



CAIRN ENERGY PLC – SPAIN

AN INTRODUCTION TO

CAIRN IN SPAIN

DISCOVERING HIDDEN VALUE



CAIRN IS ONE OF EUROPE'S LEADING INDEPENDENT OIL AND GAS EXPLORATION COMPANIES



Visit us online at
www.cairnenergy.com

At Cairn we believe in doing things the right way.

For us that means developing the greatest value in our assets and operations, nurturing the talent of our people and building strong, open and lasting relationships with all of our stakeholders.

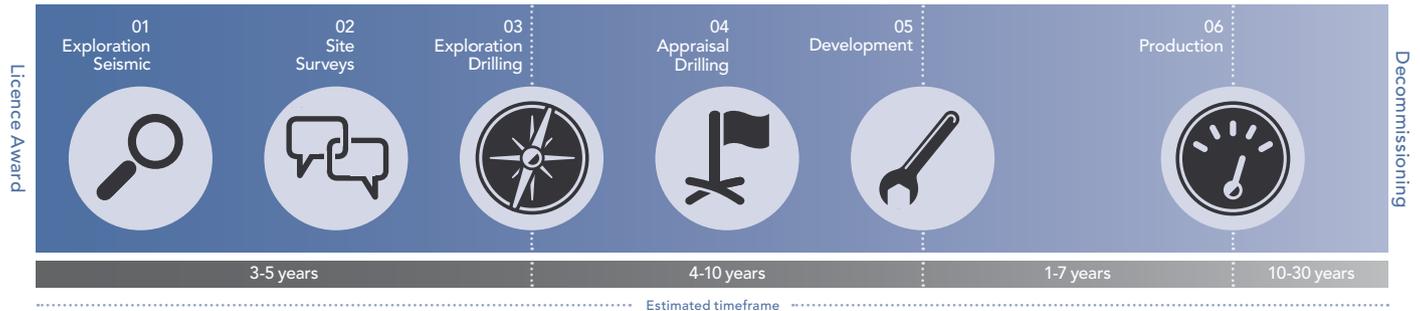
It also means we act with respect for people and the environment, the rule of law and human rights. We believe in and act upon our responsibility to care for people, the environment and society.

- Cairn explores for oil and gas in a variety of locations around the world including North West Europe, Greenland and the Mediterranean
 - Cairn is headquartered in Edinburgh, Scotland with regional offices including London (UK), Madrid (Spain), Stavanger (Norway) and Nuuk (Greenland)
 - Cairn employs approximately 180 people
 - Cairn operates in co-operation with host governments
 - Oil and gas discoveries can provide opportunities for economic development in country
 - Wherever possible Cairn employs a local workforce and uses local suppliers and contractors
 - Where appropriate Cairn works in partnership with national and international oil and gas companies
 - Cairn is listed on the London Stock Exchange
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The process of finding, developing and producing new sources of hydrocarbons involves a number of key steps. Cairn's operations offshore Spain are in the early stages of this process

KEY STAGES IN OIL AND GAS EXPLORATION, DEVELOPMENT AND PRODUCTION

The process of finding, developing and producing new sources of hydrocarbons involves a number of key steps. Each step can take several years to complete. At the end of each stage in the process, oil and gas companies will decide if their activities remain technically and commercially viable and whether operations can advance to the next phase. The diagram below depicts a typical estimated exploration and production programme timeline.



AT WHAT STAGE IS CAIRN'S ACTIVITY OFFSHORE SPAIN?

Cairn's work in Spain is in the early stages of the exploration process which may lead to seismic surveys. Seismic surveys utilise sound waves to create an image of subsurface rock layers. This information is used to identify areas where hydrocarbons may be present and to select the location for an exploration well. Cairn plans to conduct a six year exploration programme to establish evidence and commercial potential of hydrocarbons in the region offshore Valencia. Any offshore activity will be subject to Spanish Government approvals. The diagram below depicts Cairn's current estimated six year exploration programme timeline in Spain.



