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June 9, 2010

BY ELECTRONIC DELIVERY

The Honorable Charles E. Grassley
Ranking Member, Committee on Finance
United States Senate
135 Hart Senate Office Building
Washington, D.C. 20510-1501

**Re: Response to Senator Grassley's Correspondence, Dated May 17, 2010, to
Mr. Lamar McKay, Chairman and President of BP America, Inc.**

Dear Senator Grassley:

I am writing on behalf of BP America, Inc. ("BPA") in response to your May 17, 2010 correspondence to Mr. Lamar McKay, Chairman and President of BPA. We appreciate the importance of providing timely information regarding the issues you raised and have been working as diligently and expeditiously as possible, concurrently with BP's ongoing response efforts in the Gulf of Mexico, to respond to your requests for information and documents. To provide responsive information in a timely fashion, BPA has endeavored to collect information and documents from sources likely to have relevant data and best able to provide it within the timeframe set out in your letter. Consistent with that objective, BPA is providing the responses below along with the accompanying documents bearing the Bates labels BP-HZN-FIN000000001 – 00000412.

Responses to May 17 Requests

- 1. A copy of all transcripts regarding the operation of the Deepwater Horizon rig in the Gulf of Mexico. The time span of this begins five days before the explosion until the present.**

You have requested transcripts regarding the operation of the Deepwater Horizon rig, which we have interpreted to mean contemporaneous drilling and operational reports from the rig. In response to this request, BPA is producing the following documents: (1) an operations summary of data from the rig [BP-HZN-FIN000000029, BP-HZN-FIN000000244]; (2) well activity reports (Form MMS-133) for the time period of February 6, 2010 through April 17, 2010 [BP-HZN-FIN000000245 – 00000284]; (3) International Association of Drilling Contractors ("IADC") reports for February and March 2010 [BP-HZN-FIN000000030 – 00000243]; and (4)

daily operations reports dated April 15, 2010 through April 19, 2010 [BP-HZN-FIN000000001 – 000000028].

2. **All communications between BP and the Executive Office of the President regarding offshore oil drilling. The time span of this request covers January 2008 to the present.**

BPA has identified custodians most likely to communicate with the Executive Office of the President (“EOP”) on BPA’s behalf since January 2008 and has conducted a good-faith search for documents in those custodians’ possession. In response to this request, BPA is producing the following documents from those custodians: (1) correspondence with the Council on Environmental Quality regarding the National Environmental Policy Act [BP-HZN-FIN00000285 – 00000288]; (2) a policy paper that refers generally to offshore oil production in the context of legislation on climate change [BP-HZN-FIN00000409]; (3) a presentation prepared by BPA that provides information on the company’s Gulf of Mexico deepwater drilling operations [BP-HZN-FIN00000289 – 00000295]; and (4) correspondence with the Council on Environmental Quality relating to the Interagency Ocean Policy Task Force [BP-HZN-FIN00000296 – 00000299].

3. **The total costs projected by BP for the cleanup of the Deepwater Horizon rig explosion and subsequent oil spill.**

The cost to BP Exploration & Production Inc. (“BPXP”) of the response to date amounts to approximately \$1.25 billion, including the cost of the spill response, containment, relief well drilling, grants to the Gulf states, amounts paid to individual claimants and business owners affected by the spill, and reimbursement of federal costs. This figure is regularly updated at www.bp.com. BP has not yet projected the total costs associated with the incident, due to the multitude of variables present at this time.

4. **Please provide an accounting of all tax breaks and/or subsidies that BP received from the Federal Government for the Deepwater Horizon rig in the Gulf of Mexico. The time span of this request covers January 2005 to the present.**

Pursuant to its contract with Transocean Ltd., which owns the Deepwater Horizon rig, BPXP paid Transocean a “day rate” for drilling services. The day rate was shared among the wells’ co-leaseholders, including BPXP. Pursuant to federal legislation, Internal Revenue Code § 263, the day rates were classified as intangible drilling costs (IDCs). BPXP, similar to other integrated oil companies, expensed 70% of its proportionate IDCs as incurred. The residual 30% was amortized over 60 months beginning with the month in which the IDCs were paid or incurred.

5. **Please provide an accounting of royalty relief that BP has received for offshore oil drilling in the Gulf of Mexico. The time span of this request covers January 2005 to the present.**

Under the Deep Water Royalty Relief Act and the Interior Department's deepwater royalty relief program, BP has received royalty relief in the Gulf of Mexico of approximately \$350 million on production from January 2005 to present.

