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

Alaska returns are uncompetitive

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

Source: BP Tax Department
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

- 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

- 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