Company:	**Dragon Oil plc**
Presenters:	**Dr Abdul Jaleel Al Khalifa, CEO**
	Tarun Ohri, Director of Finance
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Dr Abdul Jaleel Al Khalifa: Morning ladies and gentlemen. Thank you for joining us today, I'm Jaleel Al Khalifa CEO of Dragon Oil and with me is Mr Tarun Ohri, Director of Finance. I want to thank you for taking the time to join us this morning. We will share with you the mid-year results. Before I start I want to emphasise that Dragon Oil is a steady growing company that has history of production growth in the past and aims to continue to maintain that production growth in the future. We are pursuing many fronts of operational strategy that I will talk about in the coming few slides, among which is hoping to diversify our portfolio and embark on new assets in the near future, as well as monetise our gas resources, the idea we're pursuing with the buyers, with the Turkmenistan Government.

Let me just go ahead and talk to you about a summary of the last six months in this year and a forecast for the end of the year, and then talk in detail about the drilling infrastructure and then I'll turn it over to my colleague here to go over the financial results as well.

On the operation, our revenue in the past six months has been US$276 million, which is up 5% compared to last year. On the profits, we're up 31% in the range of US$138 million. Gross production growth is about 8% compared to the first half of 2009. In the first half of this year, we have delivered six development wells, three workovers and one sidetrack.

Overall in 2010 we aim to complete 11 wells as compared to eight wells in 2009. There is an increase in drilling activity this year compared to last year because of the number of rigs added and because of the availability of the drilling slots.

We had a new marketing arrangement that we'll talk about hopefully later on in the presentation.

Some time in January this year we awarded a contract to build a new Super M2 jack-up rig, hopefully to join our drilling fleet by Q4 2011. This will guarantee an available jack-up rig for at least five years with the potential extension for another two years or more in the Caspian Sea, where normally the constraint is lack of jack-up rigs, so that was a very positive milestone and we're proud to have done that in the early part of this year.

We also awarded contracts to construct two new platforms, Lam C and Zhdanov A, and these will be available hopefully for drilling in Q4 2011 and early 2012. As you know, the lead-time for these platforms now ranges from 18 to 24 months, so you really have to decide on those much ahead of time to make sure drilling slots are available at the time you need them.

This is an assurance that the production growth we talked about in future years is hopefully going to be there, because platforms and pipelines are there in place.

We made considerable progress in the two major projects that had been delayed last year, the 30" trunk line and the expansion of the onshore gas processing facility. Both, as you know, are very essential to delivering gas onshore for the gas monetization.

Again back on the production side, the production was average at 46,420 bopd in the first half of this year, as compared to 42,800 in the first half of last year, which translates into 8% production growth. At the beginning of last year we had promised 10 to 15%, but because of limited infrastructure availability in terms of backpressure on the wells due to the capacity of the pipeline, the production growth achieved was 8% as compared to 10%.

Again the Turkmenistan trunkline and the second phase of CPF hopefully will be completed in the second half of this year and this is definitely a major, major milestone in the history of Dragon Oil, as this would allow us to process gas, water, oil, all to the shore and hopefully make it available for the system.

In summary in Lam field, we have 46 new producing wells, including the wells that we drilled this year. We have nine producing platforms and we have 20 old wells that we had inherited from prior to 2001 that are continuing to produce there. As compared to Zhdanov where we have only three producing platforms, four old wells and more developments in our plans in 2011 and 2012, as you know we had already awarded Zhdanov A platform there. We are going to open more platforms in Zhdanov in the future, so we can balance the production between Lam, which is the more prolific field, with Zhdanov, which is less prolific.

These are the wells that were completed in the first half of this year. I want to say a few things about the production rate here. The production rate is ranging from 1,000 to 2,000 plus. You could see that in Lam B, for example, we had a well that made almost 1,900, another well that made 1,100 barrels.

