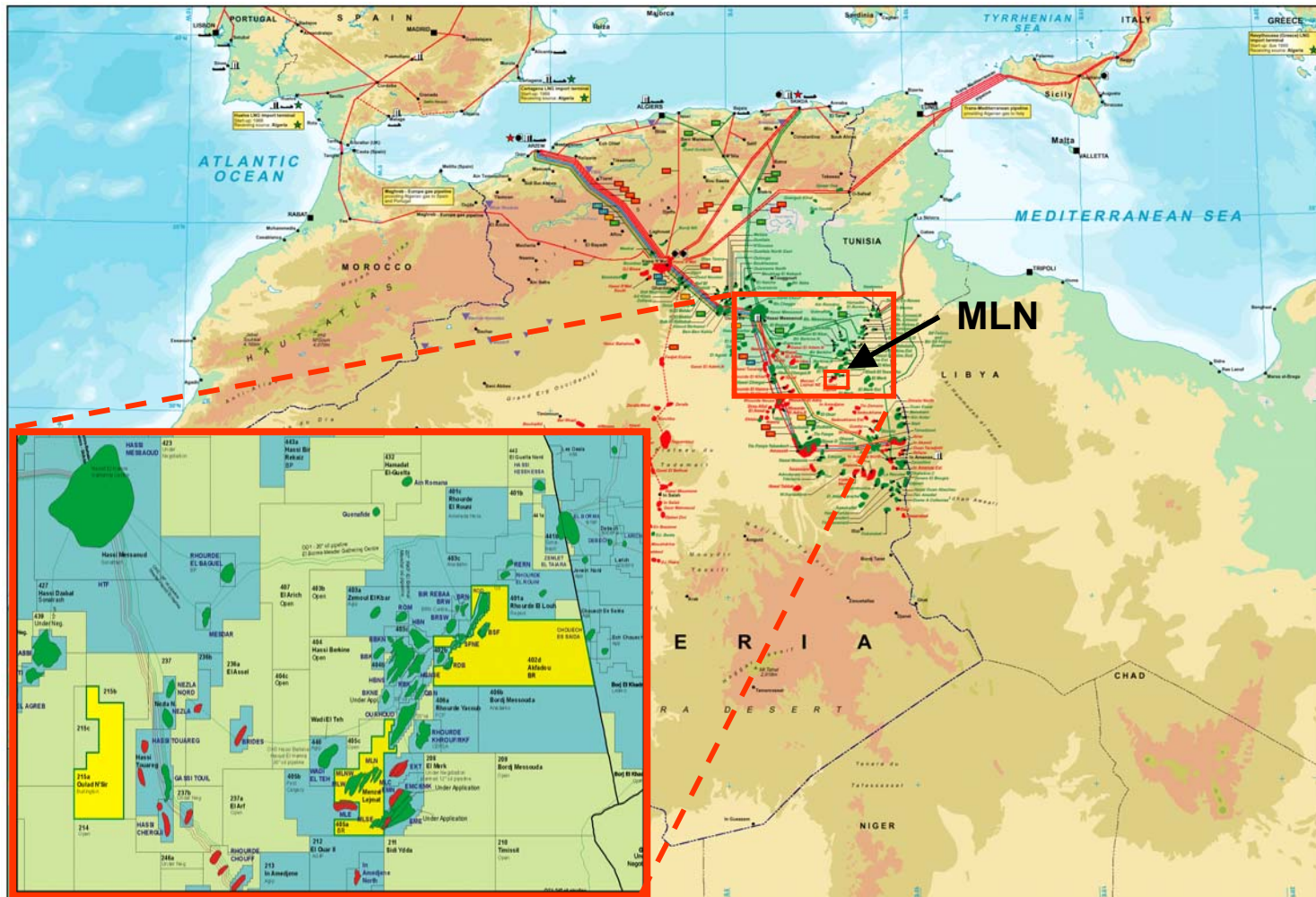
# ***BURLINGTON RESOURCES***



## Marketing Discovered Berkin Basin Gas - a perspective on the role of LNG

Neil Ritson – Vice President, International Division

Burlington's interests in Algeria...



# Our commitment to Algeria...

- 13 years invested, 10 years as an active partner
- over \$500 million spent to date
- 3 blocks signed
- 35 wells drilled
- 2 development projects ongoing (MLN & Ourhoud)
- 4 development plans under consideration
- further development plans to be submitted
- significant gas volumes discovered (>3 Tcf)

# Our view of the LNG chain...

- we are an upstream gas supplier
- we have a responsibility to commercially develop reserves for our co-venturers and stakeholders
- the cost to market and realised price, drive the choice for export method and route
- we see this as essentially a netback issue
- European pipeline netbacks are demonstrably greater than US LNG netbacks at present

# Our view of wellhead netbacks...

	<u>Market Price</u> (\$/mcf)	<u>Cost to Market</u> (\$/mcf)	<u>Netback</u> (\$/mcf)
US LNG*	3.5	3.2	0.3
Avg. Southern Europe**	3.4	1.5	1.9

