

2008 ANNUAL REPORT of BP

CHARTER FOR DEVELOPMENT
Of the Alaskan North Slope

Pursuant to Section II.E. of the Charter for Development of the Alaskan North Slope, BP Exploration (Alaska) Inc. (BP) provides the following report describing performance of its Charter commitments during 2007. This Annual Report supplements the individual Charter reports BP also provided to the Alaska Department of Environmental Conservation (ADEC) in March and April of 2008 for certain of the environmental commitments.

ENVIRONMENTAL AND COMMUNITY COMMITMENTS

NORTH SLOPE ENVIRONMENTAL COMMITMENTS

Cleanup of Abandoned (Orphan) Sites.

No activities related to the Orphan Sites Program were conducted in 2007. The Orphan Sites Program concluded on December 31, 2005 per Paragraph II.A.1 of the Charter Agreement for a total program spends of approximately \$9,990,000 since initiated by BP in 2000. The details of the Orphan Site Program were set out in the BP's April 21, 2007 submittal to ADEC.

Cleanup of Abandoned Empty Barrels – Seismic Operations.

During seismic work conducted in April 2007, approximately 166 additional abandoned drums were identified. Most of the drums are located in the Milne Point Unit, with smaller numbers of drums present in Prudhoe Bay, the Kuparuk River Unit and on State Lands not within any North Slope Production Unit. As documented in the report titled "BPXA Milne Point Unit Abandoned Drum Inventory and Summer 2008 Field Assessment Work Plan", drum investigation and removal work will be conducted during the Summer of 2008.

Cleanup of Existing Sites.

BP met with ADEC during the Spring Annual Meeting in April 2007 to review the status of each site and discuss site activities for 2007 and 2008. In 2007, BP monitored six locations. Three of these locations, including Lake State, North Prudhoe Bay State #1, and BP Milne Point A Pad, will have corrective action implemented in 2008.

Closure of Inactive Reserve Pits.

BP is the operator for 50 production reserve pits under the Charter Inactive Reserve Pit closure program. Closure activities for production reserve pits include dewatering, drill waste excavation and disposal via the Grind and Inject Facility, field testing to verify pit cleanout, sampling of the pit water the following year, and submittal of the final closure report. Of these 50 sites, final closure has been received for 28 sites by the end of 2007

BP is also responsible for the closure of 49 exploration reserve pits. Closure activities in 2007 included Phase II site investigations completed for five sites (North Prudhoe Bay State #1, Put River 19-10-15, South Bay State, Lake State and Abel State). Also in 2007, corrective actions were completed on four sites (Term Well A, Kuparuk 24-11-12, Kuparuk 30-11-13, Hurl State). The sites were inspected and ADEC closure was sought thereafter.

North Slope Oil Spill Response Research and Development

BP continued its support of an independent professional North Slope spill response organization, as well as a variety of projects for Arctic oil spill response research and development (R & D) through Alaska Clean Seas (ACS). Projects involved SINTEF, a Norwegian R & D organization, and the North Slope Borough's Science Advisory Committee.

During 2007, BP and ConocoPhillips funded over \$88,000 for this effort, for a cumulative spend under the Charter of \$1,538,000 in such spill research and development.

Research and development focused on planning field experiments offshore of Norway with oil spill response equipment in real oil and on evaluating spill response R & D priorities from the perspective of North Slope residents. BP representatives also continue to participate in planning teams to develop long-range plans for future research and development.

Corrosion Monitoring.

BPXA met with ADEC in May, 2006 and November, 2006 to confer on corrosion management programs. The 2006 Commitment to Corrosion Report was submitted to ADEC in March 2006.

Additional Expenditure Commitment.

ADEC requested no additional funds in 2007. . Commitments to fund expenses for the International Oil and Ice Workshop were secured. Payment under that commitment in the total amount of \$15,674.05 is in process at BP and ConocoPhillips the time of this letter.

Payment of Unspent Funds.

In the event BP does not spend the total amounts specified in the Charter for cleanup of abandoned sites, North Slope spill response and additional expenditures, any unspent balance will be paid in 2010 as directed by the ADEC Commissioner.

MARINE ENVIRONMENTAL COMMITMENTS

OPA 90.

BP has met all commitments to its vessel retirement or replacement program embarked upon post passage of the Oil Pollution Act of 1990 (OPA 90). BP has never lobbied for a reduction in the requirements mandated in OPA 90.

Replacement Vessels.

All vessels in TAPS trade for BP are double hull. Four are new construction with redundant propulsion and steering systems in addition to being double hulled. ATC recently ended its charter and relinquished control of the vessel "Prince William Sound" to her owners. This vessel, while double hulled, had surpassed the age requirement BP imposes on vessels employed and thus was no longer acceptable for use by BP.

Marine Operations.

Alaska Tanker Company (ATC) operates ANS tankers, and BP Oil Shipping Company USA is 25% owner of ATC. ATC uses performance management programs for the regular review of its practices related to its management and operations, including a safe environment, training and qualifications, and vessel operation, maintenance and management procedures. ATC is certified for International Safety Management (ISM), ISO 9001 (Quality Management Systems), ISO 14001 (Environmental Management System), and ECOPRO (State of Washington Exceptional Compliance Program). BP, USCG, PWSRCAC, and Washington State Dept of Ecology most recently attended a complete management review of ATC's Safety Management System in March 2008.

ALASKA HIRE

See Alaska Hire & Purchasing Report at

http://www.bp.com/liveassets/bp_internet/us/bp_us_english/STAGING/local_assets/downloads/a/AK_hire_report2008.pdf

BP also furnishes the Department of Labor with quarterly reports regarding its employment of Alaska residents.

COMMUNITY CHARITABLE GIVING

The BP Board of Community Advisors met in April, 2007, at which time they reviewed 2006 community spend and plans for 2007.

BP spent more than \$11.3 million in support of community programs in 2007, which surpassed by \$0.5 million the amount calculated under the formula detailed in the Charter.

Approximately \$3.2 million was contributed to the University of Alaska Foundation (1/3 of the 2007 total Charter Community Spend Commitment).