

From: Beirne, Michael
Sent: Wed Apr 14 21:14:43 2010
To: 'Naito, Shinjiro (MOECO)'
Cc: Naoki Ishii
Subject: FW: Macondo TD & Draft Sub. Op. AFE
Importance: Normal

Naito,
Please see our Drilling Engineer's comments in red below. The AFE that will be distributed (likely tomorrow morning) will include corrections for the casing size.

Thanks,
Mike

From: Naito, Shinjiro (MOECO) [mailto:naito_shinjiro@moeco.co.jp]
Sent: Wednesday, April 14, 2010 9:17 AM
To: Beirne, Michael
Cc: ishii_naoki@moeco.co.jp
Subject: RE: Macondo TD & Draft Sub. Op. AFE
Importance: High

Dear Mr. Beirne,

This is Naito, Unit General Manager of MOECO, who is taking care Macondo project in the Tokyo Head Office. Please allow me to access you by email directly, not via Naoki-san due to his IT problem currently occurred.

We recieved the draft supplementary AFE amonted \$3.5MM with many thanks. Now, I have several questions as follows;

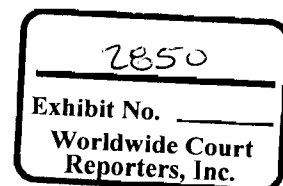
1) The CSG size

It is described in the draft that the production CSG is to be 9-7/8". However, since 9-7/8" Liner has already been set at 17,168 ft, the final CSG size should be smaller than that. I think the AFE should be revised with a proper CSG size. Agree, AFE wording will change, but all \$\$ values remain the same.

The casing size is now planned to be a tapered long string of 9-7/8" x 7" (due to the fact that we needed a 9-7/8" liner to reach TD). If well

2) What kind of works are to be approved? (<== sorry, it looks very primitive question!)

Regarding the description of "All casing installation intangible time and cost is covered..." in the draft, we normally think that "All casing installation" should covers intangible time and cost for "Running CSG" and its "Cementing". Sometime it may include perforations, too. However, the draft AFE add up, as the intangible cost, only for Cementing and LDS installation, but not include running csg.



The Sub.Op. AFE is to approve the installation of the production casing, cement it in place, and set the Lock Down Sleeve (LDS)

Also, the description of "(as part of the temporary abandonment operations)" makes me more confused. I think that the dryhole AFE never include the production casing installation cost. So, which jobs will be covered by the dryhole AFE as part of the TPA on the setting of production csg?

The dryhole AFE includes time to set open hole and cased hole abandonment plugs.

Since we have a successful well, we are going to run the production casing instead of abandonment plugs for the method of "Temporarily Abandoning" the wellbore prior to completion operations.

Sorry my explanation is complicated, however, I need to clarify these points prior to the final AFE approval.

Meantime, I would like to clarify the following two points on this opportunity.

-- The reason for issuing the supplementary AFE;

1) The dryhole AFE doesn't include tangible and intangible for the setting of production casing

The dryhole AFE does not include the Production casing Tangibles, and does not include the production casing cement, and does not include any intangible time for LDS installation

The dryhole AFE does include enough funds to "temporarily abandon" the well, in this case we will run the casing, instead of setting plugs.

2) Therefore, we need to set up a supplementary AFE to cover items outside of the dryhole AFE as a formalities

The Sub.Op AFE is required to obtain all partner approval for leaving the well with production casing installed. It is possible to temporarily abandon the well with out this casing; however, this exposes the project to an estimated additional \$10 - \$15 MM in the future for drilling out plugs, re-drilling the production hole and re-logging,

Is it correct?

-- Just for confirmation purpose, we are not perforate the well at this time. Is the well to be perforated later, probaly when the appraisal well will be drilled and confirm project economics?

The well will not be perforated at this time. The completion will occur in the future, once the development plan / appraisal program is finalized.

If you have any qeustion on my qeustions, please ask me freely.

Best Regards,
Shinjiro Naito
Unit General Manager, Unit 2
MOECO

From: Beirne, Michael [mailto:]
Sent: Tuesday, April 13, 2010 1:33 PM
To: Huch, Nick; Naoki Ishii
Subject: RE: Macondo TD & Draft Sub. Op. AFE

Gentlemen:

To clarify, the AFE attached to the email below is a draft version sent for informational purposes and does not trigger an election under the JOA.

Best regards,
Mike

From: Beirne, Michael
Sent: Tuesday, April 13, 2010 11:02 AM
To: Huch, Nick; Naoki Ishii
Subject: Macondo TD & Draft Sub. Op. AFE

Gentlemen:

Due to safety concerns and wellbore integrity issues, BP, as operator, has deemed the Macondo exploratory well as achieving Objective Depth at 18,360' MD. Having both loss zones, and comparatively over-pressured sands in the open hole provided for little to no margin to continue drilling. Currently, we are in the process of evaluating the well in accordance with the approved well plan and AFE.

It is anticipated that we will conclude the evaluation program as early as tomorrow evening at such time we will issue a subsequent operation AFE to set 9 7/8" production casing. To avoid unnecessary rig standby time awaiting an election, we are attaching a copy of the subsequent operation AFE for your review and would appreciate your feedback ASAP.

Please note there may be some slight changes to the official AFE once it is issued (e.g., start date, end date, proposed TD); but the cost estimate will be the same.

Please let me know if you have any questions or concerns.

<< File: Document.pdf >>

Best regards,

Michael J. Beirne

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