



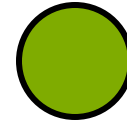
# BP Presentation on SB 2001CS Senate Finance Committee

Claire Fitzpatrick and Bernard Hajny  
November 8, 2007

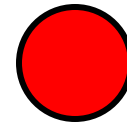
# Is the bill true to the stated Guiding Principles for the New Production Tax System?



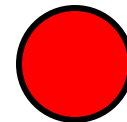
- Fair Revenue to the State (Higher)
  - Share upside benefit and downside risk



- Attractive Investment Climate – new exploration and reinvestment in existing fields (including heavy oil)



- Transparency – reduce the risk to the state
  - Clear to both state and taxpayer



# Does the current bill accomplish these objectives relative to PPT?



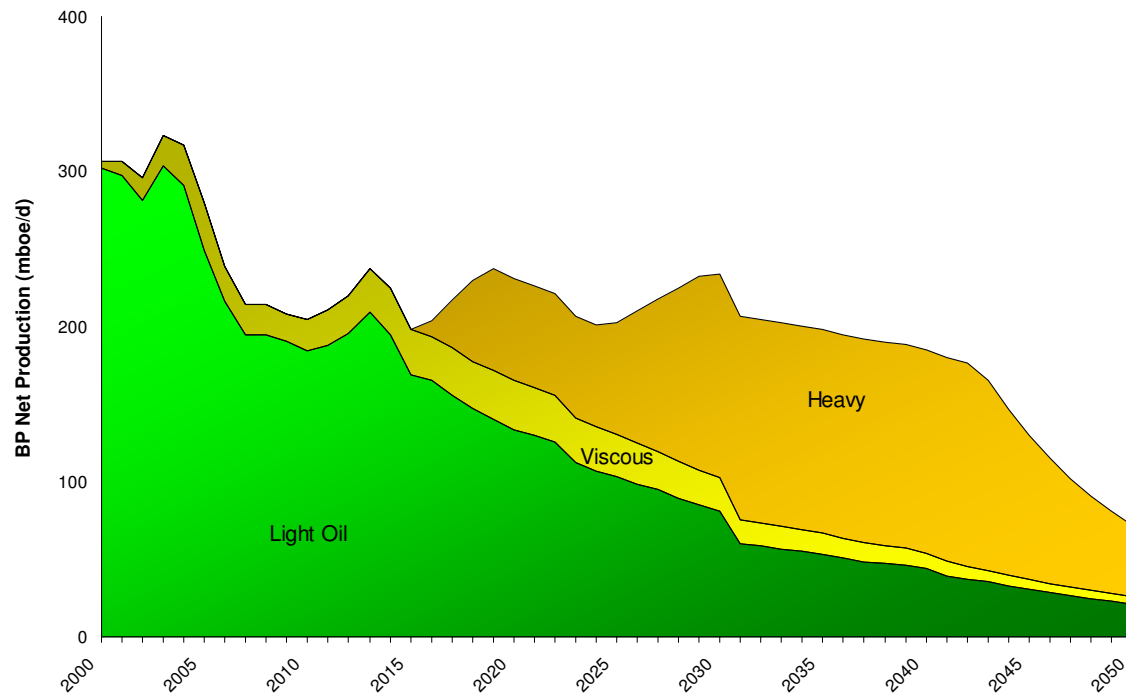
<b>Proposed Measures</b>	<b>Fair? (HIGHER) Revenue</b>	<b>Attractive Investment Climate</b>	<b>Clear and Transparent</b>
Tax Rate of 25% vs. 22.5%	✓	✗	NA
Progressivity	✓	✗	✗
Capital Credits	Neutral	Neutral	Neutral
Eliminates TIE Credits	✓	✗	NA
Takes away JIB use as basis for deductible costs	?	✗	✗
DR&R Non Deductible	?	NA	NA
Retroactivity	✗	✗	✗
Excludes ULSD Plant	?	✗	✗

# Does the current bill accomplish these objectives relative to PPT?



<b>Proposed Measures</b>	<b>Fair? (HIGHER) Revenue</b>	<b>Attractive Investment Climate</b>	<b>Clear and Transparent</b>
Expenditures "allowed by DOR through regulation	?	✗	✗
Costs must be physically on lease	✓	✗	✗
Transportation deductions limited to those ruled by RCA	✓	✗	✗
\$1000 per day penalty to provide information	?	Neutral	?
6 year statute of limitations for Audits	?	✗	✓
Significant Penalty Provisions	?	✗	?
Publication of aggregated tax information for 3 or more taxpayers	NA	?	?

