



From: Zwart, Peter A  
Sent: Thu Dec 03 18:39:55 2009  
To: Shaw, Neil; Dupree, James H  
Cc: Prevallet, Yvonne S; Greene, Pamela M  
Subject: SPU Performance in 2009  
Importance: Normal  
Attachments: GoM 2009 Performance v6.doc; 2009 NShaw IPC close out.xls

Neil/James:

Here is a draft of GOM's 2009 Performance report out in two parts. One is Neil's IPC with traffic lights and the other is a prose style summary of the key points. We also have back up to the detail in the IPC. Please let us know of any changes or information you need.

Regards  
Pete

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A.G. Inglis

## GOM 2009 Performance

2009 has been an exceptional year in which we delivered our CIP targets and continued to build on the success of 2008 by fully embracing a continuously improving performance culture. This has enabled extraordinary financial delivery resulting from increased production and cost and capital savings contributing an additional \$2bn (adjusted for price) of both cash and RCOP to BP Group.

### 1. Delivered Our Targets

#### 1.1 HSSE

A year with uneven performance improvement across all measures:

- DAFWC's decreased from 4 in 2008 to 2 in 2009. A focused intervention and change of rig leadership delivered 631 days without a Drilling and Completions DAFWC and over 20 million hours worked without a DAWFC
- Increase in TRIR from 0.37 to 0.38 (as of Dec 1) in 2009 (vs. plan of 0.37) with number of recordables at the same level (22 in 2008 and 2009)
- Hi-po count returned to 2007 level from 4 in 2008 to back to 9 in 2009
- Process safety incident tracking significantly below 2008 with 80 YTD 2009 vs. 130 in 2008 with 22 above level G severity

#### 1.2 Production

Delivery has been exceptional across all of the assets ending the year 88 mboed ahead of plan (38 mboed from self help, 30 mboed from reservoir performance and 20 from the release of weather). The SPU set a new daily production record of 509 mboed on the 28 July 2009.

#### 1.3 King South and Dorado

We have seen best-in-class start-ups from two significant tiebacks to the Marlin field. Projects were delivered early and under cost resulting in a second peak production at Marlin. King South was delivered 3 months ahead of schedule pulling forward 2 mboed into 2009 while Dorado first oil was also delivered ahead of FM promise by 6 months pulling forward 6 mboed into 2009. Both projects had no recordables and had excellent completion performance. These projects were led by a centralized drilling organization and centralized subsea delivery team which contributed to the accelerated schedule and lower capital spend.

#### 1.4 Thunder Horse and Atlantis

Thunder Horse was recognized best in class at the 2009 Helios awards for its 'Awakening the Sleeping Giant' performance entry. New well performance at Thunder Horse, despite constraints, continues to deliver above plan with the North well start up one month earlier than plan. The Thunder Horse ramp up has cemented BP as the #1 producer within the Gulf of Mexico. Strong operating efficiency at Atlantis has delivered significant operational momentum with near technical limit operating efficiency. Major project delivery continued with Atlantis North Flank. Atlantis delivered a best-in-class completion followed by strong performance during final installation, hookup and commissioning resulting in an early start-up. Overall, Atlantis delivered 19 mboed above plan.

### **1.5 Exploration**

GoM made two significant discoveries, Tiber and Mad Dog South. Mad Dog has now been firmly established as the third giant field in BP's Gulf of Mexico portfolio, joining Thunder Horse and Atlantis. We also completed drilling of Will K (Helios finalist) and progressed drilling on the Macondo prospect. We maintained our #1 net leasehold position, with industry-leading bidding efficiency.

### **1.6 Every \$ Counts**

Enhanced guidelines were created with a sharp focus on 'every \$ counts' and clear ownership at the point of spend. We have seen a reduction in underlying cash costs of 28% at a time when we have grown production by over 30% - a stunning performance. Resulting cash costs were \$259m below plan (vs. CIP savings of <\$62m). Major successes were in the areas of:

- **Activity Management** - prioritized what we did in 2009 (challenged what we could defer without impacting S&OI) and ensured that we planned and executed work efficiently
- **PSCM** - aggressively pursued supply chain deflation to regain our margin/cashflow, rigorous contract management yielding \$37m of cash cost savings
- **Partner recovery** - ensured full recovery of all costs that we were entitled to consistent with the JOA, delivering \$20m/yr from a baseline of \$5m/yr
- **Headcount** - rigorously managed headcount with a focus on contractor reduction while growing the business overall and reducing expats by 45%
- **SPU Cost Guidelines** - established clear SPU guidelines on policy areas including HR, IT&S, office efficiency etc.

