

bp

Rep Seaton



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April 27, 2012

Co-Chair Eric Feige
Co-Chair Paul Seaton
House Resource Committee
State Capitol MS3100
Juneau, AK 99801-1182

Dear Co-Chairs Feige and Seaton:

During the House Resource Committee's deliberations on April 25, 2012 regarding HB 3001, Representative Gardner asked whether BP included the \$5 billion of incremental growth projects that would progress with meaningful tax change, in our September 2011 submission to support the Department of Revenue (DOR) preparation of the Fall 2011 Revenue Source Book. Please accept this letter as BP's response to the question.

Context

In the DOR's Fall 2011 Revenue Source Book, production data is represented in three categories (see DOR Fall 2011 Revenue Source Book, page 39):

- 1) Currently Producing: This includes producing fields with ongoing activity/investment with production declining averaging approximately 6%-11%
- 2) Under Development: This includes various projects at different levels of maturity, and represents a total (Currently Producing plus Under Development) of approximately 4%.
- 3) Under Evaluation: Includes projects with various challenges to progress; these options, when added to the Currently Producing and the Under Development, manage the total decline rate to approximately 3%.

It is important to note that the DOR creates its own production forecast and only uses producer data as a "sense check", not as direct input. Furthermore, the DOR uses the three categorizations above in support of its own forecasting methodology and producers do not submit data using the same structure however we do discuss the categories with the DOR when we answer their questions regarding our submission.

BP Data Submittal

In BP's September 2011 submission to the DOR, BP included data from two groups of data:

- 1) Group 1: Our base plan, which forecasts a 6%-8% production decline in the near and mid-term. This is the data set that we use for our own internal business planning purposes and is consistent with slide 9 of BP's testimony before your Committee on April 25, 2012 (see the sum of the blue and green bricks of the 2020 Production bar)
- 2) Group 2: Our incremental set of opportunities, which are currently economically challenged and require efficiency and technology improvements to progress to sanction, or a change in state production taxes to reduce the efficiency and technology challenges. This production is primarily reflective of the \$5 billion of additional opportunities that BP has communicated externally as moving forward with meaningful tax change, as well as a few other options that are less mature and which we would expect to impact production in outer-years. We consider these projects to fall under the DOR's category of "Under Development" or "Under Evaluation". Once again, this is consistent with slide 9 of BP's testimony of April 25 (the mustard brick of the 2020 Production bar).

BP has been pleased to support the DOR's efforts to continuously improve its production forecasting methodology and we remain available to discuss this matter further in the future.

Please let me know if you have any remaining questions or concerns.

Sincerely,



Damian Bilbao
Head of Finance, Developments and Resources

cc: House Resource Committee Members
House Special Committee on Energy Members