

707927

Page 1

**ORYX U.K. (KAKAP) LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 1994
REGISTERED NUMBER: 707927**

Board of Directors: Jerry W. Box
Robert L. Keiser
William P. Stokes, Jr.

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 1994.

Oryx U.K. (Kakap) Limited (Company) engages in the exploration and production of hydrocarbons in areas of Indonesia granted by the Kakap Production Sharing Contract. The KH Field development project began production in March 1986. Production started with the first of 13 wells in the KF Field in November 1989, with the last coming into production in October 1990. In 1991, the Company participated in two significant discovery wells, the KRA-1X and KRA-2X. In 1992, the Company participated in the discovery of the KRA-3X. Drilling continues to delineate this discovery for a potential platform decision. The KG Field is planned for future development.

The directors do not recommend payment of a final ordinary dividend. The loss for 1994 was \$(456) thousand and has been transferred to reserves (\$153 thousand loss in 1993).

The movements in fixed assets during the year are set out in Note 9 to the financial statements.

The directors of the Company at 31 December 1994 are shown above. Jerry W. Box and William P. Stokes, Jr. were directors for the whole of the year then ended. Robert L. Keiser was elected director at a meeting of the Board of Directors held on 2 August 1994.

None of the directors had any interest in the shares of subsidiary companies of Oryx Energy Company at 31 December 1994.

The directors are required by U.K. Company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1994. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

Charter Place
Vine Street
Uxbridge
Middlesex UB8 1EZ
27 march 1995

By order of the Board

Director

**ORYX U.K. (KAKAP) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER**

	<u>NOTES</u>	1994 <u>US\$ '000</u>	1993 <u>US\$ '000</u>
Turnover	3	10,209	14,744
Cost of sales	4	<u>(10,528)</u>	<u>(15,238)</u>
Gross loss		(319)	(494)
Dry hole costs		3	(70)
Exceptional write-off	19	<u>(1,459)</u>	<u>-</u>
Operating loss		(1,775)	(564)
Interest received		<u>11</u>	<u>11</u>
Loss on ordinary activities before taxation	7	(1,764)	(553)
Tax benefit on loss on ordinary activities	8	<u>1,308</u>	<u>400</u>
Loss for the year		<u><u>(456)</u></u>	<u><u>(153)</u></u>

All profits and losses included in the profit and loss account derive from activities of a continuing nature.

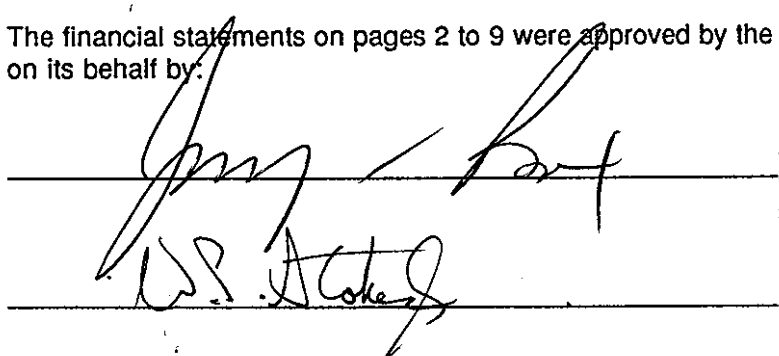
The Company has no recognized gains and losses other than the profit above and therefore no separate statement of total recognized gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

ORYX U.K. (Kakap) LIMITED
BALANCE SHEET
31 DECEMBER

	<u>NOTES</u>	1994 <u>US\$ '000</u>	1993 <u>US\$ '000</u>
Fixed Assets:			
Tangible assets	9	<u>31,979</u>	<u>24,718</u>
Current Assets:			
Debtors	10	<u>27,346</u>	<u>32,638</u>
Current Liabilities:			
Creditors - amounts falling due within one year	11	<u>(5,767)</u>	<u>(900)</u>
Net Current Assets		<u>21,579</u>	<u>31,738</u>
Total Assets Less Current Liabilities		53,558	56,456
Provisions for liabilities and charges	12	<u>(11,970)</u>	<u>(14,412)</u>
		<u>41,588</u>	<u>42,044</u>
Capital and Reserves			
Called up share capital	13	2	2
Paid in capital	16	33,158	33,158
Profit and loss account	17	<u>8,428</u>	<u>8,884</u>
		<u>41,588</u>	<u>42,044</u>

The financial statements on pages 2 to 9 were approved by the board of directors on *27 March* 1995 and signed on its behalf by:



) Directors

ORYX U.K. (Kakap) LIMITED
NOTES TO FINANCIAL STATEMENTS

1) Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

Oryx U.K. (Kakap) Limited (referred to herein as the Company) is incorporated in England and Wales and is a subsidiary of Oryx U.K. (Indonesian Holdings) Limited (referred to herein as the Holding Company). The Holding Company was acquired by Oryx Energy Company (referred to herein as Oryx).

