

Execute Financial Memorandum  
BP Exploration & Production Inc. - Gulf of Mexico Exploration  
**Macondo Exploration Well**

**Authority Requested:** For a total of \$139.5m net of NTE capital to drill the Macondo exploration well.

Million US\$	Gross (\$m)	BP Net Cost \$m (100%)
Sanction Request (NTE)	139.5	139.5
Performance target (PT)	96.1	96.1

**Why This Project?**

- The SPU objective function includes discovering at least 165 mmbœ p.a (3 yr rolling average) and replacing 100% of production on a consistent basis.
- Macondo is a top ranked middle Miocene ILX prospect in BP's heart land in Mississippi Canyon. It is located 21 miles north of BP's Isabela discovery, and is expected to have similar quality reservoir. Macondo underlies blocks MC 252, MC 253 and MC 208. (Attachment 1)
- The exploration well objective is to test hydrocarbon presence in the Middle Miocene M56 series in a 4-way dip closure. Charge access is the critical risk. The gross unrisksed resource potential is 44-64-86 mmbœ (P90-mean-P10) with a chance of success of 67%.
- Macondo is within tieback distance of 3 BP facilities: Pompano, Horn Mountain and Nakika. All three facilities have ullage.

**Readiness to Execute:**

- The Delivery SPA will be Jay Thorseth, DWX Exploration Manager, with a Performance Target of \$96.1m gross.
- BP currently owns 100% of the key block MC 252, which could drain 80% of the recoverable resource. LLOG owns the remaining two blocks. BP will cross assign with LLOG provided terms can be negotiated to protect BP from LLOG's current precarious financial situation. In addition, BP may choose to reduce interest further in Macondo through acreage trades to build material positions in potential giant Paleogene prospects.
- The Macondo well (MC252) will be drilled by the Marianas rig (a 4<sup>th</sup> Generation moored rig) to a MD of ~20,200' and take 77 days to drill, evaluate, and abandon in the expected case. The well will spud in October 2009, post hurricane season.
- Drilling Performance Target is 39.1 days/10k - at the top quartile / 2<sup>nd</sup> quartile boundary. This is a realistic expectation for a 4<sup>th</sup> Generation rig such as the Marianas. Previously, the Marianas delivered 46.8 days/10k while drilling in the Nakika area.
- The final FEL score is 79%.
- The Macondo prospect is described in a Technical Assurance Memorandum within BP's global database.

September 28, 2009

EXHIBIT NO. 320

**Expected Impact on External BP Metrics:**

- BP's net exploration capital will be \$96.1m based on performance target, assuming 100% costs interest in the exploration well
- Exploration risked write-off of \$31.7m net in 2009

**Economics:**

(100% WI)	Success NPV <sub>1</sub> (\$m)	Success IRR (%)	Success IE	EMV <sub>1</sub> (\$m)	F&D (\$/boe)
\$50 / \$5.0	4	7.2	0.01	-26	26.3
\$75 / \$7.5	417	20.4	0.65	250	26.3
\$100 / \$10.0	830	30.7	1.30	527	26.3

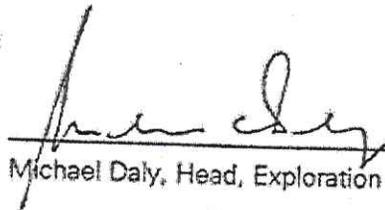
- Economics based on the development and production of 80% of the most likely recoverable resource volume, 51 mmboe gross (41 mmboe net), which is accessible by wells drilled on BP owned block MC 252 only.
- Cost estimate based on \$75 bbl oil price.
- Project breaks even in success case at \$50bbl oil price.
- Gross Green House Gas emissions from the Macondo well are expected not to exceed the policy threshold of 100,000 tCO<sub>2</sub>e/yr., and thus carbon costs are not required to be included in the economics.

**Key Risks and Other Significant Points for Discussion:**

- The subsurface and drilling risks include a narrow pore-pressure and fracture gradient window, stuck pipe, gas kick and shallow depletion from the adjacent Rigel gas field.
- This FM requested amount represents 100% of the NTE well costs. The well may be drilled at a lower cost interest depending on the outcome of various ongoing negotiations. The net Sanctioned amount and the Performance Target will be adjusted accordingly once the negotiations are finalized.

**Authorities:**

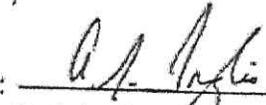
Project SPA:

  
 Michael Daly, Head, Exploration & Access

Date:

30/7/09

Supported by:

  
 Andy Inglis, CEO, Exploration & Production

Date:

30/9/09

Approved by:

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 David Rainey, VP, BP Exploration & Production Inc

Date:

September 28, 2009