

Unknown

From: Palin, Todd M [PalinTM@BP.com]
Sent: Wednesday, August 29, 2007 4:25 AM
To: fek9wnr@yahoo.com
Subject: FW: Variable Pay Plan (VPP) - 2004 Results
Attachments: 2004 Final VPP slide pack.ppt; AKBU 2004 Business update v1 4.doc

From: Trimmer, Glenn F
Sent: Tuesday, August 28, 2007 3:52 AM
To: Palin, Todd M
Subject: FW: Variable Pay Plan (VPP) - 2004 Results
Sensitivity: Confidential

From: Marshall, Steve (Alaska)
Sent: Friday, February 25, 2005 3:55 PM
To: G AK BPXA Staff
Subject: Variable Pay Plan (VPP) - 2004 Results
Sensitivity: Confidential

I am pleased to report to you the 2004 VPP results for Alaska. The attached note "2004 Business Update" and slide-pack provide the details behind our final VPP score as well as a look forward to 2005. The E&P Segment had an excellent year and Alaska played a large part in that success.

- E&P segment rating: 140 points - a very good outcome
- Range of SPU scores in E&P: 125 to 145
- **Alaska SPU score: 135**
(base performance contract delivery = 100 points, stretch delivery = 150 points)

2004 VPP is solely based on Alaska SPU or Functional Group performance as applicable. The Alaska SPU score of 135 points was awarded based on strong E&P Segment results, delivery of Alaska strategy, strong cash flow and best ever safety performance. Congratulations! Payment will be via a separate check paid in the March 25th timeframe.

Variable Pay Program - 2005

It is also a good time to let you know that the 2005 Variable Pay Program for employees in Level E and below remains unchanged from 2004. As a reminder, the key features of our program are:

- 2/3 of the bonus will reward team performance on an equal basis for all employees.
- 1/3 of the bonus will be differentiated based on individual performance (except for our hourly staff in Alaska).
- Bonus target/maximums are differentiated at each Level based on market competitiveness.

ROSTON 00775

10/14/2009

The bonus pool will again be based entirely on our SPU (of Function) performance against our annual plan using the 'balanced scorecard' approach. As in 2004, the scoring mechanism will be based on target and stretch performance whereby 150 points are assigned to full stretch delivery of the annual plan and 100 points are assigned to base delivery (target bonus opportunity).

Thank you for your achievements and dedication to safety in 2004. Here's to having another successful year in 2005.

Steve

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10/14/2009

Quarterly Alaska Business Update – 4Q04

February 2005

Following the recent release of BP's 2004 results, I would like to provide you with an overview of our 2004 Alaska performance and provide additional context surrounding our strategy.

First and foremost, thank you. All things considered, 2004 was a good year – most notably in safety performance. 2004 was our safest year on record in Alaska and for the entire E&P Segment! The Alaska business was a key contributor to BP's success. The robust price environment underpinned a successful year in which BP worldwide enjoyed record earnings. We materially advanced the Alaska strategy; we put our first "Alaska Class" tanker into service, we made significant progress towards gas commercialization, and we established a "buzz" around viscous oil. We remain on course to deliver the Alaska Strategy. 2005 will be another important year. There are many challenges ahead, but I am confident that with focus and teamwork we can continue our excellent track record of delivery and make progress towards creating and maintaining a competitive and sustainable business in Alaska for many decades to come.

HSE- Extraordinary Delivery in 2004!

Safety: 2004 stands out as our safest year ever in Alaska! Compared to 2003 we had 22 fewer recordables and 6 fewer DAFWC, meeting our targets in DAFWCF and RIF. Last years excellent results were achieved through your personal commitment to safety and your quality safety inputs. 2004 was also the safest year in E&P's history and we are now close to being the best in the industry. We are now in a position to build on our success; in 2005 our targets again reflect a desire for continuous safety improvement.

Environment: Spill performance still needs improvement. Although we had fewer spills in 2004 than the previous year, the volume was higher. Your continued commitment to our EMS and focus on spill prevention is essential.

