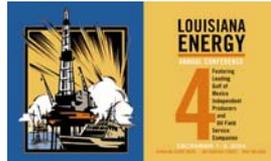


# McMoRAN EXPLORATION Co.



nyse:MMR



## *2004 Louisiana Energy Conference*

*Richard C. Adkerson  
Co-Chairman of the Board*

*December 2, 2004*





# ***Cautionary Statement***

***This is an oral presentation which is accompanied by slides. Investors are urged to review our SEC filings.***

***This presentation contains certain forward-looking statements regarding various oil and gas discoveries, oil and gas exploration, development and production activities, anticipated and potential production and flow rates; anticipated revenues; potential reversionary interests and the potential payout of those reversionary interests; the economic potential of properties; estimated exploration costs; the potential Main Pass Energy Hub™ Project; the expected near-term funding of the related permitting process and the estimated capital costs for developing the project. Accuracy of the projections depends on assumptions about events that change over time and is thus susceptible to periodic change based on actual experience and new developments. McMoRan cautions readers that it assumes no obligation to update or publicly release any revisions to the projections in this press release and, except to the extent required by applicable law, does not intend to update or otherwise revise the projections more frequently than quarterly. Important factors that might cause future results to differ from these projections include: variations in the market prices of oil and natural gas; drilling results; unanticipated fluctuations in flow rates of producing wells; oil and natural gas reserves expectations; the ability to satisfy future cash obligations and environmental costs; general exploration and development risks and hazards; the feasibility of the potential Main Pass Energy Hub™ and the ability to secure commercial contracts and obtain significant project financing and regulatory approvals for such project. Such factors and others are more fully described in more detail in McMoRan's 2003 Annual Report on Form 10-K on file with the Securities and Exchange Commission.***

***The 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. We use certain phrases and terms in this presentation, such as "in-house estimates of proved, probable and possible reserves" and "gross unrisks potential," which the SEC's guidelines strictly prohibit us from including in filings with the SEC. Estimates of proved reserves meeting the SEC's requirements are included in McMoRan's Annual Report on Form 10-K for the year ended December 31, 2003.***



# ***McMoRan Investment Highlights***

- **Management Team Has Long Track Record in Energy Sector**
  - **Successful Explorationists, Project Developers**
  
- **McMoRan is Well Positioned to Benefit From Favorable Natural Gas Market Fundamentals**
  
- **Business Plan Involves Two Significant Natural Gas Growth Opportunities**
  - 1) High Potential "Deep Shelf" E&P Opportunities**
    - **Active Drilling Activities Underway, 6 Wells in Progress**
    - **High Impact Prospect Inventory**
  
  - 2) Potential For Major New LNG Import Terminal**
    - **Main Pass Energy Hub™**
  
- **Investment Offers Attractive Risk/Reward Profile**
  - **Well Capitalized to Pursue Opportunities**



# ***Recent Activities***

- **Formed Multi-year Venture With a Well-capitalized Exploration Partner**
  - **Three Discoveries with Direct Participation; Currently Drilling Six Additional Exploratory Wells**
- **Developed Additional Prospects and Acquired New Acreage for Future Drilling**
  - **Expect to Continue to Expand Opportunities**
  - **Reacquired Acreage in Mound Point/JB Mountain Area**
- **3 Producing Wells in El Paso Program**
  - **Substantial Future Drilling Opportunities on This Acreage**
- **Reversionary Interests From 2002 Property Sale Expected to Result in Higher Production Rates in 2005**
- **Advanced Main Pass Energy Hub™ LNG Project**
  - **Completed Permit Application**
  - **Active Commercial Discussions for Supply and Off-take Agreements**
- **Recent Financing Transactions to provide Capital for Expanded Opportunities**

