



BP in Azerbaijan

Baku

September 2006

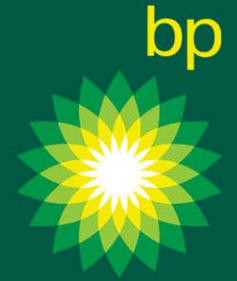
Cautionary statement



Forward looking statements: This presentation and the associated slides and discussion contain forward-looking statements, particularly those regarding oil and gas prices; expected start-up of Thunderhorse; the timing of other projects and their contribution to expected production, their estimated reserves and production capacity; production; the expected movement of non-proven resources to proved reserves; divestments and their effect; capital expenditure; and cash flow. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors; natural disasters and adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this presentation.

Cautionary Note to US Investors - The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this presentation, such as "resources" and "non-proven reserves", that the SEC's guidelines strictly prohibit us from including in our filings with the SEC. U.S. investors are urged to consider closely the disclosures in our Form 20-F, SEC File No. 1-6262, available from us at 1 St. James's Square, London SW1Y 4PD. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

September 2006



Introduction

Fergus MacLeod
Head of Investor Relations

1989 Access Agenda



Current Environment

● Competition Increasing

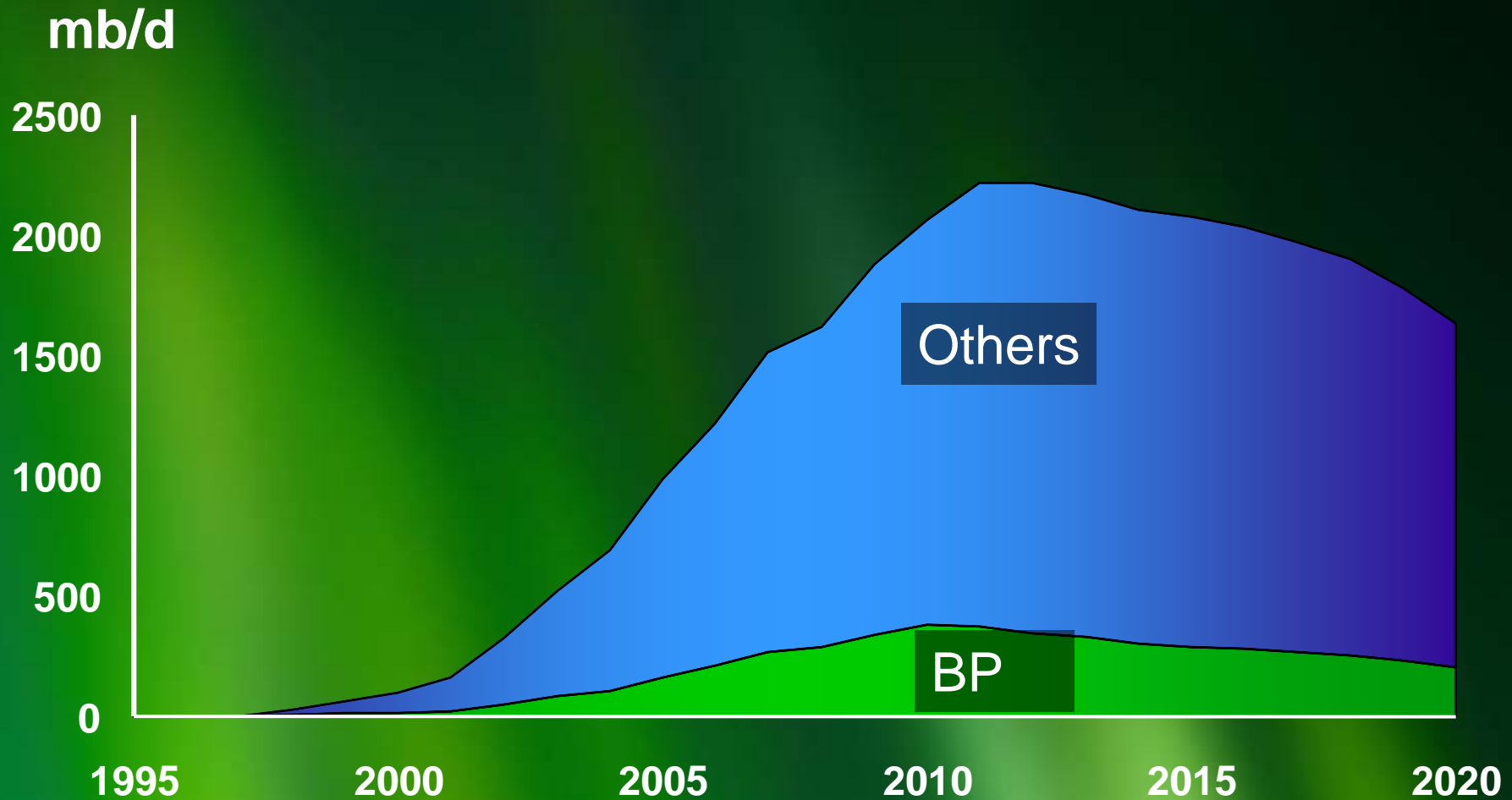
- Access competition
- New players
- Terms erosion



