



BPAPC Board of Directors Meeting  
April 2018



## L48 CEO Update

BP America Production Company Board of Directors Meeting  
12 April 2018

# Business Overview



## 1Q Operating Performance

- HSE (estimated March YTD)
  - DAFWC – 0 L48 events
  - Recordable Injuries - 1 L48 event, 4 contractor events
  - PSE Tier 1 – 1 event
- Production
  - Q1: 316 mboed, 5% or 16 mboed above plan of 300 mboed, primarily due to a strong base delivery and outperformance of the 2017 new well wedge
  - FY Plan: 316mboed, bottoms-up reforecast underway
- Production Cost
  - Q1: \$6.6/boe (adjusted for severance, systems upgrade, legal entity separation costs, and excess LTI), 4% or \$0.3/boe below plan of \$6.9/boe, mostly due to higher production
  - FY Plan: \$6.6/boe (adjusted for systems upgrade and legal entity separation costs)
- IRR
  - FY Plan: 23% @\$3/\$55 per plan
- Pre-Tax Operating Cash Flow
  - Q1: \$260m (adjusted to plan price and for severance, systems upgrade and legal entity separation costs), \$81m higher than plan of \$179m mainly due to increased production and working capital impacts
  - FY Plan: \$805m (adjusted for systems upgrade and legal entity separation costs)
- Free Cash Flow
  - Q1: \$37m (adjusted to plan price and for severance, systems upgrade and legal entity separation costs), \$60m higher than plan of \$-23m, primarily due to increased production, working capital impacts and gain on sale of assets partly offset by phasing of capex
  - FY Plan: \$-67m (adjusted for systems upgrade and legal entity separation costs)
- Natural gas hedging: 1Q hedging gains of \$7m, which increased average natural gas price realization by \$0.05/mmcf to \$2.29/mmcf. 1,295 mmcf (81%) in 2018 at \$3.04/mmbtu and 398 mmcf (23%) in 2019 at \$2.87/mmbtu

*Note: all 1Q financial results as of 4/9/18*

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# Business Overview



## New Business Development

- Acquisition Initiatives
  - Project Barlow – Attended Data Room for Multi-basin acquisition; analysis to be submitted to London
  - Project Clover – Evaluating East Texas Acquisition Opportunity (~250k acres, 65mboed prod). Expect up to \$3b
  - Project Pi – Evaluating Core Eagle Ford Acquisition Opportunity (~51k mboed (37% Cond, 31% NGL, 32% Gas) ~128k net ac, ~600 prod wells). Expect up to \$2.5b
- Joint Venture Initiatives
  - Project Guarana – L48 Investment Opportunity Presented to Counterparty on April 2, 2018
  - Project Zodiac - Terminated SoHa JV conversations after CEFC Chairman came under investigation by Chinese authorities
  - Project Zodiac (cont'd) – Offered San Juan Mancos JV to JERA. Conversations paused after JERA underwent internal restructuring and indicated preference for brown-field development
- Portfolio Optimization Initiatives
  - Project Canasta II – Evaluating Options to Monetize BP's Royalty Assets. Expected proceeds \$0.5-0.75b
  - Project Tyron - MidCon – Negotiating PSA with Potential Buyer on divestment of L48 Fayetteville
  - Project Arya





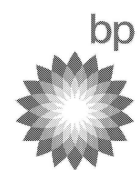
## Business Overview

### Key Initiatives and Milestones

- Implement SAP/PRA enterprise software system upgrade, contingent upon 100% confidence in new system
- Design and implement premier technical training for staff
- Transfer of L48 assets/liabilities from BPAPC to BPX complete by year-end, in conjunction with SAP/PRA go-live
- Implement Intelligent Operations across all BUs
- 100% rollout and implementation of Safety +3 for safety verification

### Key Meetings

- Tony Brock and Murray Auchincloss L48 visit – January 2018
- Florida PSM audit – January 2018
- Aker BP management team L48 and East Texas field visit – January 2018
- JERA meeting in Houston – January 2018
- GE presentation on Intelligent Operations – January 2018
- James Dupree Houston visit – February 2018
- Bernard Looney Denver visit – February 2018
- Gordon Birrel visit – March 2018
- Oman and Iraq Visit – April 2018
- BP Alaska visit – April 2018
- GOO visit - April 2018
- Petrobras Houston visit - April 2018



## HSE Update

**BP America Production Company Board of Directors Meeting**

**12 April 2018**

# L48 HSE Performance – 1Q 2018 YTD



2018 hours and frequencies are est 1Q

	2017 Full Year	1Q 2017	1Q 2018
<b>Major Incidents and HiPos</b>			
HiPos - All severity	4	1	0
<b>BP Managed Personal Safety*</b>			
DAFWC	1	0	0
RI (RIF)	6 (0.53)	4 (1.36)	1(0.41)
Work hours (millions)	2.3	0.6	0.5
<b>Contractor Managed Personal Safety*</b>			
DAFWC	5	1	0
RI (RIF)	18 (0.75)	2 (0.36)	4 (0.73)
Work hours (millions)	4.8	1.1	1.1
<b>Process Safety</b>			
PSE Tier 1	5	1	1
PSE Tier 2	22	6	4
LOPC (A-G): <sup>1</sup>	122	38	40
Oil Spill > 1 bbl	15	3	3
Fire / Explosion	11	3	0
Well Control Events	10	2	1
<b>Leading Indicators</b>			
Dropped Objects	26	7	4
Drops Frequency (DO/Rigs) <sup>2</sup>	2.8	0.7	0.35

\* Differentiates work performed under L48 versus Contractor Safety Management Systems

<sup>1</sup> 30 of the 40 LOPC (A-G) in 2018 are hung dump valves

<sup>2</sup> Avg count of rigs: FY16-3.8; FY17-9.4; YTD18-11.4

## RI BP (1)

- Fingers injured during pump maintenance

## RI Contractor (4)

- Finger laceration while handling compressor engine head
- Turned ankle while descending work platform
- Finger laceration while handling compressor engine head
- Finger caught between manifold cap and piping

## PSE Tier 1 (1)

- Low pressure gas release from compressor on NAPI Compressor Facility

## Well Control Events (1)

- Level 2 – Unable to close safety valve when well flowed up tubing; closed blind shear rams to secure the well

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## Safety Improvement Plan

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## 2018 Safety Improvement Focus



- Three focus areas to improve L48 Safety (Personal and Process) performance in 2018 are:

1. High Risk (D+) Contractor HSE Management Program
2. L48 Energy Isolation Refresh
3. Hazard Identification and Barrier Management Program

Program	Activity	Completion Date
Contractor Management	Assign contractor activity owner for contractors performing high risk activity.	2Q
Contractor Management	Commence verification activity higher risk work performed by contractors.	2Q
Energy Isolation	Conduct L48 training and complete competency assessments for L48 isolation authorities.	2Q
Energy Isolation	Complete competency assessments for contractor isolation authorities and perform targeted verifications.	3Q
Hazard Identification	Develop Hazard Identification and Barrier Management training.	3Q
Hazard Identification	Complete training.	4Q

- Other enabling safety programs to be completed in 2018 are:
  1. Back to Basics refresh for all BP badged staff; leaders trained leaders (100% completed by March 2018)
  2. Company wide Safety week held in the Business Units in January
  3. Rollout and training of all BP badged staff on use of Observation / Verification capture tool Safety 3+ (2018 ACB metric)
  4. Continuation of Dropped Objects program (2017 ACB metric)
- Completed Florida River and Bayfield Plant Process Safety Management (PSM) Audit with no deficiencies that equated to a business level finding across the fifteen PSM elements