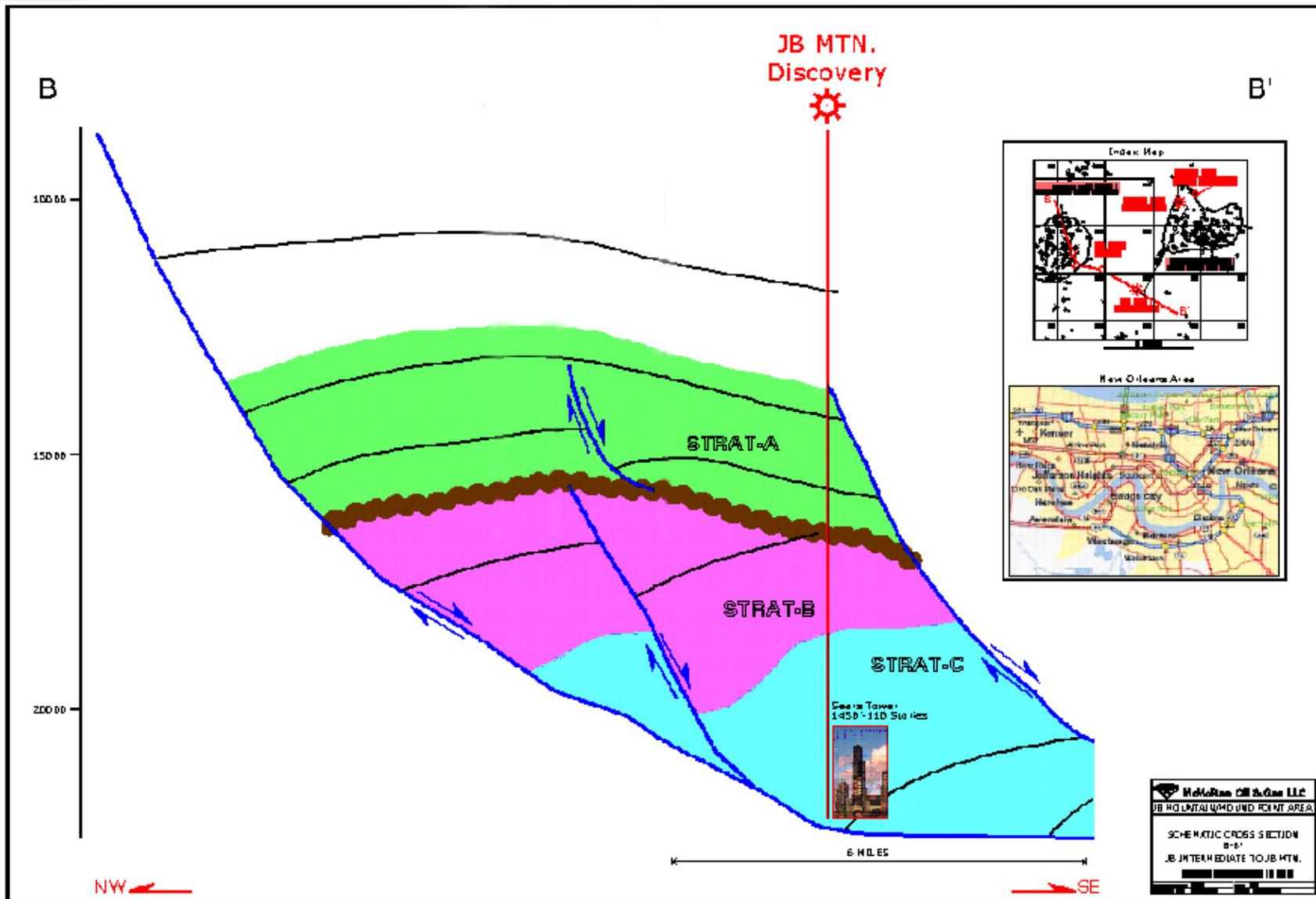


# ***Deep Shelf Exploration Focus***

- **Deep Structures (Below 15,000 Feet) in Shallow Water Depths Below Reservoirs Known to Have Produced Significant Hydrocarbons**
- **Targets are Well Developed Miocene Sands**
- **Prospects are Qualified with Structural Indicators Using Seismic Data and Regional Stratigraphic Trends**
- **Discoveries Have Capacity to Produce at High Flow Rates**
- **Existing Infrastructure Enables Discoveries to be Brought on Production Quickly**
- **Recent Success Combined with Natural Gas Market Fundamentals Have Resulted in Strong Industry Interest**
- **McMoRan Recognized This Play Early and Assembled Large Acreage Position**



# Deeper Pool Concept





# ***Deep Shelf Concept Enhances MMR Acreage Value***

***"Natural Gas may be more abundant in the deep shelf area of the Gulf of Mexico than originally forecast."***

***Minerals Management Service (MMS)  
Press Release, November 19, 2003***

- **MMS Now Estimates 55 Tcfe of Deep Shelf Potential**
- **MMS Revised Estimate Based on:**
  - **Better Understanding of Deep Potential from Recent Deep Discoveries now Producing (Alex Prospect at Brazos A-19 & South Timbalier 204 Discoveries)**
  - **Recent Large Discoveries (McMoRan's JB Mountain & Mound Point)**
  - **MMR Participated in 3 of 5 Discoveries Cited by MMS**
  - **New Seismic Data**



# ***Expanded Joint Venture***

- **Expanded Joint Venture with Private Partner –  
\$500 Million Exploration Budget for Future Spending**
  - **Aggressively Exploit/Acquire High Potential Prospects**
- **To Date, Participation in 11 Wells**
  - **3 Discoveries, 6 in Progress, 2 Non-commercial**
- **Focus on “Deep Shelf” Prospects**
- **Expect to Continue very Active Drilling Program in 2005**
- **Parties Share Revenues and Costs Equally**
- **Considering Opportunities in the Caribbean Basin**



# *Summary of Recent Offerings*

- **In October 2004, Raised \$231 Million in Gross Proceeds in Concurrent Equity/Convertible Notes Offering**

<b>7.1 Million Shares @ \$12.75<sup>(1)</sup>:</b>	<b>\$ 91 Million Proceeds</b>
<b>5¼% Convertible Notes Due 2011<sup>(2)</sup>:</b>	<b><u>\$140</u> Million</b>
	<b>\$231 Million</b>

- **Net Proceeds Total \$198 Million after Fees in \$21 Million Interest Escrow**
- **Strong Investor Demand**
  - **Participation by Existing Shareholders and Large Institutions**
- **Well Capitalized to Pursue Opportunities**

