

BPXA Fire and Gas Renewal Program

We are pursuing a significant program to assess, upgrade and / or replace the fire and gas systems in the facilities BPXA operates on the North Slope. This program, formalized as the Fire & Gas Renewal Program, has provided a frame for an overall upgrade strategy to address equipment obsolescence and reliability as well as employee concerns related to these systems. We have been prioritizing activities, based on safety considerations, under this strategy for the past several years. BPXA is committed to ensuring that fire and gas issues are addressed, both to improve the integrity of our camp and facility systems and to respond to concerns our employees have raised.

Initially, the program did not proceed as quickly as we had anticipated. This slower pace did not reflect a change in our level of commitment, but rather was a conscientious adjustment during 2008 that we undertook for technical reasons as we learned more about the scale and complexities of the project. Even while we were re-assessing those issues, we continued to execute projects per our prioritized list. Throughout this period, the Fire & Gas Renewal Program has made demonstrable progress in the form of camp and facility upgrades. Additionally, we have standardized procedures, improved system testing, and reduced corrective maintenance backlogs.

Actions to upgrade fire and gas systems

You asked us specifically for an update on the actions being taken to upgrade our systems and facilities. Since 2006, more than \$90 million (gross) has been invested in a variety of projects, including the following:

Camp Life Safety	<ul style="list-style-type: none">▪ Replaced the fire detection system at the Prudhoe Bay Base Operations Camp▪ Upgraded the fire alarm system at the Prudhoe Bay Main Construction Camp▪ Addressed all building code deficiencies identified in the Camp Life Safety Report
Facility	<ul style="list-style-type: none">▪ Removed from service and increased spare-part stock levels for identified obsolete fire panel controllers, UV fire detection controllers, and gas detection controllers▪ Replaced an obsolete fire panel at the Prudhoe Bay Central Compression Plant▪ Installed over 50 new gas detectors in the first phase of the Inlet Duct project▪ Closed more than 4000 obsolescence/deficiency issues that did not require immediate action but were addressed in a programmatic manner

We remain committed in 2010 to continuing these upgrades, and we are now advancing a number of additional projects:

Camp Life Safety	<ul style="list-style-type: none">▪ Performing fire and gas systems replacement at the Base Operations Camp
Facility	<ul style="list-style-type: none">▪ Performing fire and gas systems replacement at Y-Pad and Milne Point▪ Performing Fire and Gas Clearinghouse and critical spare part projects▪ Conducting project definition for fire and gas system upgrades at Flow Station 1▪ BPXA approved funding for the project design stage for fire and gas system upgrades at Flow Station 2 (working with partners to obtain endorsement)▪ Executing the second phase of the Inlet Duct project by conducting project design for locations that require gas detection augmentation

Budget

You asked us what impact any proposed “budget cuts” would have on fire and gas upgrade plans, and the answer is simple: We have not reduced our financial commitment for the fire and gas upgrade plan because of “budget cuts.” The 2008 re-assessment described above was focused on technical considerations, not financial concerns. In fact, BPXA and the working interest owners of the fields it operates have invested more than \$90 million in projects related to fire and gas enhancements, on top of operating spend in this area, since 2006. This includes an increase in spend from \$29 million in 2008 to \$49 million in 2009 to update fire and gas systems in both employee living quarters and in process areas. BPXA continues to fund the fire and gas program, with approximately \$60 million in spend for 2010 proposed to the working interest owners as part of our long-term plan and overall capital and operating budget.