## Carbon Roadmap

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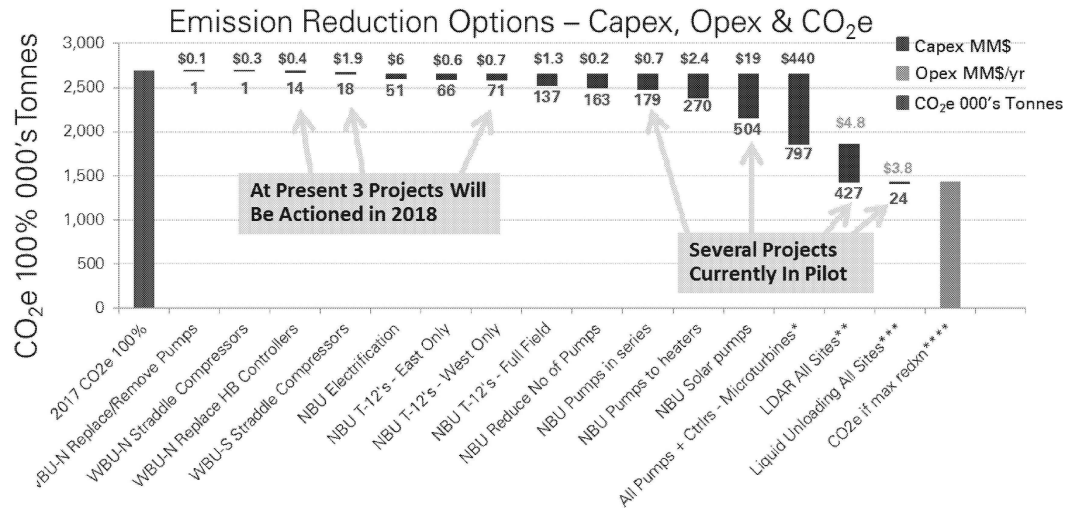
## Carbon Roadmap Milestones Update

#	Activity	Date	Status
1	Establish L48 DRB and Execution Team	Aug-17	Complete
2	Conduct multifunctional framing session to align business	Aug-17	Complete
3	Agree on roadmap frame within L48	9/30 2017	Complete
4	Develop and agree to mAIRsure execution plan	10/16/2017	Complete – Trial start Feb 15, 2018
5	<b>Redacted - First Amendment</b>	10/31/2017	Ongoing
6	Agree to and decide L48 API voluntary program participation	10/16/2017	Ongoing – Evaluating participation level
7	Agree to and decide L48 CCAC participation	12/15/2017	Decision retired after consultation with stakeholders
8	Evaluate methane emission quantification and leak technological options and agree a way forward	11/15/2017	Ongoing - BU action & reduction quantity TBD
9	Evaluate viable technological options for replacement of pneumatic pumps, pneumatic controllers	11/15/2017	Ongoing – recommendation made
10	Review and clean up equipment inventory and emissions calculations	Jan-18	Complete
11	Determine and agree L48 methane reduction quantity	Feb-18	L48 committed to RSR of 350K CO <sub>2</sub> e MT by 2025. Achieve 76k CO <sub>2</sub> e MT reduction in 2017
12	Report out on mAIRsure pilot program	Apr-18	On-Track

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# L48 Priority Emission Sources 2025 RSR Options



\* Capex assumes 1 microturbine each x 8000 sites @ \$55k per turbine

\*\* Basis: 2017 emissions, assume 1% leak rate; Opex assumes handheld OGI for 8000 sites

\*\*\* Basis: 2017 emissions, assume 25% emission reduction; Opex based on Project Kelvin \$425/well/yr x 9000 wells

\*\*\*\*North BU Options not additive, West BU Options are additive

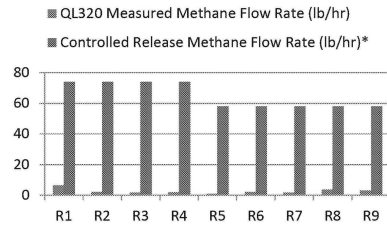


## Ongoing Leak Detection/Quantification Trials



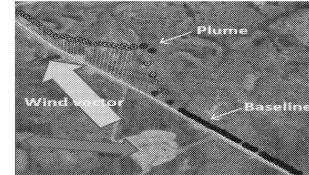
### Providence Photonics QL320 with FLIR camera

- QL320 under predicting controlled emission rate
- Continuing work to further optimize pilot
- Collaborating with Upstream Technology on their pilot



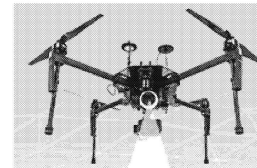
### BP DIO & L48 vehicle mounted laser-based sensors (mAIRsure)

- 4 sensors are mounted on trucks
- Methane concentration data is flowing from trucks
- Continue to integrate data analytics to improve emission estimates
- Too early to draw conclusions



### Precision Hawk Drone

- Added leak detection to existing operations use cases
- Tests conducted in West BU in February
  - Drone mounted sensor readings agreed well with ground sensors
  - Additional pilots occurring in other L48 operating areas in March/April
- Early results are promising



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## Financial Update

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# 2018 – ACB Metrics



Categories	Performance	2017 Actual	2018 Goal			
Safety, Compliance & Risk Management	Recordable Incident Frequency (RIF) (#/200k hours) (Total BP and Contractor managed)	0.68	0.54	Mar 2018 YTD*		
	Days Away from Work (DAFW) (Total BP and Contractor)	0.170	0.141	0		
	Tier 1 PSEs	5	4	1		
Value	Production, mboed (with plan capex)	297	316	316	300	strong base delivery and outperformance of the 2017 new well wedge
	Production Costs (\$/boe) (excluding system upgrade and legal entity separation charges)	7.07	6.60	6.62	6.92	increased production
	Free Cash Flow, \$m with \$852m capex, excluding system upgrade/legal entity changes and @ plan price of \$46 WTI, \$23 NGL plus hedge 80.5% gas production at \$3.04HH and 19.5% at \$3.00HH	128	(67)	37	(23)	increased production, working capital impacts and gain on sale partly offset by phasing of capex
	Development Capex Return 2018 Target @ \$3HH / \$55WTI / \$26NGL	22%	23%	n/a	n/a	
Business Objectives	Implement SAP/PRA enterprise software system upgrade		Complete			
	Design and implement premier technical training for staff		Complete			
	Legal separation complete by year end		Complete			
	Implement intelligent operations across all BUs		Complete			
	100% rollout and implementation of Safety +3 app for safety verification		Complete			

Notes  
1. Entity performance assessment is subject to Segment and Group executive judgment.  
2. Metrics are subject to normalization for price, Low or 48 Onshore re-org costs and other one-offs  
3. BP retains the sole discretion to interpret the provisions of this plan and reserves the right to amend, cancel, modify or terminate this plan in whole or in part, at any time

\* as of 4/9/18

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## Lower 48 2018 New Well Delivery



	1Q 2018	2Q 2018	3Q 2018	4Q 2018	FY 2018
North	2.4	3.4	7.0	7.9	5.2
West	0.7	3.0	11.2	12.8	7.0
MidCon	0.0	2.6	7.8	8.8	4.9
East	1.1	9.4	24.0	41.5	19.1
South	2.2	6.6	9.1	10.8	7.2
<b>Total L48</b>	<b>6.3</b>	<b>25.1</b>	<b>59.2</b>	<b>81.8</b>	<b>43.4</b>
Average rig count	11	11	5	3	7

*Note: as of 4/9/18*

## Lower 48 1Q 2018 Production vs Plan



	Actuals	Plan	Δ	Comments
North	40.6	38.1	2.5	strong base performance and reduced winter impact
West	98.8	94.9	3.9	reduced winter impact and over performance from the 2017 wedge
MidCon	64.9	63.2	1.7	strong base delivery and over performance on the 2017 SWOOP Parker well
East	55.2	48.3	6.9	over performance from the 2017 SoHa wells and strong base performance
South	56.9	55.7	1.2	higher than expected NGL yield
<b>Total L48</b>	<b>316.5</b>	<b>300.3</b>	<b>16.2</b>	

## Lower 48 Financial Information <sup>(a)</sup>



### Total Lower 48

(in millions)	YTD March 2017		YTD March 2018
Gross Margin	388		270
Total Cash Costs	(192)		(204)
DD&A	(337)		(341)
Other Income	10		1
<b>RCOP (Net Income) Underlying</b>	<b>(131)</b>		<b>(274)</b>
Impairments - NOI	(11)		(66)
Gain / (Loss) on Sale - NOI	0		33
Gain / (Loss) on IFRS FVTE - NOI	203		(22)
Rationalization - NOI	(1)		(4)
<b>RCOP (Net Income)</b>	<b>62</b>		<b>(333)</b>
		<b>YTD Dec 2017</b>	
Current Assets	478	575	542
Noncurrent Assets	12,886	12,063	11,920
<b>Total Assets</b>	<b>13,364</b>	<b>12,638</b>	<b>12,462</b>
Current Liabilities	(464)	(403)	(461)
Noncurrent Liabilities <sup>(b)</sup>	(1,228)	(1,124)	(1,271)
<b>Total Liabilities</b>	<b>(1,692)</b>	<b>(1,527)</b>	<b>(1,732)</b>
<b>Net Assets (Shareholders' Equity) <sup>(b)</sup></b>	<b>11,672</b>	<b>11,111</b>	<b>10,730</b>

