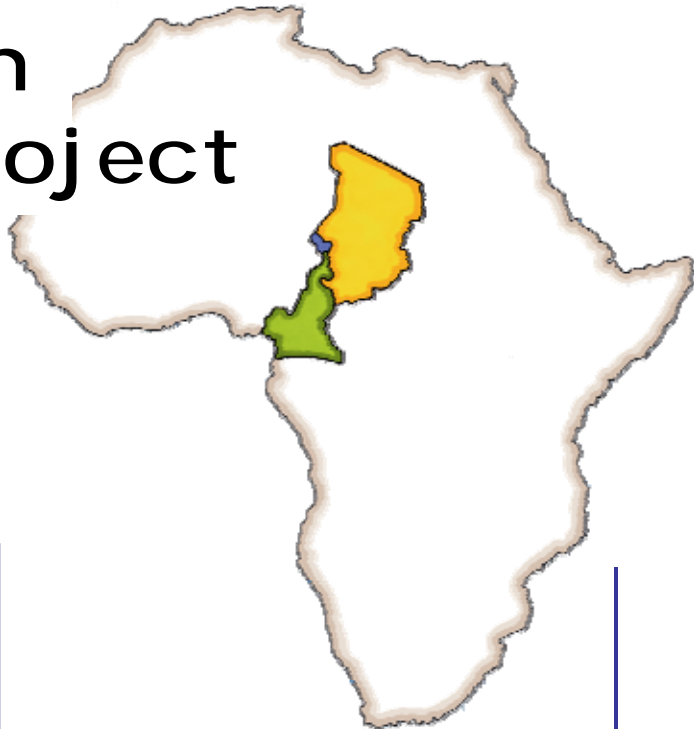


# Chad/Cameroon Development Project



Report No. 17  
Fourth Quarter 2004  
Annual Report 2004

# Chad Export Project Report #17

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4th Quarter 2004  
Annual Summary 2004

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

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This seventeenth in the series of Quarterly Reports for the Chad Export Project (also referred to as the Chad/Cameroon Development Project) covers the period from October 2004 through December 2004. The Annual Project Summary for 2004 has been combined with this report in the form of topic-by-topic summaries and data tables.

This report reflects the activities of the Project operating company and its prime 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](http://www.essochad.com)). A limited quantity of printed reports is also distributed to stakeholders in fulfillment of reporting requirements and to make information more readily 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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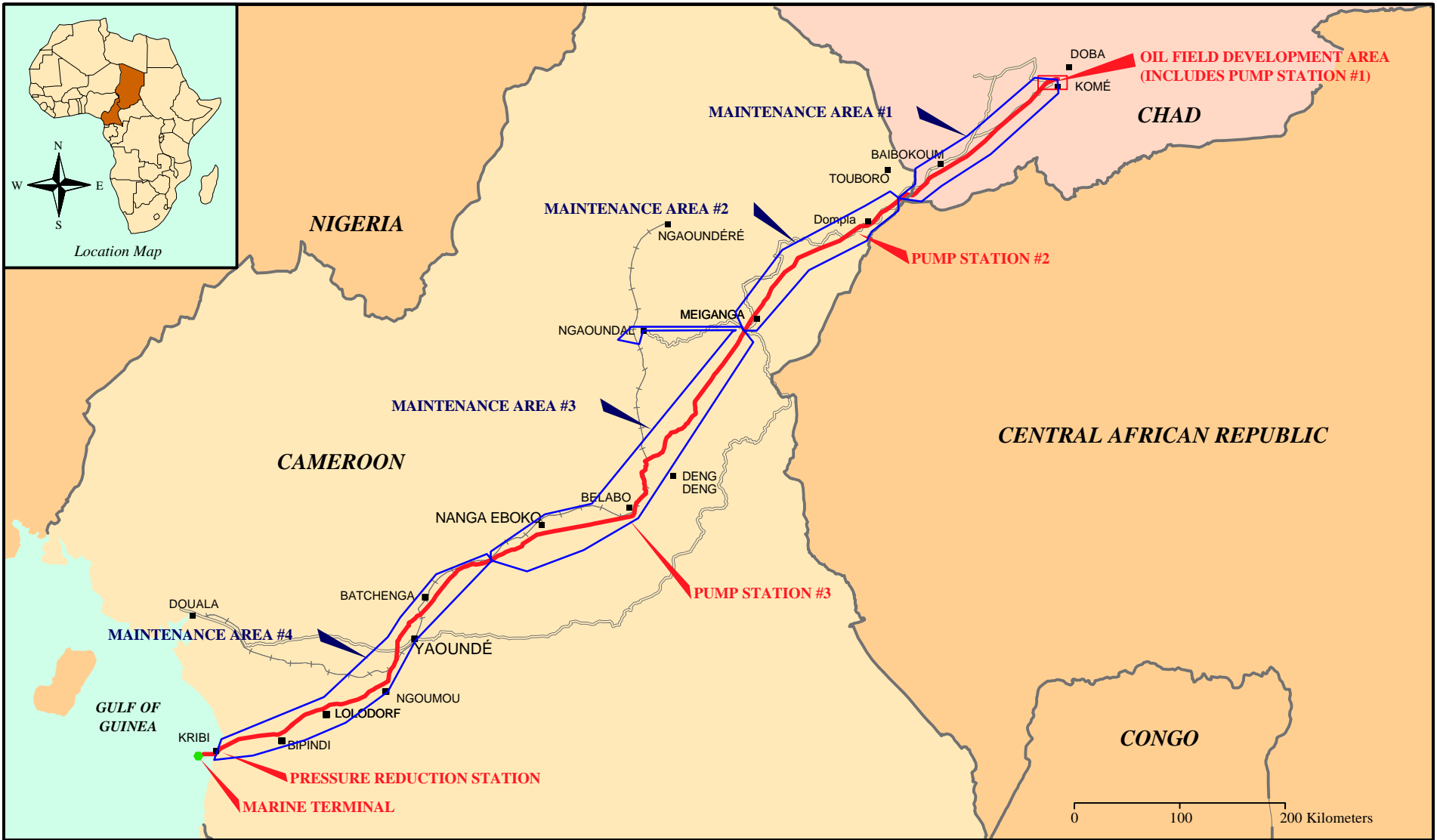


