



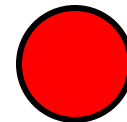
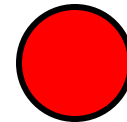
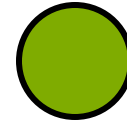
BP Presentation on HB 2001CS House Finance Committee

Claire Fitzpatrick and Bernard Hajny
November 7, 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?



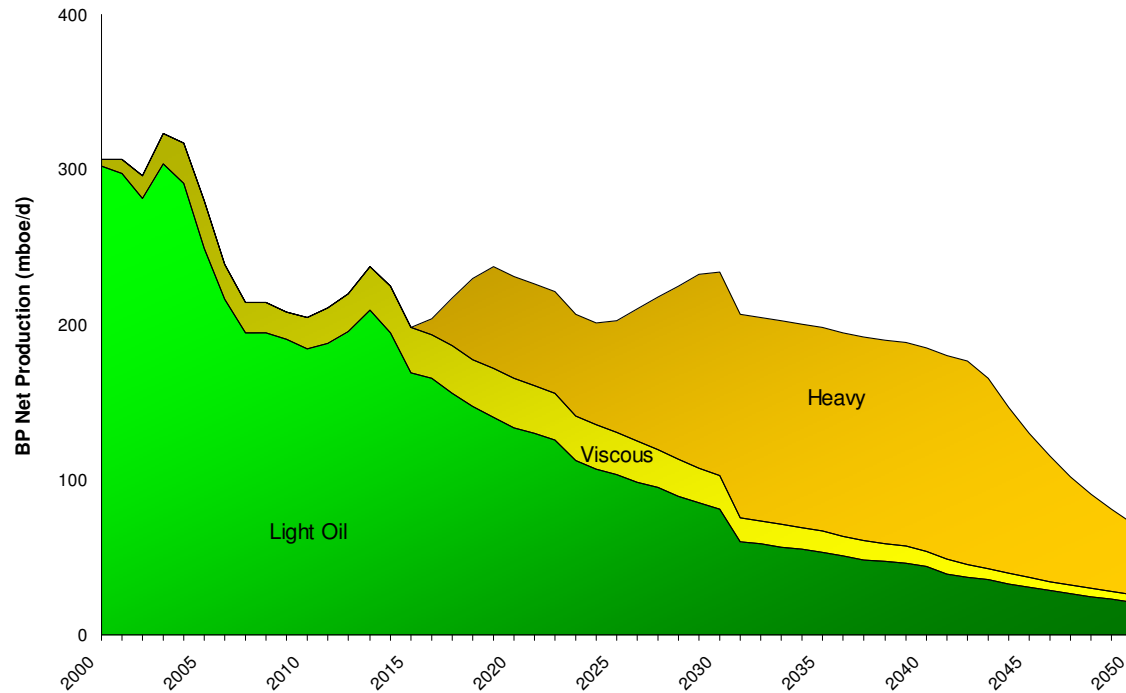
Proposed Measures	Fair? (HIGHER) Revenue	Attractive Investment Climate	Clear and Transparent
Tax Rate of 25% vs. 22.5%	✓	✗	NA
Gross Progressivity	✓	✗	✗
Capital Credits	Neutral	Neutral	Neutral
TIE Credits 3 years vs 5	✓	✗	NA
Takes away JIB use as basis for deductible costs	?	✗	✗
DR&R Non Deductible	?	NA	NA
Excludes ULSD Plant	?	✗	✗

Does the current bill accomplish these objectives relative to PPT?



Proposed Measures	Fair? (HIGHER) Revenue	Attractive Investment Climate	Clear and Transparent
Costs must be physically on lease	✓	✗	✗
Transportation deductions limited to those ruled by RCA	✓	✗	✗
\$1000 per day penalty to provide information	?	Neutral	?
Retroactivity	✗	✗	✗
6 year statute of limitations for Audits	?	✗	✓
Publication of aggregated tax information for 3 or more taxpayers	NA	?	?