● Challenge to BP

- Keep ahead of pack
- Play to strengths
- Exploration track record
- Deepwater technology
- Relationship management
- Deepen existing positions
- Broaden into new positions

Production Profile





E&P Strategy Update

Tony Hayward
Chief Executive, Exploration & Production

BP Azerbaijan organisation



BP Azerbaijan President
*David Woodward / Bill Schrader**

Chief of Staff
Erich Krumanocker
Executive Assistant
Kamala Husseyli

Commercial Director
Phil Home

Georgia General Manager
Hugh McDowell
Turkey E&P Director
Djan Suphi

Renewal VP
Paul Clyne

Shah Deniz VP
Mike Skitmore

Major Projects VP
Bruce Luberski

**Offshore
Operations VP**
Neil McCleary

**Onshore
Operations VP**
Rashid Javanshir

Technical Director
Fereidoun Abbassian

HR Director
Zarina Zeynalova

C&EA Director
Clare Bebbington

HSSE Director
Gunther Newcombe

**Business
Transformation
Manager**
Judith Luberski

**David Woodward will be retiring from BP on 1 January 2007,
Bill Schrader will be effective in this role from 10 November 2006*

Project start-ups



2005

2006

2007

2008 - 2009

2010 and beyond

✓ Valhall
 ✓ Waterflood
 ✓ Mad Dog
 ✓ Central Azeri
 ✓ Clair
 ✓ Kizomba B
 ✓ Trinidad LNG
 Train 4
 ✓ Rhum
 ✓ West Azeri
 ✓ Mardi Gras
 Pipeline

✓ Cannonball
 ✓ Temsah
 ✓ Redevelopment
 ✓ BTC
 ✓ In Amenas
 ✓ Wamsutter
 Dalia
 East Azeri
 Shah Deniz
 Magnus
 Extension

Atlantis
 King Sub-sea
 Pump
 San Juan
 Coal Bed Methane
 Greater Plutonio
 Kizomba A Ph 2
 Rosa
 Red Mango
 North West Area
 Development

Thunder Horse
 Ursa Expansion
 Kizomba C
 ACG Phase 3
 Angel
 Australia LNG T5
 Tangguh Phase 1
 Saqqara
 Dorado
 Great White
 Horn Mountain NW
 Mad Dog SW Ridge
 Mars South
 Cashima
 Chacalaca
 Egypt LNG T1
 Harding Gas
 Valhall Redevelopment
 Uvat (Demiansky Phase I)

Atlantis North
 Flank
 Puma
 Tubular Bells
 Alaska Gas
 Liberty
 Point Thomson
 Western Regional
 Development
 Angola LNG
 Block 18 West
 Block 31 North
 Block 31 South
 Block 31 Central

Paz Flor
 Egypt LNG T2
 Browse
 Io / Janz
 Tangguh Phase 2
 Vietnam Phase 2
 Colombia Gas
 Clair Ridge
 Skarv
 Kovykta Export
 Rospan
 North Rankin B
 Kizomba D
 Shah Deniz Phase 2

