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)
- Raven (2005)

## PRODUCTION SUPPORT INVESTMENT

- Pipeline upgrades: ~1997, ~2002
- Alaska Tanker Fleet: 4 Tankers ~2001-2006

*Source: Division of Oil and Gas Annual Report 2009*
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

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 /l - 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