



House Finance Committee
BP Alaska Testimony- Claire Fitzpatrick, CFO
March 23, 2011



Balanced Fiscal System Investments

FIRST PRODUCTION 1995-2005

- Sag River (1995)
- West Sak (1997)
- Badami (1998)
- Eider (1998)
- Tabasco (1998)
- Tarn (1998)
- Midnight Sun (1998)
- Polaris (1999)
- Aurora (2000)
- Meltwater (2001)
- Northstar (2001)
- Borealis (2001)
- Orion (2002)
- Put River (2004)
- Raven (2005)

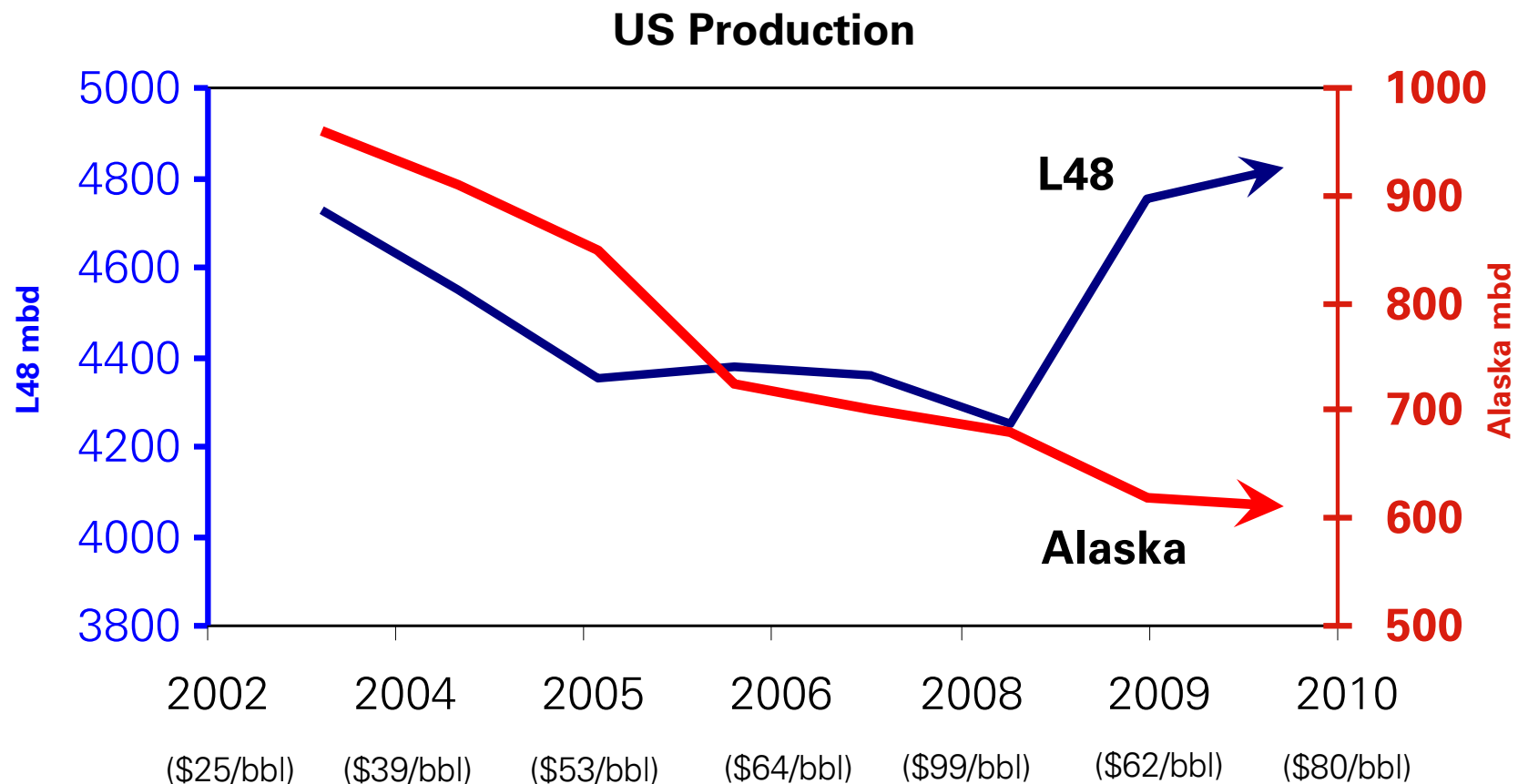
PRODUCTION SUPPORT INVESTMENT

Pipeline upgrades
~1997
~2002

Alaska Tanker Fleet
4 Tankers
~2001-2006



US production is growing; Alaska production isn't

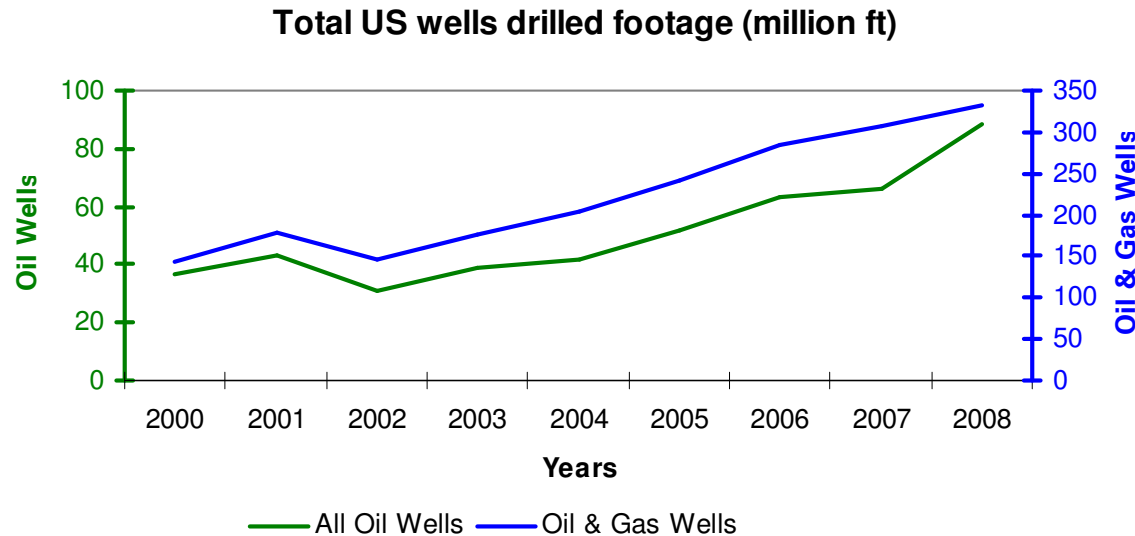


- Production in the Lower 48 has been increasing.
- Alaska production is in steady decline