## Snapshot Summary of the Quarter

- The construction lenders have declared the Project complete and properly built, based on a certification process involving expert independent advisors.
  - The World Bank's environmental and socioeconomics monitoring group certified that the Project has complied with the Environmental Management Plan.
  - Following a 60 day production performance test, the lenders' technical advisor, an independent engineering firm, certified that the Project has been built to specification.
  - Other experts certified the Project's oil reserve estimates and its insurance coverage.
- With the lender sign-off, the Project reached a milestone called "financial completion," a step that opened the way for some major revenue and equity developments.
  - The two host countries took formal ownership of their shares in the Export System. Their construction phase loans were converted to equity in the two pipeline operating companies, TOTCO and COTCO.
  - Financial completion opens up new revenue sources that now will be used to pay off the construction financing and help the partners recover their investments. (See below for more information on these revenue sources, oil transportation costs, and the calculation of Chad's royalty.)
- The Consortium decided to go forward with funding for two new oilfields and Chad's President Idriss Deby signed concession decrees permitting the development.
  - The Nya field, with four wells, will be located immediately adjacent to the Miandoum oilfield, one of the three existing fields of the original Project.
  - The Moundouli field, with 25 wells, will be located 33 kilometers to the west of the Miandoum Gathering Station, east of Moundou.
  - Construction of the two new fields will commence in 2005, with production startup planned for the Nya field in late 2005 and for the Moundouli field in mid-2006.
  - In preparation for the construction, an environmental study, public consultation, and land compensation effort has been underway for many months.
- As of the end of the year, the Project had shipped a total of 70 million barrels of Chadian crude oil to world markets since the first sale of oil in October 2003.
  - Fourth quarter shipments set a new quarterly record of 18.7 million barrels and 22 export tanker shipments.
  - A total of approximately \$149 million had been paid into Chadian escrow accounts in London by the end of 2004, in accordance with Chad's Revenue Management Plan.

