

Chad Export Project Report #10

1st Quarter 2003

This report has been prepared by Esso Exploration and Production Chad Inc., in its capacity as Operator of the Consortium and as Project Management Company on behalf of the Tchad Oil Transportation Company S.A. (TOTCO) and the Cameroon Oil Transportation Company S.A. (COTCO).

Preface

This tenth in the series of Quarterly Reports for the Chad Export Project (also referred to as the Chad/Cameroon Development Project) covers the period from January 2003 through March 2003.

This report reflects the work of the Project operating company and its contractors, with a particular focus on compliance with the Environmental Management Plan. Several entities share responsibility for implementing the Project.

- Oilfield development in Chad is conducted by Esso Exploration and Production Chad Inc. (EEPCI) on behalf of the Consortium (Esso, Petronas, ChevronTexaco).
- Pipeline activities in Chad are conducted by the Tchad Oil Transportation Company S.A. (TOTCO).
- Pipeline activities in Cameroon are conducted by the Cameroon Oil Transportation Company S.A. (COTCO).
- During construction, EEPCI is providing project management services to TOTCO and COTCO.

Quarterly Reports are submitted through, and subject to verification by, the World Bank and Lender Group as a reporting requirement of the Project's partnership with the Bank and the two host countries. Annual Project Summaries are also published early in each year.

This report also represents a commitment to transparency by Esso and its co-venture partners. By publishing this information, the Project wishes to make it possible for the World Bank and Lender Group, the citizens of the host countries, interested non-governmental organizations (NGOs), and others to stay well informed about the Project as it unfolds.

The Quarterly and Annual Reports are posted on the Project's website (www.essochad.com). A limited quantity of printed reports is also distributed to stakeholders in fulfillment of reporting requirements and to make information available to the citizens of Chad and Cameroon where very few people have access to the Internet. This Quarterly Report is also available in French.

Please note that October 2000 has been designated as the official start date of the Project for the purposes of data compilation. For consistency, monetary unit conversions have been based on a rate of 650 FCFA to one U.S. dollar.

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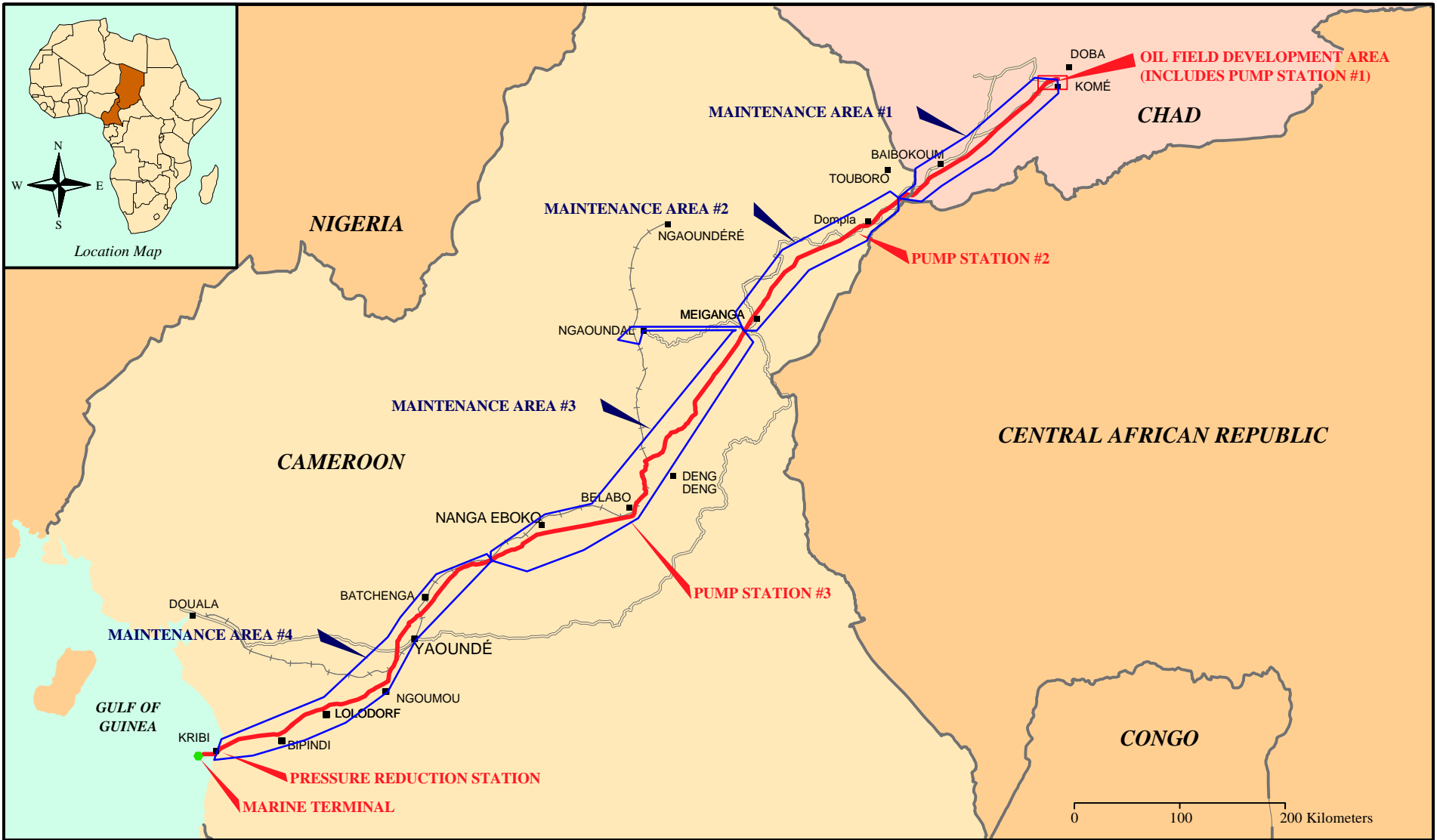
Snapshot Summary of the Quarter