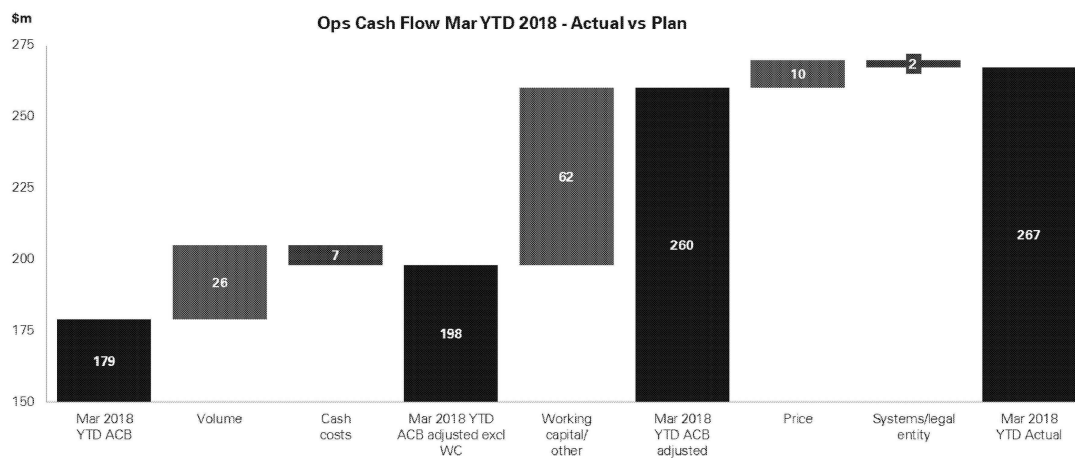
(a) Lower 48 financial information as of April 9, 2018  
(b) Excludes deferred income tax liability - (3.0)bn

(Un-Audited) For BP Internal Use Only



## L48 Ops Cash Flow 1Q 2018 vs ACB

- 1Q 2018 ops cash flow (adjusted for price and one-offs) of \$241m was \$81m higher than plan mainly due to increased production and working capital impacts



Note: 1Q results as of 4/9/18

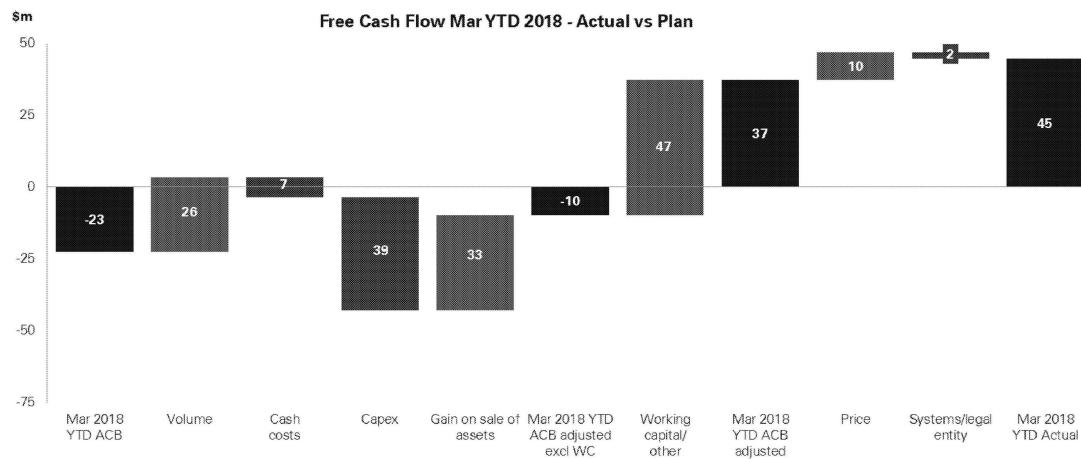
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## L48 Pre-Tax Free Cash Flow 1Q 2018 vs ACB

- 1Q 2018 free cash flow (adjusted for price and one-offs) exceed plan of \$-23m by \$60m due to increased production, working capital impacts and gain on sale of assets partly offset by the phasing of capex

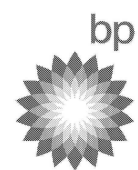


*Note: 1Q results as of 4/9/18*

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## Hedging Update

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## Current Hedging Position – as of April 3, 2018



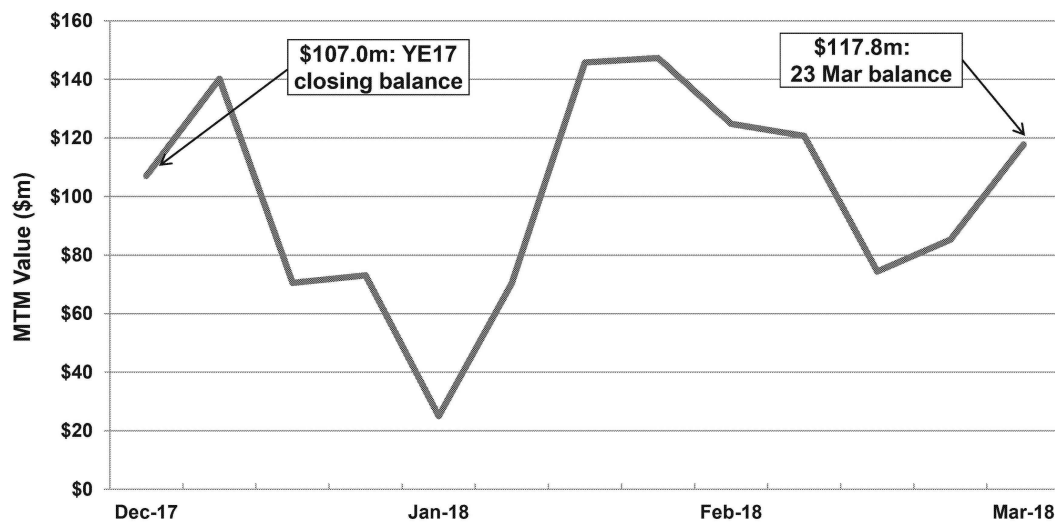
	2018	2019	2020
Daily volume hedged (mmbtu/d) - swaps	1,295,000	397,500	-
% of total expected gas production – 2018 GFOz	81%	23%	0%
Weighted average net price	\$3.04	\$2.87	-

- For 2019, seeking to hedge up to 50% at \$3.10 to attain cash flow neutrality
  - Cal 19 currently \$2.79 / mmbtu
- For 2020, seeking to hedge up to 25% to secure attractive IRRs on investment
  - Awaiting approval to lower price target from \$2.95 to \$2.85
  - Cal 20 currently \$2.78 / mmbtu
- Despite normal winter weather and increased demand, production growth limiting price upside
- Closely watching are producer behavior; capital discipline and FCF generation critical to regaining price upside

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## Mark-to-Market Financial Impact

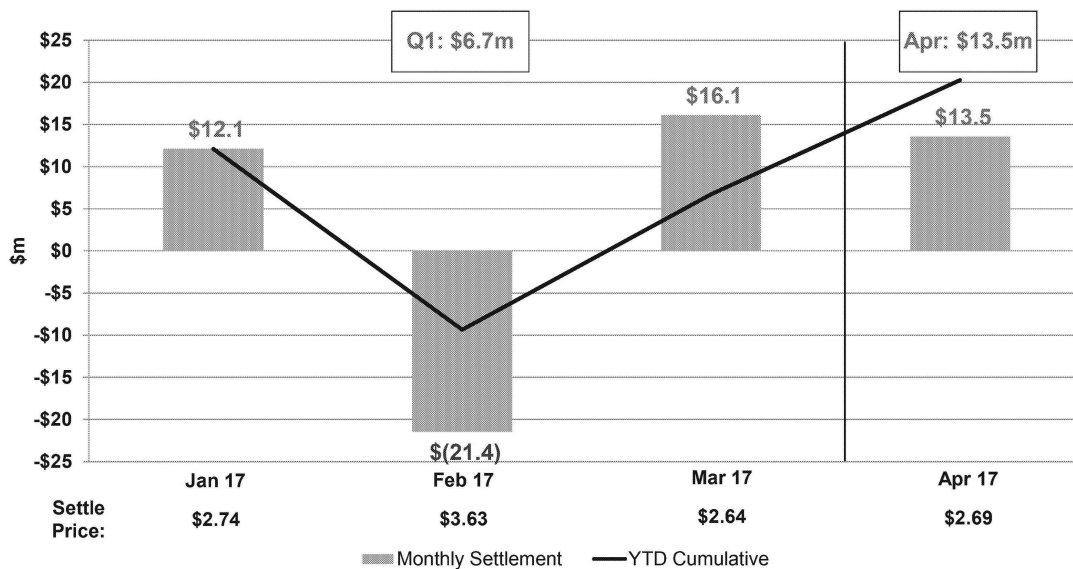


- 1Q17 unrealized P&L impact was an unrealized loss of \$20m

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## 2018 YTD Realized Cash Settlements: \$20.3m



