

BP NORTH AMERICA

Moderator: Daren Beaudo
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Operator: Good afternoon. My name is (Notris), and I will be your conference operator today.

At this time, I would like to welcome everyone to the Kent Wells technical briefing conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key.

Thank you. Mr. Daren Beaudo, you may begin your conference.

Daren Beaudo: Thank you, Operator, and welcome, everyone, to another Kent Wells technical briefing. This is a little bit unique. We've done it before, but Kent will be using the Microsoft Live Meeting to talk through a few slides. Hopefully everyone got the correct instructions on how to access those slides. I would think that most of you will be familiar with them, because they're taken from the video briefing that Kent did, which was posted on July the 21st.

Now, if for some reason you had difficulty getting to the Microsoft Live Meeting, fear not, because we've also posted those presentation slides as a PDF on the Web site. And those are contained within the message about this technical briefing on the Kent Wells technical briefings page, so you're free to follow along there.

But, again, the slides should be pretty familiar to you because they were taken from the animated static kill slide presentation that Kent provided in video.

As usual, we will have about 15 minutes for the presentation. Kent's going to try to give a very thorough walkthrough on what we're looking to expect here, and then we'll have Qs and As at the end. And, again, I'd ask you to limit yourselves to one question.

And I'll now turn it over to Kent.

Kent Wells: Thank you, Daren. Good morning, everyone. Welcome.

I'd like to cover three things today, talk about the well integrity tests, talk about the relief well being drilled by the DD3, and then spend most of my time talking about the activities we're going to have going on this week associated with the static kill.

Before I jump into that, just let me make a little comment about weather. So we are fortunate we're having a very good weather window right now in the Gulf of Mexico, other than it's incredibly hot and humid out there, which makes it a challenging work environment for the people, but in terms of tropical storms, we have a good weather window.

But as it is August and this is sort of part of the peak of the hurricane season, we are seeing some storms coming off the west coast of Africa, and that will always be something we'll be paying attention to.

And the main reason I mention this is, as I talk about timelines going forward, I'll always do it assuming no impact from a tropical storm or a hurricane.

So let me jump in. On the well integrity test, the well integrity test continued on. Everything that we're monitoring continues to give it confidence that this well has integrity.

The pressure continues to climb currently at 6,989, increasing at a pace at less than 10 PSI per day, so less than a half a PSI per hour. And it's just kind of very, very rock steady, and so that's very good.

Now, the – we're 18 days into the well integrity test, so that's 18 days that no new oil has been going into the Gulf of Mexico, so that's encouraging. But the two most important things we got out of the well integrity test as we looked forward to the relief wells and the static kill is it's, one, given us confidence that this well does have integrity and then, also, it's given us a good view of what the reservoir pressure is, and that's particularly important as we think through the static kill procedure, and I'll talk some more about that later.

In terms of the relief well, the first relief well being drilled by the DD3, we've now successfully run and cemented the casing in place. That was a very important step. That was a step we wanted to have complete, taking an overabundance of caution. We wanted to have that complete before we start the static kill, so we're now in a position to do that.

In terms of the progress of the relief well going forward, I've talked before about – that the – I would see the intercept of the Macondo well sometime in the 11th, 12th, 13th, 14th, 15th of August, and I'm still sort of in that mindset. Of course, that's assuming no impact from weather, no impact from sort of – if we had to delay anything during – because of what we were doing with the static kill, et cetera.

But I think we're well-positioned that the casing's exactly where we wanted it, it's cemented. They've got some testing they do at this point. And then they'll take that real precision drilling, where we have to drill about another 100 feet before we intersect the Macondo well, so that's still how I see that going forward.

And then, of course, once we intercept, I've said, depending upon the status of the well after we've done the static kill, the killing of – with the relief well could take anywhere from a number of days to a few weeks.

So now let me move on to the static kill. And I want to keep reinforcing the difference between when we tried the top kill before and the static kill. During the top kill procedure, if you remember, the well was flowing, and

therefore we had to pump mud at very, very high rates and pressures to sort of overcome that.

We're in a very different place today, where we have the sealing cap on it. There is no flow from the well. And the approach of the static kill will be very different. It will be at low rate and at pressures nowhere near what we pumped during the top kill. In fact, we'll be looking to keep the pressures fairly low, above what it was already (at the – the) sealing cap today.

I want to talk through the static kill in sort of three phases. And the first will be the – and I mentioned this a couple days ago on the call. The first phase is what we're calling the injectivity test, and we expect to do that later today, probably later in the afternoon into the evening.