- The Project's number of producing oil wells climbed over the 200 level for the first time, reaching a total of 204 working wells turned over to the Project's production team.
- Field monitors recorded eight Environmental Management Plan non-compliance situations in the fourth quarter of 2004. All eight situations were categorized as Level I situations, the lowest level of non-compliance. One minor spill was also recorded.
- The Project improved its overall safety performance in several crucial ways in 2004.
  - The Project achieved a year-on-year improvement of almost 14% in its cumulative Recordable Incident Rate, recording a rate of 0.38 incidents per 200,000 worker hours.
  - The year-on-year cumulative Lost Time Incident Rate also improved for the second year in a row, a reduction by one-third to a rate of 0.03 incidents per 200,000 worker hours.
  - Driver safety trends improved dramatically, as indicated by the injury accident rate, which dropped by 40% since the first quarter, to a rate of 47 per 100 million miles driven.
- The Project held 134 public consultation sessions in the quarter, reaching nearly 5,600 people. In Chad, consultation included the 45 day formal public comment period on plans for the new Nya and Moundouli oilfields.
  - Public consultation sessions were held in villages near the Nya and Moundouli oilfields and along the right of way between Moundouli and the Miandoum Gathering Station.
  - Reading rooms were opened in six project-area villages and major population centers of southern Chad.
  - Citizen comments have been collected and will be used to make adjustments to the environmental documents for the two new oilfields.
- Total individual land use compensation paid by the Project in Chad and Cameroon has reached over 8.5 billion FCFA (\$13 million) in cash and in-kind payments. A total of 109 million FCFA (\$168 thousand) was added to the total in the fourth quarter of 2004.
  - In Chad, individual compensation distributed in the quarter totaled over 96 million FCFA (\$148 thousand).
  - In Cameroon, individual compensation paid in the quarter was over 12 million FCFA (\$18 thousand).
- The Project began renewing the molasses paving on designated oilfield-area roads, following the end of the wet season. Engineers have been experimenting with ways to improve the durability of the paving by changing the percentage of molasses in the mixture.
- An oil spill drill mobilized first responders and emergency operations centers to deal with a hypothetical crude oil spill in the coastal area of Cameroon near the marine terminal.
- A record amount of scrap material was recycled this quarter to oilfield area communities. One hundred truckloads of wood and 34 truckloads of metal were donated by the Project in the course of demobilizing the former waste management facility at Komé Base Camp.
- Workers were steadily demobilized throughout 2004 as construction wound down in Chad on the original three fields Project.
  - From the first to the fourth quarters, overall Project employment dropped by one-third. The total number of workers fell below 3,000 people, the lowest since construction began.


- Employment in Chad fell by over 900 workers from the third to the fourth quarter, corresponding to the formal declaration of Project completion in December.
- Employment in Cameroon remained steady, as it has since the completion of the pipeline.
- Wages paid to Chadian and Cameroonian workers in the fourth quarter of 2004 totaled over 3.3 billion FCFA (\$5.1 million).
  - Wage payments to Chadian workers reached almost 2.5 billion FCFA (\$3.8 million).
  - Wage payments to Cameroonian workers reached nearly 860 million FCFA (\$1.3 million).
  - More than three-fourths of the Project's employees held skilled, semi-skilled or supervisory jobs at the end of the fourth quarter.
- Fourth quarter Project spending on purchases of goods and services from local suppliers was down from previous quarters due to the continued decline in Project construction.
  - In Chad, the Project's fourth quarter spending fell 31% compared to the previous quarter, dropping to 13.2 billion FCFA (\$20.4 million).
  - In Cameroon, quarter-on-quarter local business spending by the Project declined by 36% to 7.4 billion FCFA (\$11.4 million).
- Year-on-year figures show that the Project's rigorous malaria fighting measures have cut the rate of malaria infections to less than one-fifth the levels three years ago when the Project launched an intensive effort to fight malaria among its worker population.
- Funding has now been approved for a series of public health campaigns in Chad and Cameroon that will fight malaria, prevent cholera, and renovate health clinics.
  - The programs will be implemented through partnerships between the Project, the national ministries of health, and local and national NGOS.
  - A total of \$1.5 million in funding will come from the ExxonMobil Foundation as part of a new charitable giving program called the Africa Health Initiative.
- With the financial completion milestone, the transportation of Chad's oil through the Export System has opened a new stream of revenue for both of the host countries.
  - As a result of their new shareholder status in the pipeline operating companies, TOTCO and COTCO, the two governments received lump sum revenues totaling \$28.2 million. Chad received \$11.9 million and Cameroon received \$16.3 million.
  - These transportation-related revenues are one of four parts of the transportation costs to move Chad's crude oil to market. Transportation costs absorb about one-third of the sale price of a barrel of crude oil and are the first step in computing the royalty due to Chad.
- An analysis has been conducted of royalty and tax revenues, debt service, operating and maintenance costs, and recovery of investments over the estimated 30-year Project lifetime.
  - The analysis shows that about equal shares of the net revenue from crude oil sales will go to the host countries and the Consortium over the lifetime of the Project.
  - During the early years, the Consortium and the pipeline company shareholders must work to pay back the construction loans and to recover the money invested to build the Project. In later years, the Consortium will pay to Chad a corporate income tax ranging from 40% to 65% on its audited level of profits.



