

From: Shaw, Neil  
Sent: Tue Jan 06 23:51:23 2009  
To: G GOM SPU ELT  
Subject: GOM - 2008 Performance  
Importance: Normal  
Attachments: GoM 2008 Performance v4.doc

Attached for your information is the 2008 GOM performance assessment that I submitted to Andy Inglis. This will be reviewed by Andy and our VPP score will be agreed with Tony Hayward at the Group People Committee later in January. I will be able to confirm our VPP score when we meet at the ELT on the 26th January.  
2008 was an exceptional year for the GOM; we delivered all of our targets, we laid the foundation for future success and we made meaningful progress in building a great future for the SPU. Everyone should feel very proud of what we have collectively achieved in 2008 and we start 2009 with significant momentum and positioned to win again.

I am looking forward to us all getting together on the 26th/27th January at our ELT offsite. This will be a very important event and you will hear more about it in the next week.

<<...>>

Best regards  
Neil

EXHIBIT # <u>2500</u>
WIT: _____

A.G. Inglis

## GOM 2008 Performance

2008 has been an exceptional year in which we have delivered all of our CIP targets, laid the foundations for future success and strengthened the performance culture within the SPU.

### 1. Delivered Our Targets

#### 1.1 HSSE

An outstanding year with significant performance improvement across most measures:

- 50% reduction in recordables (44 in 2007 to 22) with TRIR reduced to 0.38 vs 0.69 in 2007 (vs plan of 0.55),
- Hi-po's reduced from 10 in 2007 to 4 in 2008
- DAWFC's increased from 2 in 2007 to 4 (2 Marianas). A focused intervention and change of rig leadership has delivered 10 months without a recordable on the Marianas and the SPU has now achieved 8 months without a DAWFC.
- Delivered 100% safety critical equipment inspections, MMS INC's reduced from 10 to 5
- Spills (>1bbl) reduced from 2 in '07 to 0, SBM spills reduced from 10 in '07 to 1

#### 1.2 Production

Delivery has been strong across all of the assets ending the year 9 mboed ahead of plan (22 mboed ahead of plan when normalized for the incremental impact to plan of Gustav and Ike) vs the CIP target of 12 mboed. The SPU set a new daily production record of 432 mboed and a new weekly operating efficiency record of 98%. We enter 2009 with significant momentum.

#### 1.3 Hurricane Response

The impact of Gustav and Ike was significant and had a major impact on employees. The Humanitarian response was first class and employees remained committed to business resumption whilst dealing with significant personal disruption. BP was the only Operator to restore production between Gustav / Ike and BP production recovery was significantly faster than industry post Ike with the exceptional recovery by Mad Dog recognized by BHP and CVX

#### 1.4 Thunder Horse and Atlantis

We have seen best-in-class start-ups from 2 of the biggest projects in BP's history. Atlantis has delivered exceptional first year operating efficiency (7% better than plan) and optimized base management (drawdown, accelerated gas lift). Thunder Horse first oil was delivered early (1 mth ahead of CIP) and met the external promise of 4 wells on line by end 2008. Many complex challenges were overcome to maintain delivery including 3 complex unplanned workovers. Thunder Horse ended the year setting a production record of 226 mboed gross, 148 mboed net.

#### 1.5 Exploration

We made 2 significant Miocene discoveries (Freedom and Kodiak), made excellent progress with Will K (NPT of 12%) and delivered a series of innovative deals including Will K (60% working interest and 1% cost interest) and saving the lease on Tucker. We returned to the #1 net leasehold position with industry-leading bidding-efficiency at the March lease sale.

#### 1.6 Every \$ Counts

A major focus was to strengthen the performance culture within the SPU and in particular to focus on 'every \$ counts'. A 10 point plan was identified which delivered significant cost reductions resulting in cash costs \$41m below adjusted plan (vs CIP target of \$30m). Major successes were in the areas of logistics, partner recovery, T&E, consultants, expat reduction.

### **1.7 Capital Efficiency**

A major intervention on D&C to centralize the organization has delivered significantly improved capital efficiency (days per 10k 23 % better than plan vs CIP target of 10%) and enabled better utilization of scarce resource. Overall, capital was delivered \$64m below the adjusted plan.

### **1.8 Headcount**

Headcount was rigorously managed with year end BP staff of 1702 (vs target of 1708) and a significant reduction in expats from 75 to 44 (note: 44 includes 2 expats who left 31/12/08). Contractor headcount was above target (536 vs 491) primarily due to getting consistency in the definitions following the centralization of D&C.

## **2. Laying the Foundation for Future Success**

### **2.1 Organisation**

In 1Q, actions were taken to simplify and improve the efficiency of the organization by:

- Zero basing headcount and high grading the organization,
- Increasing spans of control and reducing layers for simplicity and efficiency,
- Centralizing the D&C and subsea organizations to align with 'execution machine' strategy and to improve operational focus, standardization and learning
- Improving the diversity of our top 35 leaders in the GOM (31% female, 11% minority)
- Intensifying the rigour of performance management

Despite the uncertainty and change associated with the 1Q restructuring and increased attrition in 2Q, ESI outcome was better than expected at 61% (4% better than segment average).

### **2.2 OMS**

GOM played a key role in contributing to the development of OMS. 8 assets MOC'd to OMS (vs CIP target of 6) and Thunder Horse is well advanced to MOC in 1Q2009.

### **2.3 Execution Machine**

Progress was made in putting in place the standards and contracting strategies to underpin the establishment of an Execution Machine for the efficient development of future projects. Frame agreements were implemented with Cameron (subsea equipment), Worley Parsons and JP Kenny (brownfield EPMS contractors) and AMEC and IntecSea (Greenfield EPMS contractors).

## **3. Long Term Future**

In addition to in year delivery, progress was made on building a strong future for the GOM. The SPU strategy review was completed in 2Q which distinguished key bold moves to accelerate the pull through of Miocene reserves whilst being a paced follower in the Paleogene. All major projects were progressed to plan and all 2009 start-ups and sanctions are on track.

We enter 2009 with significant operational momentum, an organization that is proud of what has been accomplished in 2008 and is focused and determined to win again in 2009.

Neil Shaw  
6<sup>th</sup> January 2009