✓ on stream

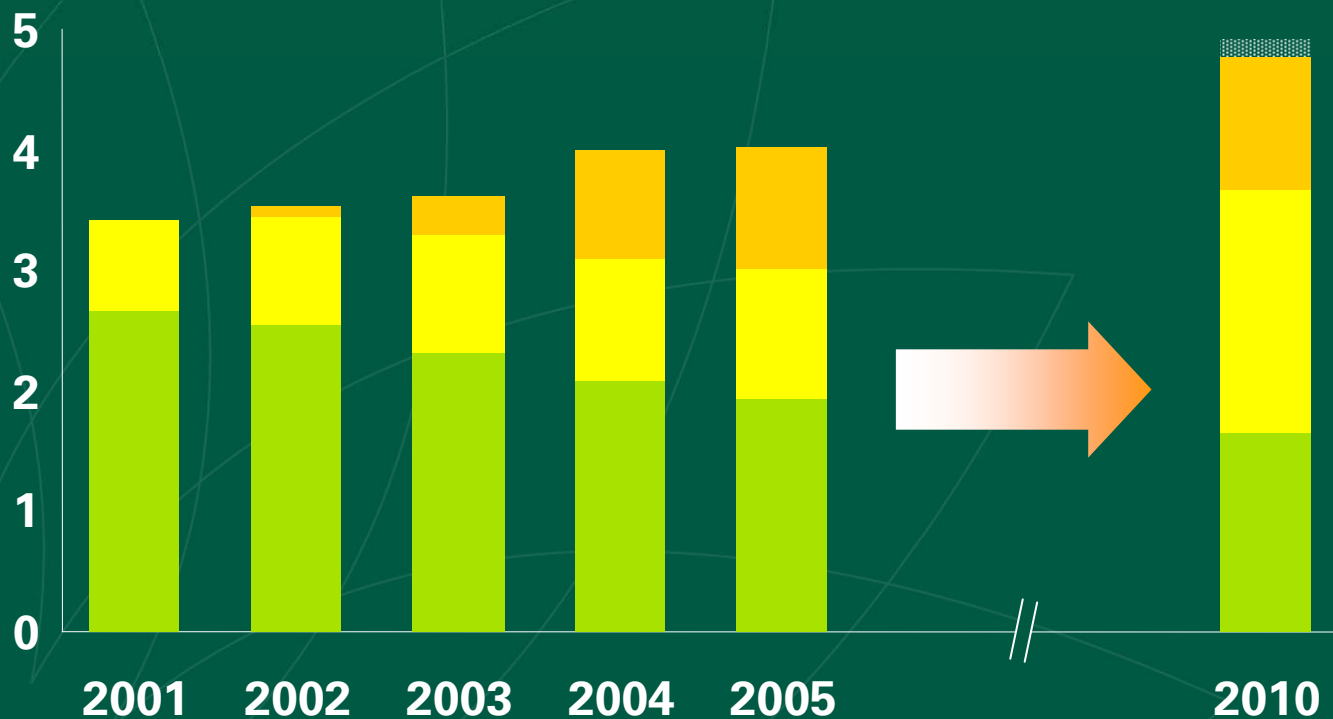
in development

under appraisal

Production to 2010






mmboe/d



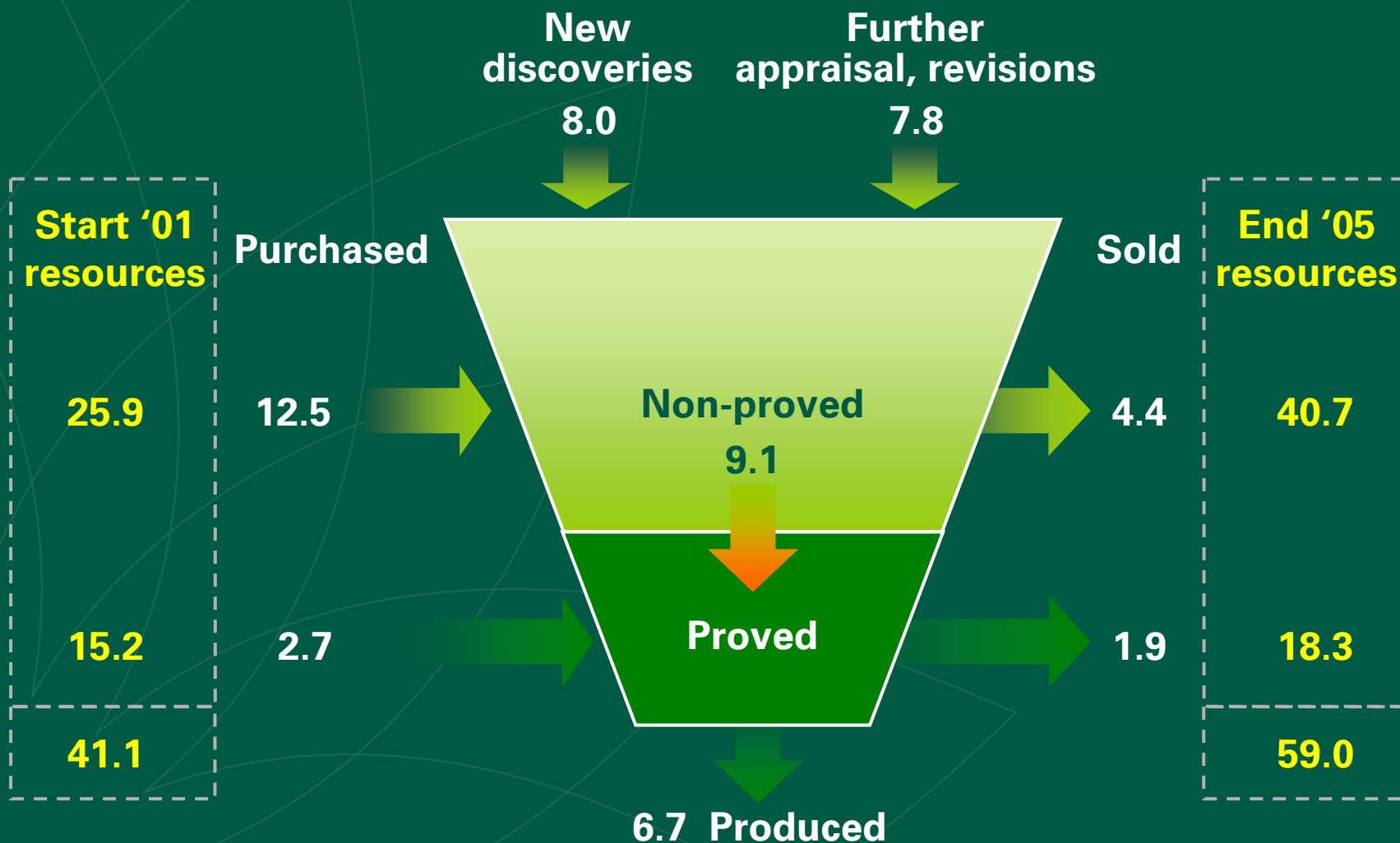
- Divestments closed in 2006
- TNK-BP
- New profit centres
- Existing profit centres