And the purpose of the injectivity test is to do a couple of things. First of all, we want to confirm that we can inject the oil that's in the wellbore back into the reservoir, so that's important. And the static kill – if you think about what we're doing, is we're pumping heavy mud into the well, pushing the oil that's in the Macondo well today, pushing it back into the reservoir, displacing it with this heavy mud, and that heavy mud is what actually kills or holds back the pressure from the reservoir. So we want to confirm that we can inject back into the reservoir.

The second thing we want to do is we want to understand what the friction pressures are in our system so that we can very accurately monitor the pressures and what that's telling us about where the mud's going. So we're doing this test procedure that will set up the static kill part that we will do tomorrow.

So then the second phase is what I call the static kill, and that's where we'll actually be pumping the heavy drilling mud into the well. It will go down and push all the oil that's in the well back into the reservoir. And when we've done that, we'll have hydrostatically controlled the well or killed the well, where as opposed to the sealing cap happened to hold back all that pressure, we'll be using the mud to hold back a lot of the pressure.

And, in fact, if you came all the way – I'll talk later and show that if you come all the way back up to the surface at the Q4000, you will essentially see zero pressure at that point.

And then after we've done that, there's a very important decision to make about, what is the best way to pump cement into this well? Is it at that point to do it from the top, from the Q4000? Or is it best to cement it from the relief well when we intersect? And that will be a very important decision that we will make to determine, what is the best way to actually cement this well?

So I'm going to go through a few slides with you to walk through, just so everybody sort of remembers what equipment's involved, what we might see, et cetera.

Now, I do want to mention a couple of things before I do that. First of all, when – if you're watching the ROV feed, you will see pressure gauges from time to time, but those are gauges that are on accumulators. Those have nothing to do with the pressures that we're monitoring during the injectivity test and during the static kill procedure.

If you remember, the way we get the pressure measurements is through pressure transducers. These are very accurate pieces of equipment we have on the BOP and the sealing cap. They send a signal to the ROV, which then gets converted into a (pressure at surface). So there's nothing you'll see in the ROV cameras (about pressures).

And then the other thing I'd say is, you will see some ROV activity, where they're turning valves as we open up the manifold, et cetera. What we will work very hard – between Admiral Allen and myself and others – is try to keep you informed at what stage we are so people don't have to guess, well, what does that mean? So we'll try to pick important milestones to keep people informed.

OK. So if I could go to my first slide – and this is just a general picture of what's out there. And let me focus initially in the surface.

So key vessels on the surface – if you are looking at this slide, they're to the upper-right-hand side. And we've got the Q4000. We've got the Blue Dolphin, and we've got the (Hoff Center Line).

So the Blue Dolphin is actually the pumping vessel. This is where we will pump the mud from. And it actually has all the mud we will probably need to do the static kill onboard itself.

But what we've also done is we've connected the (Hoff Center Line) to it with surplus mud, and so we've got about – I think we've got pretty close to 8,000 barrels on the Blue Dolphin. We've got another 20,000 barrels on the (Hoff Center Line). But to do the static kill procedure, we may only need 2,000 barrels. So I think that sort of gives you an idea of the amount of backup we have.

And then I think there are still many other vessels out there. We've still got the DD2 and the DD3 drilling the relief wells. We're still continuing with our work for containment. So there is still a lot of activity that's going on out there.

But for the next few days, the number-one priority will be the injectivity, static kill, and then their decision on what we do around cementing.

Now, if we go down to the sea floor and down on the sea floor – and here you'll see a few things. Let me introduce you to this picture. The red line that goes down through is the Macondo well. And the two yellow lines that come towards it are the well path of the two relief wells.

And so if you look at the yellow line from the right side, you'll notice how close it is. The first relief well is approximately four feet away from the well, and we expect to drill another 100 feet or so to intercept it. It's still about 800 or 900 feet above the top of the reservoir in the Macondo well. It was always our plan to intersect above the top of the reservoir.

What you can see just from this picture why we, through an overabundance of caution, wanted to run the casing, get it cemented so that we had that very

solidly in place, just in case there was any communication established with the static kill process.

And then if we go back up to the sea floor, so up near the top of the slide, you'll see the red dotted lines show the hoses and manifolds and where the – where we'll be pumping the mud from the Q4000 surface coming along the sea floor.

Now, the manifold has a number of valves in there, so one of the things that you might observe from the ROV footage is us (going to panel), and you'll see them turn different valves, and that would be to open or close different valves on the manifold.