Historically we had said Lam B sits in the western part of the field, it is the most prolific, but when we went there we drilled wells and due to geological reasons, we had found that within Lam B there are areas, which are 'sweet spots' that make 2,000 plus barrels of oil per day, there are areas that make less than 2,000 barrels per day, so what you could see that in the future from Lam B we're hoping to make 2,000 barrels plus. This sort of optimization always happens in the whole industry, because when you move to a new area you drill wells, you discover that area, you appraise it to a better certainty, and then you optimize your future drilling in that location.

The three workovers were completed in the first half of 2010. These workovers, some of them are wireline perforation, added significant production growth. We have also had completed a sidetrack in July 2010. We are hoping that we can complete 11 wells in 2010 and that is achievable with the type of wells we drill right now.

Which rigs are available to us? We had four rigs drilling this year. First we had the Astra rig, which was released sometime earlier this year after drilling two wells. We had Rig 40, as you know, that had drilled many wells on Lam 13 platform and now it's cold-stacked on that platform, because the slots were all drilled in that platform and we're keeping that rig available for potential workovers in the future.

We have two active rigs right now. The Iran Khazar is contracted up to May 2011. It's currently drilling in Lam B/148. We also have the NIS rig, which is also contracted to the year-end 2011 and it's drilling Lam 28/147 right now. So we have two active rigs (the Iran Khazar as well as the NIS rig), which will continue to drill to the end of this year.

We're aiming to bring the Yantai jack-up rig hopefully by the fourth quarter of 2011 and again it will continue with us for five years.

We continue to look at our drilling fleet with the aim to renew contracts of existing rigs and/or contract the new land rigs or jack-up rigs in the future. Hopefully in the future months or years we're going to come back to you with potential additions to this drilling fleet.

In terms of infrastructure, we contracted two new platforms, which is Lam C and Zhdanov A. They both have eight wells each. Eight is jack-up slots, eight is land rig slots, so a total of 16 slots. They will be available year-end 2011/2012 for future drilling growth and production potential.

On the pipelines, we're going to complete the 30" pipeline along with the 20" and 18" as part of this contract with the same contractor. We are also hoping that we're going to complete more additional infield pipelines to allow more flexibility in the production and to minimize the bottlenecks in the infrastructure that we have.

On the facilities of major importance is the expansion of the CPF, which hopefully will be completed sometime this year. This will allow us to process the gas and make it available. By the way what you see here on the right side of the screen is the barge laying down the 30" cement coated pipeline, it is all happening in the Caspian Sea right now.

On the top, there is a picture of the new Lam B commissioned platform, which had two wells drilled and six more wells to be drilled on that platform.

In terms of reserves, as we stand in the first half of 2010, we have 609 million barrels of 2P oil reserves. The entitlement to the company is 281 million barrels, which is almost similar to what we had last year.

We have contingent gas resources of 3.10 tcf, which will hopefully be translated into reserves once we have a commercial agreement completed with the Turkmenistan Government.

Let's talk about marketing. 3.7 million barrels of crude were sold in first half of 2010, which is 24% less than the amount sold in the first half of 2009. To answer why this volume is less, because we had much more inventory at the end of June 2010. However, all that inventory is sold out by now. I'm glad to report that it is sold out at a very good price with a very low discount to the Brent.

So that completes the sales volume up to date is very much in par maybe a little less than last year.

The realised price in 2010, thanks to the good oil price, is $75 compared to $50 last year, which is very positive for the company. In the first half of 2010, 75% went via Neka through the swap agreement, this compared to 90% in first half of 2009. As you all know, the swap agreement expired and since July this year, almost all our crude is going through Baku.

We have this mutual agreement with a major international trader, which we are proud to work with and this 12-month agreement is extendable in the future. We really wanted to maintain some flexibility and we maintain a portfolio of potential routes to export and sell our crude. We expect to achieve netbacks of 8 to 10% discount to Brent as a result of going west as compared to south.

Well, on the gas monetization a major milestone will be achieved in the second half of this year: that is making infrastructure available to process the gas and deliver the gas onshore. That will be completed in the second half of this year.

Now we also completed the FEED for the new gas plant and we plan to tender this gas plant hopefully sometime this year, and it will be ready to process the gas, strip the condensate where we can add it to our oil output in 2013.