Strategy – building profit centres



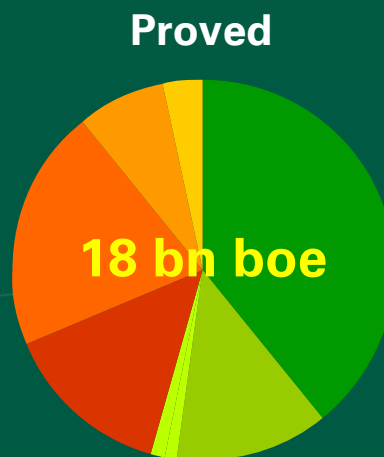
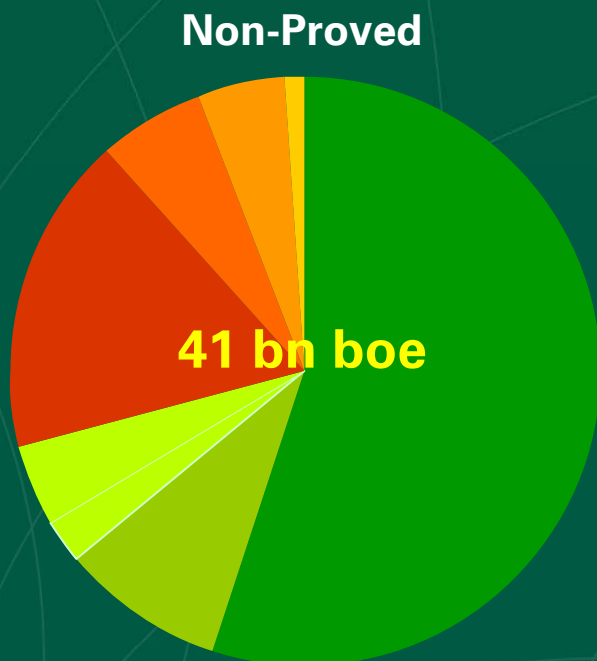
-  Russia / Kazakhstan
-  New Profit Centres
-  Existing Profit Centres

Resource growth & progression 2001- 2005



Totals in billion boe
Proved UK SORP, non-proved BP data

End 2005 resource by type



- Conventional Oil
- Deepwater Oil
- Water Flood Viscous and Heavy Oil
- Conventional Gas
- LNG Gas
- Tight Gas
- Coal Bed Methane