• Bal 18 strip currently priced at \$2.82 / mmbtu

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## Business Development

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## Project Barlow – Potential Acquisition of BHPB's Onshore L48

Unique opportunity to acquire multiple tier 1 assets

- **Perfect fit with L48 narrative & objectives**
- **Core of the core positions** (see revenue map slide)
- **Upgrades portfolio** with assets that displace existing L48 options (IRRs: 30 to 100%), adds oil balance
- **Creates an entity that can be successfully IPO'd**

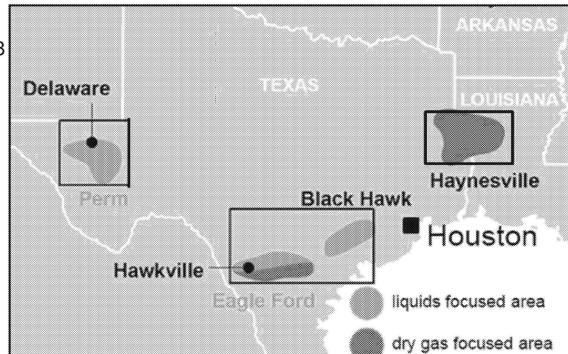
### BHP Opportunity

- BHP marketing 7 different packages and entire L48 position simultaneously (March – May)
  - Upstream: 2 Eagle Ford, Permian, Haynesville, and Fayetteville
  - 2 Midstream Options (Eagle Ford and Permian)
- BHP taking bids on individual assets and total
- Intel indicates substantial industry interest in specific assets, but few interested and able to take down entire position

### BP Evaluation Status

- L48 have worked closely with M&A and Morgan Stanley to prepare a detailed evaluation by mid-April to potentially pre-empt the process with a bid for the entire package
- While L48 is interested in all assets (except Fayetteville), Haynesville and Eagle Ford Hawkville are the assets we are likely to be most competitive
- **Plan to bring forward individual asset and total position evaluations for BP bidding decision**

### BHPB Onshore US Position



ASSET	PROD (MMBOED)	% Liquids	ACRES (k)	OPS CASH 17 (\$M)	Gross Operated Locations	MARKET VALUE (\$M)	BP 4Q '17 BTAX Evaluation* PV12 PUD/PV10 PDP (\$M)	BP 4Q '17 ATAX Evaluation* PV12 PUD/PV10 PDP (\$M)
Haynesville	39	0%	197	11	830	1.5 - 2.0	2.1	1.4
Eagle Ford	99	47%	345	770	1,000	3.0 - 4.1	3.4	2.2
Permian	33	49%	197	11	830	3.0 - 4.1	4.6	2.9
Fayetteville	45	0%	268	79	300	0.4 - 0.7	0.4	0.3
<b>TOTAL</b>	<b>216</b>	<b>30%</b>	<b>794</b>	<b>1000</b>	<b>3430</b>	<b>7.6 - 10.9</b>	<b>10.5</b>	<b>6.8</b>

\*October '17 strip to \$3/\$55 (does not include 2018 US Tax Law Changes)

To Be Updated

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We have already shared the results of our Barlow evaluation with you, but a very short recap: These assets are core of the core positions in Tier 1 basins that would fit perfectly with the L48. In fact, they would undoubtedly displace existing L48 capital options. Would provide assets that are relevant to investors and would facilitate a successful IPO.

We have some comments from BHP management captured here that you may have seen as well. Indications are that they are not in a huge hurry to execute the sale, in fact could be stalling for better product prices or for Elliot to move on and lose interest.

We have also heard there is a lot of industry interest in these assets as you would expect. Most interested companies can afford only one of the assets. I-banks have discussed trying to put together consortiums to take down the package and then split it up. Very difficult to engineer, but it is a unique opportunity and companies want to get their hands on the pieces in their area of interest.

We have clear advantages for Barlow with interest in purchasing all assets and with at least some stock that they will take as currency. If we were able to include assets in trade, that would further distinguish and advantage us. Understand that is not an easy option given the cash flow that some of the GoM assets provide, but it would certainly deliver Tier 1 assets in return.

Last intel was that the Fayetteville would be coming out soon, but we have not seen anything yet. Barclays is likely handling this asset for them.

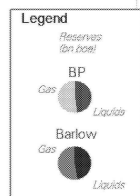
So, we are ready to role-up our sleeves and engage in detailed due diligence when BHP are ready for us to review it. It will only take us a couple of weeks to finish our review as we are familiar with these plays and their assets.



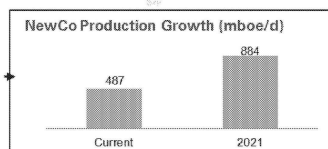
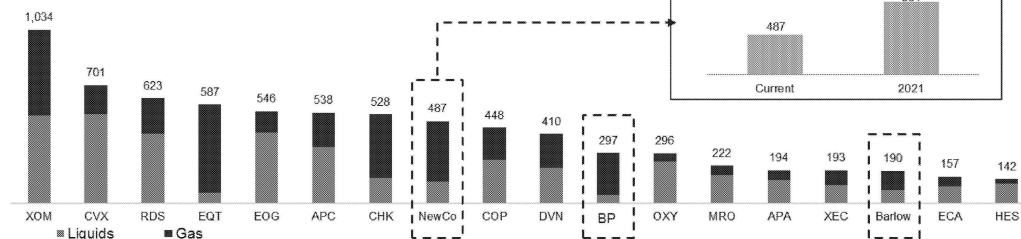
# Project Barlow: Acquisition Overview

NewCo will have the 8th largest US Lower 48 production base

NewCo Asset Footprint



**Current Production of Peer Majors and Independents (mboe/d)**  
US Onshore Only



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# Project Barlow Valuations – Bottom Up Technical Analysis

BP and MS valuation results similar and differences understood

## BP Valuation (Case B – BP Base operating case) Strip to \$55WTI (\$57 Brent), \$3 Flat Nominal \$3.5 Bn Tax Asset basis assumed<sup>1</sup>

	Gross Locations	Net Resource (mmbbl)	PV6 (\$MM)	PV8 (\$MM)	PV10 (\$MM)
<b>Proved Developed - Before Tax</b>					
Hawthorne	0	42	387	363	343
Blackhawk	0	49	912	860	816
Permian	0	48	475	441	413
Haynesville	0	87	632	578	535
Fayetteville	0	103	490	445	409
<b>Total Proved Developed</b>	<b>0</b>	<b>329</b>	<b>2,896</b>	<b>2,688</b>	<b>2,516</b>

	Gross Locations	Net Resource (mmbbl)	PV6 (\$MM)	PV8 (\$MM)	PV10 (\$MM)
<b>Proved Undeveloped - Before Tax</b>					
Hawthorne	753	571	1,968	1,633	-
Blackhawk	531	129	1,137	1,018	916
Permian	2,808	2,538	7,113	5,393	4,146
Haynesville	1,864	952	2,255	1,887	1,601
Fayetteville	0	0	0	0	0
<b>Total Proved Undeveloped</b>	<b>5,956</b>	<b>4,190</b>	<b>12,473</b>	<b>9,931</b>	<b>8,029</b>