You'll also see them open or close different valves on the BOP stack. So I think there will be some activity, and there will be a fair amount. We have a number of valves that isolate the well back up to the Q4000, so you'll probably see a fair amount of activity going on there.

And then, of course, the plan is, is that we would – so after we've done the injectivity test – and if that confirms for us that we can inject back into the reservoir, then we've moved to the static kill. If we did the injectivity test and we weren't able to inject into the reservoir, then we would go to the relief wells, because that's not a requirement for the relief well to kill. It's only a requirement that we can inject back into the reservoir to actually do the static kill.

And then we would – so we would be pumping in here, and we'll just slow be pumping the mud in initially, and it will actually build up pressure. We'll be carefully monitoring the pressures and the volumes. And as that goes, the team will be looking at it and making sure we're doing everything to get this well killed, if at all possible.

If when we're done the – the static kill, we'll have some choices to make. One, if we believe at that point that we've successfully killed the well, then we can decide whether, is it best, based on what we observed during the static kill, to cement the well in a similar fashion that we did the static kill or is the best way to wait and intersect it with the relief well and cement it from there?

And once again, that will be very dependent upon what we see during the static kill procedure.

And if I look to the final slide, ultimately what we want to end up with – and in this picture, you'll see there's gray at the bottom. We want to end up with cement in the bottom of the hole, completely filling the bottom of the Macondo well, and whether that comes from the top or whether that comes from the relief well, those will be decisions that will be made along the way. And in any event, even if we were to pump the cement from the top, we will still continue on with the relief well and confirm that the well is dead.

So if I could summarize again, what I'd like you to think about is what we're going to be doing – or let me say one more thing. On top of what I shared with you, what you might see from the ROV, there's not a lot of activity to observe.

If you were out on the vessels, there's really nothing that you would see. You might see someone turn a valve. You might hear the pumps start up. But it's not like there's a lot to see.

If you were actually in a submarine down on the sea floor, everything is contained within the system. All you would see is the ROVs adjusting the valve. And so that's why we're committed to keeping you informed along the way on where we are with this.

So I think – so if I can just summarize, today we will do the injectivity test. We'll look at that information, make any adjustments to how and if we move forward with the static kill tomorrow. And tomorrow, we'll do the static kill. That might take all of tomorrow. It could even run into Wednesday. When we're done with that, we will then at that point make a decision on what is the best way to cement the well to ultimately plug that.

So I hope that's brought a little clarity to this. And now I'm happy to take some questions.

Operator: At this time, I would like to remind everyone, in order to ask a question, please press star, then the number one on your telephone keypad. Again, that is star, one to ask a question at this time.

Our first question comes from the line of (Jim Paulson) with Bloomberg News.

(Jim Paulson): Hi, Kent. Thanks for having this call – and if you addressed this, I apologize – can you kind of explain the difference in intensity or amount of mud or something between the injectivity test and the actual kill itself? Because you said the injectivity test was to determine whether or not you could pump into the reservoir, which sort of makes it – sounds like the mud is going to go all the way down. I just wanted to get that squared away.

Kent Wells: Yes, (Jim) – (Jim), thanks for asking that question, because I think that is good. So in the injectivity test, what we're actually going to pump is what we call (base oil) at the surface, so we're not actually pumping mud. But what we're looking at is the oil that's in the wellbore, can we get it to go back into the reservoir?

So we're first going to start to pump at one barrel per minute. We're going to observe how that goes and what pressure that stabilizes at. Then we're going to go to two barrels a minute. Then we're – same thing – then we're going to go to three barrels a minute, same thing. And then based on those three, we'll decide if we do a further one at a slightly higher rate, but it's those sort of single-digit numbers that we're looking at. So one, two or three barrels a minute is the fundamental part of the test.

Operator: Your next question comes from the line of Kristen Hays with Reuters.

Kristen Hays: Good morning, Kent. Also, thank you for doing the call. Is the static kill going to happen? Or – I think I heard you say might at some point. Is there a possibility you might not do it?

Kent Wells: Well, Kristen, the only way we might not do it is if we weren't able to – if we did this injectivity test and we weren't able to get any oil back into the reservoir, then it wouldn't be possible to do the static kill.

We're not anticipating that. But what I've tried to do is be really crystal clear how we're thinking this through. We've got the three separate phases. We do each one. Based on how that goes, we make a decision to move forward.

But our plan is that we'll do the injectivity test today. We'll do the static kill on Tuesday, perhaps even run it into Wednesday, and then I think there is a very important decision on, what is the best way to cement the well based on that? And we'll make that decision and go forward from there.

Operator: Our next question comes from the line of Joel Achenbach with the Washington Post.

