

Unknown

From: Todd Palin [fek9wnr@yahoo.com]
Sent: Wednesday, August 29, 2007 6:23 AM
To: Jones; David T (LAW)
Subject: Fwd: FW: 2005 VPP Score - Alaska

Attachments: 2005 VPP Score - Alaska (283 KB)



2005 VPP Score -
Alaska (283 ...

Note: forwarded message attached.

Take the Internet to Go: Yahoo!Go puts the Internet in your pocket: mail, news, photos & more.

<http://mobile.yahoo.com/go?refer=1GNXIC>

2005 was a difficult year for BP; many would say it was the most difficult year in recent memory for the Group. However, we should all be proud of how BP responded to the tragic events in Texas City and to Hurricanes Katrina & Rita. Locally, we have many things to be proud of in 2005. We started the year with challenging Safety targets and showed that we could deliver and build on our success in 2004. We advanced strategy along a broad front that includes Viscous, Gas and Fiscal. Finally, our financial results were very strong, largely underpinned by the high price environment.

2005 Performance

Variable Pay Plan (VPP): The Alaska VPP score for 2005 is 125. This is an outstanding result. A score of 100 provides for full funding of our VPP budget, thus 125 generates a 25% uplift. Actual VPP payouts are dependent upon an individual's level and performance. VPP Payouts contain two elements: team and individual. The VPP team element for all Alaska staff is 2/3 of the percentages below while the individual component is performance based.*

2005 Alaska Variable Pay Plan – 125 points										
	Grade Level	E	F	G	H	I	J	K	MH-NR	MH-R
2005 Funding %	125 Points	35.0%	27.5%	21.0%	17.0%	14.0%	12.0%	10.0%	10.0%	8.0%

* Hourly Staff is 100% Team based. For represented staff, BP will administer VPP in accordance with the contractual agreement

Safety: Our 2005 Safety performance was very good: DAFWCF, recordable injury frequency, number of spills and high potential incidents were generally comparable to the previous year. Notable improvements were seen in the number of environmental events (opacity and non-opacity) and spill volume - especially gray water spills. The number of vehicle accidents also improved over the adjusted 2004 figure. Importantly, the Severity of injuries was less in 2005 than in the previous year. ASAs and HSE Observations were also close to last years figures, although contractor safety observations increased significantly.

2005 Performance			
	2004	2005 Plan	2005
DAFWCF	0.04	<0.04	04
Production (mboed net)	311*	295	
Base lifting Costs (\$m)	279	276	345
Capex (\$m)	683	694	678

Production: We ended the year 14.5mboed net below our Plan. Needless to say we faced many challenges in 2005 including several equipment failures, integrity impacts, and major breakthrough events in waterfloodable viscous. The impacts overshadowed success elsewhere which included excellent results from well work, active reservoir management, and the Northstar drilling program. We learned a great deal from the challenges we faced early in 2005 and made excellent progress to improving delivery throughout the year.

Costs: 2005 base lifting costs were \$69mm higher than the forecast as a result of additional scope and choices made, unplanned repairs and overhead. O&M costs were significantly higher than planned. Much of the increase was due to conscious decisions we made on improving plant integrity and wellwork.

Strategy	2005 Milestones
Light Oil	Northstar drilling success, Endicott LoSal Progression, Badami restart, Liberty ERD decision, CTD success at Kuparuk
Viscous Oil	Viscous Oil Tech. Team in play, WSJ first oil, GC2 B Bank Mods
Transformation	Delivery of 2 nd and 3 rd Alaska Class Tanker, Ops Common Process, Renewal strategy
Bridge to Gas	Ongoing negotiations with the State

Strategy: Our strategic progress was a fundamental part of our success in 2005. We saw the delivery of our second and third double hull tankers, the start of TAPS pump station electrification, progress on the Oil and Gas Fiscal Negotiations and material strides in viscous delivery after the formation of the VOTT.