- Even at Southern European netbacks, gas projects such as 405a will struggle to achieve commerciality
- using Berkine gas to supply the US requires innovative thinking

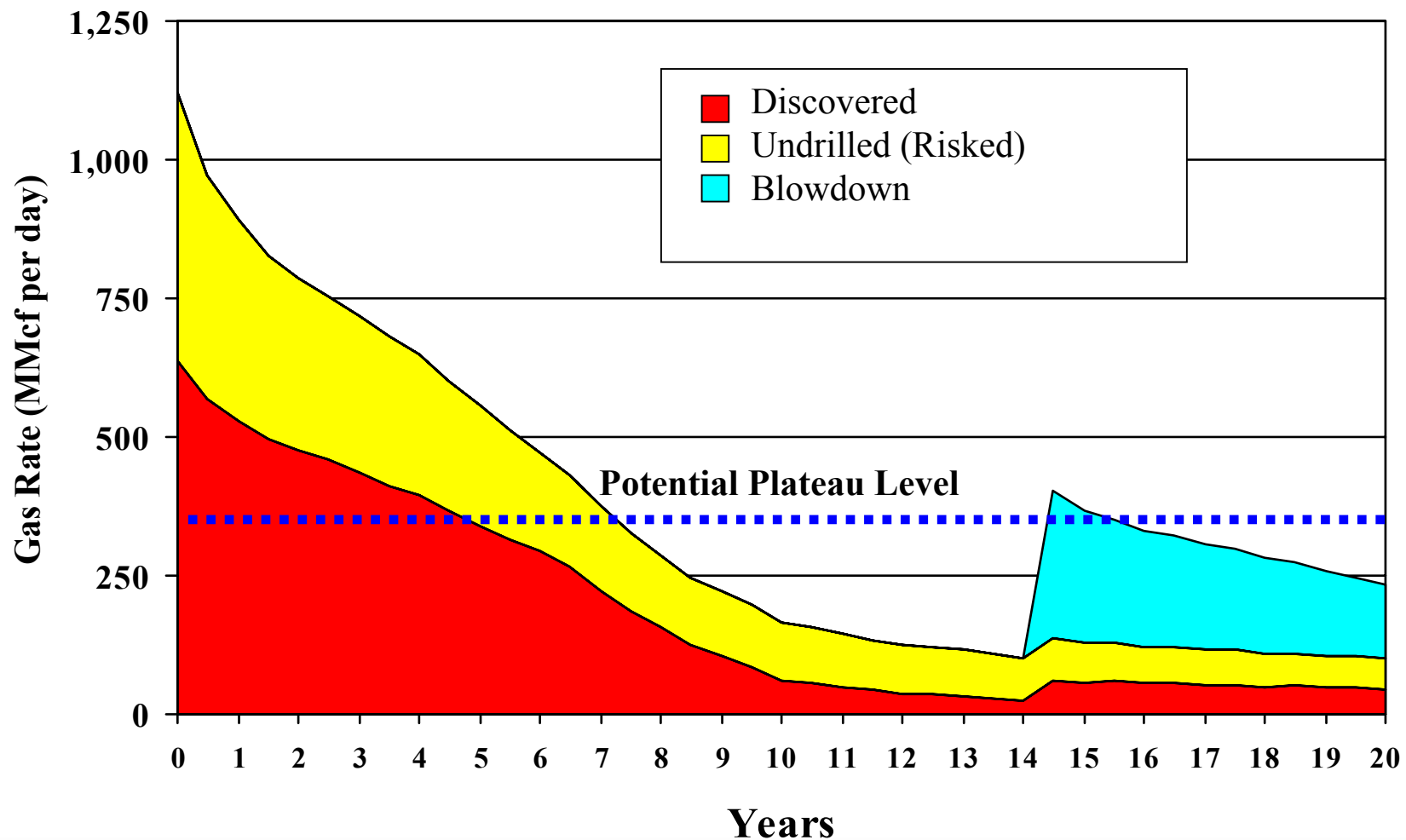
\*(PIRA 2001 average price to 2015)

\*\* (WoodMac 2001 Spanish wholesale & Pet Argus North Africa Italian supply)

(Netback includes regasification, transport, liquefaction & tariffs as appropriate)

# ALGERIA BLOCK 405a

## Gas Deliverability and Sales Potential



# Potential solutions to LNG netback....

- diversion of low-cost existing production to feed the LNG chain
- (whilst) new developments are used to feed export contracts
- facilitate ways to use higher cost gas for local uses thus eliminating internal tariffs
- new economic environment
  - include LNG as a third category of commercial development in PSAs
  - redevelop existing fields on more favourable terms

# Conclusions...

- Burlington is committed to Algeria
- we have >3 TCF developable gas reserves
- LNG provides an alternative market for gas
- commercial returns to developers require gas that can be developed or shipped cheaply
- based on full chain netbacks, innovative solutions are required to enable these developments to happen
- we are ready to work constructively to achieve these in Algeria