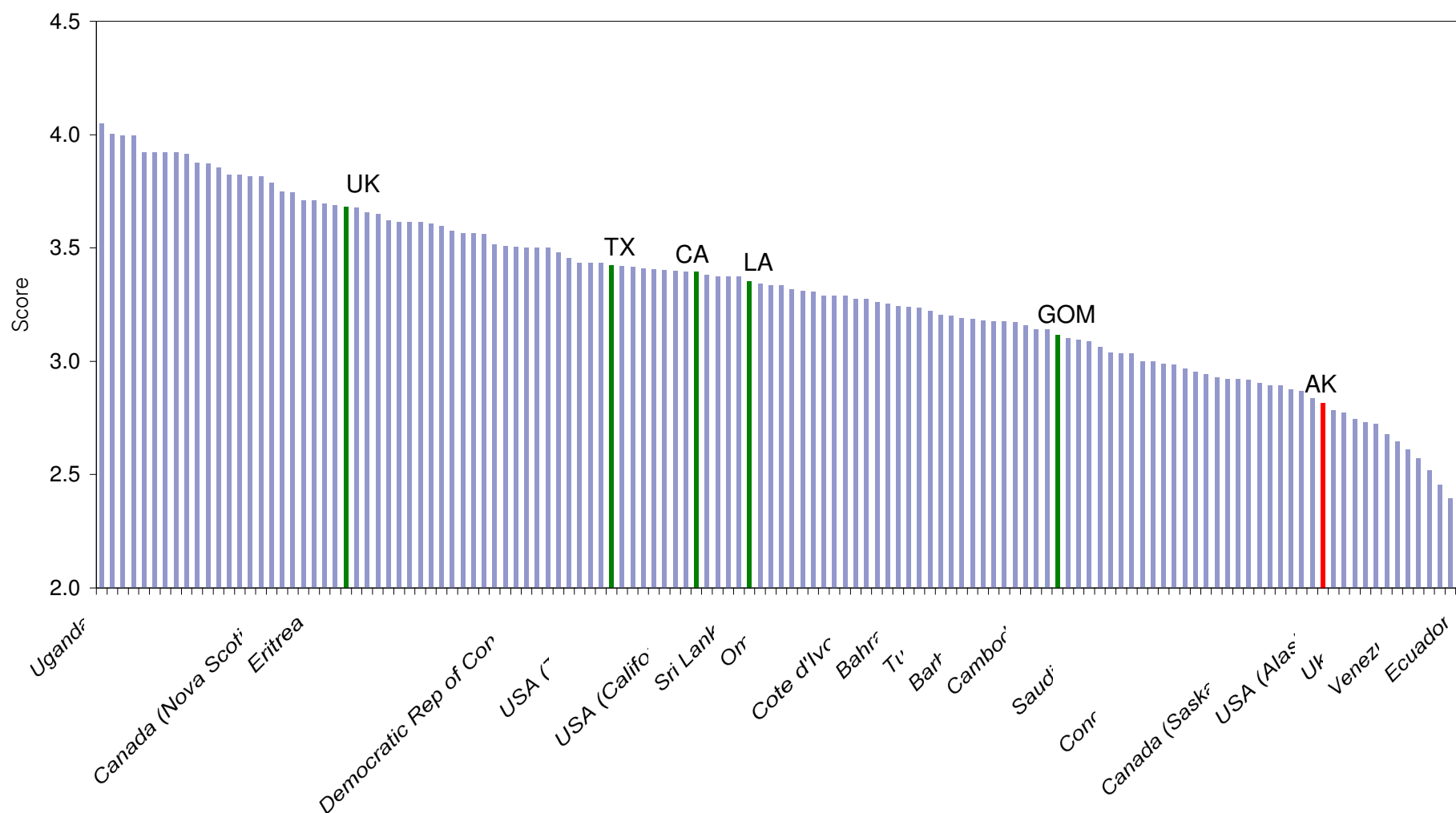




House Resource Committee  
BP Alaska Testimony- Claire Fitzpatrick, CFO  
February 16, 2011