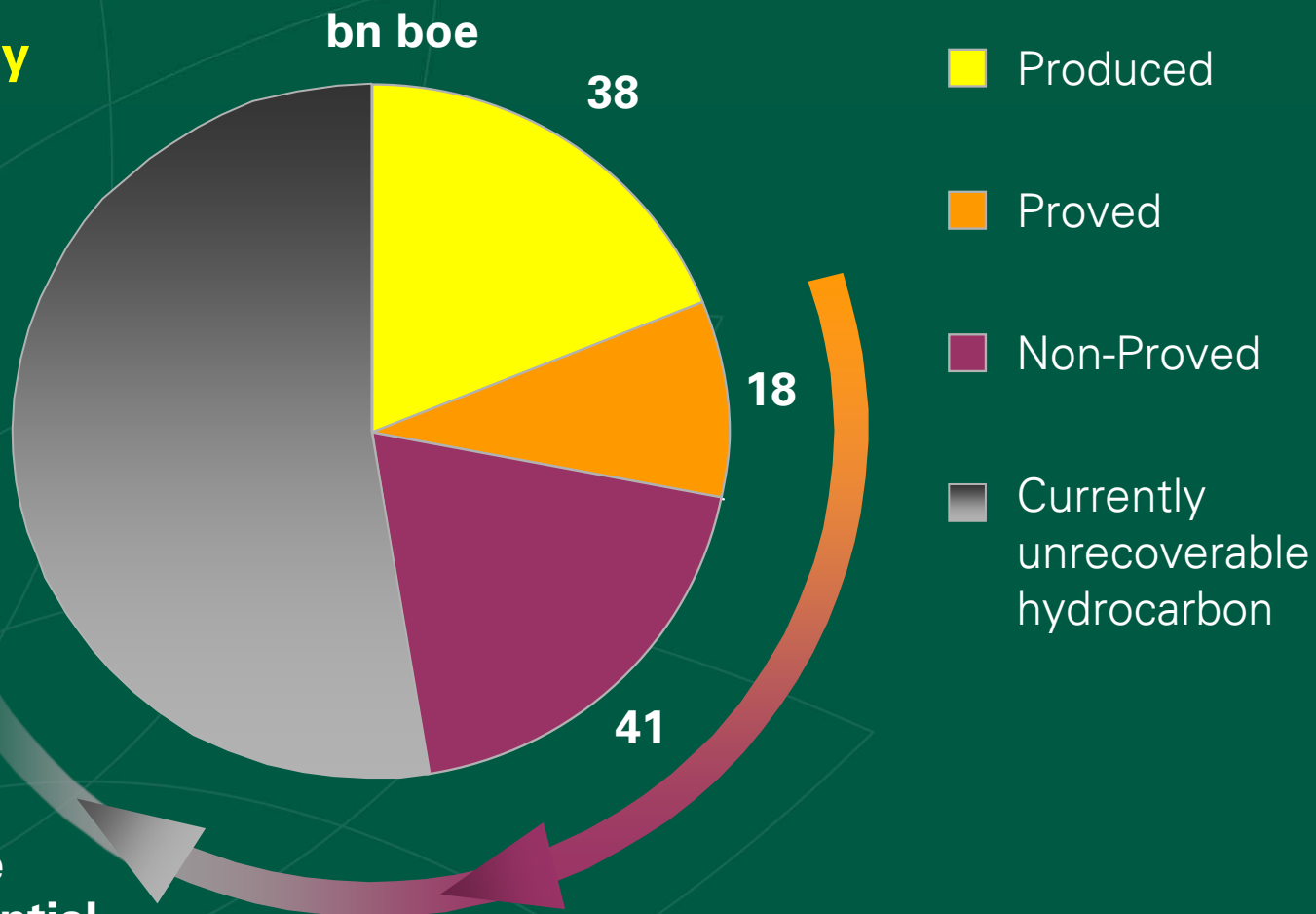
**Between 2005 and 2010
11 bn boe of non-proved
resources are expected to be
moved to proved reserves**

*Totals in billion boe
Proved UK SORP, non-proved BP data*

The ultimate prize



**200 bn boe oil
and gas initially
in place**



**Does not include
exploration potential**

Summary



- New Profit Centres have arrived
 - Major Projects underpin production growth through the end of the decade and beyond
- Power of incumbent positions
 - Technology to unlock the resource base