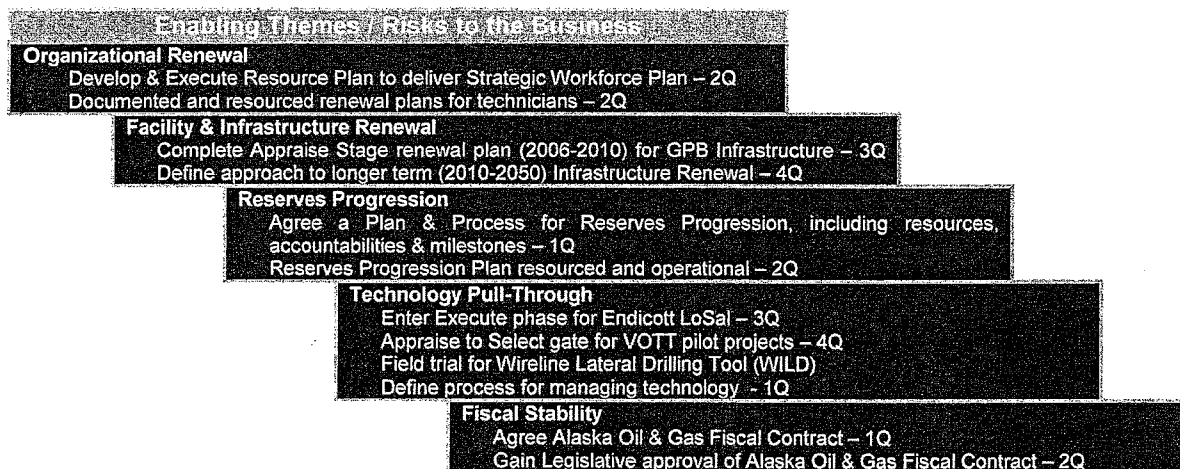
ROSTON 00772

2006 Plan Forward

Alaska strategy for 2006 remains the same: *Focus* on the known Resource Base which includes managing light oil decline and developing the viscous resource, continue *managing costs* through Midstream Transformation & Renewal and continue working towards the *Bridge to Gas*. We have a challenging plan for 2006 with an activity set that is well balanced between long and short term activities. Our 2006 milestones provide a clear path towards delivering on our promises to the Segment Executive Team.

2006 Milestones aligned with Strategy	
Light Oil	Resource Development strategy in light of gas -2Q, Reassess ILX Portfolio -4Q, Northstar GHX Expansion project execute FM -2Q, Badami assessment post CTD-4Q, GKA light oil upside plan -3Q, Decision on Liberty Host -3Q, Liberty Project SoR/Design Basis and Project Execution Plan -4Q
Viscous Oil	Execute Milne Recovery Plan -1Q, NE West Sak-3Q Appraise to Select Gate -2Q, WRDx Approved at RCM -2Q, Heavy oil Position paper for SET -2Q
Transformation	Ship Management Company operational -3Q, Start up electrified TAPS pump stations -4Q, Final new build delivered -4Q, Midstream commercial strategy endorsed -1Q
Bridge to Gas	Agree Alaska Oil and Gas Fiscal Contract -1Q, Gain legislative approval of Oil and Gas Fiscal Contract -2Q, Appoint PGM & Resource project teams & begin gas project planning phase -3Q.

Enabling Themes - Our strategy is underpinned by several enabling themes that we will focus on in 2006. Each of these themes addresses risks to delivering this year's plan. One of these enabling themes is technology renewal. BP Alaska's people have a well deserved reputation as innovators and it is innovation that will drive this part of our strategy. Technology pull through in 2006 will be the basis for advancing the Endicott LoSal trial, establishing expertise in Heavy oil and moving forward with the Liberty ERD project. However, the most far reaching theme is organizational renewal which underpins the importance of people and resources to deliver the Plan. A strategic workforce plan is in place that will help address this vital issue.



2006 Performance - Our key metrics for success in 2006 are summarized in the table below. In terms of safety, it is simple, we want to improve upon our 2005 performance and reduce the number of people hurt in our operations while minimizing our impact on the environment. Your continued focus on working safely will be fundamental to our success this year! The production number for 2006 is a realistic target and although we are off to a slow start this target is clearly achievable. The activity set outlined in the Plan determines our Capital expenditures. We will be focusing on controlling cost this year as it has become clear that cost creep has entered into our business during this time of high oil price. With a clear strategy and a clear plan it is up to us to deliver on our promises and make 2006 an extraordinary year for our Alaska business.

2006 PLAN - Key Lines		
	2005	2006 PLAN
DAFWCF	0.04	< 0.04
Production (mboed net)	280	262
Capital Expenditure (\$m)	678	591
Proved Reserve Adds (mmboe)	66	16
Total Cash Costs (\$m)	1076	1029

ROSTON 00773