# Alaska is uncompetitive

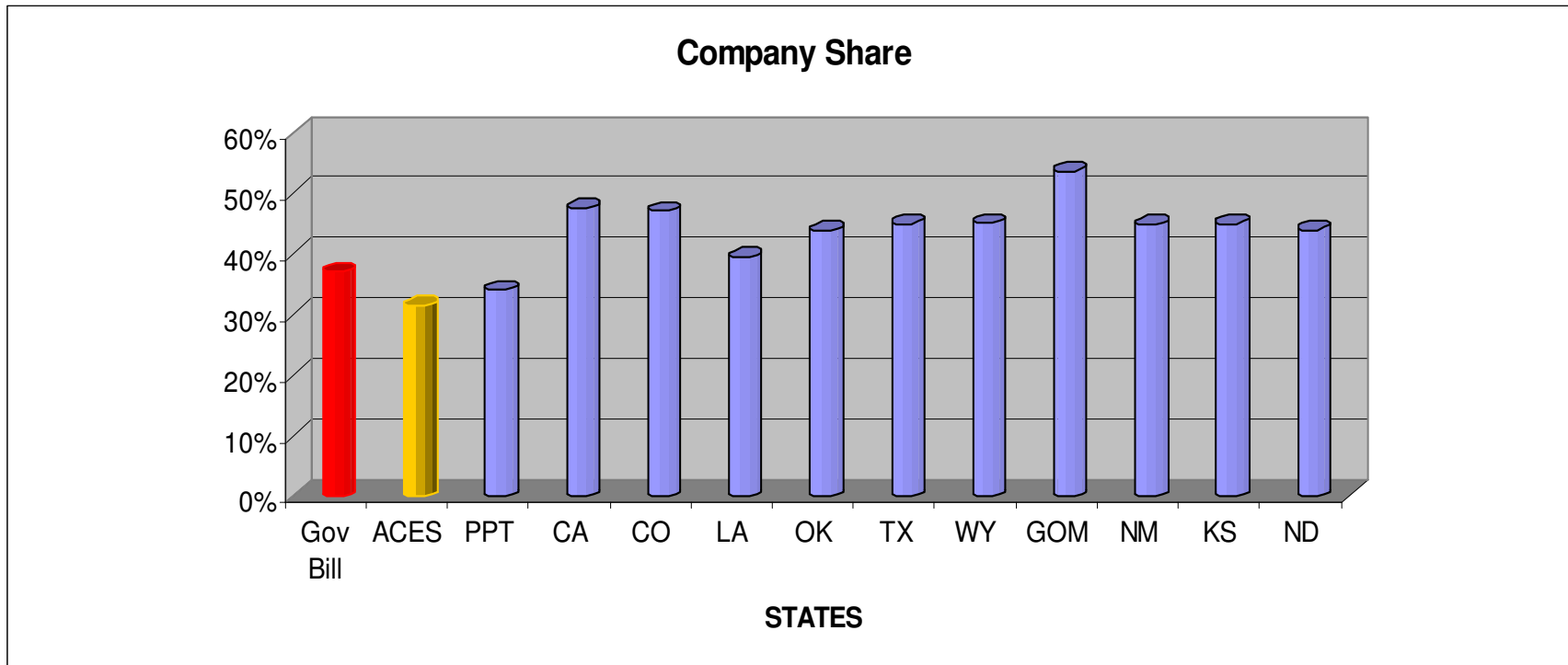


Alaska's fiscal terms rank 117 out of 129 when compared to other regions

Source: Wood Mackenzie Petroleum Fiscal index Report 2010



## Alaska returns are uncompetitive

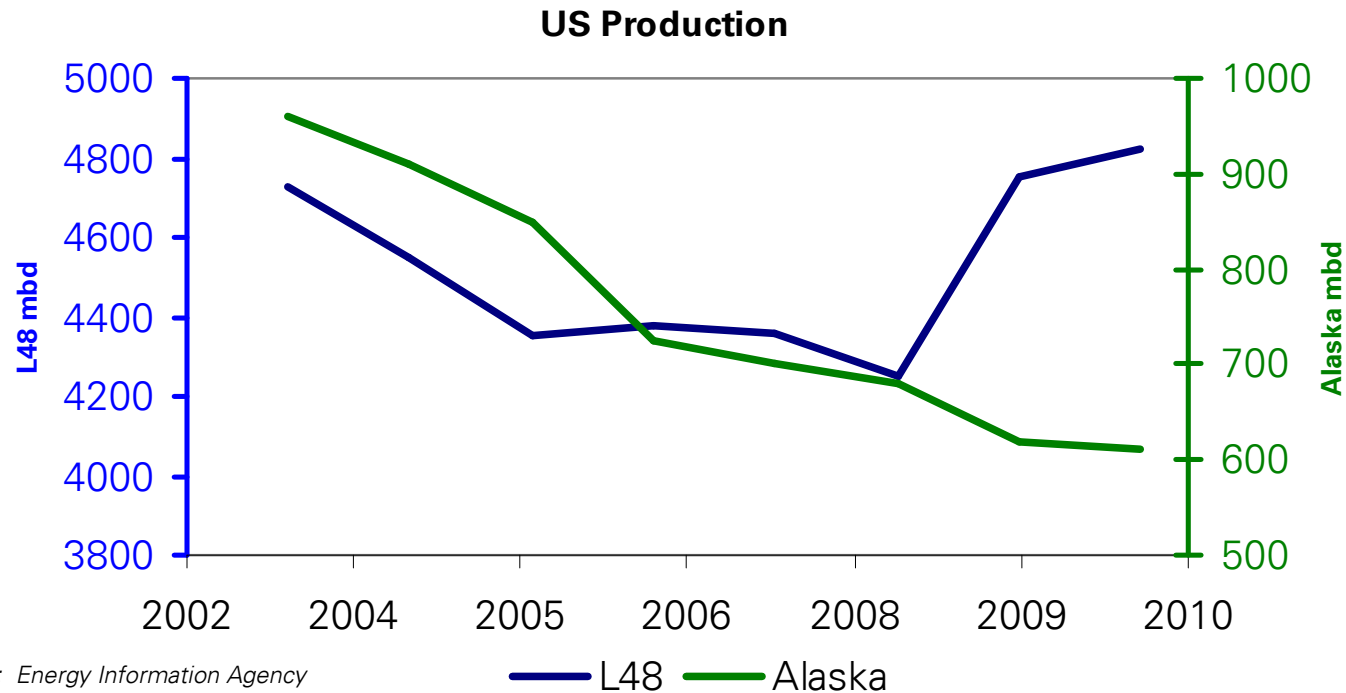


Source: BP Tax Department