As far as gas agreement, I don't have a very definite firm milestone to report here. I just want to assure you that we in the company are pursuing negotiations with our friends in Turkmenistan as much as we can. We want to push for an agreement, we don't have a definite deadline for when that could happen, but all I can tell you is that we're aiming to complete as soon as we can within the circumstances under which our Turkmen friends are operating.

So we have to maintain a very healthy cooperative relationship with them to the point that we're happy with our shareholders and they're happy as well. We've achieved our part of the equation, which is delivering gas onshore hopefully by the second half of this year. Now the second half of the equation is their part, where we meet and hopefully reach an agreement which price is basically acceptable to both parties.

On the operational strategy, we want to continue to drive growth in terms of awarding enough platforms to be installed and pipelines to have enough drilling slots, have enough drilling rigs to drill those slots and make production available. We want to leverage technology as much as we can to deal with the sanding issues, to deal with the volume of data we're getting through the new wells and to drill much more highly appropriate wells to deal with the formation we're dealing with here.

We continue to drill in the Lam field, which is more prolific, but we want to go ahead and drill in the Zhdanov field as well, to bring on production from this sitting asset, which is currently producing at a lower rate.

I'm glad to report this Yantai jack-up contract for five years and the two new platforms contracts.

Well, we want to progress the diversification strategy and we'll talk about that later on. We want to push this gas monetization as much as we can and I hope that you can appreciate that this is part of the global gas market, which sometimes is helpful and sometimes is not very helpful, but within those circumstances we hope that we can pursue our negotiations to the best interest of the company and the shareholders.

We want to continue to invest in our people, as they are the main asset of the company. We also want to maintain a good relationship with the Turkmen Government and the Turkmen people where we operate. In that theme and through that spirit, we achieved a major milestone last year, where we had this desalination plant on stream and it's currently making potable water for the local area and for the community in Hazar, which is at a rate of 1,500 cubic metres or less, depending on the need and the availability.

We also refurbished some Hazar intensive care units and we got our Board's approval to go ahead and build a polyclinic in Hazar, where we can provide some medical treatment for the local community in Hazar. We consider this as part and parcel of our service to the community in Hazar and we're there to continue for long-term, and we are proud of our local community and local support, be it at the work force or at the community level to the company.

On the training of our local people, we built an Excellence Centre in Hazar. This Centre of Excellence is going to provide training for craftsmen, English courses for the local community and our workers in Turkmenistan. This Centre was inaugurated about a few months ago; it is currently in service. We are providing international instructors both in language as well as in welding and mechanical instrumentation as well. To me this is again an illustration of how much interest the Dragon Oil Management have to maintain this long-term strategy in Turkmenistan and to be considered among the global players in the market there. I'm glad to see this being received very well by local community, local workers, local professionals and the Turkmen Agency.

Let me turn it over now to my colleague, Tarun, to go over some financial highlights.

Tarun Ohri: Thank you, Jaleel, and good morning ladies and gentlemen. I'll walk you through the financial highlights contained in our interim results.

Looking at the interim results summary we have on this page. The top line revenue has increased by 5% and as you know our revenue is based on the volumes sold, the realised price, the discount we achieved to the Brent and the routes we choose where the cargoes are headed and our entitlement balance for the year, or for the half year in this case.

As we've pointed out, the realised price was US$75, which is 50% better than US$50 achieved in the six months last year. Our sales to Neka were 75% as compared to 90%. There's been a shift in routes; currently 100% of our cargoes are headed to the western route. On the basis of the realised price in the first quarter, we said we'll achieve 1% discount to dated Brent and for the six months this year we achieved a 3% discount because of the mix of routes and we believe that for the whole year 2010 we would achieve between 8 to 10% discount.

Our production for the first half of the year was 8.4 million barrels; our entitlement was at 55% and that is as you know is dependent on factors, which include oil price and capital expenditure. Last year the entitlement was 65% and the oil price was much lower. In a lower oil price scenario and depending on the Capex you would have different percentage of entitlement barrels.

