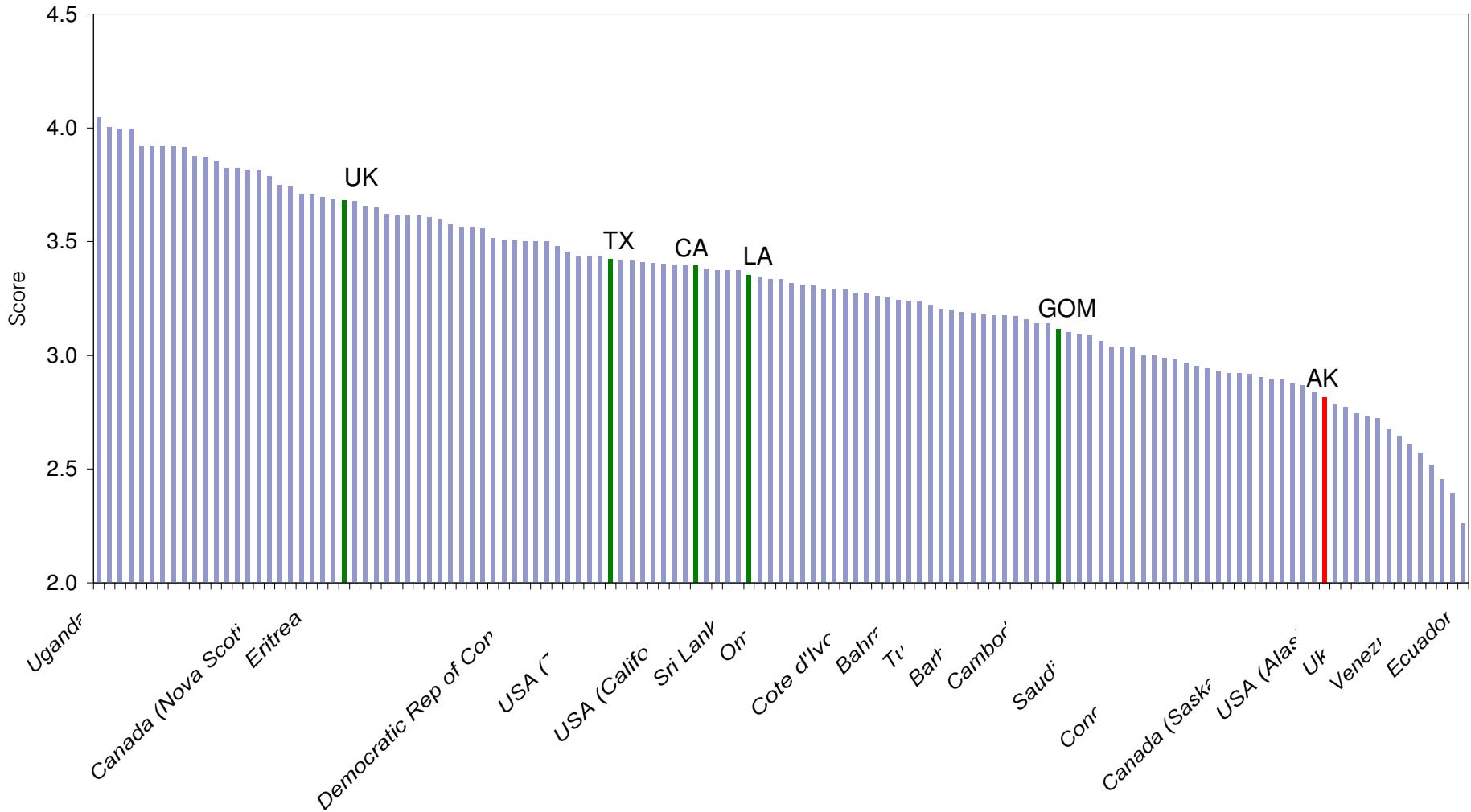




House Resource Committee
BP Alaska Testimony- Claire Fitzpatrick, CFO
February 16, 2011