### **1.7 Capital Efficiency**

A major intervention on D&C to centralize the organization has delivered significantly improved capital efficiency and enabled better utilization of scarce resources. The gap-to-best well improved by 6% vs. plan with a 19% reduction in NPT days per completion. Through rigorous contract management, we have been able to aggressively pursue supply chain deflation resulting in \$140m of capital savings. Overall, capital was delivered ca. \$450m below the plan while increasing the overall activity level. (Nakika H2 well was drilled, completed and is producing)

The organization's relentless engagement around ways to create value has materialized in our financial results yielding an additional \$2bn of RCOP and \$1.6bn of cash vs. plan adjusted for price.

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

### **2.1 Organization**

The centralized Subsea and Drilling and Completions organizations has enabled better utilization of skills and improved our ability to respond to unexpected results. The further combination of the Atlantis and Thunder Horse projects teams has increased standardization and resulted in increased efficiencies of both people and capital. Going forward, we are strengthening our BP headcount to best utilize our expertise.

## **2.2 OMS and Continuous Improvement**

GoM has continued implementation of OMS including Drilling and Completions, Major Projects and Exploration. The SPU and Assets have completed the first round of the Performance Improvement Cycle with OMS gap closure linked to the annual plan as an integrated function plan. The Atlantis Safety and Operations Audit took place in early December. A CI Steering Team has been established in GoM to embed the CI culture. The strategy in the GoM is to build on existing CI capability and business delivery by scaling and standardizing to present the next level of capability and performance.

## **2.3 Backbone**

GOM continues to "pathfind" Backbone implementation for the E&P Segment. Backbone will implement standardized processes and systems for work management, materials management and purchase to pay tied directly into our financial systems. GoM achieved its first major milestone with the October 'go-live' of the Preservation and Maintenance Facility, Holstein and Mad Dog Assets and the Horizon rig. The 2010 goal is to complete implementation across the GOM.

## **3. Long Term Future**

In addition to in year delivery, progress was made on building a strong future for the GOM as evidenced by our continued reserve replacement of >100%. Reserve replacement for 2009 is estimated at 158%. Major projects are progressing at Nakika, Atlantis Phase 2 and Galapagos where key partner alignment has progressed as planned. TBK continues with a slowed pace awaiting the outcome of the Kodiak appraisal well. Following on the success at Tiber and Kaskida, GOM is well positioned in the Paleogene with the #1 lease position, and the largest and best discoveries. Our long term strategy and plans for GOM were shared and well received by the market. The investment community recognizes the great business we have built and the plans we have to continue to grow and sustain the business long term.

We enter 2010 with many new accomplishments in 2009, a solid leading industry position, delivering value to shareholders, and an organization that is focused and determined to win again in 2010.

**Neil Shaw and James Dupree**  
3<sup>rd</sup> December 2009









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BP-HZN-2179MDL00127362



**2009 Performance Contract**  
**Neil Shaw, Gulf of Mexico**

**Part 1: Delivering base expectations**

**S&OI**

**RIF** - Recordable Injury Frequency

2009 Plan	2009 LE/Nov	Delivery
Improve vs. '08	0.38	Green

**OMS**: Transition the rest of the SPU to OMS. Implement gap closure actions as specified in the GoM SPU Operating Plan (LOMS Handbook).

**OPRA** (Offshore Personnel Risk Assessment): Complete Appraise studies and identify mitigation plans on all Production PU assets to conform with ETP GP 4432.

**Capability**

Recruitment - Hire 43 graduates

Support function in development and use of subsea ADP

**Inputs:**

Production<sup>1</sup>, mboed

CUD + CD Adds<sup>2</sup>, mmboe

NP Adds<sup>3</sup>, mmboe

350	438	Green
75	251	Green
55	55	Green

Total Capex, excluding Exploration<sup>4</sup>, \$m

\$3,105	\$2,699	Green
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Total Cash Costs, excluding Exploration<sup>4</sup>, \$m

\$962	684	Green
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**Financials<sup>5</sup>:**

Underlying RCOP, \$m (excluding Fortnight and interventions)

\$6,907	\$4,326	Green
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Free Cash Flow, \$m (excluding Fortnight and interventions)

\$3,130	\$1,944	Green
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**2009 CIP**

**Part 2: Demonstrating progress beyond plan (CIP)**

**Volume - mboed**

+ 10 mboed	88	Green
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**D&C**

5% Improvement on Days per 10K

and 5% improvement in completions days to accelerate new well delivery

**Project Start-ups**

Thunder Horse North

**Plan**

1-Mar

**CIP**

1-Feb

Dorado

1-May

1-Apr

Atlantis North

1-Jul

1-Jun

King South

1-Jul

1-Jun

15-Feb

10-Mar

5-Jun

28-Apr

**Operating Efficiency**

Reduce planned losses through optimization of TARs and well tie-ins.