Looking at operating profit, our operating profit was up 42% after administrative expenses. Our net profit was up 31% after taking into account income tax, which we discuss in the next slide, and we believe our net profit for the year as well, considering the strong oil prices now would be in line with the first half result. The capital employed is up by 19% and amounted to US$300 million; it takes into account the capital expenditure spent in the second half of 2009 and the first half of this year. Net cash from operating activities is up 66% and that is because of higher operating profit before taxes. Last year we generated about half a billion dollars in operating activity, and we believe that we will be able to maintain the same level, if not better this year. Net cash used in investing activity is down 14%; that was because of capital expenditure in infrastructure and drilling activities of $194 million. There is included in this number a portion of funds, which we transfer from cash to term deposits, so that is termed as investing activities. Currently our debt is nil, which shows you that we have got a strong balance sheet. We maintain a lot of flexibility in terms of being able to ramp up production and also look at diversification plans in the future.

Going back to the summarised income statement, where we talked about revenue in the last slide. The cost of sales has gone down by 31%. Cost of sales comprises depletion charge, it compromises also operating production costs and marketing costs; and a large portion of that is also inventory movement and movement in lifting positions. Cost of sales is primarily lower by 31% because a large portion of the value rests in inventory, because of the matching principle we sold about 3.7 million barrels of crude oil. The balance of the costs of production is carried in inventory, which reduces the cost of sales, and that has led to higher operating profit this year. Like mentioned in the marketing slide earlier by Jaleel we have realised full value for the inventory, which is about 1.6 million barrels, and included 600,000 barrels of overlift as well in that inventory. The administrative expenses are higher by 14%. This comprises mainly corporate costs as well as one-off CSR activities including expensing of the desalination plant to administrative expenses this year. Our operating profit is up by 42%. Our finance income comprising mainly interest earned on an average of US$1 billion in term deposits is US$13 million. This translates to between 2.5-3% yield, which we earn on deposits in the bank. The income tax expense is up 43% as a result of higher net profit, and this is provided on the basis of 25% tax going forward. There is an additional – as you would remember – there is an addition charge of 5%, which is included in the 25%, and this is being provided for at this point in time. Our net profit is up 31%.

Looking at the cash flow, our opening cash and closing cash have roughly remained at the same level as in January. We generated US$197 million cash from operations, which was largely spent on investing activities, i.e. infrastructure of US$194 million. We had US$13 million we discussed on finance interest income. Out of the US$1.1 billion we have, US$155 million is money set aside in abandonment and decommissioning fund. A large part of these deposits, if you can see here, is kept in longer-term deposits, between three to six months.

On capital expenditure, our next slide; capital expenditure for this period is US$174 million, of which we spent 65% on drilling of the four wells plus a couple of wells, which were in the process of being drilled at the year-end. The infrastructure is 35% spend, mainly on the trunkline, infield pipelines and Phase 2 expansion of the CPF and other field projects. Our capital expenditure for the first half has been lower than expected; one of the reasons is that we have introduced new contractors into the Group, and there are a lot of long-term benefits, which these new contractors bring to the Group in terms of competitiveness and give us further options and alternatives in the future. These contractors in certain cases like to operate in Turkmenistan. You could say in the short term when these operators or contractors just opened offices in Turkmenistan, there is a bit of a start up time and we hope that we will be able to catch up on the infrastructure spending, which is weighted to the second half of the year.

Now we go onto the section on outlook and I hand it over to Jaleel.

Dr Abdul Jaleel Al Khalifa: So where we are still to be in the coming two, three years, I am sure you're all interested to see where Dragon Oil will be. I am going to show you that on the drilling side, which means production growth, hopefully one way or another, we're going to maintain an active drilling campaign. The four rigs in 2010 were realised, two of them are still active towards the end of this year. The super M2 jack-up will come year-end 2011 and will continue for five years with this, potentially we will add two years' extension. We plan to complete 11 wells this year, and hopefully make that happen within a few months. Over the coming two years plus this year, the total number of wells to be completed is 40 wells of which two are appraisal wells. We have currently drilling and infrastructure available to make that happen. We continue to optimise the number of wells over the coming two, three years aiming to hopefully maintain this activity ongoing.