- Significant advances this quarter have put the Project within reach of its goal to commence crude oil production in mid-2003.
- Crews on the Project's five oil well rigs had drilled a total of 60 production wells by the end of the quarter and drilling operations are now underway in all three oilfields in southern Chad.
- Work on the crude oil export system was moving ahead on schedule.
 - Construction was nearly finished on Pump Stations 1 and 2, the two pipeline system pump stations required for initial oil production.
 - At the terminus of the onshore pipeline, near Kribi, Cameroon, the Pressure Reducing Station had been 100% completed.
 - The pipeline itself was completely welded, lowered into its trench, and buried. Finishing touches were underway, including final integrity testing of the pipeline and reclamation of the right of way.
- Significant progress was made during the quarter on the oilfield area facilities.
 - The Central Treatment Facility that will process crude oil before it is put into the pipeline was more than 98% complete for the purpose of the initial start up.
 - Electrical generation and distribution systems were almost finished and testing had started.
- The components of the marine terminal were beginning to come together as the quarter ended.
 - The Floating Storage and Offloading vessel was about to start sea trials in Singapore and the Single Point Mooring unit had already been barged 90% of the distance from Malaysia to Cameroon.
 - Trenching was underway for the installation of the 12 kilometer undersea pipeline that will connect the onshore pipeline to the Floating Storage and Offloading vessel.

- This quarter's total of 16 Environmental Management Plan non-compliance situations was the lowest number recorded since Project construction began in October 2000. However, for the first time, Level III non-compliance situations were recorded.
 - The Level III situations, which were asserted and recorded by the World Bank Group, involved the Project's management of three archaeological sites along the pipeline route in Cameroon.
 - The Project has developed a go-forward program that is consistent with previous plans, expands the availability of the Project's archaeological findings, and adds capacity-building elements to the Project's comprehensive archaeology program.
Note: For full details concerning this matter please see the section on *Reportable EMP Situations*, as well as the section on *Archaeology & Cultural Resources*.
- The overall worker safety record at Project work sites continued to be very good.
 - The Recordable Incident Rate held steady at 0.5 incidents per 200,000 work hours.
 - Workers for facilities construction contractor TCC have topped the 29 million hour mark without a lost time incident.
 - One Project-recordable lost time incident occurred this quarter at the shipyard in Singapore where renovation of the Floating Storage and Offloading vessel was taking place.
- The Project conducted over 370 public consultation sessions in the first quarter of 2003, reaching over 18,000 people.
 - Consultation sessions focusing on the Project's Area Specific Oil Spill Response Plans were held in numerous communities in Chad and Cameroon.
 - Two consultation teams began working their way along the pipeline route to prepare the local population for the impending start of production, when crude oil will begin flowing in the pipeline.
- Since the Project's compensation program began, approximately 7.2 billion FCFA (\$11 million) in cash and in-kind payments has been distributed to individual land users.
 - In Chad, individual compensation distributed in the first quarter totaled over 202 million FCFA (\$311 thousand).
 - In Cameroon, individual compensation paid in the first quarter was nearly 192 million FCFA (\$295 thousand).
- Work continued on the Project's regional and community compensation programs.
 - In Cameroon, 150 of the villages eligible for the programs had received deliveries of various improvements they had chosen. Materials delivered include school equipment and supplies, medical equipment and medicines, community brick making equipment, and water wells with hand or foot pumps.

