



BP Testimony to House Resources

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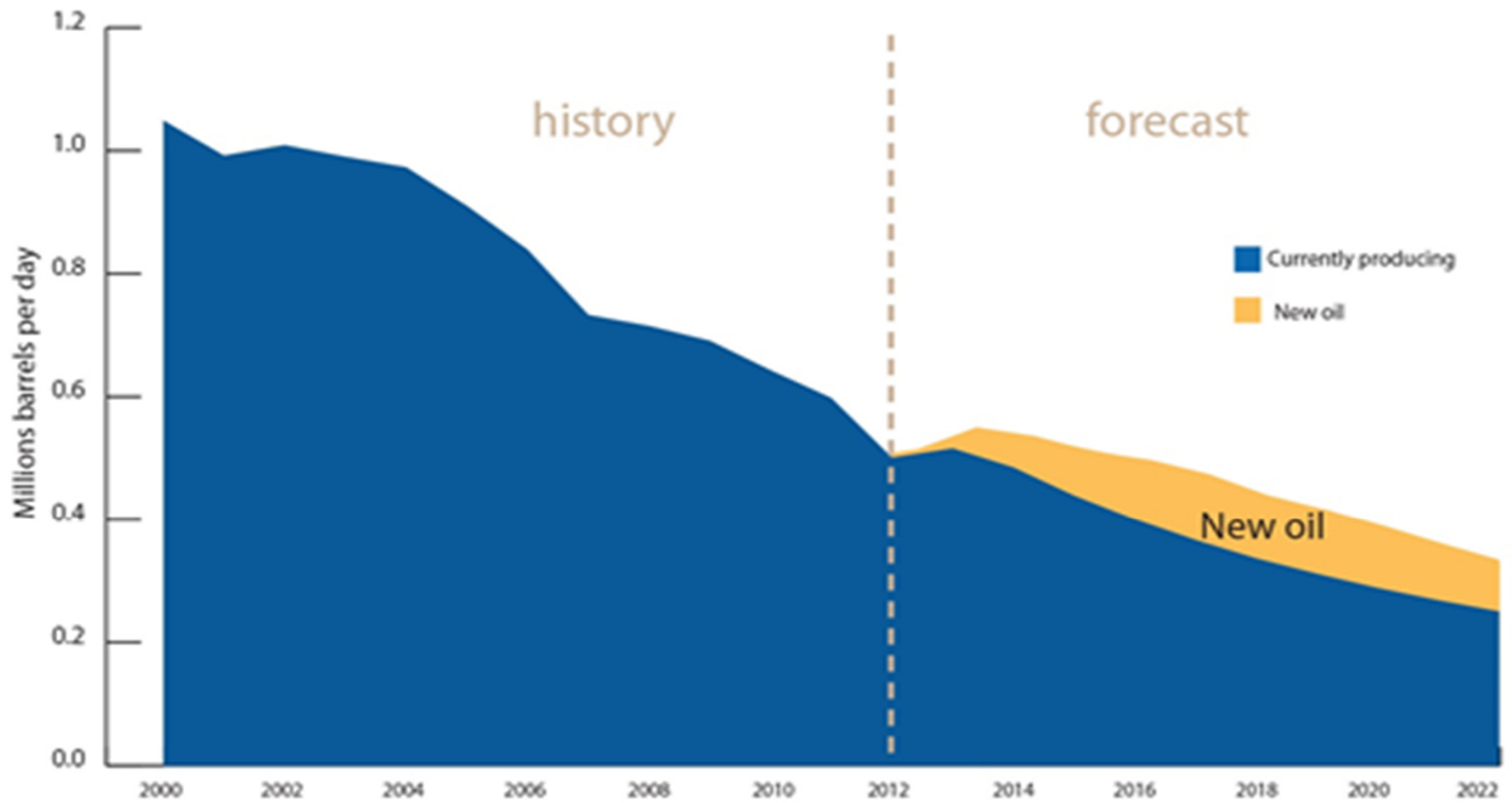
February 20, 2013

Production Decline is Real



Alaska North Slope Production

FY 2000-2012 and Forecasted FY 2013-2022



Source: Department of Revenue - Dec. 2012

How ACES works



	Bbl	\$/bbl
USWC Price \$1,000,000	10,000	\$100.00
Transportation <u>\$150,000</u>	10,000	<u>\$15.00</u>
GVPP \$850,000	10,000	\$85.00
Field Expense <u>\$300,000</u>	10,000	<u>\$30.00</u>
PTV \$550,000	10,000	\$55.00
25% Base Tax \$137,500		
Prog'y Rate 10.000%		
Prog'y Tax <u>\$55,000</u>		
Total Tax \$192,500		