With infrastructure we have platforms awarded (Lam C and Zhdanov). We have a total Capex allocated of US$600 to 700 million over the coming two years plus this year, including US$250 million for this year. You may have seen that in the first half of this year the infrastructure Capex is not very high, but with the completion of the trunkline and hopefully the second phase of the CPF, which will eat up a little bit more of the Capex, and hopefully with increasing activity in Lam C and Zhdanov A and the pipelines, we're going to see a much higher number for the infrastructure Capex than what you saw today. We're also allocating US$150 to 170 million for the new gas plant, which will be tendered this year. Hopefully it will be constructed and put in place over the coming two years.

On the production growth, we hope to maintain 10% growth, and over the coming two years 10 to 15%. We're aiming to make that happen and this is where we plan our drilling and infrastructure. Hopefully with this new capacity pipelines we're putting in the system, the bottlenecks in the system will not be there in the future.

One thing on the gas monetisation, I can assure you that in the Company, we are not sparing any effort to pursue this negotiation towards a positive conclusion. Once that is done we will report it to the market immediately. On the diversification, which is another important thing, I am sure most of you are interested to know what we are doing there. We in the Company at all management level and at the Board are very determined to make an acquisition, be it an asset or a company, but we have certain criteria we have to make sure it is there before we acquire the asset. First there has to be synergy, it has to be value-added, we don't want to add a risky high price asset to our portfolio that is going to destroy the value that we just generated over the past few years. We're currently pursuing, at many fronts, potential additions to our portfolio. I don't have definite things to report today, but I can assure you we have team, and we're sniffing around in the market for any potential opportunity, which meets our criteria, which adds value to the portfolio; and, therefore, when this is done we will report it to the market. We all appreciate that we want to maintain a very active production growth and dynamic activity in our current asset in Turkmenistan, but at the same time we have the capacity, financially and logistically, and people-wise to go ahead and pursue other assets in some other places.

I would like to thank you very much. Again I welcome you to this kind of venue in future occasions. I want to open the floor for questions. If you don't mind, please state your name, your affiliation and for our friends on the conference call press *1 if you have a question please. Thank you. Let's take one from here first.

Melanie Savage, UBS: Hi it's Melanie Savage at UBS. Do you have any indications from the Turkmen Government and what kind of price they would be looking for, for the gas?

Dr Abdul Jaleel Al Khalifa: We know what prices they have with their current deals with China, Iran and Europe. We know that from other sources of course. We know they are negotiating with current operators there who have mostly gas producing assets. For our case, we're a bit different, so we don't know exactly what system of prices or price formula they would apply to us. We are not at that stage yet. Let's take one from the audience in the conference call please.

Operator: Peter Hutton from NCB is online with a question.

Peter Hutton, NCB: Yes it is another question on the gas monetisation. Are the discussions that you're having with the authorities still on the basis of rich gas, or on dry gas; and therefore waiting for 2013? Also can I ask what are the external catalysts that may be required in terms of any additional contracts between the Turkmen authorities and the Chinese, Russians and possibly Nabucco, which is likely to impact those negotiations?

Dr Abdul Jaleel Al Khalifa: What we are negotiating right now honestly is we're trying to negotiate a sales agreement that takes an immediate effect. Therefore, rich gas is what we have today. We don't want to spend another two years without gas monetisation. We have a strong drive to reach a conclusive decision, as much as we can, the sooner the better and, therefore, we're not considering dry gas right now, we're considering rich gas. That said, we're realistic, we have to be reasonable in our expectation, the global market is not helping a lot, and, therefore, we should be reasonable in our expectation as to what price we expect from this for the short term.

Catalysts for the negotiation, I have to be fair, we don't bring Nabucco into the picture because of other complications and because it is too far reaching into the future. We're using other catalysts in the negotiation that I cannot basically discuss right now, but we're applying as much negotiation skills as we have, with leveraging opportunities here and there to make things happen.