**Costs - \$m**

For exceptional delivery, achieve \$900m Total Cash Costs excluding exploration with no impacts to safety and integrity of the operations, or to organizational capability.

**PSCM**

1) Major Sector Strategy Renewal for 2009:

a) Well Services negotiations finalized and contract in place;

b) Complete Demand planning for Marine Sector, approach Market and Complete contracting;

c) Complete selection and contractual relationship for SPAR provider and umbilicals.

2) Complete Forensic audits of ~\$1 bn billings.

3) Implement PTP/WMS system to drive contract compliance and reduce contract leakage.

4) Maintain progress to maximize partner recovery.

**Part 3: Leadership**

**Assessment against the leadership framework**

Energise the organisation (improve ESI) and continuously improve organisational capability

Deliver simplification through SPU integrated planning (prioritised and resourced activity set) and standardised performance management system

Deepen 'every dollar counts' culture to underpin CIP cost delivery

Support CFO in delivery of CIP target on Cash (and RCOP)

SCE - A.G. Inglis

SPUL GoM - N.Shaw

1 At prices of \$100/bbl Brent and \$7.5/mmbtu HH.

2 At prices of \$100/bbl Brent and \$10.0/mmbtu HH. NP adds exclude exploration discovery volumes.

3 Reduction against the '08 base plan due to impact of lower inflation should be noted.

4 Reduction against the '09 base plan due to impact of lower inflation should be noted.

5 At prices of \$100/bbl Brent and \$7.5/mmbtu HH.

## 2009 Performance Contract Definition Clarifications

### Delivering base expectations S&OI

Recordable Injury Frequency (RIF) *Total recordable injuries frequency (RI per 200,000 hours worked)*

### Capability

Total BP Employees *Performance contract headcount is per the People Data and Reporting Standards (PDRS) definitions used in the Global People Database (GPD). "Total BP Employees" includes both local and expat employees and also includes both function and non-function staff.*

Expatriates embedded in Total BP Employees *"Contractors", as per the PDRS definition, covers core contractors working more than one month.*

Contractors

### Inputs

Production, mboed *Total BP net production as reported in the GFO.*

CUD + CD Adds, mmboe *Combined revisions and promotions into CD and CUD from CNP and NP categories as reported in the GFO/PI at current CCP of \$100/bbl Brent and \$10/mmboe HH.*

NP Adds, mmboe *All additions and revisions into NP categories as reported in the GFO/PI at current CCP of \$100/bbl Brent and \$10/mmboe HH.*

Total Capex excluding Exploration, \$m *Capital Expenditure, less Capex in relation to asset swaps, less Exploration License Capex, less Exploration Drilling Capex.*

Total Cash Costs excluding Exploration, \$m *Total Cash Costs as reported in the GFO less any non-operating items (NOIs) and less Exploration G&G Seismic and Exploration G&G Other.*

*Items considered to be NOIs are governed by GRM policy 1.44 and require the approval of the E&P's Head of Accounting Policy. NOIs are disclosed in the quarterly stock exchange announcement and the E&P MI team will agree NOIs with the relevant SPU each quarter.*

### Financials

Underlying RCOP, \$m *Headline RC Profit as reported in the GFO adjusted for any NOI. Items which are considered to be non-operating in nature consist of items such as: Profit/Loss on sale of operations, Profit/Loss on asset swap, Profit/Loss on IFRS Fair Value Timing Effect, Profit/Loss on mark-to-market on embedded derivatives, Impairment - Tangible Assets and other NOI.*

*Items considered to be NOIs are governed by GRM policy 1.44 and require the approval of the E&P's Head of Accounting Policy. NOIs are disclosed in the quarterly stock exchange announcement and the E&P MI team will agree NOIs with the relevant SPU each quarter.*

Free Cash Flow, \$m *Post Tax Cash Flow pre minority interest as reported in the GFO.*

### A&D Impacts

*Please note 2009 base plan and CIP should include any impact (Production, Capex and cash costs, etc.) related to an acquisition or a divestment which the SPU has agreed with OpCo to deliver as of GFO zero preparation time.*

*Should such acquisitions and/or divestments do not get executed and performance adjustments need to be made, adjustments will be made per amounts indicated by GFO zero.*