

**Repsol YPF in the Deepwater
Gulf of Mexico**

The value addition of Shenzi

July 2006

Disclaimer

This presentation contains forward-looking statements that are subject to risk factors associated with the oil, gas, power, chemicals and renewable businesses. It is believed that the expectations reflected in these statements are reasonable, but may be affected by a variety of variables which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, the risks of doing business in developing countries, legislative, fiscal and regulatory developments including potential litigation and regulatory effects arising from recategorization of reserves, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates. For a further discussion of the factors that could affect our future results, see "Risk Factors" in the company's Annual Report on Form 20-F for the year ended December 31st, 2004 on file with the US Securities Exchange Commission.

In particular, this announcement also contains statements regarding revisions to previous estimates of the proved oil and gas reserves of Repsol YPF and the estimated financial impact of these revisions. These revisions are being made in connection with the estimation of proved reserves at December 31, 2005. In addition, the audit committee of Repsol YPF is conducting an independent review of the circumstances regarding these revisions. The estimation of proved reserves involves complex judgments, including judgments about expected economic, technical and other operating conditions, and are subject to a variety of factors, many of which are beyond Repsol YPF's control. These factors include but are not limited to changes in oil and gas prices, geological and operating data derived from exploration and production activities, technological developments, budgeting, investment and other financial decisions that we and other oil and gas companies may make, political events generally, changes in the applicable political, legal, regulatory and tax environments in which we operate, environmental risks, project delay or advancement, and technical factors associated with the exploration and production of hydrocarbons. In addition, the statements contained in this announcement or prior dates may be revised in light of the results of the independent review being conducted by the audit committee.

Cautionary Note to US Investors:

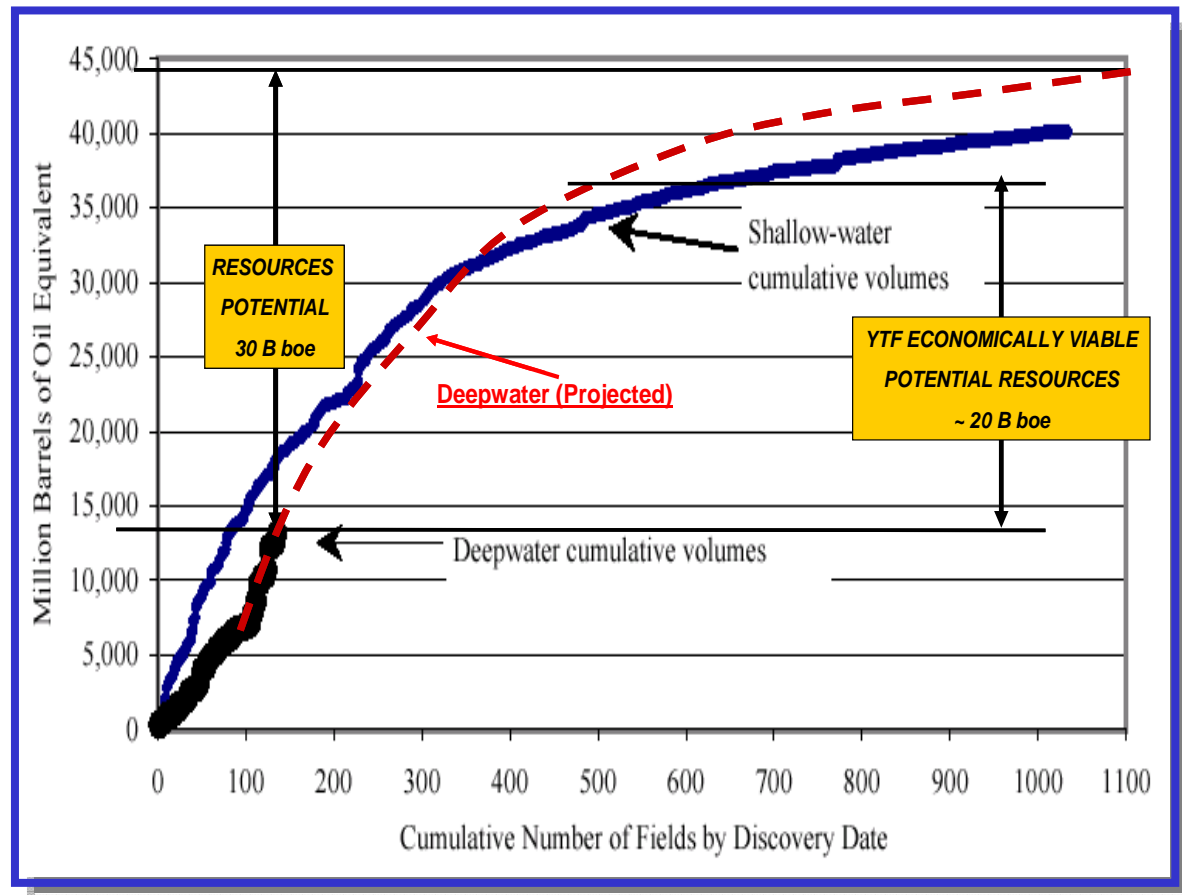
The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions.

