ORYX UK (KAKAP) LIMITED

ANNUAL REPORT
for the year ended
31 DECEMBER 1990

Registered number: 707927

Coopers
& Lybrand
Deloitte

ORYX U.K. (KAKAP) LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 1990

Board of Directors: **Jerry W. Box**
James E. Roberts
William P. Stokes

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 1990.

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. The KG Field is planned for future development.

The profit for 1990 was $4,292 thousand, which, added to the retained deficit brought forward, resulted in retained profit of $632 thousand. The directors do not recommend the payment of a dividend.

On 3 January 1990, the immediate parent company BP Petroleum Development (Indonesian Holdings) Limited (now Oryx U.K. (Indonesian Holdings) Limited) was acquired by Oryx Energy Company. The name of the company was changed from BP Petroleum Development (Kakap) Limited to Oryx U.K. (Kakap) Limited effective 7 March 1990.

In connection with the acquisition of the immediate parent company by Oryx Energy Company, together with other interests of British Petroleum p.l.c. (BP), the net amounts due to BP immediately prior to the acquisition were waived. They have been treated as additional paid in capital in the Company's financial statements.

The movements in fixed assets during the year are set out in Note 11 to the financial statements.

On 3 January 1990, R. L. Keiser, J. S. Wagner, Jr. and G. H. Wehrmaker were appointed as directors of the company in succession to Dr. T. M. Hamilton, D. C. Harding and I. G. S. Hartigan. At a meeting of the Board of Directors held on 8 June 1990, J. S. Wagner, Jr. and G. H. Wehrmaker resigned from their offices as directors, and it was resolved to appoint J. W. Box and J. E. Roberts to replace them. At a meeting of the Board of Directors held on 5 November 1991, R. L. Keiser resigned as director and it was resolved to appoint W. P. Stokes to replace him.

None of the directors had any interest in the shares of subsidiary companies of Oryx Energy Company at 31 December 1990.

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

By order of the Board

Director

Charter Place
Vine Street
Uxbridge
Middlesex UB8 1EZ
21 February 1992

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

	NOTES	1990 US$'000	1989 US$'000
Turnover	4	40,447	8,615
Cost of sales	5	(20,665)	(10,166)
Gross profit (loss)		19,782	(1,551)
Administrative expenses		(13)	(162)
		19,769	(1,713)
Interest received		198	96
Profit (loss) on ordinary activities before taxation	8	19,967	(1,617)
Tax on profit on ordinary activities	9	(15,675)	(9,045)
Profit (loss) for the year		4,292	(10,662)
Statement of retained reserves			
Retained (losses) profits at the beginning of the year		(3,660)	7,002
Retained profit (loss) for the year		4,292	(10,662)
Profit (loss) at the end of the year		632	(3,660)

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

	NOTES	1990 US$'000	1989 US$'000
Fixed Assets:			
Tangible assets	11	32,561	31,173
Current Assets:			
Short-term investments		14,800	-
Debtors	2&12	5,934	7,837
		20,734	7,837
Creditors - amounts falling due within one year	2&13	(8,906)	(33,683)
Net Current Assets (Liabilities)		11,828	(25,846)
Total Assets Less Current Liabilities		44,389	5,327
Provisions for liabilities and charges	14	(10,597)	(8,985)
		33,792	(3,658)
Capital and Reserves:			
Called up share capital	15	2	2
Paid in capital	10	33,158	-
Profit and loss account		632	(3,660)
		33,792	(3,658)

The financial statements on pages 2 to 10 were approved by the board of directors on 21 February 1992 and signed on its behalf by:

} Directors

ORYX U.K. (KAKAP) LIMITED
SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER

	1990 US$'000	1989 US$'000
SOURCE (USE) OF FUNDS		
Profit (loss) for the year	4,292	(10,662)
Items not involving the movement of funds		
Provision for liabilities and charges	1,612	8,985
Depreciation, depletion and amortization	4,652	2,977
Capitalization by parent	33,158	-
	43,714	1,300
Application of Funds		
Capital expenditures	(6,040)	(10,241)
Increase (Decrease) in Working Capital	37,674	(8,941)
Represented by Working Capital Movements:		
Short-term investments	14,800	-
Debtors	(1,903)	1,195
Creditors due within one year	24,777	(10,136)
	37,674	(8,941)

(See Accompanying Notes)

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 (formerly BP Petroleum Development (Kakap) Limited and referred to herein as the Company) is incorporated in the United Kingdom and is a subsidiary of Oryx U.K. (Indonesian Holdings) Limited (formerly BP Petroleum Development (Indonesian Holdings) Limited and referred to herein as the Holding Company). Prior to 3 January 1990, the Holding Company was a wholly owned subsidiary of the British Petroleum Company p.l.c. (referred to herein as BP). On 3 January 1990, 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 it's 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, Plants 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 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.