*(1) Stock price closed at \$13.95 on 10/6/04*

*(2) Conversion price of \$16.57*



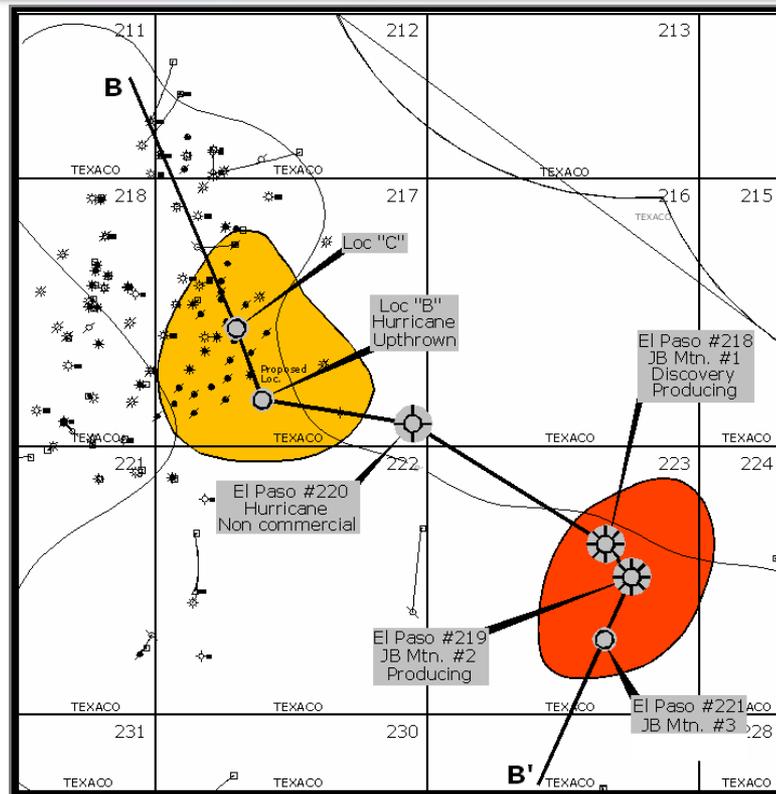
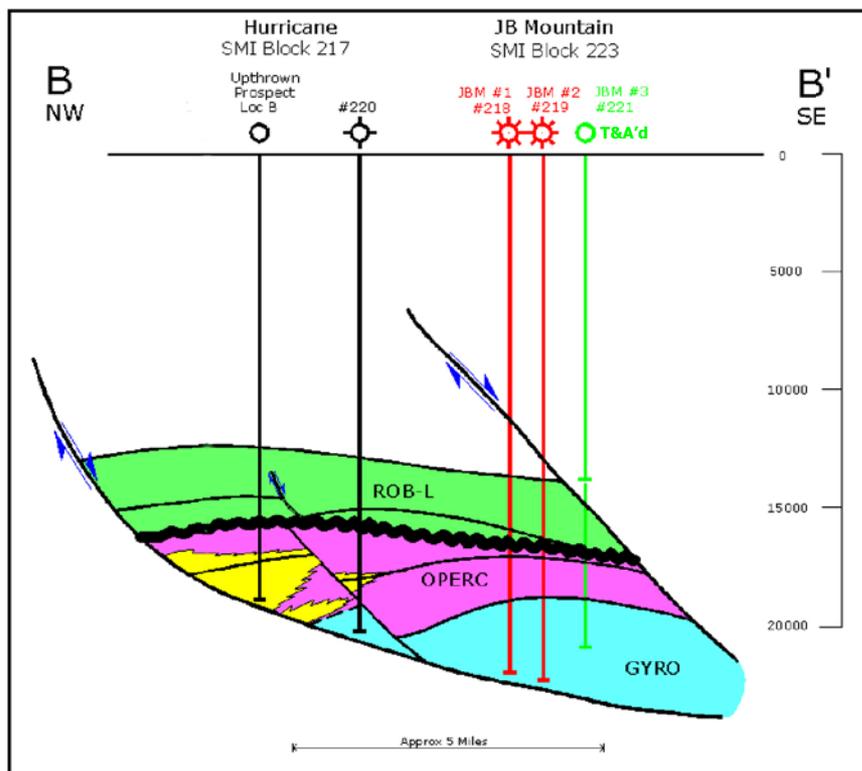
# ***Three Recent Discoveries***

- **Deep Tern – Eugene Island Block 193**
  - **Wireline or LWD Logs Confirmed 340 Feet of Total Gross Interval in 5 Sands**
    - 86 Feet of Hydrocarbon Bearing Sands in Basal Pliocene
    - 255 Feet in Deeper Zones in Basal Pliocene and Miocene Zones
  - **Drilled to 20,731 Feet**
  - **Expect Production by Year-end 2004**
  
- **Dawson Deep Take Point – Garden Banks Block 625**
  - **Well Encountered Pay in Two Zones as Indicated by LWD Logs**
    - Interval of 100 Feet in Shallow Objective Zones
    - Additional Gross Interval of 100 Feet in Deeper Objective (Original Objective)
  - **Development Options Being Considered**
  - **Located Adjacent to Gunnison Spar Facility**
  
- **Minuteman Sidetrack – Eugene Island Blocks 212/213**
  - **Wireline Logs Indicate Gross Interval of 60 Feet in Upper Portion of Laminated Sand Section Seen in By-pass Well**
  - **Located 7 Miles From McMoRan’s Facilities at Eugene Island Block 215**
  - **Expect Production by Year-end 2004**