Introduction

- **In 2003, Repsol YPF developed a growth strategy focused on two key emerging deepwater areas, Alaminos Canyon in the West GoM and Green Canyon/Atwater Valley in the Central GoM**
- **Consequence of the implementation of this strategy, Repsol YPF has increased its presence in the area, and currently holds interests on 85 exploration blocks in the deepwater GoM, of which 45 are operated and 40 non-operated**
- **Since 2003 Repsol YPF has participated in 6 deepwater exploratory wells in these key areas of which two of them were successful and one is currently being evaluated.**
- **Production from these fields will begin on 2007 with a net production for Repsol YPF of 7,500 Bopd and 7.5 Mscfd**

Why the Deepwater GoM?

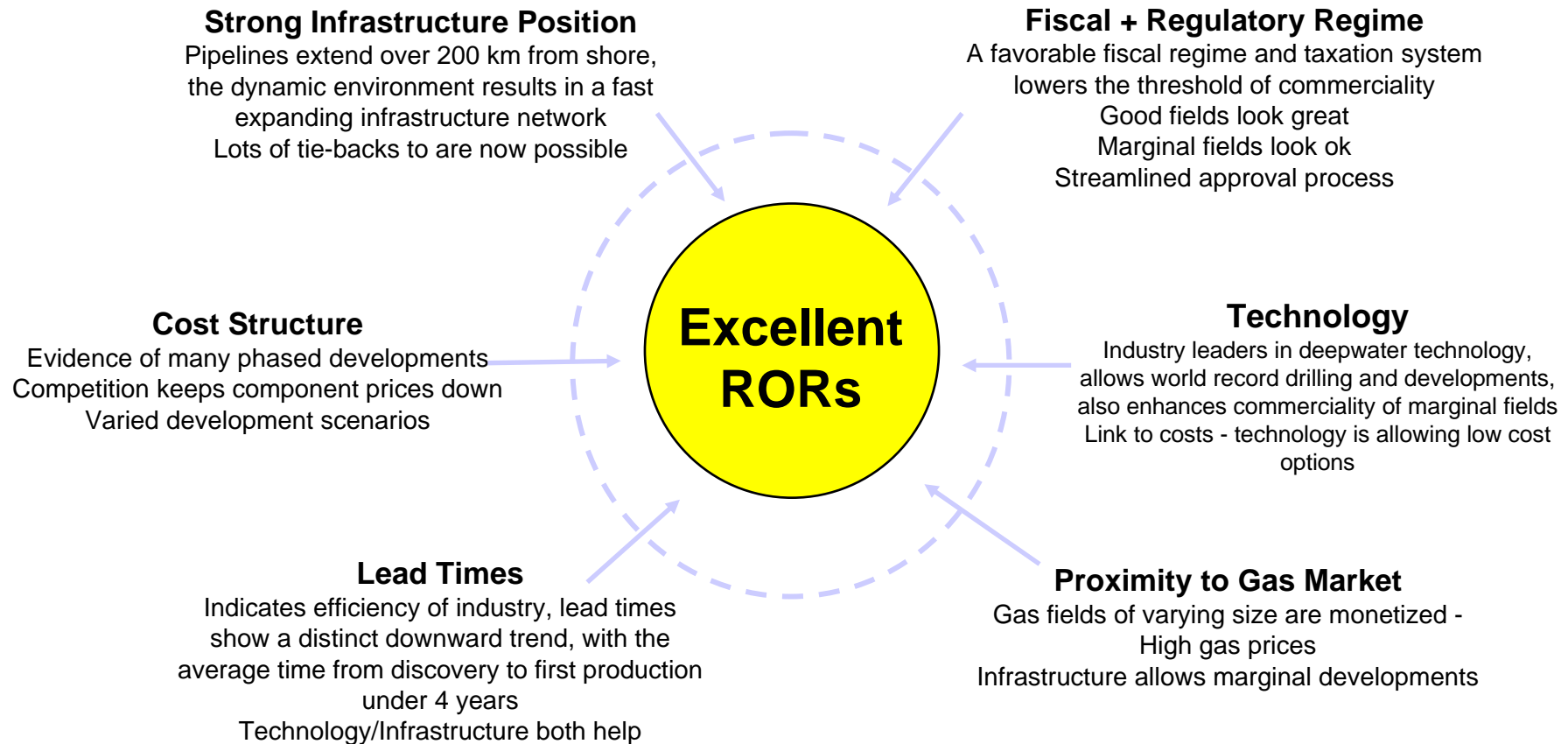
- Several recent world-class discoveries, mainly oil
- Large yet-to-find (YTF) potential with several immature plays
- The extrapolated deepwater creaming-curve shows that the YTF volumes (expected to be similar to the ones discovered in the shallow-water) could reach 20Bboe, considering only economically viable projects.



