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April 9, 2013

The Honorable Bill Stoltze, Co-chair
The Honorable Alan Austerman, Co-Chair
State of Alaska
House Finance Committee
State Capitol MS 3100
Juneau, AK 99801

Dear Representatives Stoltze and Austerman:

This letter responds to requests for additional information made during yesterday's House Finance Committee hearing which I was unable to provide at that time.

As requested by Representative Wilson we created a new slide reflecting the impact of the House Resources Committee Substitute for SB21 similar to our original slide (page 8) which reflected the ACES impact. Both are included here for ease of comparison.

In response to Representative Costello's question on costs, I referred to a back-up slide not at my disposal during my testimony. The attached page titled "Wood MacKenzie*- Sample 2013 Operating Costs", provides the requested information and demonstrates that, in addition to the high fiscal costs under ACES, oil operations are challenged by high operating costs.

Thank you again for the opportunity to testify before the House Finance Committee, and for the opportunity to provide this additional information.

Sincerely,

Damian Bilbao
Head of Finance
BP Exploration (Alaska) Inc.

DB/dms
Enclosures

Why doesn't ACES work?



Example at \$110 per barrel

Alaska State Revenue \$36

Federal Income Tax \$12

Deductible Costs \$40

\$22 – less *non-deductible expenses



* Source: DOR RSB Fall Forecast 2012, for FY 2013

* AS 43.55.165(e)

HCS CSSB21 (RES)



Example at \$110 per barrel

Alaska State Revenue \$33

Federal Income Tax \$13

Deductible Costs \$40

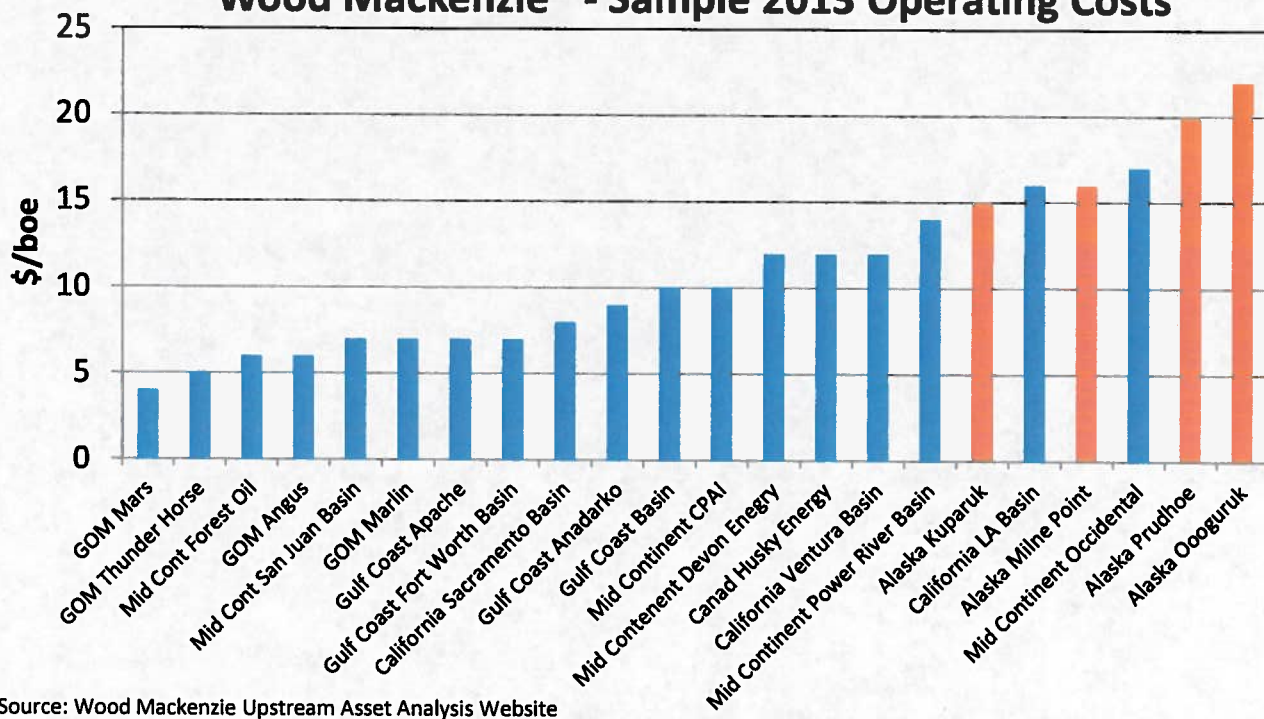
\$24 – less *non-deductible expenses

**AK Cost
of
Supply
Is
>\$86 /
bbl**

* Source: DOR RSB Fall Forecast 2012, for FY 2013

* AS 43.55.165(e)

Wood Mackenzie* - Sample 2013 Operating Costs



*Source: Wood Mackenzie Upstream Asset Analysis Website