Alaska is uncompetitive

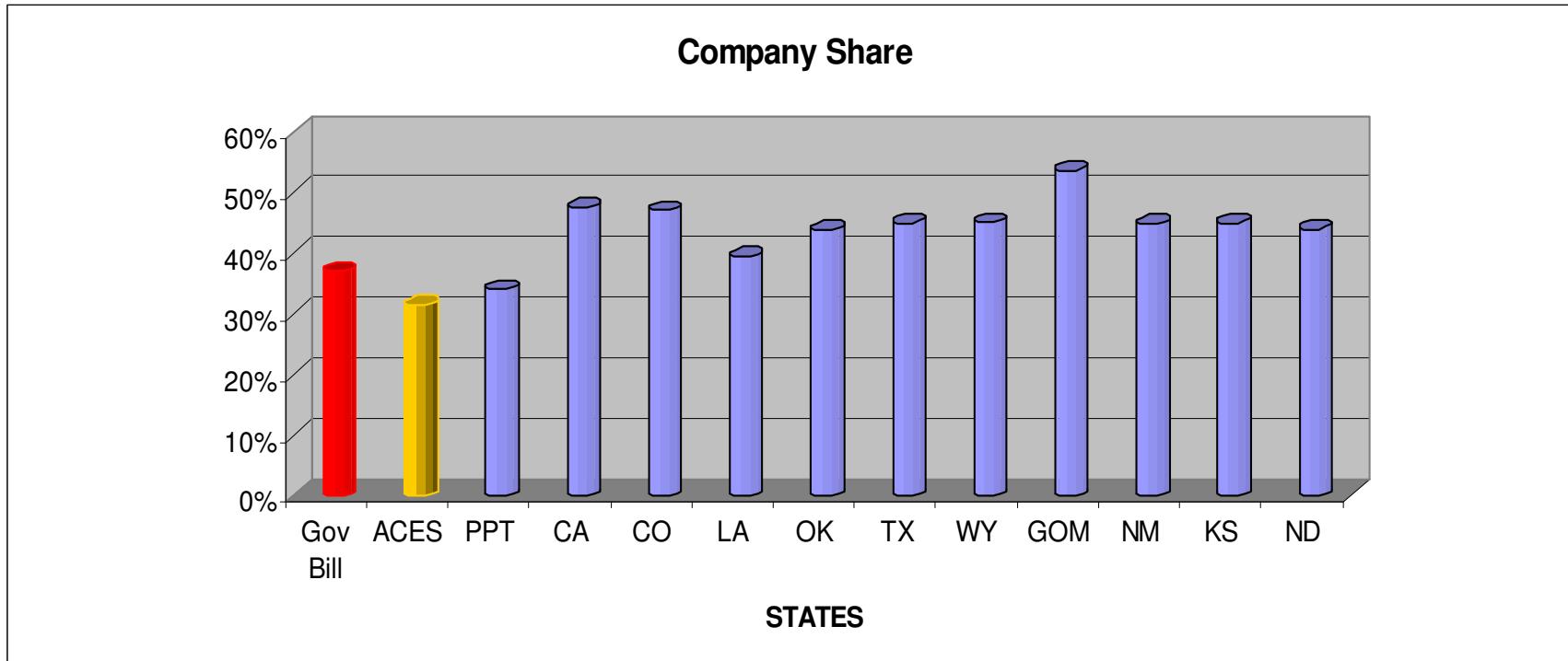


Alaska's fiscal terms rank 117 out of 129 when compared to other regions

Source: Wood Mackenzie Petroleum Fiscal index Report 2010



Alaska returns are uncompetitive