	Gross Locations	Net Resource (mmbbl)	PV6 (\$MM)	PV8 (\$MM)	PV10 (\$MM)
<b>Gross Upstream Value - Before Tax</b>					
Hawthorne	753	613	2,355	1,997	1,709
Blackhawk	531	178	2,049	1,879	1,733
Permian	2,808	2,586	7,588	5,833	4,558
Haynesville	1,864	1,039	2,887	2,465	2,137
Fayetteville	0	103	490	445	409
<b>Gross Upstream Value</b>	<b>5,956</b>	<b>4,519</b>	<b>15,369</b>	<b>12,619</b>	<b>10,545</b>

<b>Corporate Items and Taxes</b>					
G&A Expense			-148	-148	-148
Taxes			-5,181	-4,274	-3,591
<b>Total Corporate Items</b>			<b>-5,329</b>	<b>-4,422</b>	<b>-3,739</b>

	Gross Locations	Net Resource (mmbbl)	PV6 (\$MM)	PV8 (\$MM)	PV10 (\$MM)
<b>Net Asset Value - After Tax</b>			<b>10,040</b>	<b>8,197</b>	<b>6,807</b>

## MS Valuation (Case B – BP Operating) Strip to \$55WTI (\$57 Brent), \$3 Flat Nominal \$3.5 Bn Tax Asset basis assumed<sup>1</sup>

	Gross Locations	Net Resource (mmbbl)	PV6 (\$MM)	PV8 (\$MM)	PV10 (\$MM)
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	Gross Locations	Net Resource (mmbbl)	PV6 (\$MM)	PV8 (\$MM)	PV10 (\$MM)
<b>Proved Undeveloped - Before Tax</b>					
Hawthorne	1,528	879	1,764	1,368	1,061
Blackhawk	859	280	2,110	1,808	1,568
Permian	3,529	3,024	7,265	5,512	4,293
Haynesville	2,700	1,364	2,608	2,089	1,700
Fayetteville	-	-	-	-	-
<b>Total Proved Undeveloped</b>	<b>8,616</b>	<b>5,546</b>	<b>13,748</b>	<b>10,777</b>	<b>8,622</b>

	Gross Locations	Net Resource (mmbbl)	PV6 (\$MM)	PV8 (\$MM)	PV10 (\$MM)
<b>Gross Upstream Value - Before Tax</b>					
Hawthorne	1,528	921	2,151	1,731	1,404
Blackhawk	859	329	3,022	2,669	2,384
Permian	3,529	3,072	7,740	5,953	4,705
Haynesville	2,700	1,450	3,241	2,667	2,235
Fayetteville	-	103	490	445	409
<b>Gross Upstream Value</b>	<b>8,616</b>	<b>5,875</b>	<b>16,644</b>	<b>13,465</b>	<b>11,138</b>

<b>Corporate Items and Taxes</b>					
G&A Expense			-148	-148	-148
Taxes			-5,669	-4,591	-3,804
<b>Total Corporate Items</b>			<b>-5,816</b>	<b>-4,738</b>	<b>-3,952</b>

	Gross Locations	Net Resource (mmbbl)	PV6 (\$MM)	PV8 (\$MM)	PV10 (\$MM)
<b>Net Asset Value - After Tax</b>			<b>10,828</b>	<b>8,726</b>	<b>7,186</b>

<sup>1</sup> Note: 3.5\$bn tax basis is assumed based on Petrohawk disclosure as of YE 2011

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# Project Barlow: Core-of-Core Acreage in Best Fairways

Contiguous and proven acreage blocks with > 5900 high IRR locations

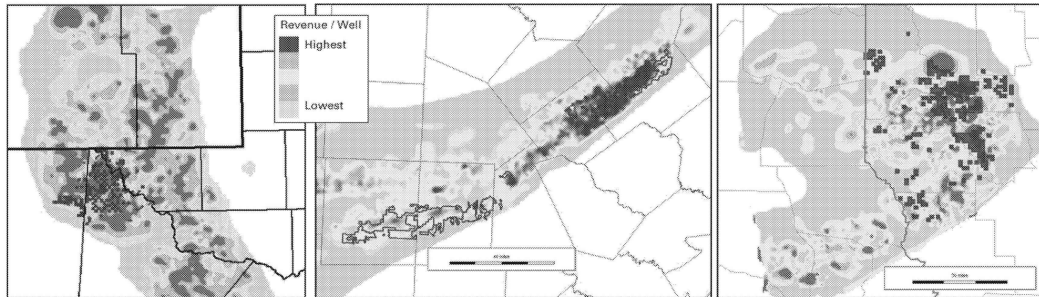
**DRAFT**



Permian Delaware Basin  
83K net acres  
2812 gross locations

Eagle Ford Shale  
248K net acres  
1300 gross locations

Haynesville Shale  
197K net acres  
1870 gross locations



## Permian

- Perhaps the last material position available to enter the Delaware at scale
- With over 5 proven benches, provides multiple ways to win and optimize
- Over 1000' of hydrocarbon column to target locations. Oil weighted
- Results continue to improve underpinning an aggressive bid
- L48 can competitively develop and operate assets

## Eagle Ford

- Remaining Blackhawk Karnes Trough locations are the highest returning zone in lower 48
- BP L48 has unique insights into Hawkville acreage and can deliver incremental value immediately.
- Hawkville provides years of >25% IRR running room
- Synergies with existing BP Eagle Ford team efforts
- Blackhawk provides oil balance to portfolio

## Haynesville

- Highest quality and most material position to come to market in years
- Blocked up position facilitates development using 2-mile long laterals (increasing IRR, lower cost)
- Close to Henry Hub so will have attractive differential and be advantaged relative to other gas plays
- Synergies with existing BP Haynesville position

**Barlow's position is low risk and in the highest quality proven areas of all 3 plays**

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*Privileged & Confidential  
Attorney Client Privilege  
Prepared by Stephen DeGiusti, Lower 48 GC*



## **Legal Update**

**BP America Production Company Board of Directors Meeting  
12 April 2018**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

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**Redacted - Privilege**



## Ethics & Compliance Review

**BP America Production Company Board of Directors Meeting  
12 April 2018**

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## Concerns and Investigations

- **Concerns/Inquiries Received**

- 10 total in 1Q 2018
  - 2017: 1Q – 8; FY – 15
- Sources:
  - 8 through OpenTalk
  - 2 internally through the business
- Concerns / Inquiries by Code section:
  - 1 – Operating safely, responsibly and reliably
  - 6 – Our people
  - 2 – Our business partners
  - 1 – Our assets and financial integrity
- Trends:
  - Increased use of Open Talk
  - Workplace culture issues:
    - Age discrimination
    - Treating employees with disrespect in front of co-workers
    - Inappropriate relationship

- **Code of Conduct Breaches**

- None in 1Q 2018
  - 2017: 1Q – 6; FY – 9

## Training Update



Topic	Required for Training	Due in 2018	Completed for 2018	% Completion
New Hire Code of Conduct	1028	28	27	96.4%
Conflict of Interest	1028	38	35	92.1%
Anti-Bribery & Corruption	286	99	12	12.1%
Anti-Money Laundering	2	0	0	N/A
Competition & Anti-Trust	130	61	6	9.8%
International Trade Regulations	2	2	0	0.0%
Responsible Leadership	23	7	5	71.4%

- L48 E&C training assignments for 2018 due September 3, 2018
- L48 continuing proactive offering of Responsible Leadership course for leaders in levels below the BP requirements (below level F)
  - Scheduling in process for 2 leaders due in September



## Focus Areas for 2018

- In the November 2017 BPAPC BOD meeting with Pat Gnazzo, we discussed the following areas of needed emphasis arising out of Pat's surveys:
  - New employees at manager level lack E&C familiarity and skills
  - Disconnect between managers' and employees' view of respect
  - Fast pace of change at L48 can impact culture
  - Managers desire additional E&C training to address these issues
- In 2018 we developed an E&C Plan to address these issues by:
  - Initiating company-wide middle management "Advanced E&C" training on creating a culture of respect, how concerns are handled and E&C skills
  - Improving the L48 new employee onboarding materials and presentations to include more and better emphasis on E&C
  - Developing a new E&C section for the L48 intranet with communications and resources for managers and employees alike
  - Identifying risks associated with L48 corporate changes and Denver headquarters relocation by regular engagement with leadership team



## Focus Areas for 2018

- Identifying and addressing risks associated with L48 corporate changes and Denver headquarters relocation
- Middle management “Advanced E&C” training on creating a culture of respect and handling concerns
- Improving the L48 new employee onboarding materials and presentations to include more emphasis on E&C
- Improving PSCM contract forms regarding E&C topics and considering ways to improve contractor engagement