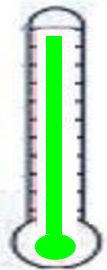
# Impact of Investment Climate to Heavy Oil



## Heavy Oil Benefits for Alaska

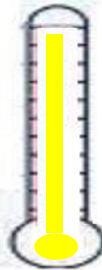
- ❖ Multi-billion spend in the market
- ❖ 50 years of production
- ❖ 2+ Billion new barrels of oil
- ❖ Many new jobs
- ❖ Alaska becomes recognized among industry leader in “Arctic Heavy Oil”
- ❖ Huge ripple effect on the Alaska economy

### PPT or Better



Economic prize is big enough to try to unlock HO.

### ACES



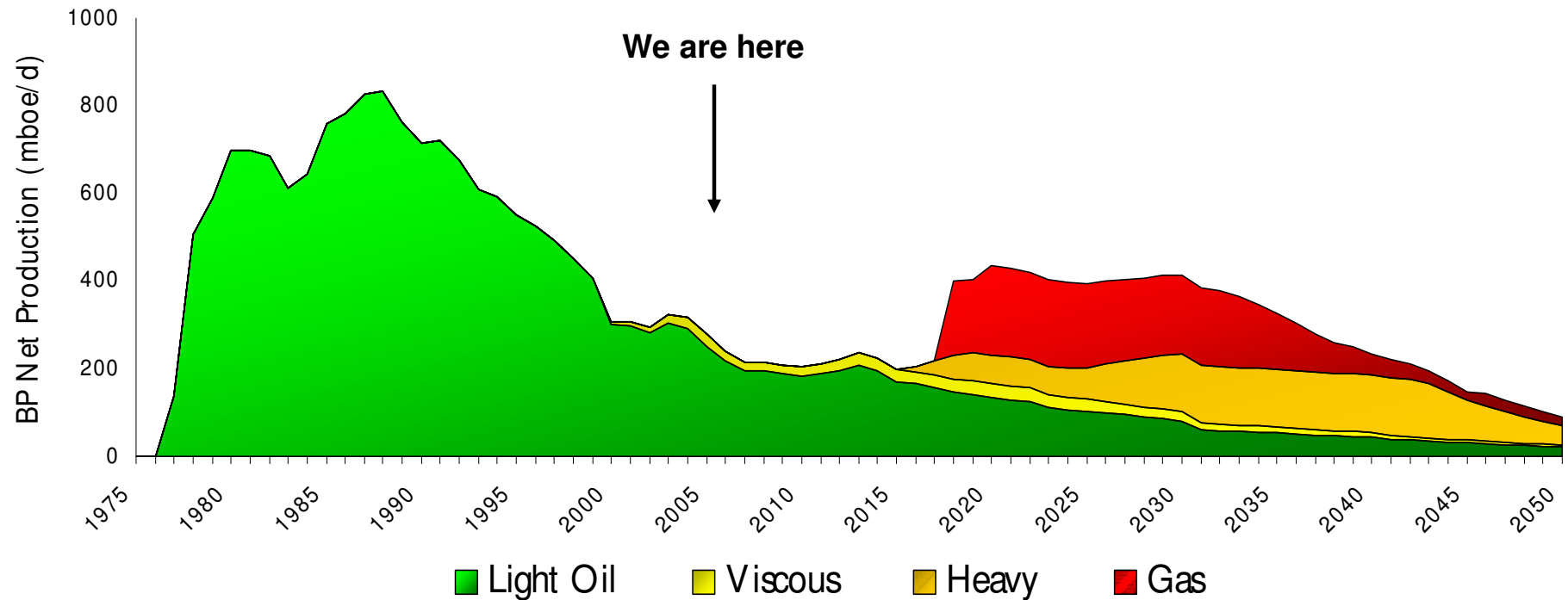
Economic prize is more marginal – may not be adequate to balance the risk.

### Latest CS's



Unfavorable relationship between risk and reward

# BP Alaska – Building for the Future



## Strategy

- **FOCUS** on the known Resource Base
  - Manage decline for Light Oil
  - Unlock Heavy Oil
- **ACCELERATE RENEWAL** of facilities, infrastructure and people
- **BRIDGE** to Gas

## Enabling Themes

- Fiscal stability
- Facility & Infrastructure Renewal
- Organizational Renewal
- Technology Pull-through
- Reserves Progression
- Government & Regulatory Relationships

# The Investment Hopper Squeeze