# Hurricane Upthrown Exploration Prospect

## South Marsh Island 217



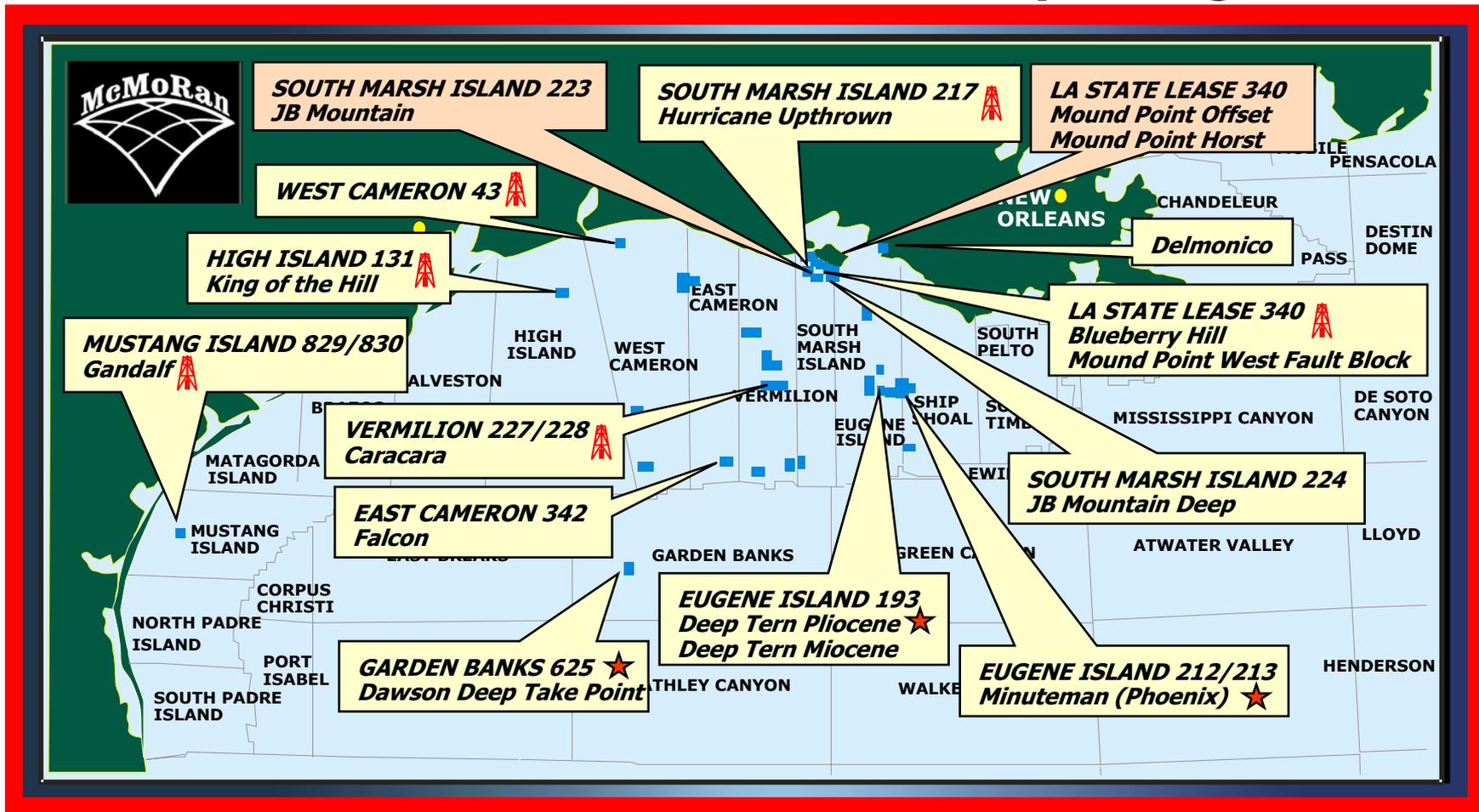
**MMR Working Interest: 27.5%**  
**MMR Net Revenue Interest: 19.4%**  
**Water Depth: 10 Feet**  
**Gross Unrisked Potential: 0.9 Tcfe**  
**Net Unrisked Potential: 0.18 Tcfe**  
**Proposed Total Depth: 19,500' TVD**



# Near-Term Drilling Prospects

★ 3 Discoveries

🏠 6 Wells Currently in Progress



McMoRan has rights to approximately 231,000 gross acres.

🏠 McMoRan/El Paso Program Prospects

🟡 McMoRan Prospects



# ***JB Mountain/Mound Point Activities***

- **3 Wells Currently Producing**
  - **JB Mountain #1, #2, and Mound Point #1**
  - **3Q04 Aggregate Average Production ~69 Mmcfe/d**
  
- **JB Mountain/Mound Point Part of El Paso Joint Venture**
  - **In 2002, El Paso Committed to Fund Drilling of 4 Exploration Prospects**
  - **JB Mountain and Mound Point Were Successful**
  
- **Once 100 Bcfe are Produced to the Program's Interest, McMoRan Will Participate for 50% of Revenues and Costs**
  - **Timing of Reversion Dependent on Well Performance and Future Drilling**
  
- **Further Exploration and Development Opportunities Exist**
  - **13,000 Acres Remain Under Reversionary Agreement**