ORYX U.K. (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS - continued

1) Summary of Significant Accounting Policies - continued

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.

Deferred Taxation

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

2) Related Party Transactions

Prior to 1990, an affiliate of BP provided financial services for the Company, including the collection of cash receipts and the payment of cash expenditure requirements. In addition, the Company incurred receivables from and payables to certain other affiliates of BP. The receivables from and payables to BP and its affiliates at 31 December 1989 were discharged prior to the acquisition of the Holding Company by Oryx. (See Notes 10, 12 and 13.)

Beginning in February 1990, the Holding Company has maintained 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 1990 Oryx has advanced funds on behalf of the Company.

3) Reclassification of asset category

Capital expenditure of an exploration, development or production nature arising under Production Sharing Contracts, previously classified as loans within fixed asset investments, has been reclassified as tangible assets - properties, plants and equipment within fixed assets.

Similarily, the Company's share of joint venture stores, previously identified under stocks, has been reclassified as tangible assets - properties, plants and equipment within fixed assets.

Prior year balances have been reclassified and restated.

4) 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.

Turnover for 1989 consists of gross proceeds from the sale of the Company's entitlement to oil and 133,000 barrels of oil purchased from Hudbay Oil Kakap Limited, an affiliate of BP.

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

5) Cost of Sales

Cost of sales consisted of the following:

	1990 US$'000	1989 US$'000
Operating costs	4,918	4,940
Royalty expense	11,041	-
Depreciation, depletion and amortization	4,652	2,977
Oil purchases	-	2,194
Other	54	55
	20,665	10,166

6) Employee Information

The Company did not employ any employees during the year. 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.

7) Directors Remuneration

The directors who served during the year ended 31 December 1990 received no fees or remuneration from the Company and were senior executives of Oryx Energy Company.

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

	1990 US$'000	1989 US$'000
Auditors remuneration	10	8

ORYX U.K. (KAKAP) LIMITED
NOTES TO FINANCIAL STATEMENTS - *continued*

9) *Taxation*

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

	1990 US$'000	1989 US$'000
United Kingdom		
Current	5,078	-
Deferred	-	8,985
Indonesia		
Current	-	60
Deferred	10,597	-
	15,675	9,045

The deferred tax provision for 1990 consists of a 56 percent tax rate on temporary differences of $18,923 thousand arising principally from differences between tax and accounting bases of properties, plants and equipment. The 1989 deferred tax provision was similarly calculated using 35 percent as the applicable tax rate.

The effective rate for the 1990 provision varies from the Indonesian statutory rate due to the difference between crude sales prices recorded and prices required to be used for Indonesian tax purposes and to United Kingdom sourced income taxed at 35 percent.

10) Paid In Capital

Net amounts payable to BP and its affiliates at 31 December 1989 amounting to $33,158 thousand were waived immediately prior to the acquisition. They have been treated as additional paid in capital.

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

11) Fixed Assets – Tangible Assets

	1990 US$'000	1989 US$'000
Properties, plants and equipment		
At 1 January	41,843	31,602
Additions	6,040	10,241
At 31 December	47,883	41,843
Accumulated depreciation, depletion and amortization		
At 1 January	10,670	7,693
Charged during the year	4,652	2,977
At 31 December	15,322	10,670
Net Book Value At 31 December	32,561	31,173

12) Debtors – Amounts Falling Due Within One Year

	1990 US$'000	1989 US$'000
BP and affiliates	-	4,052
Holding Company	1,004	-
Trade debtors	4,086	139
Other	844	3,646
	5,934	7,837

13) Creditors – Amounts Falling Due Within One Year

	1990 US$'000	1989 US$'000
BP and affiliates	-	29,331
Oryx	2,681	-
Taxation	5,078	60
Other	1,147	4,292
	8,906	33,683

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

14) Provisions for Liabilities and Charges

	Deferred Taxation (see below)	
	1990 US$'000	1989 US$'000
At 1 January	8,985	-
Transferred from profit and loss account	10,597	8,985
Utilised in year	(8,985)	-
At 31 December	10,597	8,985

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

	1990 US$'000	1989 US$'000
Tax effect of timing differences because of:		
Excess of tax allowances over related expenses for financial reporting purposes	10,597	8,985
	10,597	8,985

15) Called Up Share Capital

	1990 US$'000	1989 US$'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	2	2

16) 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 at 31 December 1990.

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

We have audited the financial statements on pages 2 to 10 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 31 December 1990 and of the profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte
Chartered Accountants
London
21 February 1992