Finding a new and significant source offshore Spain would benefit the Spanish economy, communities, local areas and Government

The development of hydrocarbon resources is an important part of the Government's strategic plan and support for economic policy

ENERGY NEEDS

Energy is essential to social and economic development and at present fossil fuels such as oil and gas form a significant part of global energy supply. Cairn's role is to contribute to global energy supply through its existing business and through finding potential new sources.

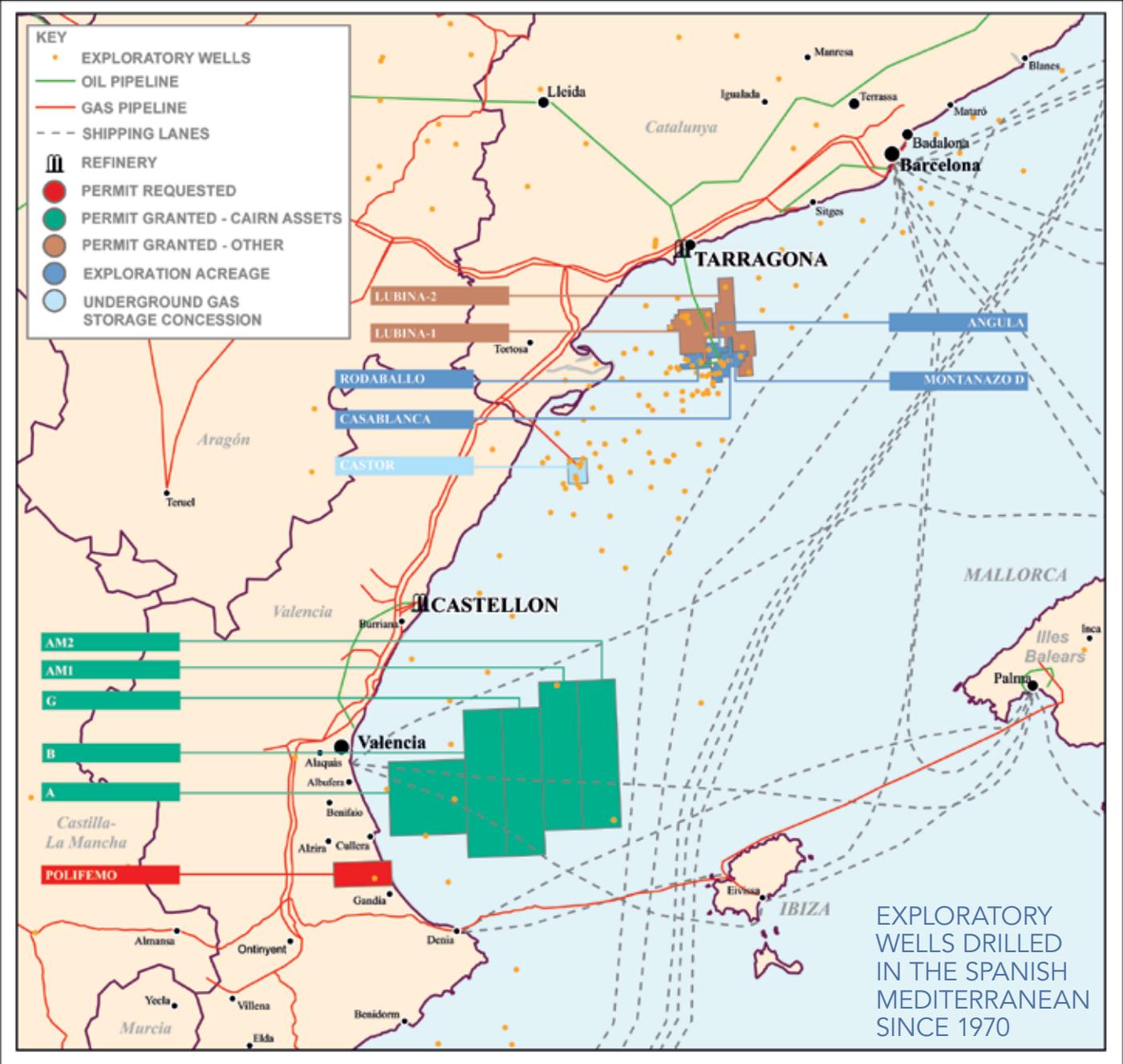
Sourcing new energy resources globally is challenging. Finding a new and significant source offshore Spain would benefit the Spanish economy, communities, local areas and Government providing valuable revenues whilst also providing longer term energy security.