The Company's business is to explore for and produce hydrocarbons in areas of Indonesia granted by the Kakap Production Sharing Contract as a member of a joint venture. The joint venture has designated an operator to act on its behalf. Only the Company's share of revenues and costs are included in this report.

The accompanying financial statements have been prepared in accordance with the applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Accounting Convention

The accounts are prepared under the historical cost convention.

Properties, Plant and Equipment

The successful efforts method of accounting is followed for costs incurred in oil and gas exploration and production operations.

Capitalization Policy – Acquisition costs are capitalized when incurred. Costs of unproved properties are transferred to proved properties when proved reserves are found. Exploration costs, including geological and geophysical costs and costs of carrying and retaining unproved properties, are charged to the profit and loss account as incurred. Exploratory drilling costs are capitalized initially; however, if it is determined that an exploratory well does not contain proved reserves, such capitalized costs are charged to expense, as dry hole costs, at that time. Development costs are capitalized. Costs incurred to operate and maintain wells and equipment and to lift oil and gas to the surface are generally expensed.

Leasehold Impairment – Costs of unproved properties which are determined to be impaired are charged to the profit and loss account in the current period.

Depreciation, Depletion, and Amortization – The acquisition costs of proved properties are depleted by the unit-of-production method based on proved reserves. Other capitalized costs of proved properties are depreciated by the unit-of-production method based on proved developed reserves.

Retirements – Gains and losses on disposals of fixed assets are taken to the profit and loss account in the year in which they arise.

Termination – Costs incurred by the joint venture for exploration, development, and production are generally recoverable from production of reserves under the terms of the Kakap Production Sharing Contract. At the termination of the contract, possession of the equipment and facilities reverts to the Indonesian government. Therefore, no provision is made for dismantlement, restoration, abandonment or salvage values.

ORYX U.K. (Kakap) LIMITED
NOTES TO FINANCIAL STATEMENTS – continued

1) Summary of Significant Accounting Policies – continued

Deferred Taxation

Deferred tax is calculated by applying the liability method. Provisions are made when timing differences are expected to reverse in the foreseeable future.

Cash Flow Statement

The Company is a wholly owned subsidiary of Oryx U.K. (Indonesian Holdings) Limited and the cash flows of the Company are included in the consolidated cash flow statement included in the financial statements of that company.

2) Related Party Transactions

The Holding Company maintains a cash account for the benefit of the Company and other subsidiaries of the Holding Company. All costs related to and interest earned from this cash account have been transferred to the subsidiaries of the Holding Company. During 1994, Oryx advanced funds on behalf of the Company.

3) Turnover

Sales of crude oil are recorded on the entitlement method. Differences between actual production and entitlements result in a receivable when underproduction occurs and a payable when overproduction occurs.

Under the terms of the Kakap Production Sharing Contract, the Company is required to sell certain amounts of crude to the government of Indonesia at prices provided for in the contract. The Company has recorded revenue from such sales based on latest realized prices from sales of crude to third parties. The resulting difference is treated as a royalty expense which is included in cost of sales.

4) Cost of Sales

Cost of sales consisted of the following:

	1994 <u>US\$ '000</u>	1993 <u>US\$ '000</u>
Operating costs	2,995	3,918
Royalty expense	3,973	6,415
Depreciation, depletion and amortization	3,232	4,186
Other	<u>328</u>	<u>719</u>
	<u><u>10,528</u></u>	<u><u>15,238</u></u>

5) Employee Information

The Company had no employees, other than directors, during 1994 and 1993. Certain services were provided by the ultimate parent company, Oryx Energy Company, on behalf of Oryx U.K. (Kakap) Limited. A service charge has not been included in the accounts to reflect the services provided by the parent company.

ORYX U.K. (Kakap) LIMITED
NOTES TO FINANCIAL STATEMENTS – continued

6) Directors Remuneration

The directors who served during the year ended 31 December 1994 received no fees or remuneration from the Company and were senior executives of Oryx Energy Company.

7) Profit on Ordinary Activities Before Taxation is Stated After Charging:

	1994 <u>US\$ '000</u>	1993 <u>US\$ '000</u>
Auditors' remuneration	<u>10</u>	<u>10</u>

8) Taxation

The components of the provision for income taxes were as follows:

	1994 <u>US\$ '000</u>	1993 <u>US\$ '000</u>
United Kingdom		
Current	4	4
Indonesia		
Current	1,130	1,066
Deferred	<u>(2,442)</u>	<u>(1,470)</u>
	<u>(1,308)</u>	<u>(400)</u>

Deferred taxation for 1994 and 1993 is calculated on temporary differences of \$(4,361) and \$(2,625) thousand, respectively, arising principally from differences between tax and accounting bases of properties, plant and equipment.