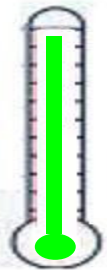
Impact of Investment Climate to Heavy Oil



Heavy Oil Benefits for Alaska

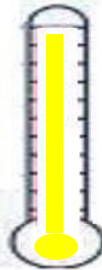
- ❖ Multi-billion spend in the market
- ❖ 50 years of production
- ❖ 2+ Billion new barrels of oil
- ❖ Many new jobs
- ❖ Alaska becomes recognized among industry leader in “Arctic Heavy Oil”
- ❖ Huge ripple effect on the Alaska economy

PPT or Better



Economic prize is big enough to try to unlock HO.

ACES



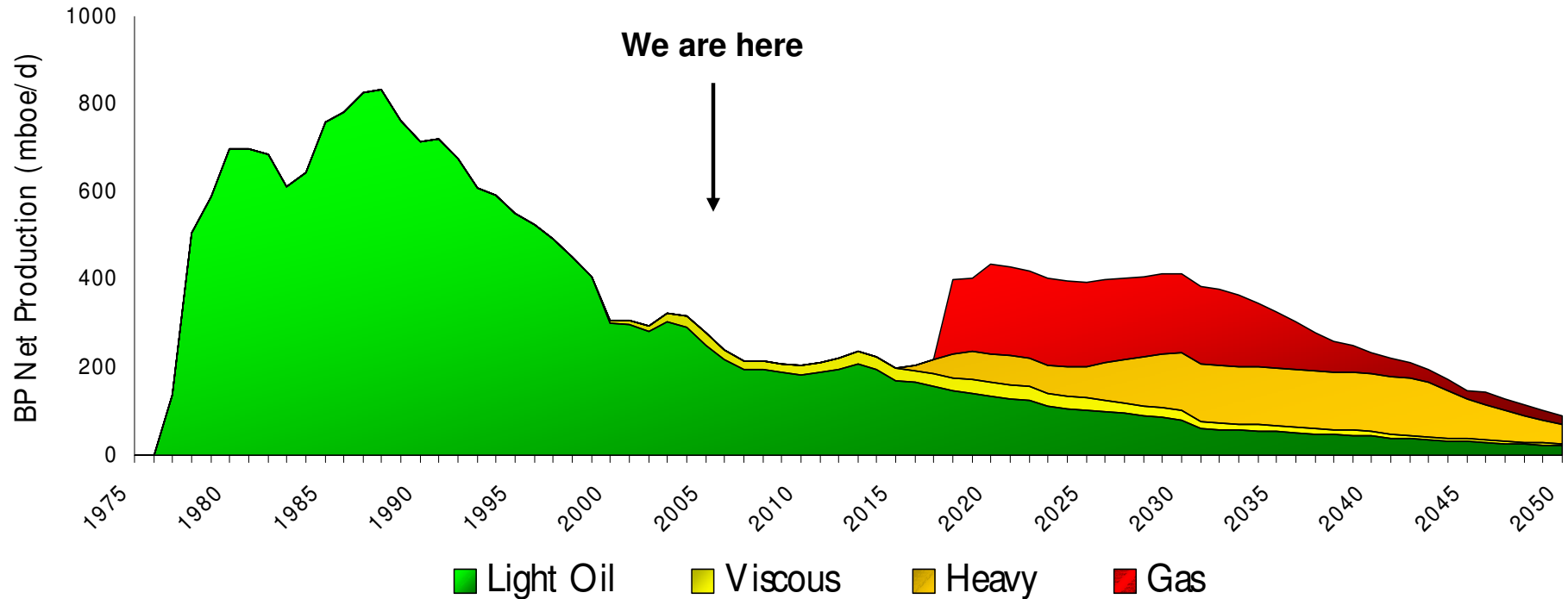
Economic prize is more marginal – may not be adequate to balance the risk.

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