6. **Please provide documentation of all safety violations issued against BP and the total amount of fines paid by BP for the Deepwater Horizon rig in the Gulf of Mexico. The time span of this request covers January 2005 to the present.**

In response to this request, BPA is providing documentation relating to two incidents involving Transocean's Deepwater Horizon drilling rig since January 2005, both of which occurred in 2007 and one of which resulted in a fine. The first incident involved a Notice of Violation assessed by the U.S. Coast Guard in April 2007 in connection with the accidental release of 10-12 gallons of synthetic base mud into the Gulf of Mexico. A \$250 fine was imposed for this incident. Documentation relating to this incident is provided at BP-HZN-FIN00000328 – 00000337. The second incident occurred in March 2007. MMS issued an Incident of Noncompliance (INC) after concluding that a pressure washer located on the rig floor had no external ground wire. BP requested rescission of the INC because it believed that the equipment in question was maintained and operated in accordance with all applicable safety codes and regulations. On July 17, 2007, MMS approved the rescission request and removed the INC from its database. No fine was imposed in connection with this incident. Documentation relating to this incident is provided at BP-HZN-FIN00000300 – 00000327 and BP-HZN-FIN00000338 – 00000342.

7. **Please provide documentation that BP is in compliance with MMS regulation 250.416(e) for all oil rigs owned/leased/operated by BP in the Gulf of Mexico.**

BP has submitted applications for permits to drill in accordance with the process prescribed by MMS officials, including submission of all applications, forms and pertinent documentation required and/or requested by such officials. All applications submitted by BP in accordance with MMS regulations contained at 30 C.F.R. § 250 are reviewed and approved by MMS officials prior to the operation of all rigs leased and/or operated by BP in the Gulf of Mexico. Indeed, as required by MMS regulations (21 C.F.R. § 250.410), BP obtains written approval from the MMS District Manager before it begins drilling any well or performing similar operations as provided for in the regulations. BP is not aware of any MMS practice requiring an applicant to attach to its initial application proof of the strength of the blind shear rams on the blowout preventer (which is the subject of 30 C.F.R. § 250.416(e)). In past cases when MMS officials have raised any questions or additional requests relating to shear ram strength during the application review and approval process, BP has provided the additional information.

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- 8. Please explain the benefits/drawbacks of having an oil rig off the coast of the United States flying under the flag of a foreign country. Specifically, how does this affect safety inspections, taxes, and royalty payments.**

The owner of the rig or, more specifically in this instance, mobile offshore drilling unit, controls whether the vessel is registered under the flag of a particular country. BP does not own any mobile offshore drilling units operating in the Gulf of Mexico. The owner of the unit is best positioned to respond to this question.

- 9. Please provide a list of all BP oil rigs operating in the Gulf of Mexico and flying under the flag of a foreign country. Please provide the name of the oil rig, its distance from the United States coast, and the name of the country under which the rig operates.**

As stated above in response to Request No. 8, BP does not own any mobile offshore drilling units operating in the Gulf of Mexico and, accordingly, does not control the flag under which those units operate.

- 10. Please explain, in detail, who made the decision to replace the mud in the drill hole with seawater. Provide any pertinent documents and/or communications.**

Because investigations into the Deepwater Horizon incident are ongoing, it would be premature to speculate regarding specific decisions. In addition, certain third parties may have in their possession information that is relevant to this request but to which BP does not have access. That said, BPA is producing the following documents that are pertinent to your request: (1) a copy of the draft presentation that outlines the preliminary perspectives of the investigation team commissioned by BP to investigate the incident [BP-HZN-FIN00000344 – 00000391]; and (2) a copy of the Temporary Abandonment Permit approved by MMS on April 16, 2010 for the temporary abandonment of the Macondo MC 252 #1 well bore, which sets out the procedure approved by MMS for the temporary abandonment of the well, and related documents [BP-HZN-FIN00000393 – 00000396, BP-HZN-FIN00000392].

- 11. Please provide documents and communications on the amount and/or rate of oil leaking from the Deepwater Horizon oil rig.**

Using the lower marine riser package (LMRP) containment cap, which was installed on June 3, 2010, BP continues to collect oil flowing from the well and to transport it to containment on the surface. BP regularly reports the volume of oil captured from the well using the LMRP cap at www.bp.com. In addition, the federal government created a Flow Rate Technical Group (“FRTG”), comprised of members of the scientific community and government agencies, to provide further specificity on the flow rate. Consistent with its stated commitment to transparency and cooperation, BP has provided the FRTG with data showing release points and amounts of oil and gas currently being collected on the surface, as well as subsea video of the oil release to assist with FRTG’s efforts. BPA is producing at BP-HZN-FIN00000410 – 00000412 a summary preliminary report released by the FRTG on May 27, 2010, providing a preliminary

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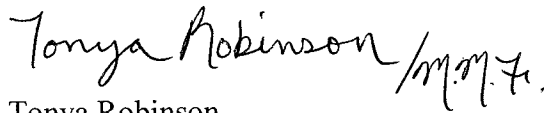
estimate of the amount of oil flowing from the well. Finally, BPA is producing documents that relate to earlier estimates of the amount of released oil, including flow rate calculations for the Mississippi Canyon 252 #1 well [BP-HZN-FIN00000397 – 00000408].

* * * * *

Today's production contains confidential business information. BPA respectfully requests that these documents be maintained confidentially and that, if the Committee is considering releasing any of these documents, BPA be given an opportunity to be heard on that question.

If you have any questions, please feel to contact me at the telephone number listed above, or Liz Reicherts at (202) 457-6585.

Sincerely,


Tonya Robinson

Enclosures

cc: Hon. Max Baucus, Chairman