Source: Modified from MMS, 2003

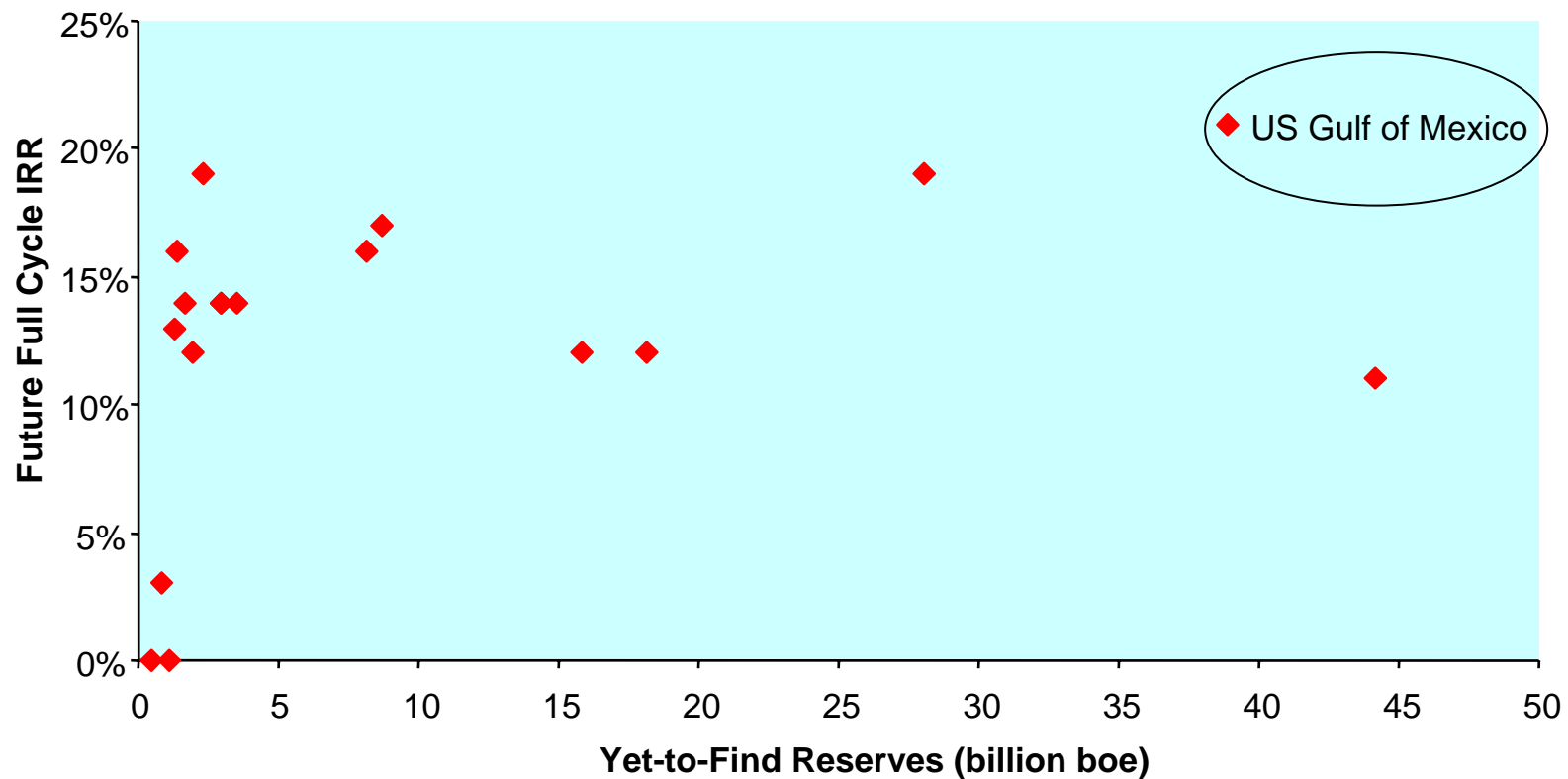
GoM - Key Factors

Many factors combine to make the US GoM extremely attractive

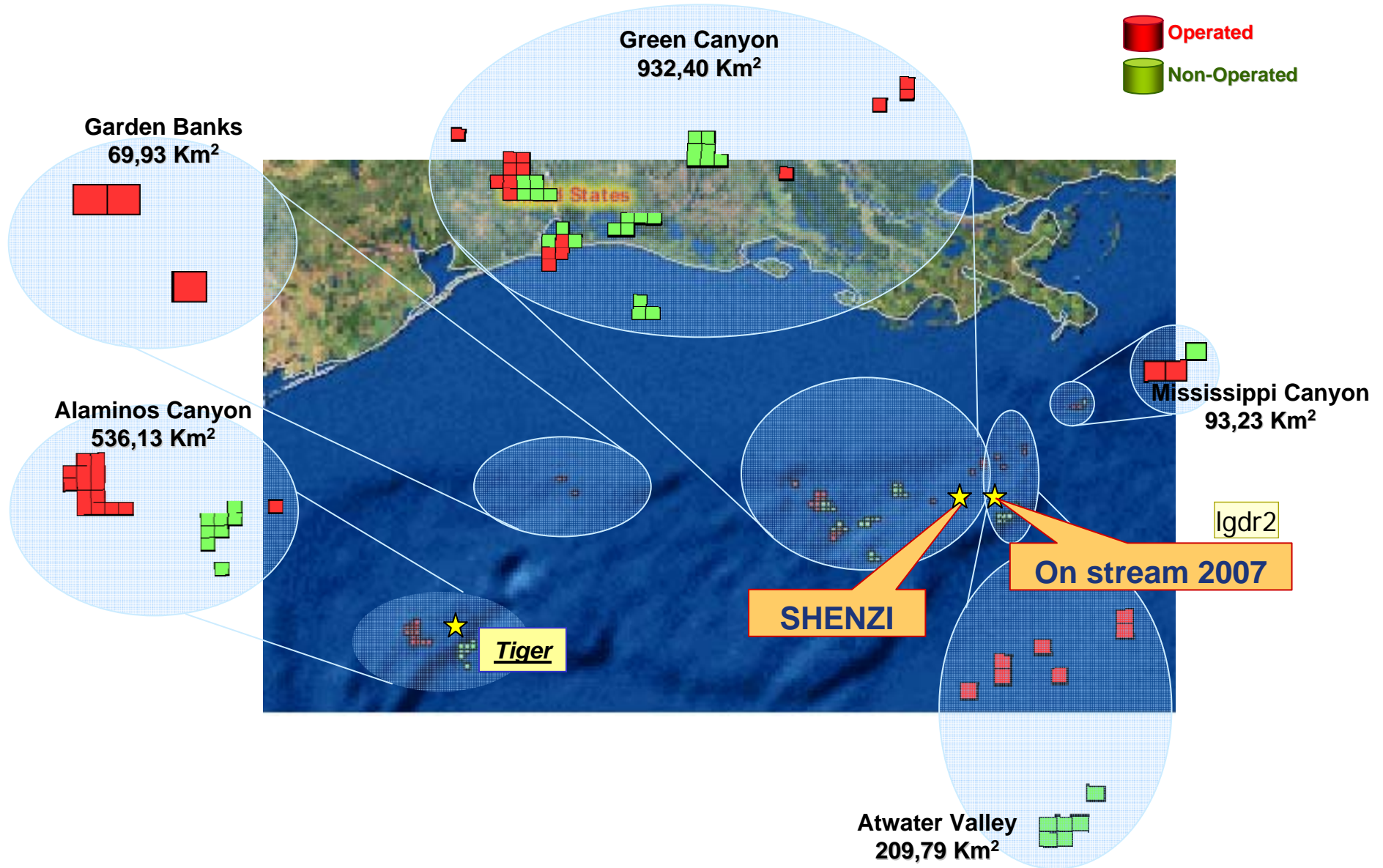


GoM Economic Value versus YTF Resources

The GoM deepwater ranks among the top exploration areas in the world



Repsol YPF in the Gulf of Mexico



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Would be better if the refference to Neptune is deleted.