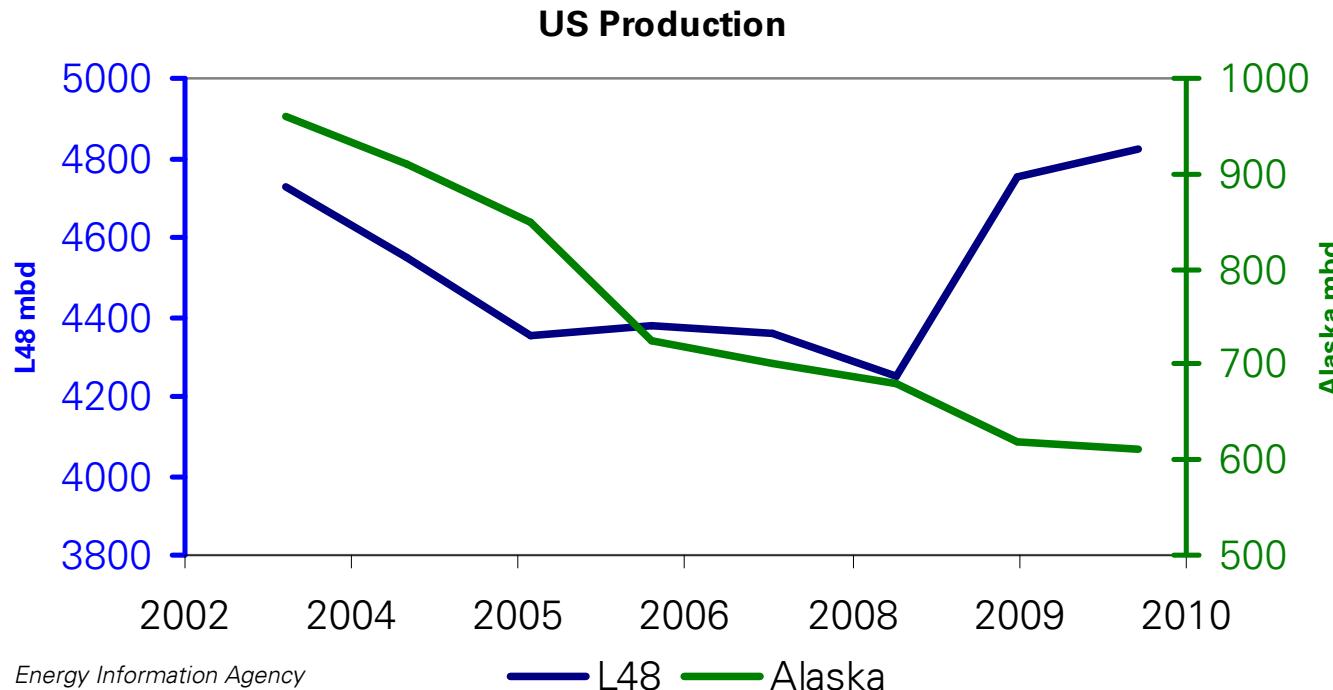


Source: BP Tax Department

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



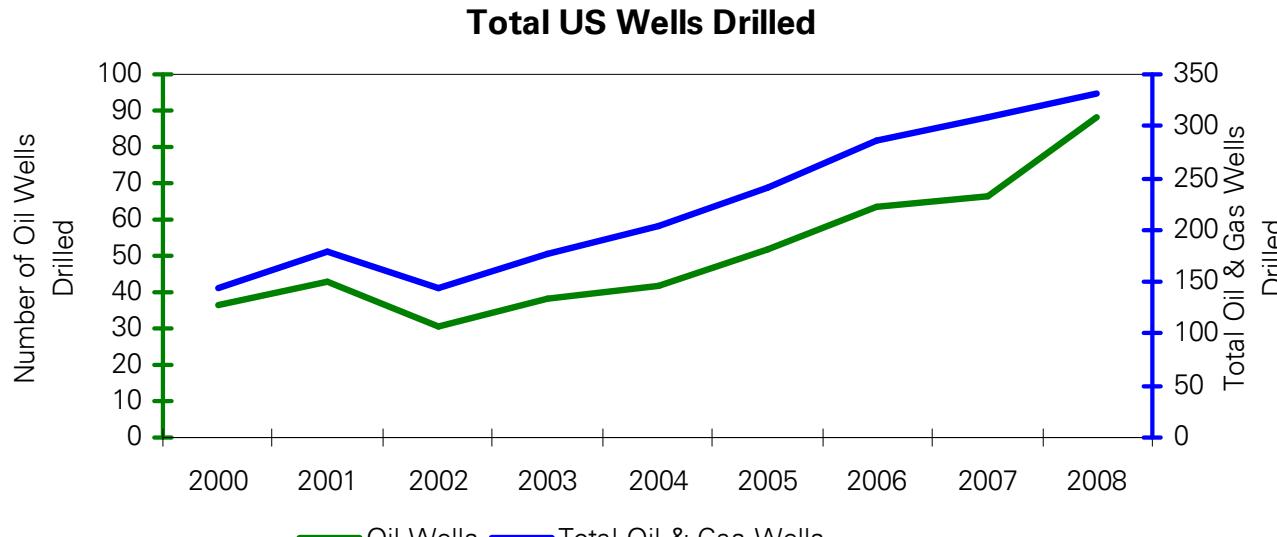
US production is growing; Alaska production isn't