Building a New Profit Centre: Azerbaijan

Andy Inglis

Deputy Chief Executive, Exploration & Production

Building a new profit centre: Azerbaijan

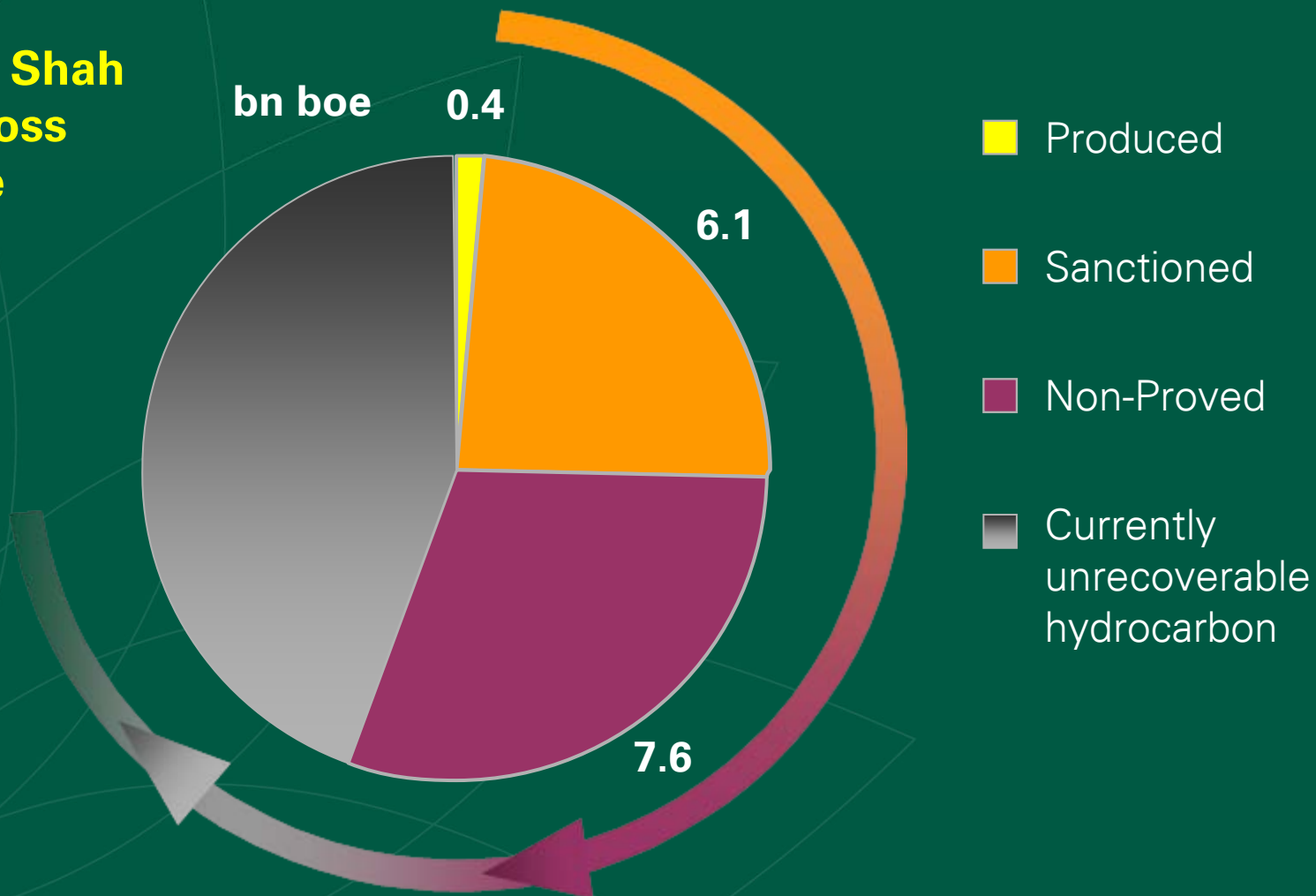


- Resource base
- Technology
- Project delivery
- Statecraft and diplomacy
- Sustainability through mutuality