Now you just need to bear with us because it might take us some time. We're an oil producer and we're introducing gas into our portfolio now. Therefore, as a customer, they look at us as an oil producer plus a new gas producer into the market. Therefore, they take it as a lump sum you know, not just as one or the other. Our PSA covers gas and oil, but I just want to ask for a bit of patience into the system because we have to put ourselves in the other party's shoes and decide what to do. Let's take a second one from the audience.

Operator: Caren Crowley from Davy is online with a question.

Caren Crowley, Davy: Good morning gentlemen, just a couple of questions. Just looking at production; I am wondering could you give us some guidance on the initial production rates that you may see from the Zhdanov field, which you expect to drill next year. Secondly, just on initial production rates; are they in any way influenced by infrastructural capacity? For example, is the capacity on the pipeline in any way dampening initial production rates from wells that you have drilled year-to-date? Also just if you could explain a little bit to me; Capex guidance from what I understand has remained unchanged, but Tarun you spoke earlier on about more competitive contractor rates. I am wondering if you could explain how Capex guidance remains unchanged despite improved contract rates that you have negotiated. Finally, I am just wondering can you comment on the prospect of a dividend at all. Thank you.

Dr Abdul Jaleel Al Khalifa: On the Zhdanov production expectation of the wells, we expect 1,500 barrels per day per well. On the production of the new wells reported this year and whether the bottlenecks in the infrastructure had affected those rates, you are right. When you flow a well again a backpressure of let's say 40, 50 bars, it is unlikely if you flow the well against a backpressure of 30 bars. We expect incremental production even the new wells when we de-bottleneck the system and we add new pipelines. That is right; the new wells are affected by the infrastructure as much as the old wells. On the dividend, I would say it is definitely an item on the agenda of the Board. The Board is discussing this from time-to-time, and I am sure it will be on the agenda for the coming six months. I did not pick up the question on Iran and the contract rate, can you come back on that one please.

Caren Crowley, Davy: Tarun was saying earlier on and perhaps I misheard him, but contractor rates within Turkmenistan have improved and were becoming more competitive. I would have thought that that may have changed your outlook on future Capex, but I don't see any change in Capex guidance. I am wondering could you explain a little bit more to me.

Dr Abdul Jaleel Al Khalifa: The contractor availability is improving. As you know for example, for Zhdanov A we are introducing Caspian Energy for the first time to our contractor portfolio. For example, Lam C we are awarding that contract to ILK Insaat, which is a Turkish contractor as well. Both our new contractors, on the pipelines we have new contractors coming to place.

That said, I don't see to be honest a major saving in terms of contract value, but the positive news here is that the quality and the availability and reliability of completing projects on time are much better than in the past. That element is there. The prices of 2011/12, I would expect them to be similar to 2010, much less than 2007 and 2008, as you know, and this had already been reflected in our budget allocations when we talk about 2010/11/12. Take, for example, a land rig platform instead of US$140 or 130 million, now it's contracted at much lower value than that one and the same with a jack-up platform, which can be US$60 or 70 million, now it's contracted for a lower value than that one. I cannot be specific at what values we contract those for, but I would say that we had achieved good savings in terms of value for those platforms and the way we've contracted. We tend to think that 2011 and 2012 will achieve the same type of reasonable value for those platforms as well.

Simon Hawkins, Ambrian: Simon Hawkins from Ambrian; I wondered if you could give some colour on the mix of routes for export going forward between Azerbaijan and Iran.