The effective rates for the 1994 and 1993 provisions vary from the Indonesian statutory rate due to differences between crude sales prices recorded and prices required to be used for Indonesian tax purposes, United Kingdom sourced income taxed at 33 percent (33 percent in 1993) and the benefit of the provisions of branch profit distribution tax relief under the U.K./Indonesian tax treaty.

ORYX U.K. (Kakap) LIMITED
NOTES TO FINANCIAL STATEMENTS – continued

9) Fixed Assets – Tangible Assets

	1994 <u>US\$'000</u>	1993 <u>US\$'000</u>
Properties, plant and equipment		
At 1 January	53,552	52,754
Additions	10,490	868
Dry hole costs	<u>3</u>	<u>(70)</u>
At 31 December	<u>64,045</u>	<u>53,552</u>
Accumulated depreciation, depletion and amortization		
At 1 January	28,834	24,648
Charged during the year	<u>3,232</u>	<u>4,186</u>
At 31 December	<u>32,066</u>	<u>28,834</u>
Net Book Value At 31 December	<u>31,979</u>	<u>24,718</u>

10) Debtors – Amounts Falling Due Within One Year

	1994 <u>US\$'000</u>	1993 <u>US\$'000</u>
Oryx	25,289	30,141
Trade debtors	82	1,210
Taxation	–	520
Other	<u>1,975</u>	<u>767</u>
	<u>27,346</u>	<u>32,638</u>

11) Creditors – Amounts Falling Due Within One Year

	1994 <u>US\$'000</u>	1993 <u>US\$'000</u>
Taxation	229	–
Other	<u>5,538</u>	<u>900</u>
	<u>5,767</u>	<u>900</u>

ORYX U.K. (Kakap) LIMITED
NOTES TO FINANCIAL STATEMENTS – continued

12) Provisions for Liabilities and Charges

	Deferred Taxation (see below)	
	1994 US\$ '000	1993 US\$ '000
At 1 January	14,412	15,882
Transferred from profit and loss account	<u>(2,442)</u>	<u>(1,470)</u>
At 31 December	<u>11,970</u>	<u>14,412</u>

Deferred taxation, all of which has been provided in the financial statements, is as follows:

	1994 US\$ '000	1993 US\$ '000
Tax effect of timing differences because of:		
Excess of tax allowances over related expenses for financial reporting purposes	<u>11,970</u>	<u>14,412</u>

13) Called Up Share Capital

	1994 US\$ '000	1993 US\$ '000
Authorized allotted and fully paid 1,000 ordinary shares of £1 translated at the 31 December 1982 rate of exchange of US\$1.62/£1	<u>2</u>	<u>2</u>

14) Ultimate Holding Company

The directors regard Oryx Energy Company of Dallas, Texas, a company incorporated in the United States of America, as the ultimate parent undertaking as of 31 December 1994. For information about company related business matters, reports can be obtained from Shareholder Relations at 13155 Noel Road, Dallas, Texas USA 75240.

The company into which these results are first consolidated is Oryx U.K. (Indonesian Holdings) Limited, a company incorporated in England and Wales.

15) Commitments

The Company conducts substantially all of its operations through memberships of a number of joint venture consortia. In the event of non-performance of obligations by another member, or members of such consortia, the Company would become subject to additional obligations. The Company does not anticipate non-performance by its joint venture partners.

ORYX U.K. (Kakap) LIMITED
NOTES TO FINANCIAL STATEMENTS – continued

16) Paid in Capital

Net amounts payable to British Petroleum Company p.l.c. (BP) and its affiliates of \$33,158 thousand were waived immediately prior to the acquisition by Oryx from BP on 1 January 1990. Such amounts have been treated as paid in capital.

17) Profit and Loss Account

	1994 <u>US\$ '000</u>	1993 <u>US\$ '000</u>
Retained profits at the beginning of the year	8,884	9,037
Retained (loss) for the year	<u>(456)</u>	<u>(153)</u>
Retained profits at the end of the year	<u><u>8,428</u></u>	<u><u>8,884</u></u>

18) Reconciliation of Movements in Shareholder's Funds

	1994 <u>US\$ '000</u>	1993 <u>US\$ '000</u>
Opening shareholder's funds	42,044	42,197
Loss for the year	<u>(456)</u>	<u>(153)</u>
Closing shareholder's funds	<u><u>41,588</u></u>	<u><u>42,044</u></u>

19) Exceptional Write-Off

In 1993, the Company recorded \$1,459 thousand as due from Oryx. In 1994, the \$1,459 thousand was written off.

**Report of the auditors to the members of
ORYX U.K. (Kakap) LIMITED**

We have audited the financial statements on pages 2 to 9.

Respective Responsibilities of Directors and Auditors

As described on page 1, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

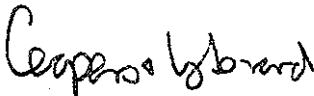
Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

27 March 1995