Strategy

Light Oil: The combined efforts of our Subsurface teams and Drilling & Wells delivered 97 sidetracks between Rotary and CTD in 2004. The number of sidetracks demonstrates the true effort put forth by our combined teams

in 2004 to flatten decline. CTD had excellent results at Kuparuk last year and also demonstrated its capability to do RWO's and sidetracks at Endicott. Delivery of water projects and injection management made significant progress in 2004 and that theme will continue in 2005.

Viscous Oil: Unlocking the viscous prize is a key plank of our strategy, with substantial pull for more viscous production. The GPB Orion team continued their drilling success in 2004 by completing the first ever quadralateral and spudding the first pentalateral that was recently completed this year. Last year a multidiscipline Viscous Oil Production Assurance Team (VPAT) was established to develop a GC-2 viscous facility strategy which helped deliver peak production of 15mbd gross from Orion. In GKA, our partners drilled nine wells at West Sak 1E (WS1E) last year and the West Sak 1J (WS1J) project was sanctioned. Five wells will be drilled at WS1E in 2005. Once complete, drilling at WS1J will commence where 31 more wells are planned (37% BP). We continue to review our viscous oil strategy with a view to addressing facility bottlenecks & accelerating development. Our current view of waterfloodable viscous production includes ramping up from 25mbd to 50mbd net over the next 5 years. We've recently approved the formation of a dedicated Viscous Technology Team to focus on further viscous growth.

Gas Commercialization: Gas feels more like a reality than ever before. In 2004 we made significant progress towards gas commercialization. The President signed the Alaska Natural Gas Pipeline Act, and negotiations with the State are underway. In addition to a durable State fiscal contract, Canada must establish a clear regulatory framework to enable the project to proceed. Once these components are in place, we believe the \$1 billion engineering and permitting phase could begin.

Transformation: In 2004 we opened the Operations Support Center (OSC) and the first of four "Alaska Class" tankers was put into service. Our second double hull tanker is scheduled for delivery in March 2005 and our third in 4Q 2005. These vessels will enable considerable cost reductions in the midstream. In addition TAPS owners are

Strategy	2004 Milestones	2005 Milestones
Light Oil	Endicott & Kuparuk CTD, WaterWheel, LoSal progression	Opportunity Progression Hopper, NorthStar infill drilling, Badami Restart, Sanction LoSal, Liberty progression
Viscous Oil	Milne S Pad, West Sak 1E drilling, WestSak-1J Sanction, Viscous visibility	West Sak 1J Drilling, Western Region Dev.- Select Stage, Establish Viscous Team
Transform Costs	Off shore Accounting, Operations Service Center, Activities Off the Slope, TAPS Electrification Plan, "Alaskan Frontier" tanker delivery	"Alaskan Explorer" tanker delivery, Execute TAPS Electrification, Deliver 3 rd Alaska Class Tanker, Ops Common Process
Bridge to Gas	Passage of Federal Legislation, State Fiscal Negotiations	Agree Fiscal Terms w/ State, Gain Regulatory Clarity in Canada

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Quarterly Alaska Business Update – 4Q04

February 2005

implementing a project to upgrade four pump stations in 2005. This project will install electrically driven pumps at four critical pump stations, combined with increased automation and upgraded control systems.

Performance- *despite shortfalls in production and cost targets, our tremendous safety performance combined with delivery of key Strategic milestones and the excellent E&P Segment delivery resulted in a generous VPP payout. The Alaska VPP score for 2004 is 135.*

Production: Excluding the impact of additional Northstar royalty, 2004 production was 6 mboed below the plan on a performance basis. Production was impacted by unplanned facility upsets in GPB, lower Northstar gas imports, delayed water projects and delayed viscous development. ACT ended the year 1.1mboed below Plan.