Dr Abdul Jaleel Al Khalifa: If you're in the Caspian, you're in the Caspian. There are a few ways out of the Caspian through the windows and through the doors, as you know, but we are currently working with SOCAR as a very strong international trader with a very strong presence in Azerbaijan and a very strong supporter, and they had managed with this Baku–Tbilisi–Ceyhan pipeline to strike a good contract that is good for all parties and therefore we have this 12-month contract with SOCAR. That is available for hopefully renegotiation for future years, but definitely as a producer, you really want to maintain your options open in terms of what other routes are available. Of course there is Baku Batumi, there is Makhachkala, and there are other routes available in the Caspian. We don't want to rule anything out for now. We want to keep everything on the table and we want to maintain flexibility to support both the commercial part of the business as well as the logistical producing capability of the system. We managed to basically strike this contract with SOCAR, which was good at a time when people are panicking in the Caspian and things worked very well for us and we're glad to have that deal in place. I can assure you that we will manage future production and we will manage future marketing of our crude in the future at a reasonable discount to Brent. What would that be in the future; we'll leave it for the time of negotiation.

Operator: Gerry Hennigan from Goodbody Stockbrokers is on line with a question.

Gerry Hennigan, Goodbody: Just to clarify or to go to your confidence in terms of production guidance, and you said you experienced the first half of the year, is that confidence derived from the fact that you see that some of the pressure issues you encountered in the first half of the year will ease or because of where you're locating the upcoming wells or because of the number of wells that you're drilling in the second half of the year. I'm just trying to get a handle as to where your confidence lies with regards to the production guidance you've given for the second half of the year and beyond. Two other things. On the tax issue, Tarun, are we right to assume a 25% tax rate going forward or should we include something else in terms of a provision that you mentioned in the statement itself. Also if you could clarify as to why your net entitlement reserves have been very steady over the past year or so despite the fact that obviously you've been producing.

Dr Abdul Jaleel Al Khalifa: I'll handle the production and have Tarun cover the tax for you. On the production, you know that currently there are major pipelines, 12-inch pipelines that take the fluid from offshore to inshore. Those two pipelines are pipelines that had been there for 20-plus years. All through the years, because of the type of production we have and because of the type of crude, there are accumulation in those pipelines that may have created some backpressure on the system and we know that once we put the 30-inch trunkline, which is as we speak is being laid down and hopefully will be completed in the second half of this year, that part of the system will be replaced with a new pipeline. As a matter of fact, we aim to maintain the existing system as a backup for the future. On top of this we're adding other pipelines within the platforms to the existing platforms as well in the field to allow for higher production from Lam B and Lam 28 where we're currently drilling. All in all I would say 2011 and 2012 will have much more basic capacity in terms of production capacity of the pipelines and hence I don't see that limiting our production growth.

In terms of wells deliverability and reserves, this is beyond our control. As we continue to drill we might find a better spot here, a poor spot there, but overall I would like to emphasise that in this company we do not come across dry wells or wet wells. There is always production, thank God, ranged between 1,000, 2,000, 3,000 barrels per day, so it's not a bad performance, it's a good performance. Overall, if we average 2 to 3,000 barrels per day, we're in good shape.

Tarun Ohri: On the tax issue, Gerry, as you are aware that the PSA, which we signed in 2000 provided for 25% tax, which is stated in our financials and there was a reduction in the overall general tax rate in Turkmenistan to 20% and because of the change in the petroleum law in 2008, the profit taxes went back up to 25%. Currently we have made provision in the books at 25%, we are paying 20% and we are looking at mechanisms to make this payment to the agency. To answer your question, in the long-term we believe that the tax rate will be 25%.

Gerry Hennigan, Goodbody: Just with regard to your net entitlement reserves, they've been fairly flat over the last year or so despite the production. Can you give us some explanations as to what the reason there is?

Tarun Ohri: Our gross production has decreased with the volumes we have produced, but our entitlement barrels have decreased very marginally, about 1 million barrels. That is because of this one reason and that is the pricing of discounts, so though we've adopted a long-term price of $70, because an increased discount reduced netback, that increases our entitlement and then you've got a reduction because we had entitlement, so the net effect is a million barrels. There are two of these factors working in different directions, which is production of entitlement barrels reduces the number and because of the change in discount rates that has increased the entitlement.

Werner Riding, Ambrian: Werner Riding, Ambrian Partners. Just going back to gas price assumptions, could you perhaps give us a range of prices that you'd be happy with and perhaps your best estimate on timing of negotiations, when they might conclude, this year, Q1, Q2 next year?

