



John C. Mingé
President



BP Exploration (Alaska) Inc.
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June 17, 2009

Dear Governor Palin:

On behalf of BP, I am pleased to present our 2008 *Progress Report on the Charter for Development of the Alaskan North Slope*. The report describes our actions in 2008 to meet our commitments to the State of Alaska as outlined in the December 2, 1999 Charter Agreement with the State of Alaska and the March 15, 2000 Addendum to it. The report will be posted on our Alaska website at <http://alaska.bp.com>.

Over the past 30 years, BP has been Alaska's No. 1 private sector investor. BP invests hundreds of million of dollars in Alaska each year. Alaskan companies were estimated to have received approximately 75% percent of the \$2.5 billion BP spent with third-party service providers in 2008, further underpinning the Alaskan economy.

We continue to concentrate on commercializing and producing the billions of barrels of known oil resources in our Alaskan portfolio. In addition, the development of the North Slope gas resource remains an important project to BP, to Alaska and to the nation. We have enough known oil and gas resources in our Alaskan portfolio to sustain production for the next 50 years. This will require billions of dollars in new investments, and we're working hard to make the North Slope competitive with investment opportunities around the world.

BP also spent approximately \$10 million in 2008 in support of community programs and with organizations that make life better for all Alaskans. This included approximately \$2.8 million to the University of Alaska Foundation. Part of our community commitment is manifested in the BP Energy Center, which opened in 2002 and is a source of immense pride for us. Utilization by community groups is extremely high, and the feedback we've received has been very positive.

Just as we're committed to maintaining a long-term, sustainable future by keeping our business competitive, we also remain committed to the important principles of protecting Alaska's environment, hiring and training Alaskans, doing business with Alaskan companies and supporting Alaska's communities. We look forward to working with you as we meet the challenges ahead.

Sincerely,

John Mingé

2009 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 2008. This Annual Report supplements the individual Charter reports BP also provided to the Alaska Department of Environmental Conservation (ADEC) in March and April of 2009 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 2008. 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 2008, drums previously identified during seismic work conducted in April 2007, were recovered from the North Slope. As documented in the report titled, BPXA Milne Point Unit Abandoned Drum Removal Report (*Weston-November 12, 2008*), during the summer of 2008, 354 drums were recovered from various locations to include the Milne Point Unit, Prudhoe Bay Unit, Kuparuk Unit and on State Lands (that are not a part of any unit).

Cleanup of Existing Sites

BP met with ADEC during the Spring Annual Meeting in April 2008 to review the status of each site and discuss site activities for 2008 and 2009. In 2008, BP monitored six locations. Three of these locations, including Lake State, North Prudhoe Bay State #1, and BP Milne Point A Pad, had corrective action implemented in 2008.

Closure of Inactive Reserve Pits

BP is the operator for 50 production reserve pits sites under the Charter Inactive Reserve Pit closure program. Closure activities for production reserve pits include dewatering, drilling waste excavation and disposal via the Grind and Inject Facility, field testing to verify pit cleanout, sampling of the pit water, and submittal of the final closure report. Through the end of 2008 final closure has been received for 31 of the 50 sites.

BP is also responsible for the closure of 49 exploration reserve pits sites. Closure activities in 2008 included Phase II site investigations completed for five sites (Pad 37, West End Nomination Well, Pad 3 Reserve Pits, Put River State #1, and Getty State). Also in 2008, corrective actions were completed on four sites (North Prudhoe Bay State #1, Lake State, Able State, and South Bay State). The sites were inspected and ADEC closure was obtained thereafter. Through the end of 2008, final closure has been received for 31 of the 49 sites.

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 2008, BP and ConocoPhillips funded \$30,000 for assisting the Norwegian effort, approved for Charter credit by the Alaska Department of Environmental Conservations (ADEC). The cumulative spend under the Charter is \$1,568,000 in spill research and development accepted for Charter credit by ADEC.

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

The 2007 Commitment to Corrosion Report was submitted to ADEC in March 2008. BPXA met with ADEC in May 2008 and October 2008 to confer on corrosion management programs. The next meeting is scheduled for April 2009.

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 and new construction with redundant propulsion and steering systems. BP voluntarily incorporated a number of additional environmental enhancements into the design, ranging from navigation and communications systems in order to reduce risk and human error to diesel electric engines that reduce emissions from the tankers stacks compared to traditional steam powered tankers.

Marine Operations

Alaska Tanker Company (ATC) operates tankers in the ANS trade and BP Oil Shipping Company USA is 25% owner of ATC. 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). On March 26th, 2009 BP will attend and participate in a complete management review of ATC's Safety Management System.

In cooperation with the Port of Long Beach CA, in 2009, BP will fully commission two Alaska Class vessels with "cold ironing" technology which will allow these vessels to be powered by the standard shore idea electrical grid and to secure

diesel engine operation aboard while in port – further reducing localized emissions.

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 February 2008 in Juneau, at which time they reviewed the 2007 community spend and plans for 2008.

BP spent around \$10 million in support of community programs in 2008, which surpassed by \$0.5 million the amount calculated under the formula detailed in the Charter.

Approximately \$2.8 million was contributed to the University of Alaska Foundation (1/3 of the 2008 total Charter Community Spend Commitment)