Resource base: Azerbaijan



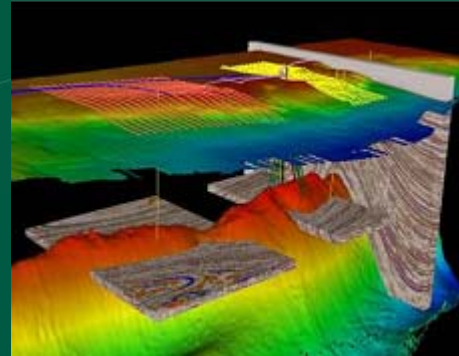
ACG and Shah Deniz Gross Resource



Technology



Reserves pull-through



Maximising revenue



Capital efficiency



Project delivery



Azerbaijan



Central Azeri - 2004



West Azeri - 2005



East Azeri - 2006



ACG3 - 2008

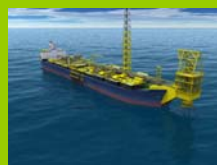
Angola



G. Plutonio - 2007



Bk31 North - 2010+



Bk31 Central - 2010+



Bk31 South - 2010+



Bk18 West - 2010+

Trinidad



Cannonball - 2006



Red Mango - 2007



Cashima - 2008



Chachalaca - 2009

Egypt



Train 1 Supply 2008



Train 2 Supply - Ph1 2010+



Train 2 Supply - Ph2 2010+

GoM



Dorado 2008



Horn Mountain
NW 2008



Mad Dog SW Ridge
2009



Atlantis North Flank
2010+

Statecraft and diplomacy



Sustainability through mutuality



Workforce capability



Local content



Capacity building





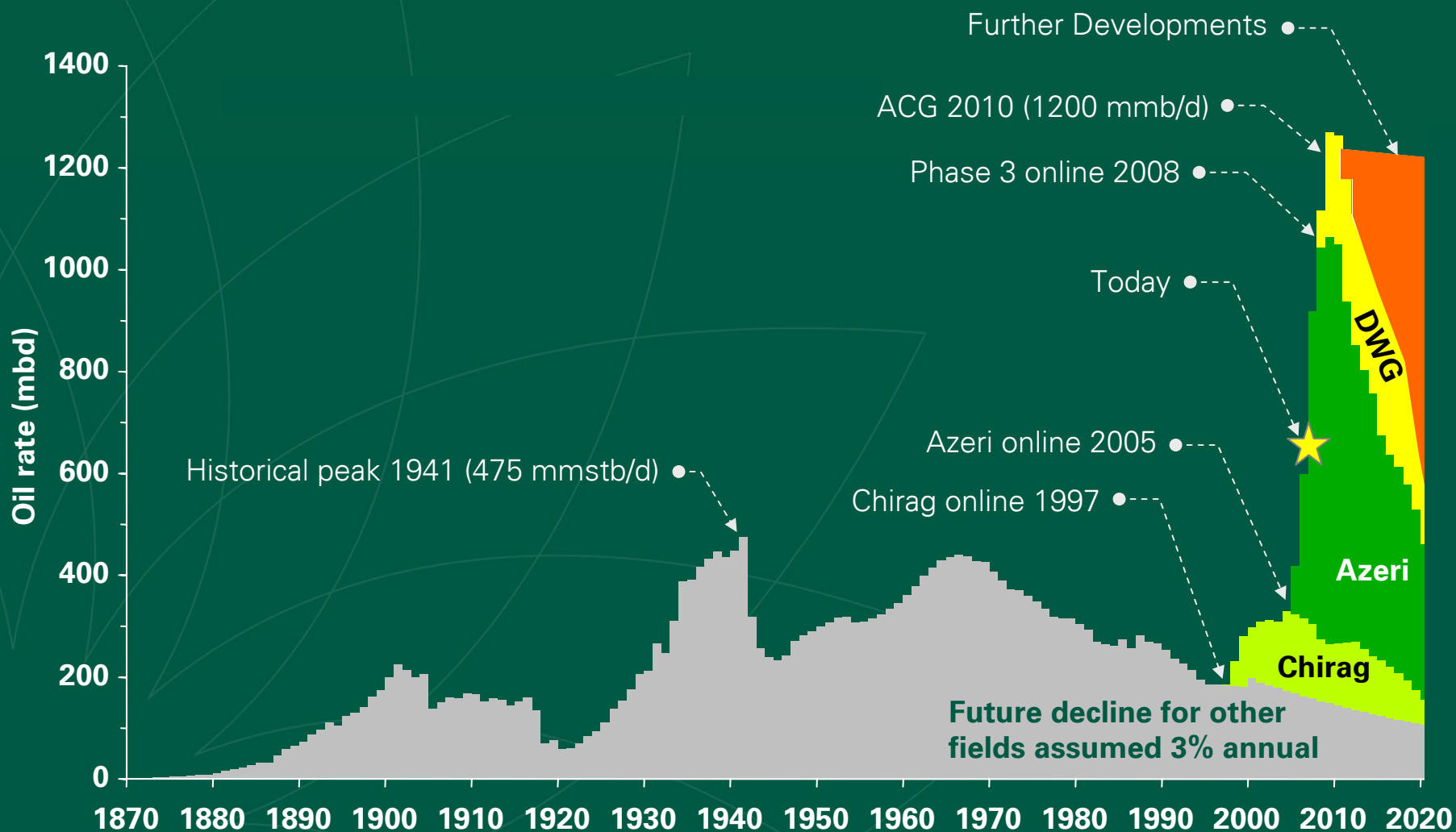
Overview of Azerbaijan and BP's presence

Rashid Javanshir
Vice President, Onshore Operations

Geography



150 years of oil production



Azerbaijan's oil history



Oil wells in the vicinity of Baku pumping oil into reservoir lakes in 1880s.

Photo: Azerbaijan National Archives.