- Companies make less in Alaska than elsewhere in the US.
- Its harder for Alaska to attract investment.



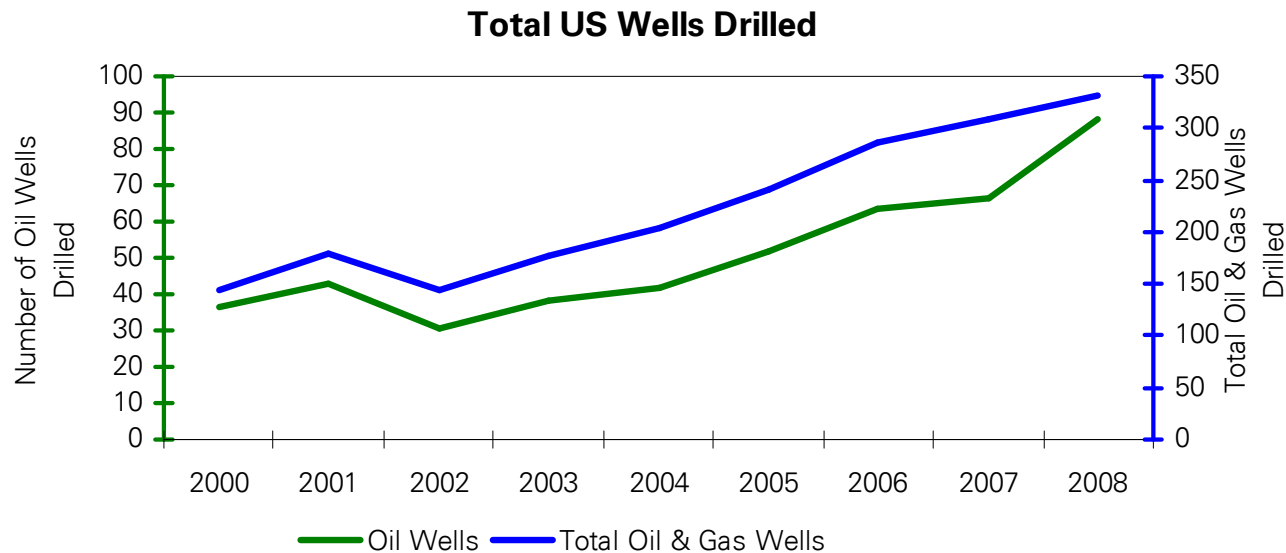
US production is growing; Alaska production isn't



- Production in the Lower 48 has been increasing.
- Alaska production is in steady decline