USWC – U.S. West Coast
GVPP – Gross Value at the Point of Production
PTV – Production Tax Value
Prog'y - Progressivity

Example – The three changes together



	Base Case	Revision	As Revised	Bbl	Base Case \$/Bbl	Revised \$/Bbl	Change in Tax	
USWC Price	\$1,000,000	\$10,000	\$1,010,000	10,000	\$100.00	\$101.00	\$35,640	All 3
Transportation	<u>\$150,000</u>	(\$20,000)	<u>\$130,000</u>	10,000	<u>\$15.00</u>	<u>\$13.00</u>		
GVPP	\$850,000		\$880,000	10,000	\$85.00	\$88.00		
Field Expense	<u>\$300,000</u>	(\$30,000)	<u>\$270,000</u>	10,000	<u>\$30.00</u>	<u>\$27.00</u>		
PTV	\$550,000		\$610,000	10,000	\$55.00	\$61.00		
25% Base Tax	\$137,500		\$152,500					
Prog'y Rate	10.000%		12.400%					
Prog'y Tax	<u>\$55,000</u>		<u>\$75,640</u>					
Total Tax	\$192,500		\$228,140					
Change in tax	-		\$35,640					

USWC – U.S. West Coast
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Example – Price change only



	Base Case	Revision	As Revised	Bbl	Base Case \$/Bbl	Revised \$/Bbl	Change in Tax	
USWC Price	\$1,000,000	\$10,000	\$1,010,000	10,000	\$100.00	\$101.00	\$35,640	All 3
Transportation	<u>\$150,000</u>		<u>\$150,000</u>	10,000	<u>\$15.00</u>	<u>\$15.00</u>	\$5,740	Price
GVPP	\$850,000		\$860,000	10,000	\$85.00	\$86.00		
Field Expense	<u>\$300,000</u>		<u>\$300,000</u>	10,000	<u>\$30.00</u>	<u>\$30.00</u>		
PTV	\$550,000		\$560,000	10,000	\$55.00	\$56.00		
25% Base Tax	\$137,500		\$140,000					
Prog'y Rate	10.000%		10.400%					
Prog'y Tax	<u>\$55,000</u>		<u>\$58,240</u>					
Total Tax	\$192,500		\$198,240					
Change in tax	-		\$5,740					

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Example – Transportation cost savings



	Base Case	Revision	As Revised	Bbl	Base Case \$/Bbl	Revised \$/Bbl	Change in Tax	
USWC Price	\$1,000,000		\$1,000,000	10,000	\$100.00	\$100.00	\$35,640	All 3
Transportation	<u>\$150,000</u>	(\$20,000)	<u>\$130,000</u>	10,000	<u>\$15.00</u>	<u>\$13.00</u>		
GVPP	\$850,000		\$870,000	10,000	\$85.00	\$87.00	\$5,740	Price
Field Expense	<u>\$300,000</u>		<u>\$300,000</u>	10,000	<u>\$30.00</u>	<u>\$30.00</u>	\$11,560	Transpo.
PTV	\$550,000		\$570,000	10,000	\$55.00	\$57.00		
25% Base Tax	\$137,500		\$142,500					
Prog'y Rate	10.000%		10.800%					
Prog'y Tax	<u>\$55,000</u>		<u>\$61,560</u>					
Total Tax	\$192,500		\$204,060					
Change in tax	-		\$11,560					

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Whole is greater than the sum of its parts



	Base Case	Revision	As Revised	Bbl	Base Case \$/Bbl	Revised \$/Bbl	Change in Tax
USWC Price	\$1,000,000		\$1,000,000	10,000	\$100.00	\$100.00	\$35,640 All 3
Transportation	<u>\$150,000</u>		<u>\$150,000</u>	10,000	<u>\$15.00</u>	<u>\$15.00</u>	
GVPP	\$850,000		\$850,000	10,000	\$85.00	\$85.00	\$5,740 Price
Field Expense	<u>\$300,000</u>	(\$30,000)	<u>\$270,000</u>	10,000	<u>\$30.00</u>	<u>\$27.00</u>	\$11,560 Transpo.
PTV	\$550,000		\$580,000	10,000	\$55.00	\$58.00	<u>\$17,460</u> Lease Exp.
25% Base Tax	\$137,500		\$145,000				\$34,760
Prog'y Rate	10.000%		11.200%				
Prog'y Tax	<u>\$55,000</u>		<u>\$64,960</u>				
Total Tax	\$192,500		\$209,960				
Change in tax	-		<u>\$17,460</u>				