## Haynesville Acquisition Opportunities – Barlow, Covey Park & Aethon

Multiple large private equity backed companies selling positions

### Opportunity Overview

- Several large Haynesville Positions are acquirable at present (Covey Park, Aethon, BHP (Barlow), and others)

ASSET	ACRES (k)	% Tx	PROD (MBOED)	OPS CASH 17 (\$M)	MARKET VALUE (\$M)
Aethon	136	39%	39	169	\$1.0 - 1.5
Covey Park	250	62%	65	320	\$1.8 - 2.8
Barlow	194	0%	40	TBD	\$1.5 - 2.0

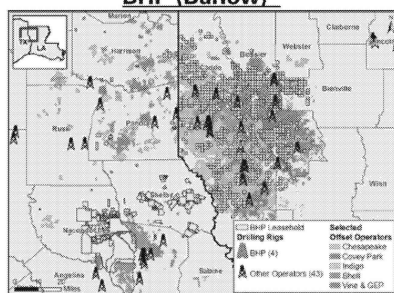
### Status & Way Forward

- Have completed a screening evaluation of companies
- Decide if preference to build more Haynesville inventory or try to balance gas positions with liquids rich acquisition**

### Covey Park Position

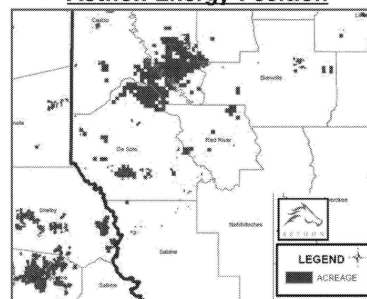


### BHP (Barlow)\*



\* One of 5 basin exits by BHP

### Aethon Energy Position



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So we have our bids in for the Fayetteville process and will get to those momentarily. First, would just like to point out the process we have been through

We engaged WFC to help with this sale given we did not know all the OBO Potential Buyers and the Team was busy.

They contacted over 1000 potential buyers from their contact list

We executed 22 CAs which is solid participation for a relatively unique asset like this that is OBO, gas weighted, and in an out of favor basin (zero active rigs running at present).

We had only 5 management presentations and bids. We would have liked to have more but this asset is a very difficult sell for the following reasons:

It has a firm transportation contract with \$6m of unutilized capacity a year for the next 2 years.

Margins are very low with high gathering and LOE costs, particularly for BHP.

Is highly fragmented with an average WI of ~5% with over 5,200 wells. This is what creates a disproportionate administrative land and accounting burden for this asset.

No material economic upside for the basin. No active rigs running at present per DI. So focused on PDP only.

While we understand there is concern around the incremental write-down for the asset with the sale, the hold case is problematic for the business if BHP sells and we don't. If BHP sells, it is likely to be to a PE company that will pick up rigs and drill very marginal wells that will not compete for BP capital. We will then be drilled out of our future position and our acreage in the best areas of the BHP operated sections (which is where we own the highest interest). So these will be effectively divested at zero value. Then our asset becomes even less valuable and marketability diminishes further.

Absent an increase in gas prices, there is unlikely to be a better time to sell than now and it may become unsellable if margins compress much further. If we don't want to move forward now, we would suggest pausing with these buyers for a month or two and perhaps reengaging in 2Q after the 1Q write-downs have occurred. Clearly not in L48 or BP's interest to maintain ownership in this asset.



# Project Clover – Potential Acquisition of Covey Park

Unique opportunity to acquire a material core Haynesville player

## Overview

- ↑ **Large Haynesville Position in Louisiana**
- ↑ **High % Operated (90%) with high average operated WI of 75%**
- ↑ **Attractive midstream contracts with limited firm transportation commitments**
- ↑ **High percentage undeveloped (27 rig years for core\*)**
- ↓ **Over 50% of the position is in less attractive NoHa, North SoHa, and Ridge areas that will struggle to compete for L48 capital**
- ↓ **Barlow is a more attractive option (see slide 5)**
  - Contiguous and focused core La position
  - Acquiring far less ancillary acreage in non-core areas

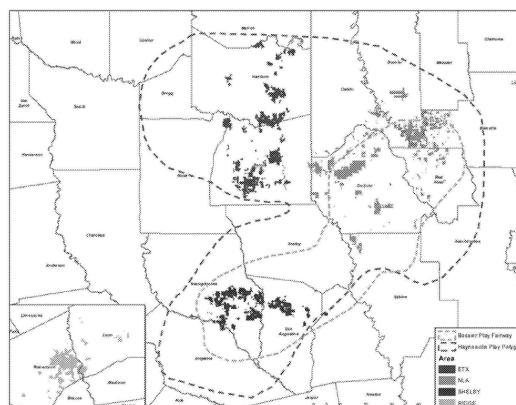
	ACRES (k)	% Tx	PROD (MMBOED)	% Liquids	OPS CASH 17 (\$M)	POP Wells	Net Undeveloped Wells*	MARKET VALUE (\$M)
Covey Park	250	62%	65	1%	370	1144 (66% HZ)	265	\$1.8 - 2.2
Barlow	194	0%	40	0%	TBD	1115 (99% HZ)	674	\$1.5 - 2.0

\* Net Undeveloped Wells are WI share in Core, Tier 1, Tier 2, and Bossier Core (see slide 3).

## Status & Possible Next Steps

- Opportunity has been screened by BD/Exploration and ranked relative to Barlow and others.
- BD/Exploration have done a deeper dive based on Clover's provided data. East BU has not been fully engaged to-date to allow focus on 2018 delivery
- Next step to do a deep dive into position with the BU to get a detailed evaluation of position **(1 month)**
- Test the value from the deep dive with Covey Park and determine if in reasonable proximity of a deal. **(April)**

## Covey Park Position



Acreage	Net Acres	% of Total by Area
LOUISIANA	95,512	38%
SoHa	36,647	15%
TEXAS OTHER	117,227	47%
<b>Total Company</b>	<b>249,386</b>	

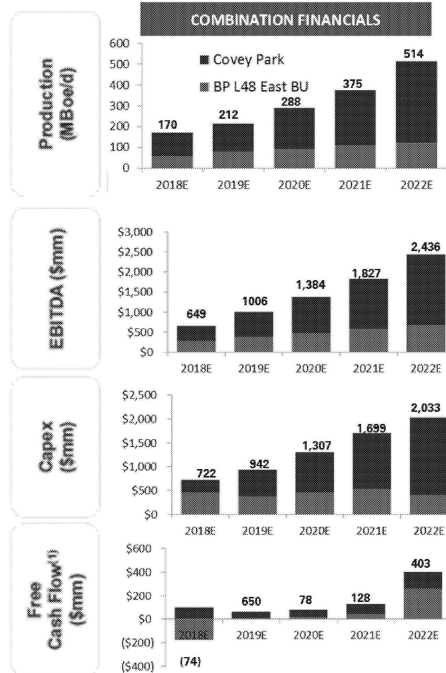
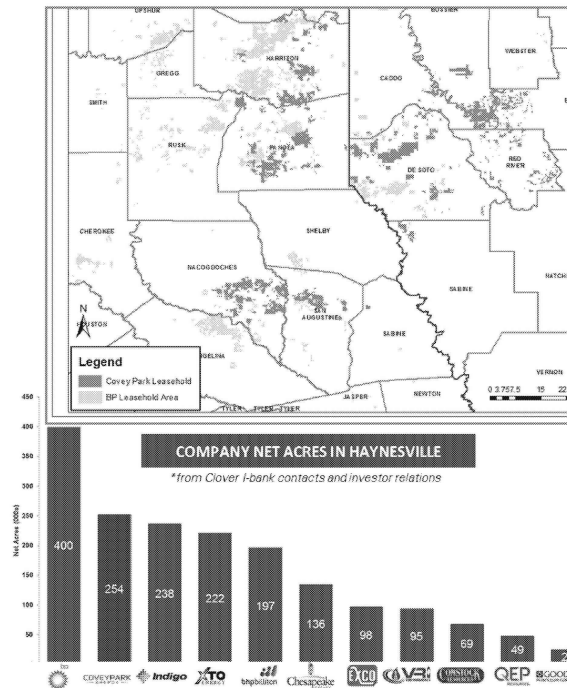
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## Project Clover – Combination Analysis