# ***Tiger Shoal Amine Unit Installation***



***Decks 2W, 2E & 3E on Barge***



***Tiger Shoal***



***All 5 Decks Set***

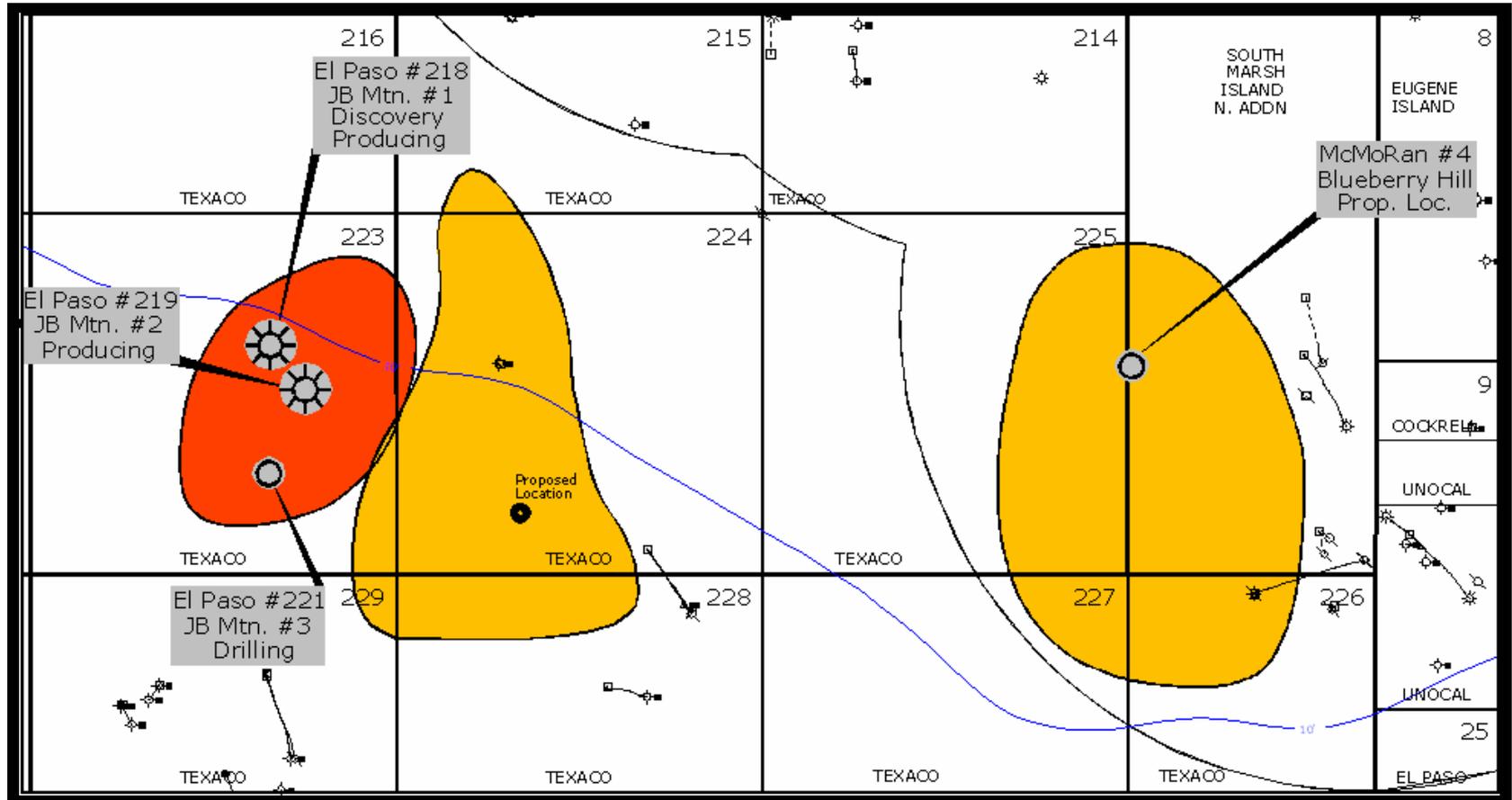


## ***Re-acquired Acreage in Mound Point Area***

- **29,000 Acres Re-acquired in La. State Lease 340, Including Blueberry Hill Prospect in 3Q04**
- **Acreage Previously Subject to Reversionary Terms**
- **MMR's Mound Point #2 and Mound Point Offset #2 Wells Included**
  - **Considering Opportunities to Sidetrack, Deepen, or Redrill These Wells Which Were T/A'd**
- **Also Includes Mound Point West Fault Block Prospect**



# Blueberry Hill Prospect Map



**Located 7 Miles East of the JB Mountain Discovery and 7 Miles South-Southeast of Mound Point Offset Discovery**



# Exploration Prospects

Prospect	Water Depth	WI*	NRI*	Proposed Total Depth	Pre-drill Gross Unrisked Potential	Net Unrisked Potential
<b>Eugene Island 193</b>						
<i>Deep Tern Development</i>	90'	26.7%	20.6%	17,123'	0.06 Tcfe	0.01 Tcfe
<i>Deep Tern Exploration</i>	90'	48.6%	37.2%	20,731'	0.15 Tcfe	0.06 Tcfe
<b>Garden Banks 625</b>						
<i>Dawson Deep Take Point Well</i>	2,900'	30.0%	24.0%	22,790'	0.2 Tcfe	0.05 Tcfe
<b>Eugene Island 212/213</b>						
<i>Minuteman Sidetrack</i>	100'	33.3%	24.3%	20,432'	0.3 Tcfe	0.07 Tcfe
<b>High Island Block 131</b>						
<i>King of the Hill</i>	40'	25.0%	19.6%	17,300'	0.3 Tcfe	0.06 Tcfe
<b>South Marsh Island 217</b>						
<i>Hurricane Uptrown</i>	10'	27.5%	19.4%	19,500'	0.9 Tcfe	0.18 Tcfe
<b>West Cameron 43</b>						
	30'	23.4%	18.0%	17,500'	0.1 Tcfe	0.02 Tcfe
<b>Blueberry Hill</b>						
	10'	35.3%	24.2%	22,000'	0.23 Tcfe	0.06 Tcfe
<b>Mustang Island 829/830</b>						
<i>Gandalf</i>	176'	20.0%	15.2%	12,000'	0.15 Tcfe	0.02 Tcfe
<b>Vermilion Blocks 227/228</b>						
<i>Caracara</i>	115'	33.3%	27.8%	18,000'	0.2 Tcfe	0.06 Tcfe
<i>Gross Unrisked Potential - Subtotal</i>					<u>2.6 Tcfe</u>	
						<u>0.6 Tcfe</u>

*(Continued on next page)*

\* Interests currently held may change as a result of partner elections or future drilling arrangements.



