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Project Warrior Hold Case

September 23, 2019



## Project Warrior Hold Costs

- It is anticipated that the 2020 hold costs to keep the Wamsutter field will be **\$123 - \$163m**.
  - **\$79m** 2020 base case (GFDz estimated)
  - **\$44 - \$84m** incremental costs
- The primary focus will be to safely reintegrate the asset back into the BPX portfolio.
- BPX will need to fully staff the asset with BP badged FTE and backfill open positions held for existing high performing staff that were scheduled to transfer to BHP assets.
- Bulk of spend will be costs to retain leases and offset production decline.
- This hold case does not contemplate restarting a sustained drilling program. Doing so would draw capital and staffing resources away from the newly purchased BHP assets, jeopardizing 2021 delivery.
- BPX recommendation is to continue divestment as planned.



## Significant items for consideration

# Redacted - Privilege

- **Staff Motivation and Retention:** The divestment of the field was announced in 2018. Retention programs and potential severance have been key to maintain staffing levels. A hold scenario with no development will lead to high turnover and staffing difficulties, with an associated increase of safety and operational risks.
- **Greenhouse Gas Emissions:** 2018 GHG emissions were ~817,000 tonnes CO<sub>2</sub>e, with a 1.3% methane intensity. This represented 22% of BPX's total. If retained, Wamsutter would represent ~33% of BPX go forward portfolio CO<sub>2</sub>e.
- **Winter Operations:** A consecutive harsh winter could cause additional wells to be lost leading to a decrease in PDP value and put further sections at risk from ongoing and new potential litigation arising from loss of commercial production holding the leases. Future buyers would raise questions regarding the asset's operability during Wyoming winters.
- **System Decommissioning:** Several IT applications are scheduled to be decommissioned at the end of 2021. The divested assets are not planned to migrate into new systems. Holding Wamsutter will require migration to the new systems which will add unbudgeted costs or delay the planned decommissioning of the systems.
- **Future Divestment:** Probability of future divestment significantly decreases, as this will be viewed by the market as a failed sale.

## Incremental Spend Needed



Incremental Spend Required	Description	Amount (\$m/yr)
Revex Wellwork	Increase to 2018 level of activity focused on managing field decline	\$7m/yr
Lease Operating Expense	Additional maintenance, winterization projects, and BP badged employees	\$4m/yr
Vehicles	Additional vehicles needed to replace aging vehicles	\$2m/yr
Lease Retention <sup>1</sup>	Funding needed to retain leases. Identified additional well work or drilling capital to replace wells that are the last well on venture. An unsuccessful outcome of the Southland litigation increases required drilling capital to replace last well on section.	\$20 - \$60m
NFLC	Additional staffing needed to support increased field activity primarily to retain leases. This would increase substantially if the drilling program were restarted.	\$3m/yr
Accounting Services	This includes BP badged employees, system allocation, and Accenture. Will need to determine whether to delay decommissioning legacy system or moving Wamsutter to SAP Hana.	\$5m/yr
System Decommissioning - IT Applications	There are several IT applications which are scheduled to be decommissioned post divestment. A delay in divestment will cause inefficiencies and additional expense. The cost to migrate Wamsutter into the PR2 system alone is \$3m.	\$3m+
Total Estimate		\$44-84m/yr

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<sup>1</sup> Between 8 and 24 vertical wells needed to protect last well on venture / section (est \$2.4m / well)

4