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ACES's continuously changing tax effect



	Base Case	Revision	As Revised	Bbl	Base Case \$/Bbl	Revised \$/Bbl	Change in Tax
USWC Price	\$1,000,000		\$1,000,000	10,000	\$100.00	\$100.00	\$11,560 Transpo. Only
Transportation	<u>\$150,000</u>	(\$20,000)	<u>\$130,000</u>	10,000	<u>\$15.00</u>	<u>\$13.00</u>	\$17,460 Field Exp Only
GVPP	\$850,000		\$870,000	10,000	\$85.00	\$87.00	
Field Expense	<u>\$300,000</u>	(\$30,000)	<u>\$270,000</u>	10,000	<u>\$30.00</u>	<u>\$27.00</u>	\$11,560 Transpo. 1st
PTV	\$550,000		\$600,000	10,000	\$55.00	\$60.00	<u>\$17,940</u> Field Exp. 2nd
25% Base Tax	\$137,500		\$150,000				\$29,500
Prog'y Rate	10.000%		12.000%				
Prog'y Tax	<u>\$55,000</u>		<u>\$72,000</u>				\$12,040 Transpo. 2nd
Total Tax	\$192,500		\$222,000				<u>\$17,460</u> Field Exp. 1st
Change in tax	-		\$29,500				\$29,500

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Flat price scenario



	PTV per Bbl	MM bbl	PTV (\$MM)	Prog'v'y Rate	Prog'v'y Tax (\$MM)
Jan	\$61.25	2.00	\$122.5	12.50%	\$15.31
Feb	61.25	2.00	\$122.5	12.50%	15.31
Mar	61.25	2.00	\$122.5	12.50%	15.31
Apr	61.25	2.00	\$122.5	12.50%	15.31
May	61.25	2.00	\$122.5	12.50%	15.31
Jun	61.25	2.00	\$122.5	12.50%	15.31
Jul	61.25	2.00	\$122.5	12.50%	15.31
Aug	61.25	2.00	\$122.5	12.50%	15.31
Sep	61.25	2.00	\$122.5	12.50%	15.31
Oct	61.25	2.00	\$122.5	12.50%	15.31
Nov	61.25	2.00	\$122.5	12.50%	15.31
<u>Dec</u>	<u>61.25</u>	<u>2.00</u>	<u>\$122.5</u>	<u>12.50%</u>	<u>15.31</u>
Full Year	\$61.25	24.00	\$1,470.0		\$183.75

Progressivity increases taxes with fluctuating price even when the economics don't change