- In Chad, 77 of the 86 eligible communities have chosen their compensation. The chosen improvements include multi-room schools, wells with pumps, and market places.
- A rigorous environmental monitoring program was launched this quarter in the vicinity of the Project's shoreline worksite near Kribi, Cameroon. A particular focus of the effort is the protection of sea turtles that sometimes are found in the area. So far, daily pre-work inspections have not found any turtles.
- The Project enhanced its dust control program in Chad this quarter. Tests of several dust suppression options showed that a road coating of industrial molasses was very effective. Treatment of the Project's main oilfield area road was underway at the quarter's end.
- The Project's ambient air quality monitoring program was launched with the installation of two monitoring stations and the training of Chadian and Cameroonian technicians to operate and maintain them.
- Another fire at Komé Atan destroyed a section of the village that was left largely untouched by last quarter's fire. The cause of the fire is unclear. Rebuilding had already started by the end of the quarter.
- Construction worker demobilization is now well underway in both Chad and Cameroon, and the size of the Project's direct workforce has declined to just over 10,000 workers, down from the peak total of over 13,000 in November 2002.
 - Well over 7,000 Chadian and Cameroonian workers remained on the job at the quarter's end, well above the originally projected peak local employment level of 4,000.
 - Since construction began, it is estimated that more than 35,000 workers have held jobs with the Project.
- Wages paid to Chadian and Cameroonian workers in the first quarter of 2003 totaled more than 6.6 billion FCFA (\$10.1 million).
 - Wage payments to Chadian workers exceeded 3.9 billion FCFA (\$6.0 million).
 - Wage payments to Cameroonian workers exceeded 2.7 billion FCFA (\$4.1 million).
- The Project spent over 52.5 billion FCFA (\$81 million) procuring goods and services from Chadian and Cameroonian suppliers during the first quarter. Since construction began, the Project has made local purchases of over 398 billion FCFA (\$612 million).
- Project clinics provided over 18,000 worker medical consultations during the first quarter of 2003.
 - The number of malaria cases among non-immune workers dropped significantly this quarter compared to the same quarter in 2002, even though the size of the non-immune work force more than doubled in the same period.


- The Project's malaria-related hospitalization rate for semi-immune workers continues to run at a level that is approximately one-ninth the rate of the overall population in Chad and Cameroon.
- One of the final procedural steps was taken toward establishing a new public health diagnostic and research center to be based in the oilfield area. The Southern Chad Reference Center for Infectious Diseases will provide diagnostic and educational support for the five clinics operating in the oilfield area. (It should be noted that the facility will not provide direct patient care.)
- Work was nearly completed on the engineered solid waste landfill at the Komé Waste Management Facility in the oilfield area. Liner installation was finished and only the installation of some pumps and other infrastructure remains before the facility can become operational.
- The Management Board for the Foundation for Environment and Development in Cameroon has formally launched its ecological, conservation, and enhancement programs in two new national parks.
 - The Board signed a funding agreement with the Wildlife Conservation Society for the program in the Campo-Ma'an national park.
 - The Board signed a similar agreement with the World Wildlife Fund to conduct the program in the Mbam and Djerem national park.
- With construction progress on schedule for initial oil production to commence at mid-year, several significant steps have been taken in the building of the Project's operations phase organization.
 - Training was completed for most of the expatriate staff that will hold operations jobs in Chad and Cameroon. Over 70 expatriates had begun their work assignments in the two host countries.
 - A new wave of recruiting for additional permanent Chadian and Cameroonian operations organization staff was about to begin. A total of 177 Chadians and Cameroonians are currently employed as permanent staff.
 - As the quarter closed, the operations organization was about to take control of its first facility, the Pressure Reducing Station near Kribi, Cameroon.
 - The first of a number of major contracts that will support operations activities has been signed, a contract for logistics services.