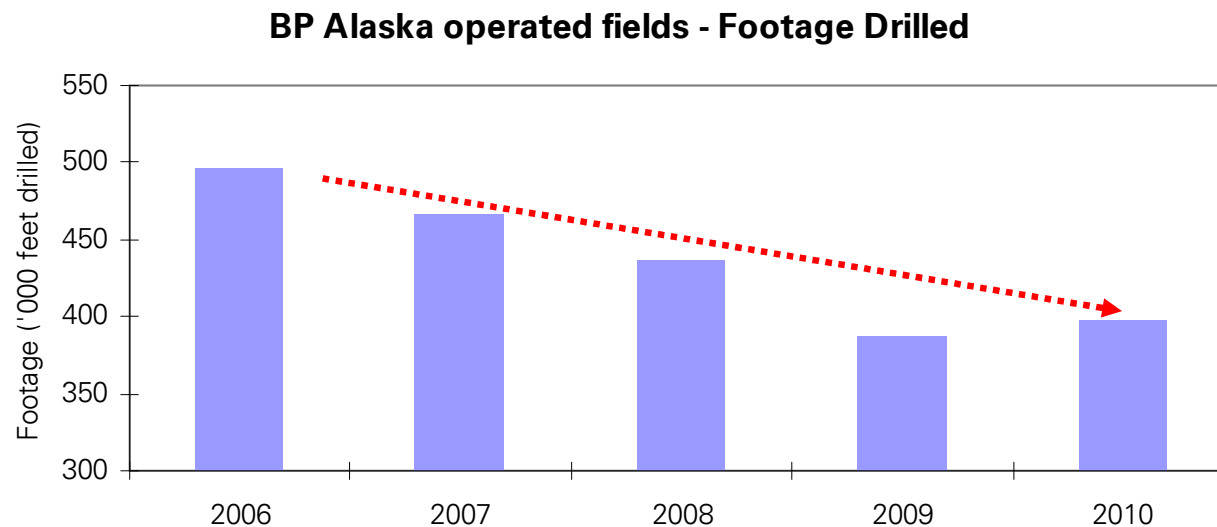


## Lower 48 activity is increasing; Alaska activity isn't



Source: Energy Information Agency

- Looking at footage Drilled, the Oil and Gas activity in the Lower 48 has been increasing over last few years.



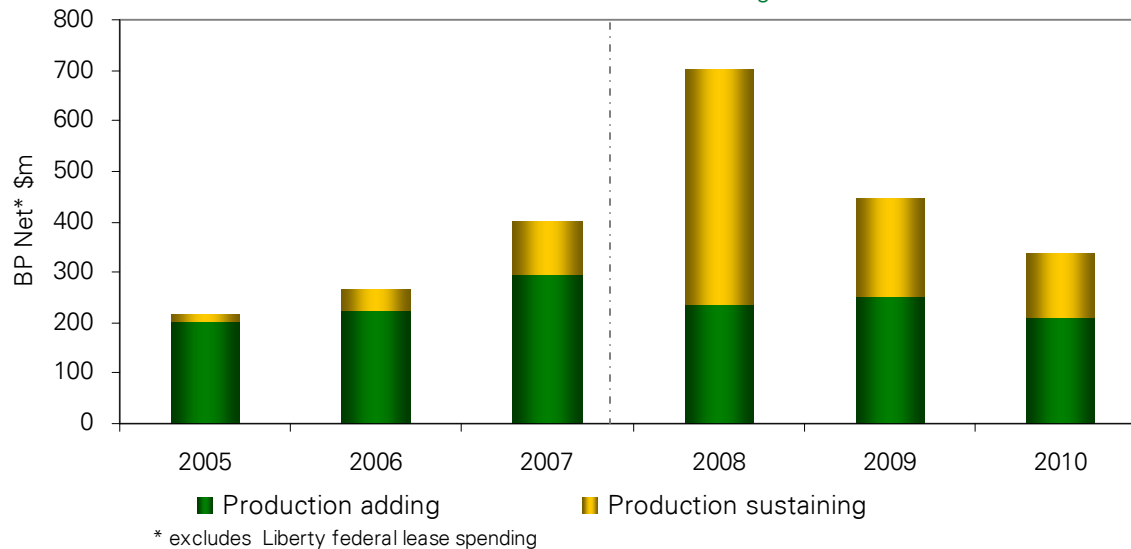
Source: BP Alaska Internal Records

- Footage Drilled by BP in its operated fields has been on a steady decline.