# Exploration Prospects (continued)

Prospect	Water Depth	WI*	NRI*	Proposed Total Depth	Pre-drill Gross Unrisked Potential	Net Unrisked Potential
					<b><i>Gross Unrisked Potential - Subtotal</i></b>	<b><i>2.6 Tcfe</i></b>
					<b><i>Net Unrisked Potential - Subtotal</i></b>	<b><i>0.6 Tcfe</i></b>
Delmonico	10'	25.0%	18.8%	19,000'	0.4 Tcfe	0.08 Tcfe
South Marsh Island 224 <i>JB Mountain Deep</i>	10'	27.5%	19.4%	23,000'	0.9 Tcfe	0.17 Tcfe
East Cameron Block 342 <i>Falcon</i>	260'	25.0%	18.8%	19,000'	0.1 Tcfe	0.02 Tcfe
Bayou Sale	<10'	25.0%	18.5%	19,000'	0.3 Tcfe	0.06 Tcfe
La. State Lease 340 <i>Mound Point West Fault Block</i>	10'	15.2%	10.8%	18,700'	1.1 Tcfe	0.12 Tcfe
					<b><i>McMoRan Share</i></b>	<b><i>0.45 Tcfe</i></b>
South Marsh Island 223 <i>JB Mountain</i>	10'	55.0%	38.8%	22,000'	1.9 Tcfe	0.7 Tcfe
La. State Lease 340 <i>Mound Point - Offset</i>	6'	30.4%	21.6%	18,700'	0.4 Tcfe	0.1 Tcfe
<i>Mound Point - Horst Block</i>	10'	30.4%	22.0%	20,000'	1.3 Tcfe	0.3 Tcfe
					<b><i>EP/McMoRan Share</i></b>	<b><i>1.1 Tcfe</i></b>
					<b><i>McMoRan Share</i></b>	<b><i>0.5 Tcfe</i></b>
					<b><i>Gross Unrisked Potential</i></b>	<b><i>9.0 Tcfe</i></b>
					<b><i>Net Unrisked Potential</i></b>	<b><i>1.55 Tcfe</i></b>

\* Interests currently held may change as a result of partner elections or future drilling arrangements.



# ***MMR Exploration Potential***

***Gross Unrisked Potential***

**9.0 Tcfe**

***Net Unrisked Potential \****

**1.5 Tcfe**

***50% Success\****

**0.75 Tcfe**

***25% Success\****

**0.38 Tcfe**

**26 Bcfe\*\***

*\* Includes McMoRan's Share of McMoRan/El Paso Program and 8 near-term prospects*

*\*\* Ryder Scott Proved Reserves, Including Equity Interest in MP 299 Oil at 12/31/03*