HYDROCARBONS AND SPAIN

The expansion of a domestic oil and gas production industry would help in addressing Spain's energy supply challenge. Spain currently imports 99.6%* of hydrocarbon resources consumed.

Energy diversification is in support of economic policy and potentially creating a new industry sector, direct and indirect employment, investment and taxation income.

*Source: Minetur Statistical Bulletin





Cairn considers that the need for energy diversification in support of economic policy, combined with attractive commercial fiscal terms for exploration, make Spain an attractive country in which to invest

Cairn is an experienced exploration company with global operations



CAIRN IN THE MEDITERRANEAN AND SPAIN

Cairn first began work in the Mediterranean region in 2008 because it considered many parts of the Mediterranean Basin to be underexplored with potential for new exploration concepts to emerge. The region is now one of Cairn's areas of business focus.

The Spanish Government awarded Cairn five exploration permits in January 2011. These permits comprise five contiguous blocks in the Gulf of Valencia which cover an area of 3,922 km².

Cairn has focused its activities in an area where there are indications of the potential for hydrocarbon discoveries.

In 2011 Cairn opened an office in Madrid and recruited a Spanish team to manage the project.

In February 2012, Cairn submitted a Technical Report and an Environmental Study to request authorisation from the Ministry of Industry, Energy and Tourism to undertake a 3D seismic acquisition campaign. The Environmental Study includes an environmental and social impact assessment of the project.

CAIRN'S WAY OF WORKING

Cairn has a successful track record in frontier exploration. Cairn has demonstrated the ability to develop and manage complex exploration and drilling projects successfully, whilst minimising its impact on local communities and the environment.

Cairn is fully committed to conducting its exploration activities in accordance with Spanish Government requirements and regulation and in line with EU and international regulation and standards.

Cairn is committed to maximising the many benefits that its work can bring to local communities. These can be economic, in terms of creating new jobs or engaging with local suppliers, both of which boost the local economy, or they can be societal, such as developing new infrastructure and community facilities.

Cairn takes its social and environmental responsibilities seriously

Cairn aims to improve the lives of people and communities whilst protecting the environment where it works

CAIRN AND THE COMMUNITY

Cairn aims to work closely with local communities wherever it operates. Throughout its exploration programme in Spain, Cairn has and will continue to speak to, listen to and work with local communities.

In preparation for the seismic activities Cairn has developed a Public Consultation and Disclosure Plan (PCDP), which includes specific stakeholder engagement strategies to respond appropriately, explain and better understand local community needs and concerns and to mitigate, where possible, potential impacts.

Cairn's approach to working with communities in Spain will follow that which it has already pursued elsewhere in the world. Should Cairn successfully find significant hydrocarbons, Cairn will support local enterprise and communities through a number of relevant and targeted activities.

A key part of Cairn's programme in Spain will be informative public meetings held to provide further details on any seismic activities.



The highest environmental, safety and security standards make exploration activities compatible with tourism or the environment anywhere in the world

CAIRN AND THE ENVIRONMENT

Cairn recognises that its activities may have an impact on the environment. Cairn aims to avoid or mitigate any impact the company's operations may have on the environment.

Cairn has conducted a thorough and robust environmental study to support the 3D seismic acquisition programme which takes into consideration all Spanish legal requirements as well as EU and international standards and best practice.

Cairn has worked with experts to conduct an underwater noise modelling study. This study identified a zone within which underwater noise may affect marine mammals. During seismic activity, where necessary, Cairn will implement preventive and mitigation measures within this zone to ensure the safety and protection of these species.



A key part of the programme will be informative public meetings held to provide further details on the seismic activities

SAFETY AND PREVENTIVE MEASURES

Among the preventive and safety measurements identified in the environmental study some of the most important are outlined below.

Cairn will contract a state of the art vessel to acquire the seismic data with a number of support vessels to ensure the security and safety of the seismic vessel and marine traffic in the Gulf of Valencia area.