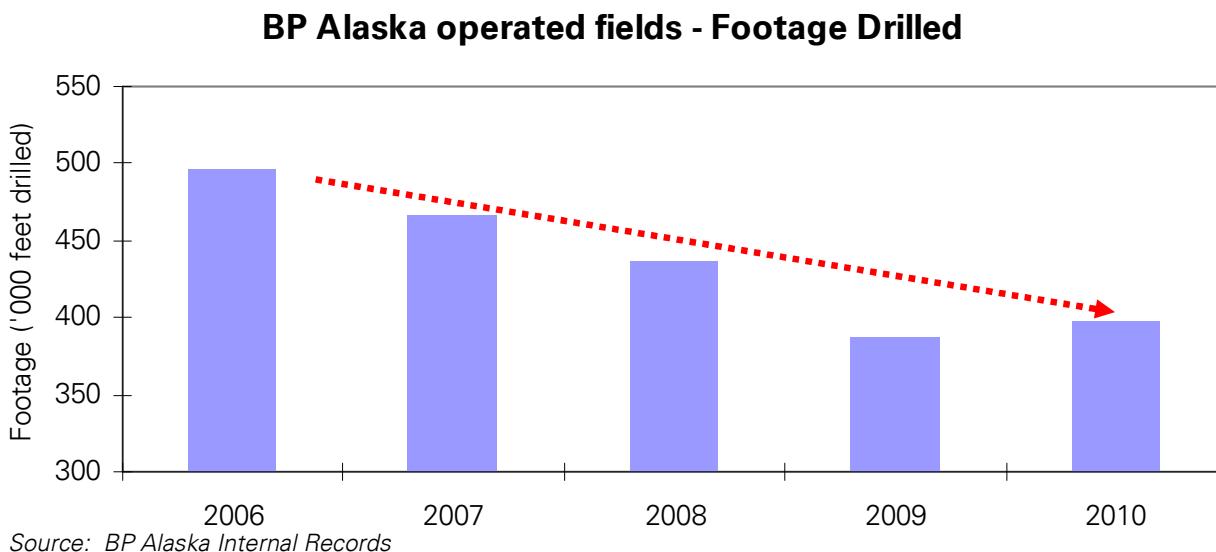
- Production in the Lower 48 has been increasing.
- Alaska production is in steady decline