Joel Achenbach: Yes, hi, Kent. Can you for a moment detail the differences in the way that the Macondo well was designed and drilled and cemented and the way the relief well was designed and cemented and so on, just so we have a sense of the differences there? And what will happen ultimately to the relief well? Would it ever be converted to a production well down the road?

Kent Wells: Yes, so, first, the relief well was very specially designed to start from roughly about 3,000 feet displaced horizontally at the surface of the sea and also at the sea floor, to go down vertically, and then to be directionally drilled over, and then be sent up to be in a position where we could do this intercept.

And so we've been very careful to sort of follow its trajectory, get the casing in place, get it cemented as you've just seen going forward. So it's a very different design. There is no intention for us to convert these relief wells to producers or the Macondo well itself. Each has a set purpose. The relief wells were to intersect and kill the Macondo well.

Operator: Your next question comes from the line of Jaquetta White with the Times Picayune.

Jaquetta White: Hi, Kent. Thanks for taking the question. I was wondering, about how long will it take before you know, when you're doing the injectivity tests, whether or not you can proceed with the static kill? And when you all – will you all make an announcement at that time?

And then, also, what factors will you be looking at when you decide whether or not to cement from the top or the bottom? What will you consider then?

Kent Wells: OK, so a couple good questions there. In terms of the injectivity tests, the test itself doesn't take all that long. What does take a lot of time is actually opening all the valves, getting them in the right position, getting all the ROVs in the right positions to do all the monitoring we're doing, and actually then taking a look at the information.

So we would expect that we will get the tests done in a few hours, later today. Then we'll spend some time to carefully look at what that information (inaudible) it could be it's just so obvious that there's no issues, we have lots of injectivity. It could be that we might want to adjust somewhat the kill procedure. We'll have information on friction pressures. We may rerun our models just so that we know exactly what we're looking at during the static kill procedure, so that's sort of our plan.

Operator: At this time, we will take two more questions. Our next question comes from the line of Vivian Kuo with CNN.

Vivian Kuo: Hi there, Kent. If the injectivity test doesn't work, does the base oil just sort of float at the top of the oil instead of pushing it down into the reservoir? And again, if you don't find that you have injectivity, is that commentary on the integrity of the wellbore?

Kent Wells: So the (base oil) that we'll be pumping in will be going down the drill stream from the Q4000, if you look at the animation, and along the (complex of hoses). Depending upon how the test goes, we'll determine how much we actually pump, and if it went on for a long period with high injectivity, it would go into the top of the Macondo well.

In terms of the – what are we looking for, this is really just to tell us about the ability to inject the oil into the reservoir. I think the integrity test that we've been done for 18 days has very much confirmed the integrity of the well. And injectivity test, I can't imagine that it would give us any new information on that.

Operator: And our final question comes from the line of Clifford Krauss with the New York Times.

Clifford Krauss: Good morning. Thanks a lot. Quick technical question. I seem to feel like you're saying you would cement either with the static kill or with the relief well. And I'm just wondering, if there's integrity – and given that with the static kill you may not fill the annulus – is it possible that you would be cementing two times?

Kent Wells: That's always a possibility, Cliff, but I think what we're going to look for is making sure we find the best way to do it. And I think if we thought that there was (flow up) both the casing and annulus, we would probably have a bias to cementing it from the relief well.

I think that will be something that we'll have carefully monitored how the kill procedure went and then decide, what is the best way to do it? Do we do it – do we believe it can be cemented solely from the top, no question in our mind? Do we believe that it's going to take two parts to do it or – i.e., from the top and the relief well – or does it tell us, no, the best way to do this is to do it from the relief well only?

And we'll take a look at all that information. We'll be involving the (BOEM). We'll be involving the scientists. And we'll make the best decision we can to figure out what's the best way to cement and plug this well.

Daren Beaudo: Hey, thanks, folks for joining us here today. A couple of notes. As Kent said, whether or not – whether through Admiral Allen or our own teleconferences, we're committed to keeping you informed about the procedures going forward. We'll continue to send out notices for scheduled telecons like this. And if there's a milestone that requires a press release, we'll do that, as well, for significant developments.

A reminder that we also post the transcripts and the audio files on bp.com under the Kent Wells technical briefing page, so look for those, as well.

And if you'd like to send an e-mail question to us – some of you are familiar with this address – you can also always send us an e-mail question to uspress@bp.com.

Thanks very much.

Operator: Ladies and gentlemen, this does conclude today's conference call. Thank you for your participation. You may now disconnect.

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