2004 Key Performance Indicators						
	Full Year			Fourth Quarter		
	2003	2004 FY Plan	2004 Actual	4Q04 Plan	4Q04 Nov GFO	4Q04 Actual
DAFWCF	0.15	0.12	0.02	0.12	0.02	0.08
RIF	1.41	1.00	1.00	1.00	1.04	.96
Production (mboed net)	325.7	317.5		321.9	317.7	322.3*
Cash Costs (\$m)	753.1	783.7		194.6		
Operating Efficiency (%)	93	93	92	93	92	92
Capex (\$m)	651	663	683	160.4	179	188.4

*excludes additional Northstar Royalty (2.7mboed FY, 3.0mboed 4Q)

Longer than forecast plateau production at Northstar helped offset decline at Kuparuk, and challenges elsewhere in ACT. I am acutely aware that headline production performance masks significant effort and pockets of excellence - most notably, Northstar was 6 mbd above Plan.

Costs: 2004 Cash Costs were \$830m, up \$77m compared to 2003. This difference was largely due to increased insurance costs in 2004 and the impact of higher oil prices on bunker fuel costs. Lifting costs were \$17m higher in 2004 compared to 2003. GPB lifting costs are up \$4m due in large part to base O&M increases. The balance of the lifting cost increase relates to employee benefit costs. CPAI-operated Kuparuk had \$3m additional wellwork spend in 2004 as higher oil price provided opportunities for additional work.

Capex: 2004 Capex of \$672.7m was \$20m above FY 2004 Plan. This was primarily due to phasing of spend in the midstream on new build tankers and the TAPS pipeline.

Year Ahead

People: We have a great opportunity in 2005 to make Alaska a more rewarding place to work - building on our success over the past several years. While the overall People Assurance Survey results remained relatively flat, we did see a substantial increase in satisfaction from town-based staff and some good results in the field. We are convinced that overall employee satisfaction can be increased through distinctive leadership, engagement and communication. With the PAC Tech strike behind us, we need to re-build our relationships in the field and turn our attention to making this business a great place to work. Our aim will be to ensure that all aspects of our people agenda are accomplished with quality.

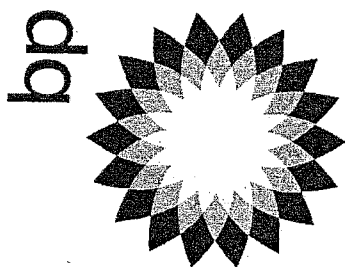
HSE: We need to sustain our excellent and quality inputs to Safety in 2005. EMS will continue to guide our improvement in the environmental area; in 2005 a particular focus area will be to improve spill performance. In the year ahead we will implement a field wide Hazard Recognition Program that was piloted in 2004 and complete implementation of the group Driving Standard. We also plan to roll out the E&P Segment Energy Isolation Immersion.

Costs: In 2004 our operating costs were largely driven by external factors including higher fuel prices and oil field price inflation, but we also saw increases in our base O&M costs. The sustainability of our business is determined, to a large extent, by cost structure. We face similar pressures in 2005 and it is imperative that we maintain focus and discipline in this area.

Production: We find ourselves in a challenging place to start the year; to date 2005 production is below Plan. The issue in 2004 was operating efficiency both for light oil and for viscous oil. The issue has carried over into the New Year. Only by regaining our capacity can we truly benefit from new initiatives like LoSal, viscous development and a revitalized focus on voidage replacement. Another essential component of our progress this year is to embrace technologies and processes that accelerate reserves progression. In spite of the challenging start to the year our past performance shows that this is something that we can overcome.

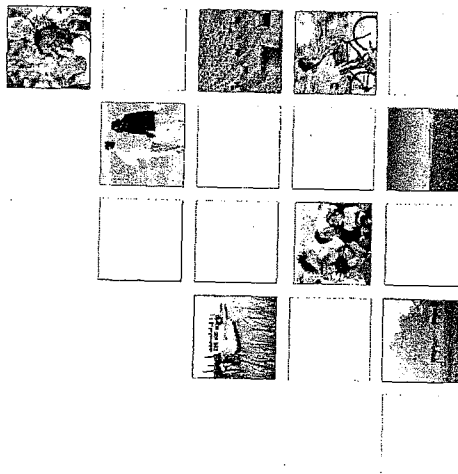
Tax: The State of Alaska's recent production tax increase through changes to ELF (Economic Limit Factor) is a serious issue and one which I want all staff to feel empowered to discuss internally and externally. The bottom line is that Alaska is the highest cost of supply in BP's portfolio and increased taxes make Alaska a more difficult place to compete globally for investment. The recent ELF changes are yet another example of the need for a stable and enduring tax environment to give us the confidence for a Gas project to move forward.