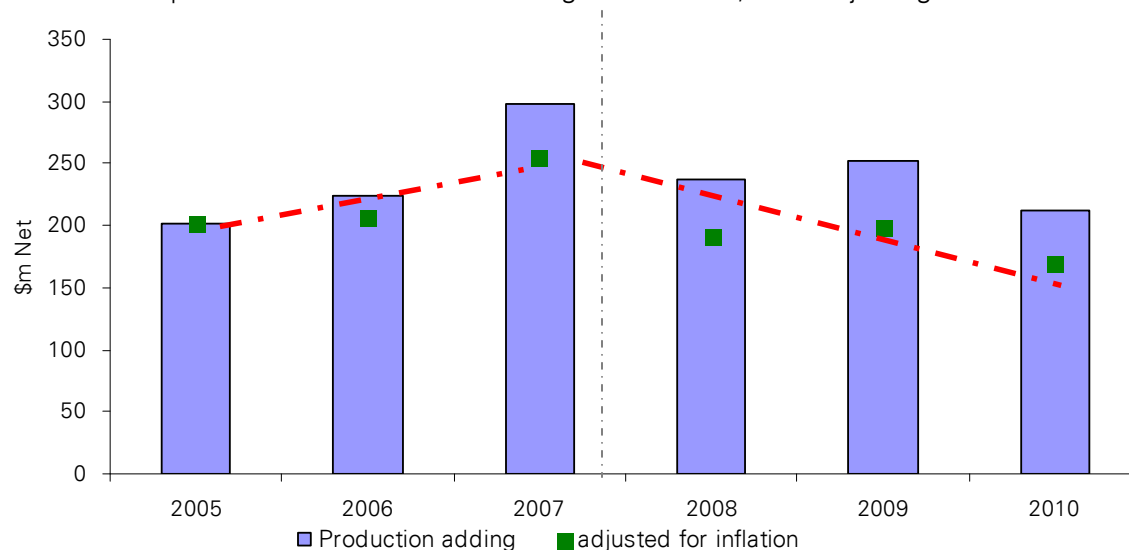
# Less money being spent on new oil since ACES

BP Operated fields net investment: Production Adding  
v.s. Production Sustaining



- Overall investments by BP Alaska have remained high
- Production adding activity spend has been flat to decreasing

BP Operated Fields Production adding investments, after adjusting for inflation\*



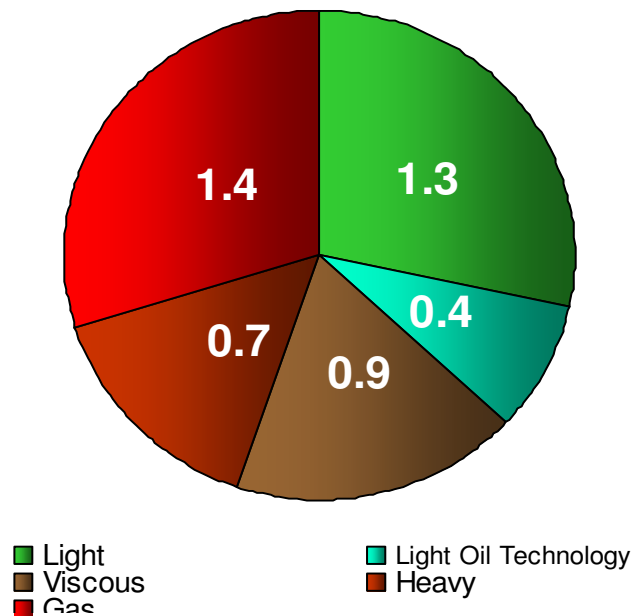
Source: BP Alaska Data and US Department of Labor



## Taxes have made Alaska uncompetitive in BP's portfolio

### Resource Potential for Growth

4.7 Bboe



- What locations are attracting investment?
- BP list of 15 sanctioned large investment projects (\$20bn net spend)
  - GOM (6)
  - Egypt (1)
  - North Sea (4)
  - Azerbaijan (1)
  - Canada (1)
  - North Africa (1)
  - Angola (1)
  - TNK BP (3)
- BP Alaska – no large projects

## Governor's Bill (HB 110) – Necessary step in the right direction



- BP strongly supports this bill
  - Improves competitiveness and encourages investment
- What we like
  - Bracket structure for progressivity
    - ✓ Incentivizes investment
    - ✓ Rebalances risk reward
  - Additional credits for drilling investments
    - ✓ Incentivizes production adding investments
  - Reduction in statute of limitations and punitive interest rate
    - ✓ Increases certainty, removes unfair provision
  - Annual calculation of production tax rather than monthly
    - ✓ Matches costs with revenues and increases predictability





## Increased investment = Alaskan jobs and production

- BP will re-evaluate the entire inventory of opportunities
  - Note: BP owns 26% of Prudhoe Bay - investments require other working interest owner approvals
- Opportunities that could become competitive if bill is passed:
  - Increased drilling, potentially adding another Rig in service
  - Increased wellwork
  - Gas Partial Processing /I - PAD
  - Evaluate 'at scale' development viscous opportunities
  - Increased R&D spending to develop heavy oil
- The sooner the bill takes affect, the sooner increased activity can happen