Source: Energy Information Agency

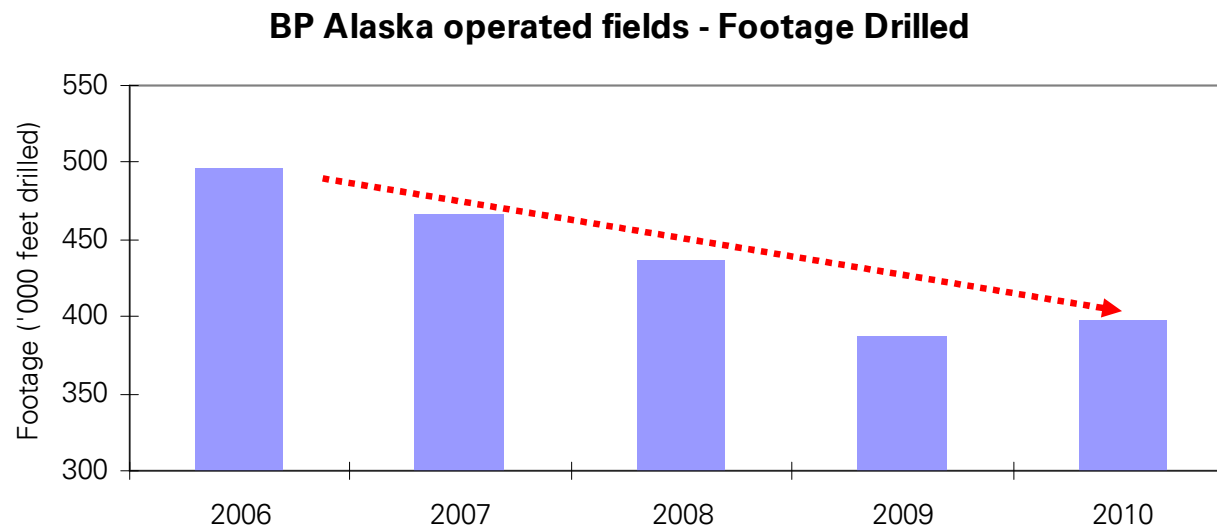


Lower 48 activity is increasing; Alaska activity isn't



Source: Energy Information Agency

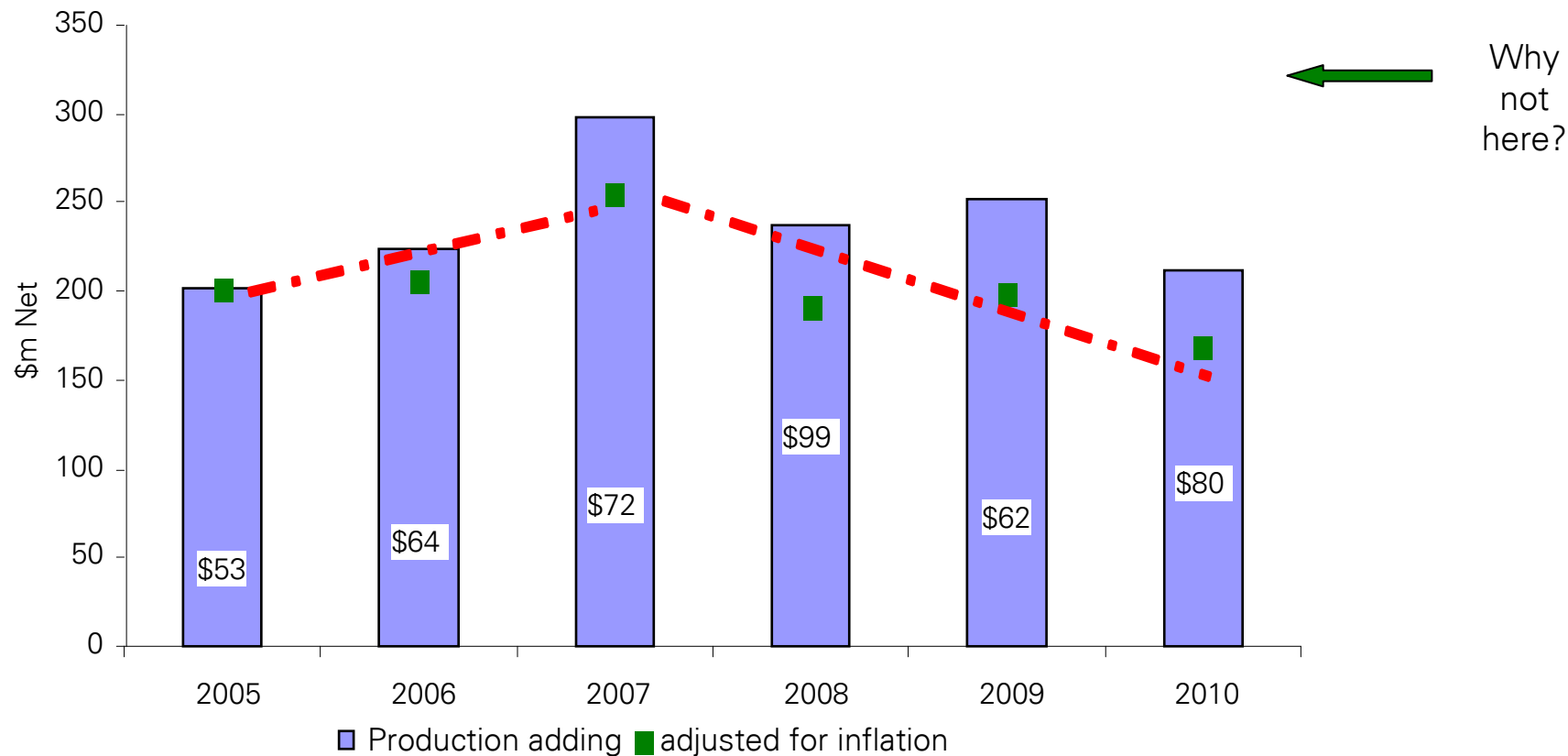
- Looking at footage Drilled, the Oil and Gas activity in the Lower 48 has been increasing over last few years.



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 Production adding investments, after adjusting for inflation*

* Using Producer price inflation index for oil and gas field machinery and equipment index

Source: BP Alaska Data and US Department of Labor, ANS price



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

- BP continues to support 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