Combined entity would be by far the largest Haynesville player

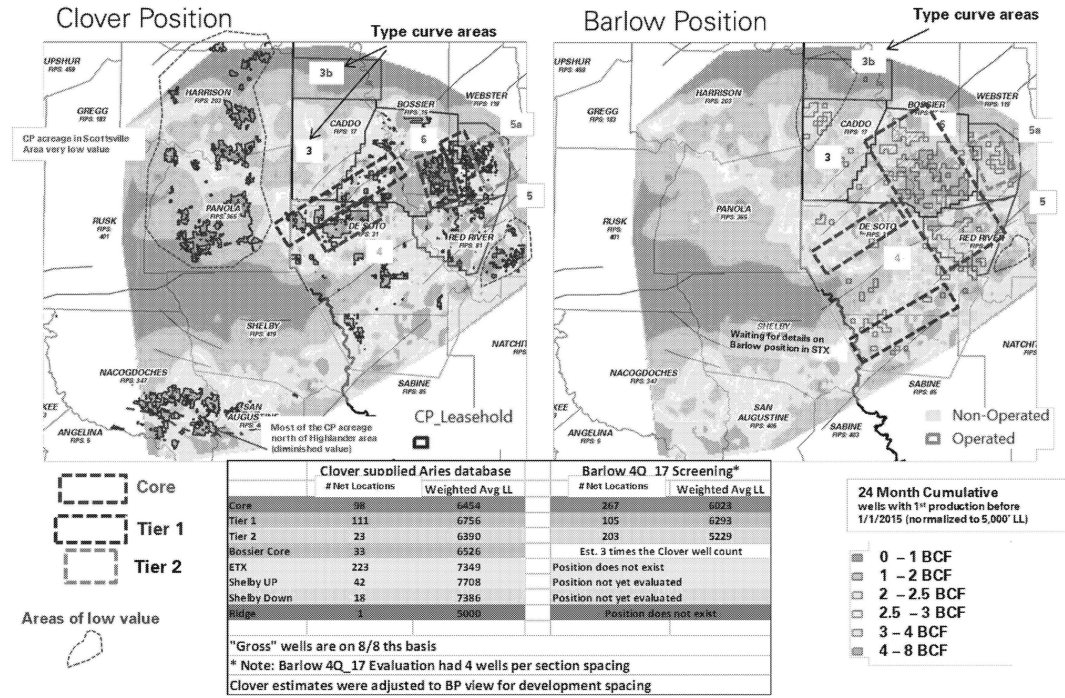


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# Barlow & Clover Revenue Map Quality Comparison

Barlow has significantly more undeveloped core locations



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ETX\_BD\_Mar\_18\_Screening.xlsx



Non-core L48 asset that does not compete for capital at current prices

**Deep Rights Only (220k ac)**

**Legend:**

- LATIGO PETROLEUM, LLC
- JONES ENERGY, LLC
- LE NORMAN OPERATING LLC

- ~700,000 net acres w/ deep rights
- 21 mboe/d from 1,228 BP operated wells
- Minimal recent industry rig activity (see map to left)
- Most publicos have sold (COP, NFX, EOG, CVX, etc.)
- Almost all of upside does not compete for L48 capital at current prices
- Numerous marginal wells that either need to be sold or will require plugging (drag on cash and LOE/boe)
- Potential to lose leases with marginal last wells on leases
- Estimated proceeds: \$400m to \$650m

- Have kicked off sale process internally but extended title diligence required (3 - 4 months)
- Seeking guidance on financials associated with sale

[illegible]

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## Pioneer/Reliance/Newpek Eagle Ford Exit

Deeper/less liquid yield than DVN/BHP Karnes Trough position

### Summary

- Unadjusted Mkt Value Est \$1.8B - \$2.15B
- 80% - 90% PDP, NRIs > 75%
- Limited Core Inventory (~100 gr of 900 gr Locs)
- ~300gr Locs ATROR > 10% @\$50/bbl, \$3/mcf
- Onerous Midstream Commitments
  - Est \$220/yr drag until early 2020's
  - Est \$0.5B - \$1.0B Mkt Value Reduction

### Upside Opportunities

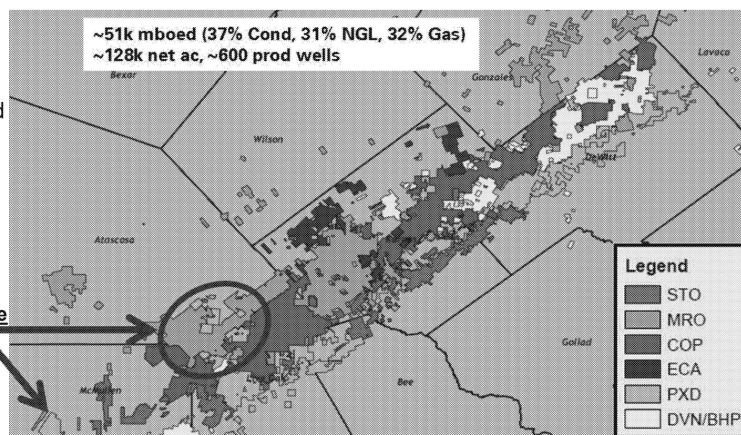
- Recent Wells 45% - 100% Uplift
- 2X Proppant, longer Lat, >spacing
- Refrac potential in existing wells
- Mitigate Midstream Impacts
- 450 gr Dry Gas Locs @HH>\$3.50
  - STX Learnings uplift?

### Recommendation

- Evaluate data room for bid
- PXD may incl STX legacy Wx/Ed
  - Est ~\$160M

### Recent Divestment to Sundance

- \$222M, Volatile Oil window
- 1.8 mboed, ~22k ac



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Sundance

Acreage subject to failed sale in 2017

Metrics ~\$7K/ac; ~\$2K/ac > Mkt due to NRI>75%



## Canasta II – Positioning Royalty Assets for Value Acceleration

Monetizing royalty to fuel growth

### Overview

- L48 Royalty Gross Margins ~\$50M/yr.
- Implied value ~\$475M - \$750M
- Expect minimal reserve impact
- Externally reported prod costs will increase
- Transaction costs/time – all require due diligence, particularly for Non-Op Area assets

**Non-Op Area Assets:** Implied value ~\$275M - \$450M

**BP OP (incl STX) Area Assets:** Implied value ~\$200M - \$300M (may be reduced if WI impacts)

OPTION (Actionable)	Benefits	Potential Issues
<b>Exchange for BSM Units</b> <i>(complex but doable)</i>	BSM mineral/royalty focus Potential audit uplift 15% - 25% ownership in BSM Multiplier Impact BP Stock Favorable leasing, BOD seats Potential single liquidating transaction	Acct impacts not vetted Daily Unit Vols ~.1% Float Sale of Units taxable event Relinquish control of assets Poor history of value agreement BSM complex capital structure Potential short term CF deficit
<b>BP L48 Dropdown/IPO</b> <i>(Least actionable)</i>	Retain control/ direct ownership	Acct/System impacts not vetted Market for IPO shares/units High Admin/advisor costs
<b>Packages for Divestment</b> <i>(Simple but longer timeline)</i>	Maximize value by selective packaging Consider wellbore/horizon transactions Possible tax eff with timely reinvestment	Mult smaller transactions

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Max value could be as high as \$1B if we sold all of the SETX/SWLA min fee acreage at high value.





## Canasta II BACKUP

- Summary Slide on BSM

Black Stone Minerals, L.P.  
Minerals and royalty focused



**Overview**

- 20MM Gr / 7.3MM net ac.
- 41 states, 64 producing basins
- Market Cap \$3.34B, EV \$3.77B
- 2017 Total Revenue \$430M
- Complex Capital Structure
  - 104.3M Common Units, NYSE
  - 95.3M Subordinate Units. Not Traded. Potential conversion >1Q/19
  - 14.7M Series B Convertible Preferred Units. Funded Noble Acq.

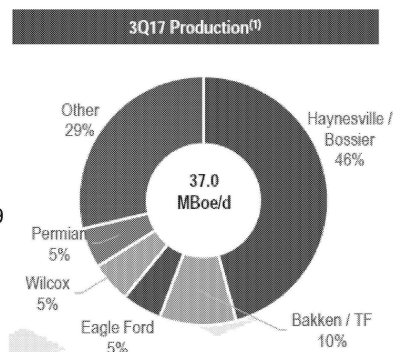
	2Q17 - 1Q18	2Q18 - 1Q19
	\$/Un/Qtr	\$/Un/Qtr
MQD	0.3125	0.3375
Common Actual	0.3125	?
Subordinate Actual	0.20875	?