Lower 48 activity is increasing; Alaska activity isn't



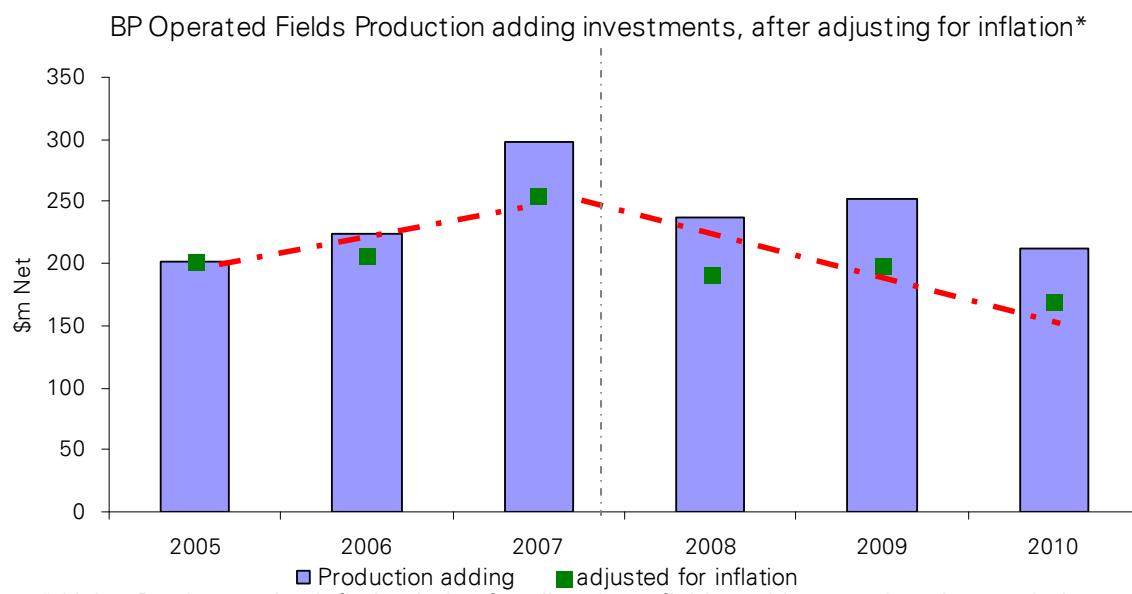
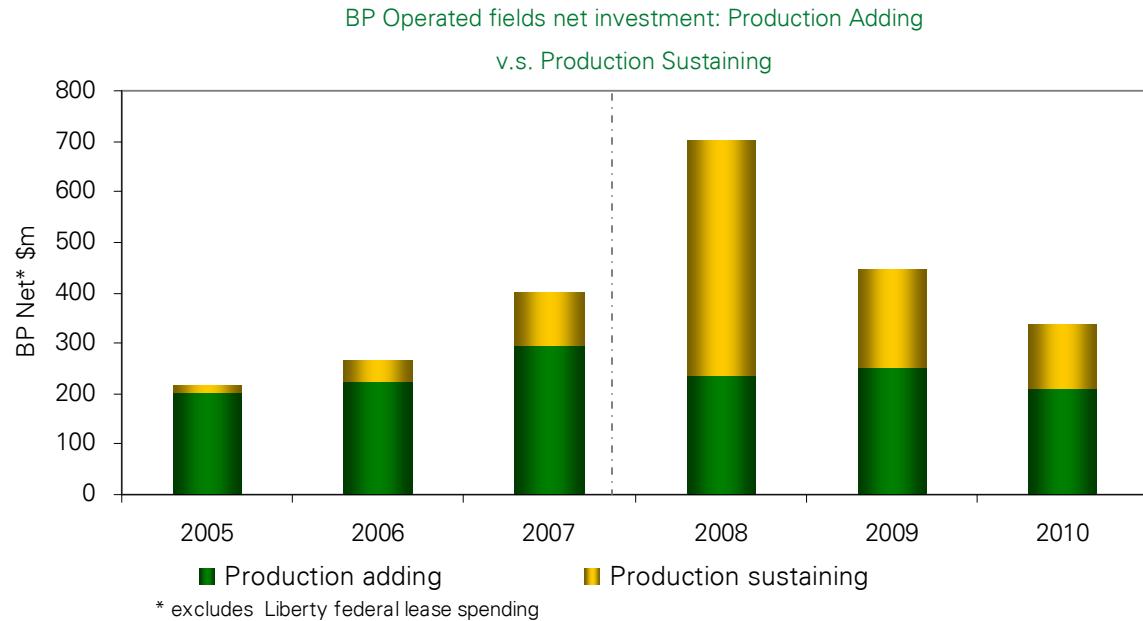
- Looking at footage Drilled, the Oil and Gas activity in the Lower 48 has been increasing over last few years.



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



Less money being spent on new oil since ACES



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

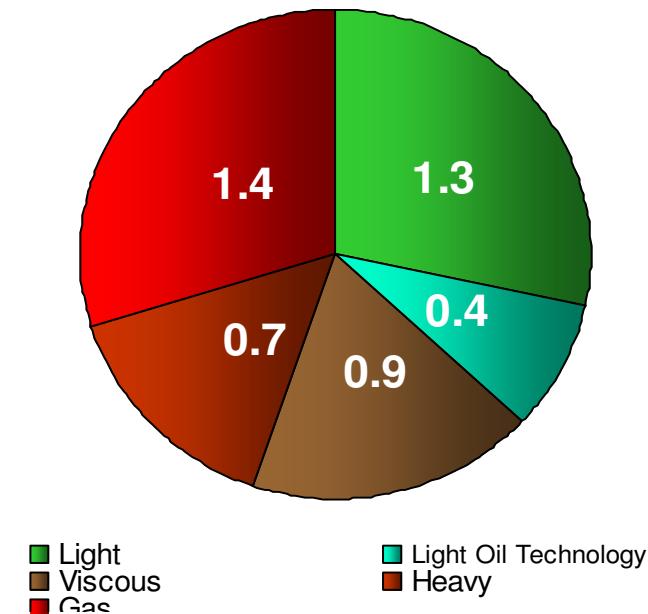
Source: BP Alaska Data and US Department of Labor



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