

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

**Authority Requested:** To commit \$17m net of additional NTE capital to complete the Macondo exploration well.

Million US\$	Gross \$m	BP Net Cost \$m (~60%)
Original FM Sanction (100% BP)	140	140
Sanction adjusted for farm-out	140	82
Supplemental Sanction Request (NTE)	166	99
Supplemental Performance Target (PT)	151	89

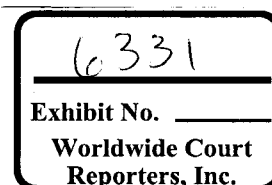
**Why This Project?**

- The SPU objective function includes delivering discovered resources sufficient to sustain production above 450 mboed and testing the potential to grow production to 700 mboed by 2025.
- The Macondo exploration well objective is to test hydrocarbon presence in the Middle Miocene M56 series in a 4-way dip closure. The well was spud by the Marianas rig on October 1, 2009 and drilled to 8,969' MD. Hurricane Ida hit the Marianas on November 8, 2009. The rig was moved to the shipyard for repairs on November 21, 2009 and stayed in the shipyard until the rig release on December 29, 2009. Hurricane Ida damage to the Marianas rig resulted in ~\$31m gross NPT.
- The Deepwater Horizon rig was mobilized on Jan 31, 2010 to complete the well. Currently the Macondo well is drilling at ~15,114' MD in the 12¼ x 14½" open hole and preparing to run 11 7/8" liner. The actual spend to date is about \$118m gross including the hurricane impact. Lost circulation and well control events have resulted in earlier than planned setting of the 18", 16", and 13 5/8" casing strings. The well now requires 11 7/8" and 9 7/8" contingency liners to reach the planned TD.
- The forward plan is to drill to the objective depth of approximately 19,650' MD, execute the evaluation program and, if successful, run 7" production liner. The NTE request is for \$166m total gross, 87 days/10K excluding the hurricane impact, which benchmarks as the lower 3<sup>rd</sup> quartile.

**Readiness to Execute:**

- The Delivery SPA will be Jay Thorseth, DWX Exploration Manager, with a Performance Target of \$151m gross.
- Approximately 4,537' remains to be drilled and two liners to be set prior to reaching the objective depth. The well is expected to finish by the end of April 2010.

March 24, 2010



**Expected Impact on External BP Metrics:**

- BP's net exploration capital for the well will be \$89m total based on the performance target.
- 2010 net capital will be \$49m and 2010 net risked write-off amount will be \$30m based on the performance target.

**Authorities:**

Project SPA: \_\_\_\_\_ Date:  
Jay Thorseth, Exploration Manager, DWX

Supported by: \_\_\_\_\_ Date:  
Michael Daly, Head of Exploration

Approved by: \_\_\_\_\_ Date:  
David Rainey, VP, BP Exploration & Production Inc

March 24, 2010