Dr Abdul Jaleel Al Khalifa: I cannot tell you exactly the price expectation we have. I know where the market is, I know what the pressure scales in the region are and I know what you are aiming for, but I cannot speak to the other party as to what they accept, to be honest. In terms of when we can proceed with that contract, I don't have a deadline as well; all I can tell you is that we're pushing as much as we can. We're making gas available. They know that we're interested to do it and we're hoping that we can meet somewhere in the middle and get going. Sorry I cannot answer those.

Werner Riding, Ambrian: Perhaps some guidance on timing for what your thoughts are on diversification efforts on the asset front and how much incremental production you might expect.

Dr Abdul Jaleel Al Khalifa: To be honest, we wanted to go into an appraisal development well. That said, it can be…it all depends, if the reserves are there, and it has to be material, we don't want to go into a few million barrels, it has to be material enough, we wanted a production in the range of 5 to 10,000 barrels per day or more to be added to our system, but if you give me a good asset of 50 million barrels with only 1,000 to 2,000 barrels per day, but I can make it double here 5 to 10,000 barrels per day; that's also considered a reasonable asset to acquire. When we talk to our people and to the people who provide opportunities to us, we always aim at a reasonable asset that's of significant volume to be added to our portfolio in terms of reserves and production. That said, we wanted to maintain a wider net, so we can basically sniff more opportunities and find which is appropriate. Again, I just want to assure you that though we're actively pursuing this, there are many marginal opportunities available, which are not opportunities, but are of marginal value. There are many exploration assets available, frontier areas. There are highly expensive assets available and among those there are a few that fit into the criteria that we have and we're aiming and we are currently pursuing some of those. Whether they make it or not, that remains to be seen.

Werner Riding, Ambrian: Do you see concluding something before year-end or first half next year; what's your expectation there?

Dr Abdul Jaleel Al Khalifa: If you asked me last year, I was hoping to finish something last year; this year is the same thing. All I can say is that at all levels in the company, both myself and management; we're working on this hard. When the opportunity comes, we'll grab it.

Peter Hutton, NCB: Just a couple of quick follow-up questions from previous discussions. You said in the presentation that most of the inventory that had built up through low sales in the first half you've now sold at good price to Brent; does that change the 8 to 10% guidance that you gave right at the start of the year compared to now or was it much better than that, which would be hopeful? The second question is you also just talked about the accumulations in the existing pipelines due to backpressure; in the fourth quarter of last year there wasn't any discussion or indications of infrastructure constraints on production; were there any specific events, which led to these accumulations, which seem to be a first half event?

Dr Abdul Jaleel Al Khalifa: Let me take it from the second one and go to the first one later on. Because when the winter comes in the Caspian and sometimes winters are very harsh, our crude is a bit waxy, so with the lower temperature you drop more wax in the pipelines; this is one element. The second element that might contribute to this is when the oil is produced, the process may produce some sand with the oil and that sand with the wax can develop into a minor accumulation in the pipelines. We're not sure which one contributed to this, but all we're sure of is when you read the pressure on the platforms, it is higher than last year and therefore that tells you that the pipeline is not as conducive to flow as it was before. Plus when you produce at a higher rate, the pipelines have certain capacity, so both the higher production as we have this year, which was not there last year, and the winter, both had contributed to this infrastructure limitation. That said, and I have to say that that over the past few months we had managed to put temporary pipelines, which are flexible that had cleared parts of the system and we managed to contribute to higher production over the past few months, but all of that can be reflected into the year-end results.

To the inventory question, we sold it all hopefully and we're glad to do that at reasonable discount to Brent, which is good. For the entire year I would say the discounts would still remain around 8% or so.

Tarun Ohri: We sold the inventory which had accumulated due to logistic issues around the short-term swap agreement, so it was barrels we just sold in the south and this has been factored into our 8 to 10% guidance.

Dr Abdul Jaleel Al Khalifa: Thank you very much, have a good day.