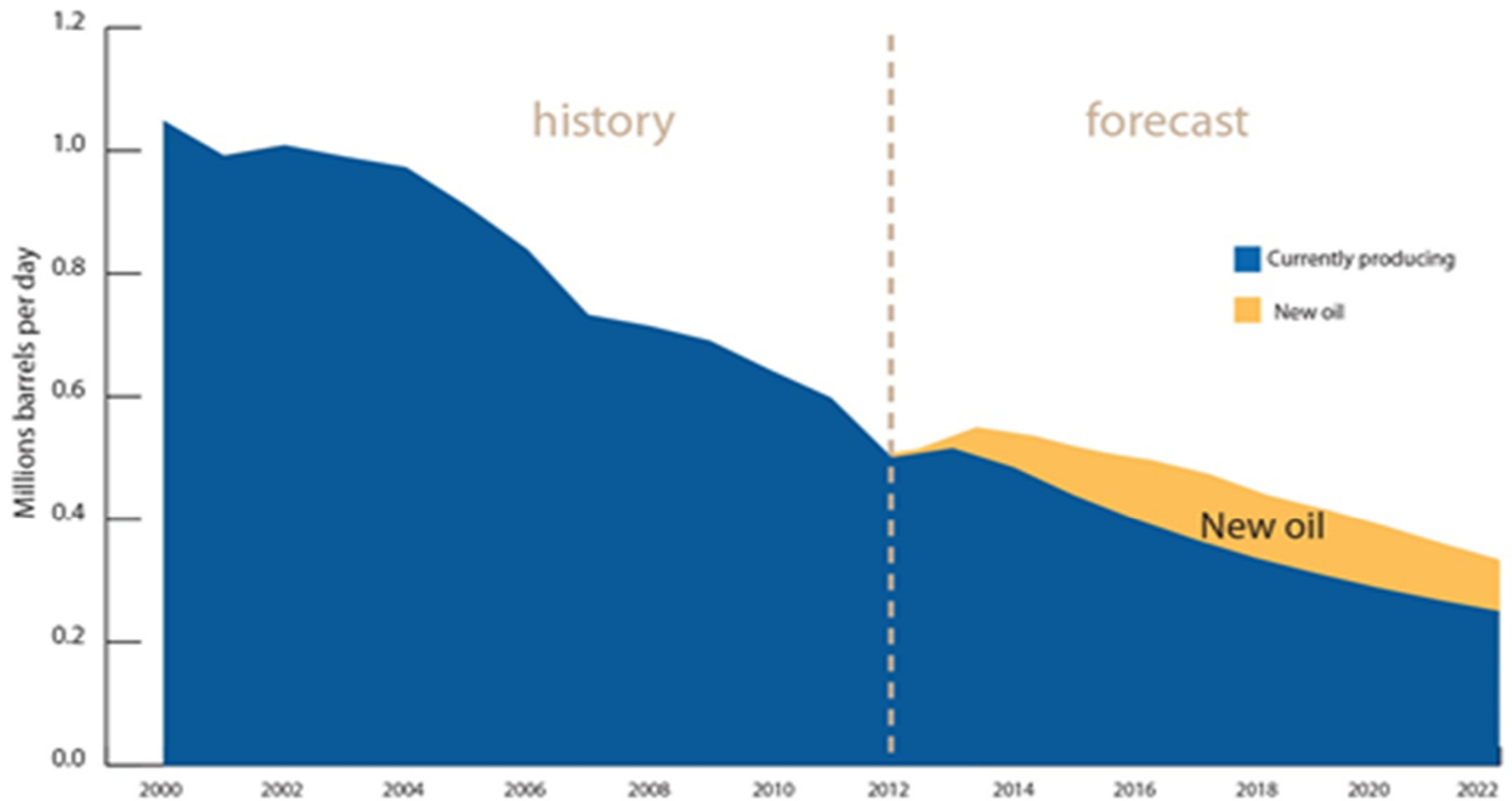
	PTV per Bbl	MM bbl	PTV (\$MM)	Prog'v'y Rate	Prog'v'y Tax (\$MM)	PTV per Bbl	MM bbl	PTV (\$MM)	Prog'v'y Rate	Prog'v'y Tax (\$MM)
Jan	\$61.25	2.00	\$122.5	12.50%	\$15.31	\$30.00	2.00	60.0	0.00%	-
Feb	61.25	2.00	\$122.5	12.50%	15.31	30.00	2.00	60.0	0.00%	-
Mar	61.25	2.00	\$122.5	12.50%	15.31	30.00	2.00	60.0	0.00%	-
Apr	61.25	2.00	\$122.5	12.50%	15.31	92.50	2.00	185.0	25.00%	\$46.25
May	61.25	2.00	\$122.5	12.50%	15.31	92.50	2.00	185.0	25.00%	46.25
Jun	61.25	2.00	\$122.5	12.50%	15.31	92.50	2.00	185.0	25.00%	46.25
Jul	61.25	2.00	\$122.5	12.50%	15.31	92.50	2.00	185.0	25.00%	46.25
Aug	61.25	2.00	\$122.5	12.50%	15.31	92.50	2.00	185.0	25.00%	46.25
Sep	61.25	2.00	\$122.5	12.50%	15.31	92.50	2.00	185.0	25.00%	46.25
Oct	61.25	2.00	\$122.5	12.50%	15.31	30.00	2.00	60.0	0.00%	-
Nov	61.25	2.00	\$122.5	12.50%	15.31	30.00	2.00	60.0	0.00%	-
Dec	<u>61.25</u>	<u>2.00</u>	<u>\$122.5</u>	<u>12.50%</u>	<u>15.31</u>	<u>30.00</u>	<u>2.00</u>	<u>60.0</u>	<u>0.00%</u>	<u>-</u>
Full Year	\$61.25	24.00	\$1,470.0		\$183.75	\$61.25	24.00	1,470.0		\$277.50

Production Decline is Real



Alaska North Slope Production

FY 2000-2012 and Forecasted FY 2013-2022



Source: Department of Revenue - Dec. 2012 11