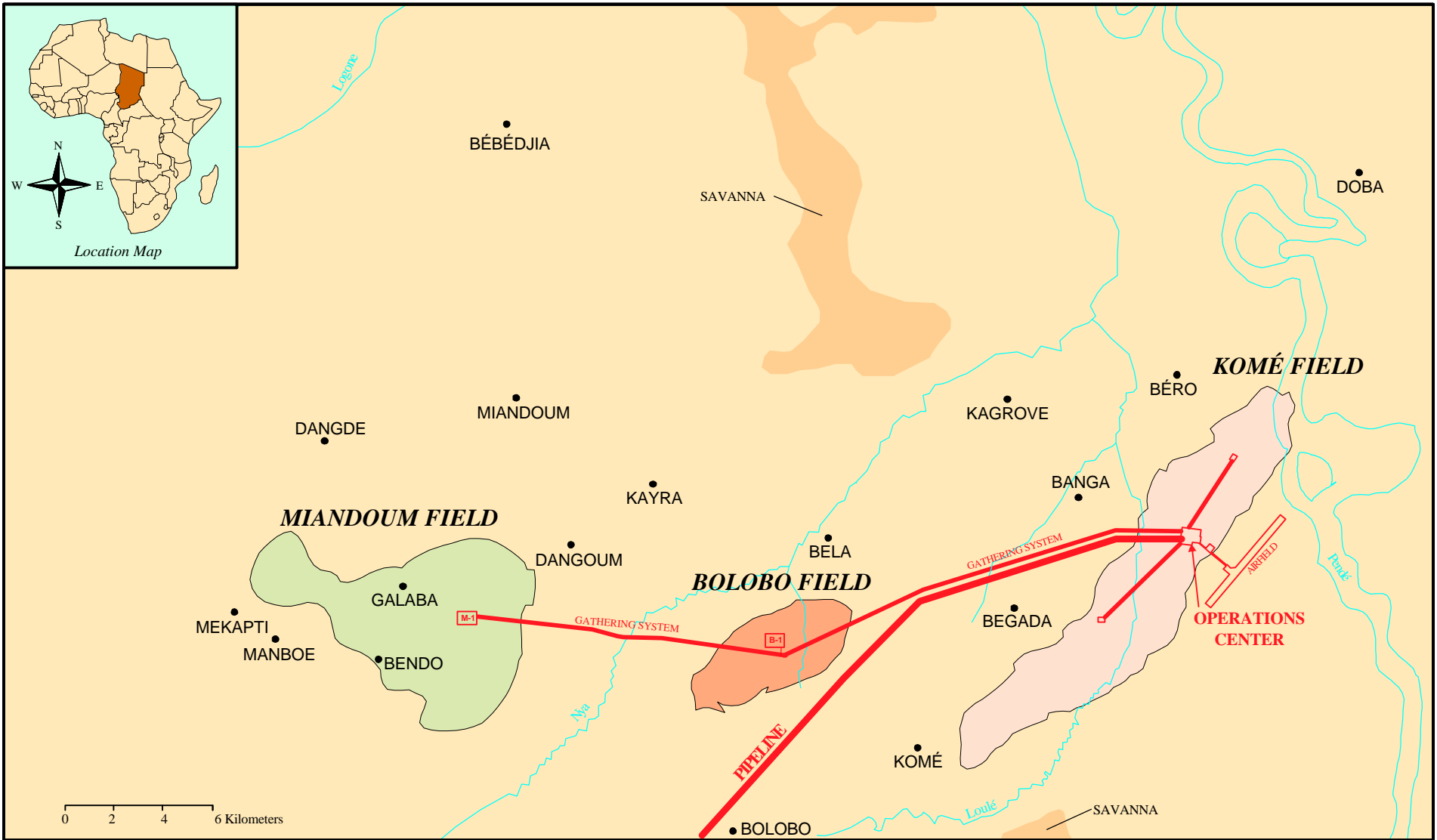
LEGEND	
	Oil Field Development Area
	Pipeline
	International Boundaries
	Maintenance Area Boundaries
	Major Roads (In Study Area)
	Railroad
	Marine Terminal (FSO)

# Chad Export Project

## OVERVIEW OF PIPELINE TRANSPORTATION SYSTEM



**DAMES & MOORE**  
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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)**


**DAMES & MOORE**  
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