Before starting seismic acquisition a 'soft start' procedure will be applied. During this procedure sound is emitted at low levels building up until it reaches the intensity required during seismic activity. This enables marine mammals to leave the area before seismic activity commences.

Marine Mammal Observers will be hired to work on the seismic vessel and ensure the safety and protection of marine mammals as well as to prevent any possible interference with their normal activities.

Passive Acoustic Monitoring Systems (PAM) will be employed on a 24 hour basis to help detect the presence of marine mammals in the area.



Offshore seismic data will be acquired at a distance of 40km from Valencia city and 42km from Ibiza island

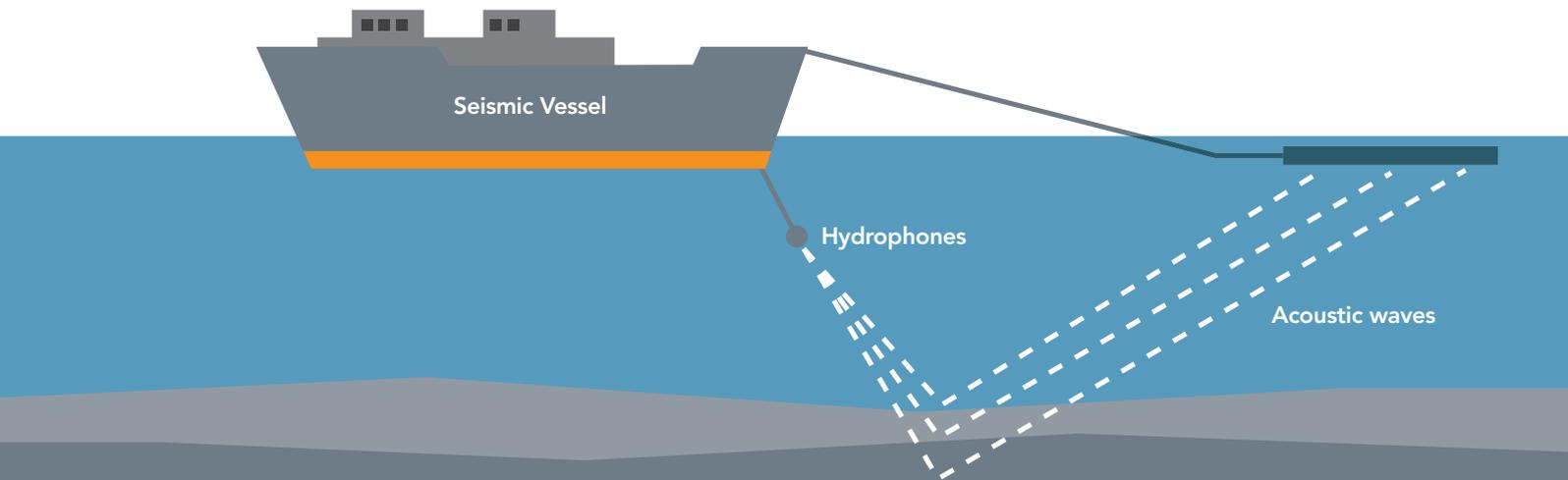
3D SEISMIC ACQUISITION CAMPAIGN

The primary objective of the offshore 3D seismic acquisition campaign will be to try to confirm understanding of the hydrocarbons which are potentially present in the sub-surface geology and to define the depth and geometry of the prospective horizons in the area.

The area in which the 3D seismic acquisition programme will be conducted comprises the four permits located furthest from the Valencia coast. According to technical studies, the most interesting and underexplored prospects may be located in these four permits. Water depths in the anticipated area of investigation range from 600 to 1400m. Permit A, closest to the coast, is excluded from the seismic acquisition programme.

The permit perimeters are approximately 40km from Valencia city and approximately 42km from Ibiza island. There will be no visual impact of the seismic campaign from the shore.

Cairn intends to acquire offshore seismic data at a time when any impact will be at a minimum; this is likely to be in the winter months.





MORE INFORMATION

If you have any questions or would like more information on any of Cairn's activities please email Cairn on: enquiries@cairnenergy.com

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