ROSTON 00778



BP Alaska - Variable Pay Update

2004 Actual VPP Payout



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The segment had a very strong year. . .

- industry leading safety performance and fatalities improved
- \$20 bn RCOP and \$22 bn pre-tax operating cash.
- we met all of our major milestones:
 - all 5 NPC projects started up on track (Atlas Methanol, In Salah, Australia LNG Train 4, Kizomba A, Holstein) with the exception of Clair slippage.
- we had an excellent year in exploration - 3 basin opening discoveries
- we managed the reserves issues with the SEC

ROSTON 00780

. . . but it wasn't perfect, so we didn't get a perfect score. . .



- excluding TNK-BP we missed our production goal even after normalising for the impact of Hurricane Ivan and Temsah
- E&P was 65 mbd below plan
- at last year's prices the RCOP impact of this was around \$500m

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alaska's contribution....



- despite missing on Alaska's production & costs, our safety delivery and cash contribution drove the SPU score....
- our safest year ever!
- strong cash flow
- significant progress on gas
- viscous "buzz" – london sees the potential
- 1st new ship delivered

ROSTON 00782

the numbers...



- Group rating: 150 points
- E&P segment rating: 140 points – a very good outcome
- Range of SPU scores: 125 to 145
- Alaska SPU score 135

Delivery of Plan targets = Funding target (100 points)
Delivery of Stretch targets = Maximum funding (150 points)

ROSTON 00783

Alaska Scorecard....



Key Performance Indicators			
	2003	2004 FY Plan	2004 Actual
DAFWCF	0.15	0.12	0.02
RIF	1.41	1.00	1.00
Production (mboed net)	325.7	317.5	313.5
Cash Costs (\$m)	753.1	783.7	830.3
Operating Efficiency (%)	93	93	92
Capex (\$m)	651	663	683

*Excludes NorthStar additional royalty of 2.7mboed FY

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2004 VPP structure...

- VPP is solely based on Alaska SPU or Functional Group performance as applicable
- Funding for each grade level (I, H, G, E ...) is determined by the **SPU weighted score** from the Segment Executive Team (SET)
- Individual VPP opportunity...
 - team element is 2/3 of the funding level
 - individual element is funded by the remaining 1/3
 - Hourly staff* is 100% team-based
- VPP opportunity is greater at higher Levels, in line with North America labor market

* For represented staff, BP will administer VPP in accordance with the contractual agreement

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the balanced scorecard...



Alaska SPU Score 100% based on Alaska performance

SPU Score determines funding level

135

Level	Funding (%)					VPP Payout	
	<75 Points Minimum	75 Points Threshold	100 Points Target	150 Points Maximum	135 Points Est. Score	Team Element	Individual Element
E	5.0%	15.0%	25.0%	45.0%	39.0%	26.0%	0 - 26%
F	4.1%	12.5%	20.0%	35.0%	30.5%	20.3%	0 - 21%
G	3.0%	9.0%	15.0%	27.0%	23.4%	15.6%	0 - 16%
H	2.3%	7.0%	12.0%	22.0%	19.0%	12.7%	0 - 12%
I	2.0%	6.0%	10.0%	18.0%	15.6%	10.4%	0 - 10%
J	2.0%	6.0%	9.0%	15.0%	13.2%	8.8%	0 - 9%
K	1.3%	4.0%	7.0%	13.0%	11.2%	7.5%	0 - 7%
MH-NR	1.3%	4.0%	7.0%	13.0%	11.2%	11.2%	NA
MH-R	1.3%	4.0%	6.0%	11.0%	9.2%	9.2%	NA

Funding for individual element is half the funding for team element – but payout range is the same regardless of funding level

“The balanced scorecard”

For represented staff, BP will administer VPP in accordance with the contractual agreements

MH-NR = Non-Represented Hourly staff

MH-R = Represented Hourly Staff

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