**Automatic Conversion**

- 1:1 Conversion if BSM earns and pays \$1.35 per unit on all common and subordinated units for the four-quarter period ending March 31, 2019, or any four-quarter period thereafter

**Optional Conversion**

- Board may elect to "force" conversion on or after March 31, 2019 if automatic conversion has not occurred
- Conversion ratio =  $\frac{\text{Distributions Paid to Subs Over Previous Four Quarters}}{\text{MQD Amount for Previous Four Quarters}}$ 
  - Conversion ratio is based on NTM forecasted distributions to subordinated units if lower than actual LTM distributions paid
- Optional conversion may be deferred at Board's election



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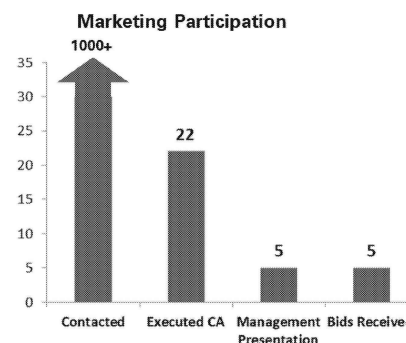
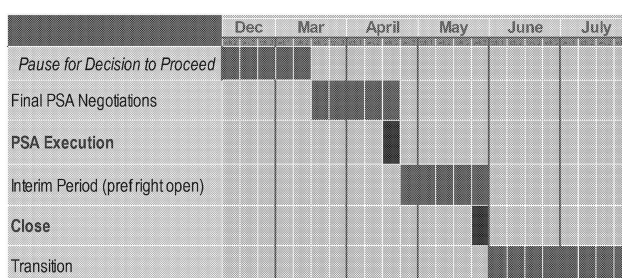


## Project Tyrion – Divestment of L48's Fayetteville Shale Position

Viabile high bidder identified and negotiating PSA

### Status Update

- Marketing kicked off with Wells Fargo as advisor on September 26<sup>th</sup>
- Bids received on December 14<sup>th</sup> with negotiations since then
- Current viable top bid is by Riverbend at \$47.5m
- ATN has been approved to proceed with sale to Riverbend
- BP negotiating PSA with Riverbend with target to execute by mid-April
  - Required extended negotiation period due to Riverbend challenges (small, risk averse, challenging asset specifics)
- Both BHP and SWN have announced they are selling as well



### Bid Result Metrics

	Input	Metric Output	Units
Riverbend Current Bid	47.5	--	MM
BP ATN NTM EBITDA*	9.6	5.0x	multiple
WFC NTM EBITDA*	6.6	7.2x	multiple
NTM Net Prod (mboe/d)	8.3	5.7	\$m/mboepd
Acreage (k)	96	495	\$ / acre

\*Price for 2018: BP = \$3.01, WFC = \$2.89/mcf

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So we have our bids in for the Fayetteville process and will get to those momentarily. First, would just like to point out the process we have been through

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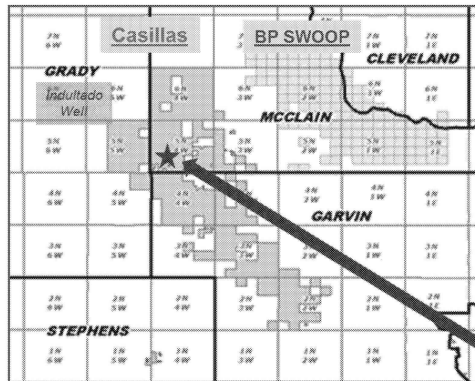
No material economic upside for the basin. No active rigs running at present per DI. So focused on PDP only.

While we understand there is concern around the incremental write-down for the asset with the sale, the hold case is problematic for the business if BHP sells and we don't. If BHP sells, it is likely to be to a PE company that will pick up rigs and drill very marginal wells that will not compete for BP capital. We will then be drilled out of our future position and our acreage in the best areas of the BHP operated sections (which is where we own the highest interest). So these will be effectively divested at zero value. Then our asset becomes even less valuable and marketability diminishes further.

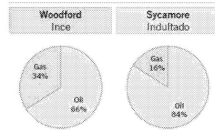
Absent an increase in gas prices, there is unlikely to be a better time to sell than now and it may become unsellable if margins compress much further. If we don't want to move forward now, we would suggest pausing with these buyers for a month or two and perhaps reengaging in 2Q after the 1Q write-downs have occurred. Clearly not in L48 or BP's interest to maintain ownership in this asset.

## Project Sander: Possible Acquisition of Casillas SCOOP Asset

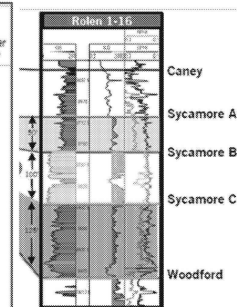
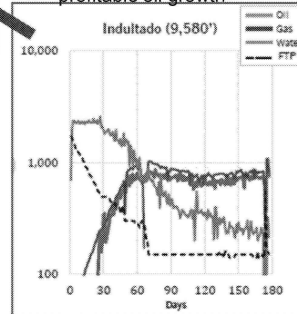
### Strategic SWOOP offset and potential Anadarko asset replacement



Metric	Total
Net Acres	46,000
Operated Drilling Locations (31)	980
Current Production	~10 MBoe/d
% HBP	~95%
Avg. Operated WI	47%
Operated Wells Drilled by YE 2017	25



- Highly attractive Woodford oil bolt-on to SWOOP with similar long flat oil declines for new wells
- IRRs between 50% and 100%+
- Acreage de-risked and delineated, but not optimized
- Includes both Sycamore and Woodford benches
- Non-simultaneous LKE via an Anadarko divestment could:
  - Largely fund the acquisition
  - Eliminate material tax leakage of divestment
- Casillas is open to engaging in a negotiated transaction eliminating competition (like Charter Oak)
- Would position L48 and Midcon portfolio for years of profitable oil growth



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As we mentioned at the prior OPR, we are prepared to divest our Anadarko position as it is non-strategic at current prices and does not compete for capital.

We have seen most of the public companies exit the basin: Conoco, Chevron, EOG, Devon, and Newfield among others. The only publics remaining are Jones and Apache and they don't maintain any material capital spend in the basin. Would not be surprised to see Apache exit at some point as well. All the Anadarko basin activity you read about in the industry press is in the SCOOP, STACK, and Merge in Western Oklahoma where Continental, Devon, Newfield, Cimarex, and Marathon are so active.

The Midcon team do see areas that they like, for instances high graded Cleveland and Marmaton areas. These would be primarily in the two northern counties of our ownership in Ochiltree and Lipscomb. Also parts of Roberts. They are less keen on the scattered and deep Granite Wash acreage in Hansford, Wheeler, and Beckham counties.

We do want to make sure you are aware of the potential financial implications of a divestment of this basin so it is not going to be a show-stopper later. We estimate the proceeds of a sale to be between \$300m and \$500m. At the updated NBV at the end of the year, this would have a write down impact of x.

As far as schedule, if we get started now, we would attempt to be in the market in late 1Q and close a transaction in late 2Q. However, we have further feedback that the Anadarko title records and history is very complicated and is going to require some upfront seller due diligence. We may need up to 2 months to get our ownership in a condition such that we can present it to external parties. So the schedule in this slide could move out by ~ a month or perhaps more with marketing starting in late March or early April.





## Project Zodiac

Using external capital to bring forward existing value

### CEFC

- Received word on 3/1 that CEFC chairman was being probed by Chinese authorities
- Immediately stood down on all further communications

### JERA

- Hosted team from JERA in Houston on 1/31. Presented L48 overview and SoHa prospect
- After the initial visit, we engaged in multiple Q&A on potential SoHa investment
- Due to smaller potential check size (\$100-\$300m), internal decision made to steer JERA to possible investment in San Juan Basin
- On 3/15, we received notice from JERA that they were declining our offer to evaluate SJ investment and were standing down due to near term corporate balance sheet constraints

### Project Guarana

- On 4/2, investment in the L48, through entire value chain, presented to counterparty as potential currency
  - Zodiac style direct SoHa investment presented as option
  - Initial feedback indicates desire to evaluate investment at parent level