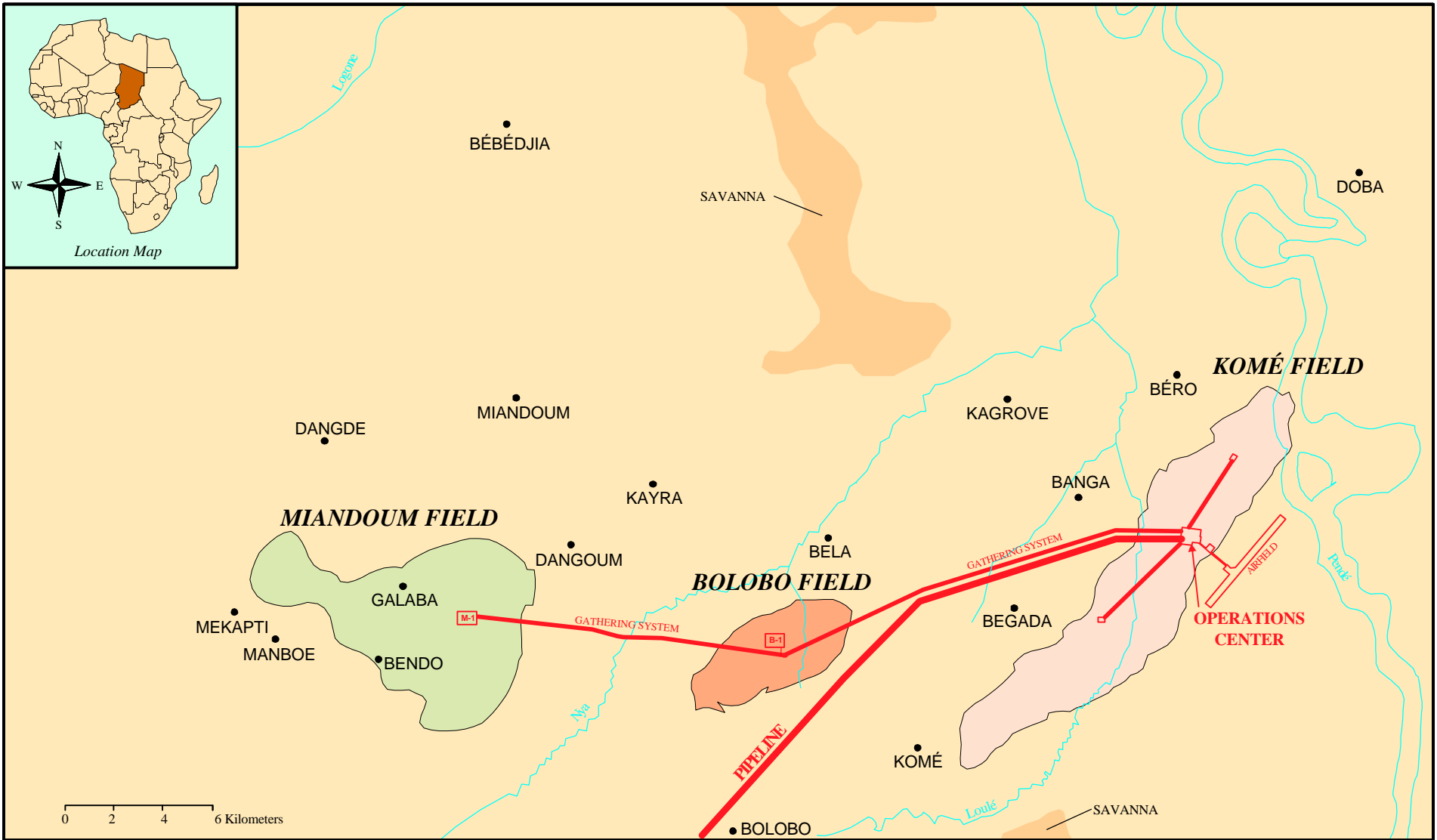
LEGEND	
	Oil Field Development Area
	Pipeline
	International Boundaries
	Maintenance Area Boundaries
	Major Roads (In Study Area)
	Railroad
	Marine Terminal (FSO)

Chad Export Project

OVERVIEW OF PIPELINE TRANSPORTATION SYSTEM



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LEGEND

Komé Field	Villages / Towns
Miandoum Field	Gathering Stations
Bolobo Field	Rivers

Chad Export Project

OVERVIEW OF THE OIL FIELD PROJECT AREA (from Chad EA)


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