# ***Reversionary Interest***

## **Interests in 3 Properties Sold for \$60 Million in 2002**

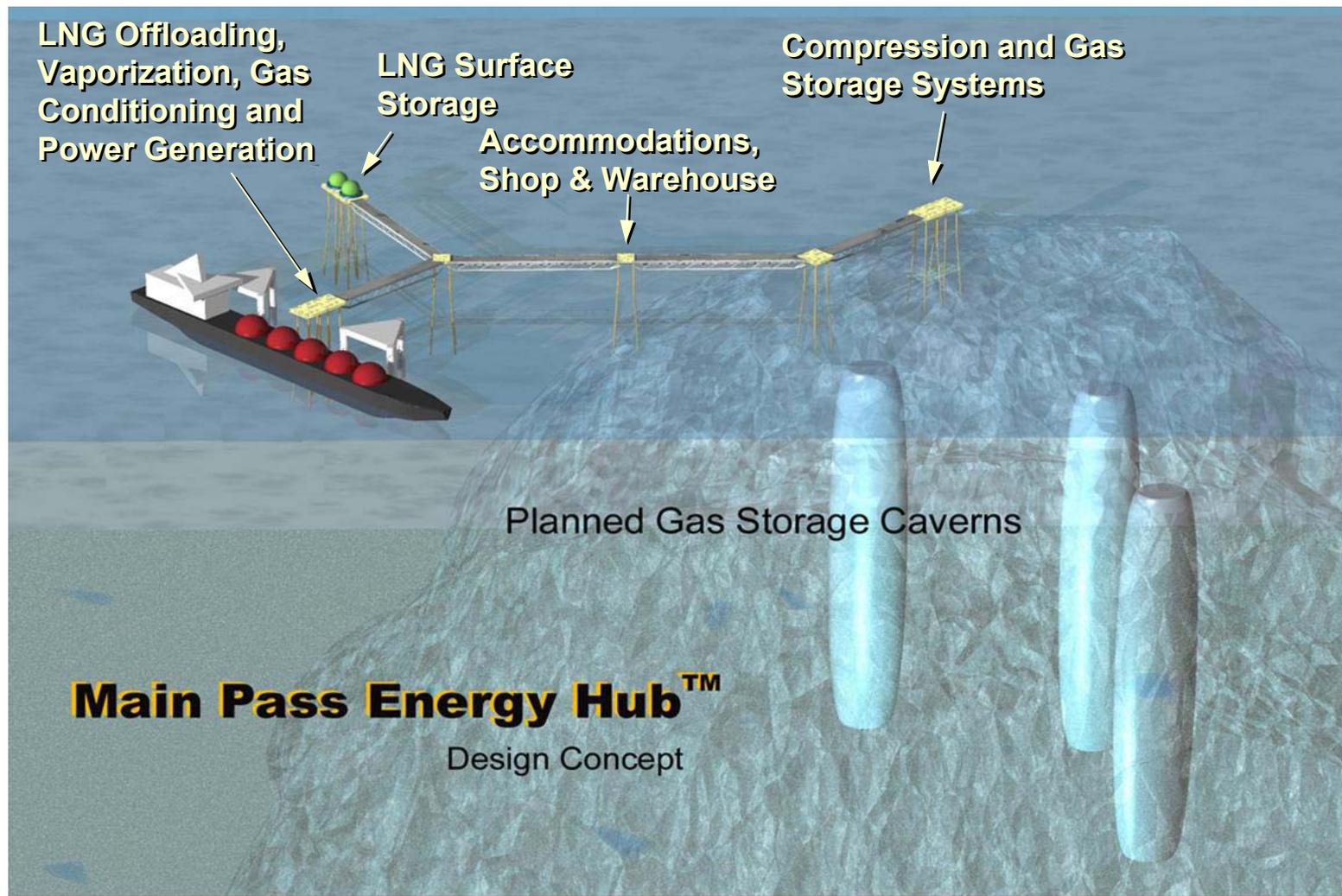
- **Represented 2.5 Bcfe of MMR's Proved Reserves at 12/31/03**
- **Retained Reversionary Interest Equal to 75% of Transferred Interest After Payout in the Following Prospects:**
  - **Vermilion Block 196 (Lombardi)**
  - **Main Pass Blocks 86/97 (Shiner)**
  - **80% of Ship Shoal Block 296 (Raptor)**
- **3 Wells Currently Producing 9Mmcfe**
- **Prior to Hurricane Ivan, 4 Wells Were Producing at an Average Rate of 18 Mmcfe/d Net to 3<sup>rd</sup> Party's Interest**
  - **Workover Completed at Lombardi**
  - **2nd Shiner Well Expected to Commence Production by Year-end 2004**
- **Payout Balance as of September 2004 Approximately \$17 MM; Payout Could Occur by First Half 2005**

## **West Cameron 616**

- **Converted 5% ORRI to 25% WI on 3 Wells**
- **Current Production 6Mmcfe/d Net to McMoRan**



# Main Pass Energy Hub™



*Completed Conceptual Design and Preliminary Engineering*



## ***In the Future, Natural Gas Will be as Crucial to the U.S. Economy as Foreign Oil is Today.***

- **Massive Expansion of Liquefied Natural Gas (LNG) Infrastructure is Required**
- **Only 4 LNG Import Terminals Currently Exist**
- **Abundance of Stranded Gas in Atlantic Basin Could Provide Necessary Supply**
- **Economics of LNG Imports Have Improved**
- **LNG Imports Justified at \$2.50 - \$3.50 Natural Gas Price**

### **Current Economics of LNG Imports**

*1 Bcf/day Scenario*

***Exploration & Production***

***\$0.50 - \$1.00/mcf***

**+**

***Liquefaction Facilities***

***\$0.80 - \$1.00/mcf***

**+**

***Shipping***

***\$0.90 - \$1.10/mcf***

**+**

***LNG Receiving/Regasification***

***\$0.30 - \$0.40/mcf***

***Total: \$2.50 - \$3.50/mcf***



# ***MPEH™ Advantages***

- **Permitting Process Under Way Under Deepwater Port Act of 2002**
  - **Could be One of the First Offshore Facilities**
  
- **Location**
  - **17 Miles Offshore in 200 Feet of Water Near Existing Shipping Lanes**
  - **Alleviates Safety and Security Issues of Onshore Terminals**
  - **5.5 Day Trip Time From Trinidad/Caribbean Basin**
  - **Access to Broad and Liquid U.S. Gas Markets**
  
- **Utilization of Existing Platforms**
  - **Retrofitting Provides Significant Cost and Time Benefits**
  
- **Significant Storage Capacity**
  - **On-site Salt Dome Access**
  - **Provides Marketing Opportunities**



# ***MPEH™ LNG Terminal***

- **Standard Regas and Gas Processing Facilities Would be Placed on Existing Platforms**
- **Capacity for 1 Bcf of Regasified LNG Per Day**
- **Soft Berth Design and Water Depth Allow for Offloading All Types of LNG Vessels**
  - **Standard 125,000M<sup>3</sup> Could be Offloaded in 12 Hours**
- **Capital Cost Estimated at \$440 Million\***
- **Throughput Charges Would Support Financing for Project and Equity Returns**
  - **Cost Structure Competitive with Other Similar Facilities**

*\* Excludes cavern storage and pipelines; permit case of 1.6 Bcf/d regasification capacity would increase terminal capital by approximately \$100 million.*