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To concentrate in Deep Water,

- **Focusing our efforts in selected deepwater plays in two main areas:**
 - **Green Canyon/Atwater Valley**
 - **Alaminos Canyon (near Mexican waters)**
- **Building excellence in geophysical expertise**

Why Green Canyon/Atwater Valley?



- **Large unexplored potential in the sub-salt play**
- **World class Miocene reservoirs**
- **Robust petroleum system**
- **Fast development of seismic imaging and PSDM technologies**

Improving the Seismic Imaging in-House

As part of our strategy,

- **Repsol YPF has rights on 50 blocks in GC/AV. Base for a solid portfolio of prospects**
- **Repsol YPF did establish an in-house PSDM processing centre in Houston in 2004, targeted to define sub-salt opportunities in the GoM**

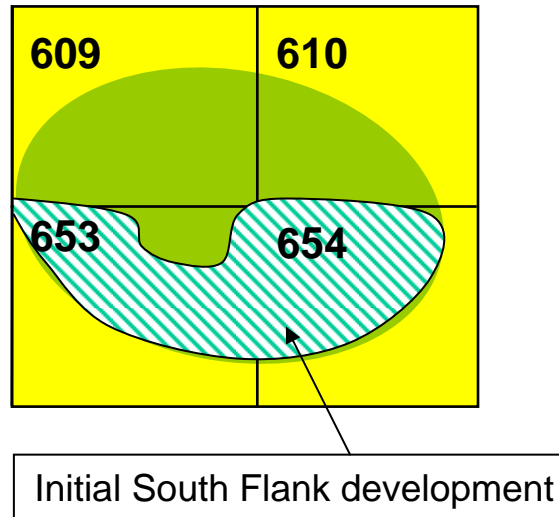
Why Shenzi?

- **Shenzi is a world-class legacy asset**
- **Repsol YPF has identified a significant upside to this project**
- **Reserves and forecasted production are material and shall consolidate Repsol YPF in the GoM**
- **It fully complements the activities of Repsol YPF in the GoM, with a natural strategic fit**
- **Once on production in 2009, net production for Repsol YPF in the GoM shall surpass the 35,000 barrels of oil per day**
- **This solid production base shall assure an efficient tax position for the ambitious exploration programme defined in the Strategic Plan**
- **Since production of crude in operational fields are to be piped to the same delivery point, this offers an opportunity for optimization in marketing**
- **BHP is the Operator**
- **Optimization and concentration of resources in relevant material projects**

Project Status and Background

- **BHP Billiton announced the 8th of June that the Shenzi oil and gas field in the deepwater Gulf of Mexico has been approved for development.**
- **The Shenzi facility will have a design capacity to produce up to 100,000 barrels of oil and 50 million cubic feet of gas per day. BHP Billiton is the operator of the field and has a 44% interest in the project. The acquired interest by Repsol E&P USA is 28%. Amerada Hess holds the remaining 28%.**
- **The initial field development will consist of up to fifteen producing wells and possible water injection. Gross costs for the full field development of the appraised area through 2015 are estimated at approximately US\$4.4 billion.**
- **Recoverable reserves in the portion of the field covered by this approved expenditure (i.e., fifteen wells) will be assessed further during development drilling, but are currently estimated by the operator to be at least 350 – 400 million boe.**
- **A standalone, tension leg platform (TLP) has been selected for the production facility. The proposed facilities, wells, and completions are proven designs that have been successfully implemented in the deepwater Gulf of Mexico. All major contracts are in place to commence project execution.**
- **First oil is expected by mid-year 2009 with seven initial pre-drilled subsea production wells being tied back to the TLP. Shenzi oil will be exported via a new-build pipeline to Ship Shoal 332, with the gas going via a new-build lateral into a connection in the Cleopatra trunk lines, then on to Ship Shoal 332.**

Identified Additional Potential



Additional potential reserves have been identified in the evaluation by Repsol YPF, comprising:

- South Flank additional volume, shallower reservoirs, improved performance and water injection
- North Flank full development

- **Our current inventory includes 14 drillable prospects**
- **Our Plan is to increase from 14 to 26 drillable prospects by 2011**
- **This portfolio should be able to maintain a 2 to 4 wells-per-year level of activity**
- **The growth is supported by solid technical evaluation capabilities, farm- ins/swaps and by the acquisition of additional blocks that are going to be available in the coming of 2006, lease sales 2007 and 2008**
- **During end Q1/early Q2 2006 Repsol YPF has negotiated a 4 years contract with Stena for the services of the 5th generation drillship “*Stena Drillmax*”, that should be operating in the GoM by Q1 2008**