

From: Shaw, Neil
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To: G GOM SPU ALL BP
Subject: GoM SPU Update
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Dear Colleague,

It has been an incredibly busy start to the year for all of us and it is difficult to believe that we are now more than 1/3rd through the year. A lot has been happening operationally, with the re-organisation and with the transformation plan as we position ourselves to become the #1 in the GOM. I wanted to take the opportunity to share with you the very good progress we have been making as a team and to thank you for the contribution you have made to a strong first 4 months to the year.

I'd like to start though by recognising that 1Q was a difficult time as we re-organised the business and this created uncertainty for everyone. Thank you for your continued dedication and professionalism that allowed us to declare that the re-organisation is complete with everyone knowing their status at the end of March as planned. We continue to work diligently through the MOC process as the new organisation beds down. You can see the new organisation charts for the whole SPU on the GOM website <http://gom.bpweb.bp.com/Pages/gomhome.aspx>. I believe the changes we made were absolutely necessary and will provide the foundation for us to move the business forward to become the #1 in the GOM. There continues to be parts of our SPU linked to functional organizations which are undergoing their own transformation journey (e.g. PSCM and IT&S (formerly DCT)). We should be sensitive of potential changes impacting our colleagues working in these, and other parts of the business strongly linked to GoM. With the new organisation now in place, we will start to systematically look to see how we can simplify and further improve the efficiency of the business. As a priority, we are looking hard at the performance management processes within the SPU and the process by which we manage the rig schedule. I would ask you all to take what actions you can to simplify or challenge those things that you don't believe add value. This will be a long process of continuous improvement as we simplify the business and make it a simpler and more efficient place to work.

On **personal safety**, we have continued to see an improvement in our total recordable injury rate (TRIR) with our YTD average at the end of April being 0.42 vs our target of <0.55 and our 2007 actual performance of 0.69. There have been 8 recordable injuries to date with the most common learning being around hazard awareness. Many parts of our business continue to have long periods without a recordable injury and year to date there have been no Hi-po's (vs 10 in 2007) - lets keep it up.

We are also making very good progress with our process safety agenda and are on track to deliver the very important milestone of compliance with the Integrity Management Standard by the end of the year. I was particularly pleased to see in April that we continued our track record of zero overdue Safety Critical Equipment work orders for the

fourth month in a row. This is no small feat with 327 work orders across the SPU in April alone. This is one of the key leading indicators to ensure we have the right integrity and process safety on our facilities and we are setting and delivering an excellent standard. We are also continuing to make good progress with the implementation of OMS within the SPU and are on track to complete the gap assessment process by end 2Q. OMS will provide the necessary framework to pull together and order all we do to maintain safe and reliable operations across the business.

You will have seen the 1Q BP results which beat market expectations and the increase in the stock price. This was a good start and the challenge remains to focus on building revenues and making every \$ matter to close the competitive gap. Within the GOM, we played a significant role in this by delivering high margin production ahead of plan. Year to date, our production is running +10mbd ahead of plan which is in sight of our 'extraordinary performance' target of +12mbd. We are also on track to deliver our annual capital target and are seeing strong underlying capital efficiency performance in D&C (Days per 10k 6 % below plan and NPT improved from 34% in 2007 to 24% YTD). Across the SPU, I have seen a real shift that we are making 'every \$ matter' and we are making good progress on our 2008 cost reduction plan.

There were however areas of delivery where our performance fell short of what was possible and we could have delivered an even better 1Q performance. Whilst we have made a good start, the scope for performance improvement remains significant and the opportunity is there for us to deliver all of our 'extraordinary delivery targets' in 2008 by learning from our performance gaps.

Finally, we have been making good progress with refreshing our SPU strategy. I will be in a position to share much of this with you at my next Townhall on July 1st. There are a number of key themes that are already emerging for me:

- BP has the **#1 net lease position** in the GOM after the unprecedented record breaking October and March lease sales - this is both a great position and a visible signal of our clear intent to be #1 in the GOM,
- BP has discovered **1/3rd of all of the big fields (>100mmboe) in the GOM in the last 10 years** - a great track record that gives confidence for the future. We continued this track record into 2008 with the Kodiak discovery that was announced in April and we increased our working interest in Kaskida (arguably the largest discovery ever in the GOM in terms of oil-in-place) to 73% from 55% during April.
- BP has the **#1 position in terms of remaining discovered reserves** - again a great portfolio which will need increased levels of appraisal and development investment to pull through reserves into new projects and production
- The organisation changes we have put in place will create the "execution machine" comprising the standardised D&C, subsea, new hub and operating organisations. Confidence in our execution machine and our track record of delivery is critical to securing increased investment in the SPU and delivering the full potential of a great portfolio.

- Access to deepwater rigs will be critical to deliver our strategy. In 1Q, we committed to 5 year deals with Pride for the supply of 2 deepwater rigs that will arrive in 2010 and in 3Q09 we will take delivery of the new Transocean DDIII rig. These are significant strategic steps to upgrade our rig fleet and underpin the growth of the business.

We are off to a very good start in 2008 and on track for a very successful year for the SPU. We cannot become complacent and of course need to sustain this performance for the final 2/3rds of the year. I am confident that we can and will do this and it will translate into a very good 2008 VPP for all of us. Lets continue to focus on what matters - continuously improving our personal and process safety, making this a great place to work with the best future in the GOM and delivery of our 2008 performance targets.

Neil