# ***MPEH™ Additional Opportunities***

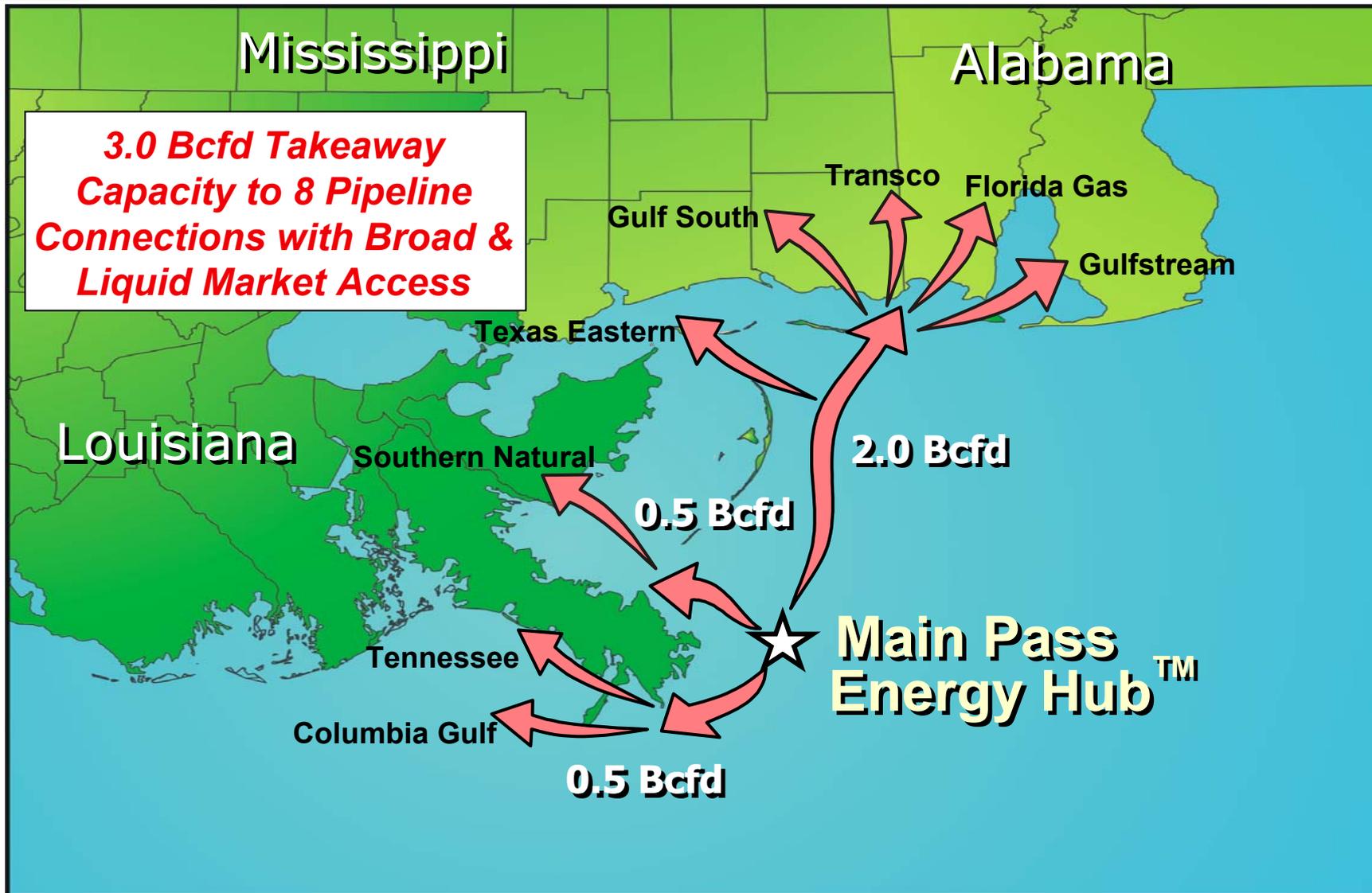
## ***Opportunities to be More Than Just LNG Terminal***

- **2-Mile Diameter Salt Dome Provides Significant Storage Capacity for Regased LNG**
  - **Storage Caverns with 28 Bcf Initial Design with Expansion Opportunities**
  - **Provides Peak Deliverability of 2.5 Bcf/d**
  - **Creates Operating Flexibility; Enhances Reliability During Tropical Conditions**
  
- **Location Would Allow Pipeline Connections to Broad U.S. Gas Markets**
  
- **Additional Investments in Storage and Pipeline Connections Provide Opportunities to Create Additional Values**
  - **Potential Pipeline and Storage Investments Approximate \$450 Million\***
    - **Economics of Potential Additional Investments are Attractive**

*\* Permit case; pipelines could be owned/financed by a third party*



# MPEH™ Distribution





# ***MPEH™ Project Status Report***

## **➤ Permit**

- **Deemed Complete in June 2004**
- **Responding to Additional Information Request From Coast Guard**
- **Expect Decision From Coast Guard in Second Half 2005**

## **➤ Long-term Supply Contracts**

- **Active Discussions With LNG Producers in Atlantic Basin**
- **Discussions Have Created Potential Opportunities for Participation in Upstream Activities**

## **➤ Offtake Agreements**

- **Positive Feedback From U.S. Consumers**
  - **Reliable Supply**
  - **Location**



# *Summary*

- **Significant Potential for Value Creation**
  - **Deep Shelf E&P**
  - **Main Pass Energy Hub™ Deepwater LNG Port**
- **Well Capitalized to Pursue Business Strategy Aggressively**
  - **~\$250 Million Unrestricted Cash – October 2004**
  - **~\$250 Million in Funding from Exploration Partner**
- **Attractive Risk/Reward Profile**