The Nobel Brothers' oil wells in Balakhani, a suburb of Baku.



View of Oil Rocks c. 1950s



2006 Central Azeri platforms



BP Azerbaijan assets



BP Azerbaijan assets



- Total gross investment of \$25bn, with over \$21bn spend to date
- Peak production of over 1 million barrels per day and 840 mmcfd (8.7 bcma) gas from existing projects
- Sangachal - the largest terminal outside of the Middle East (3 million barrels of storage)
- BTC – One of the world's longest pipelines at 1768km
- Combined design capacity of Central, West and East Azeri platforms:
 - 1.1 million barrels / day oil
 - 1.2 billion cubic feet / day gas

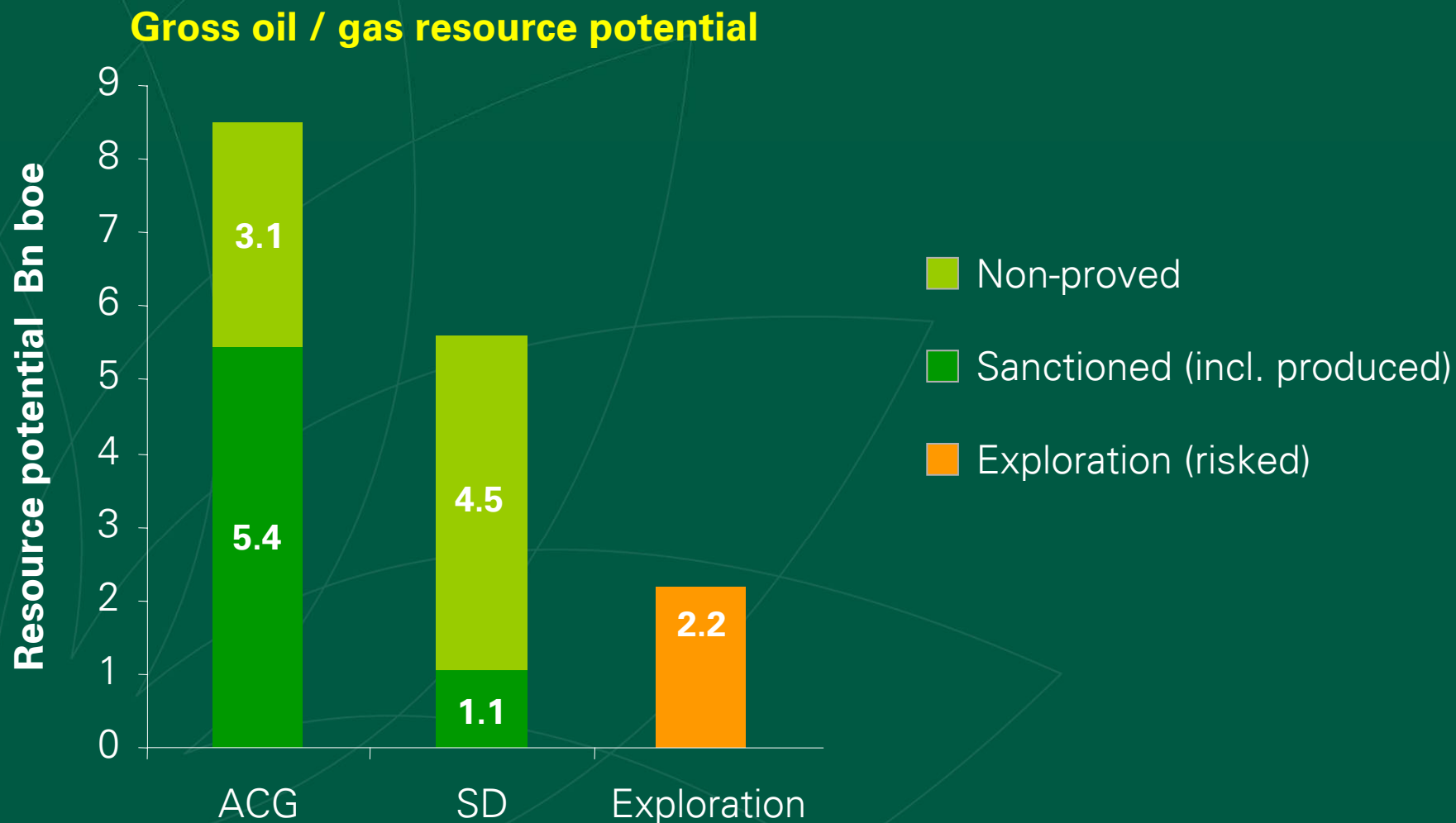




Resources and Renewal

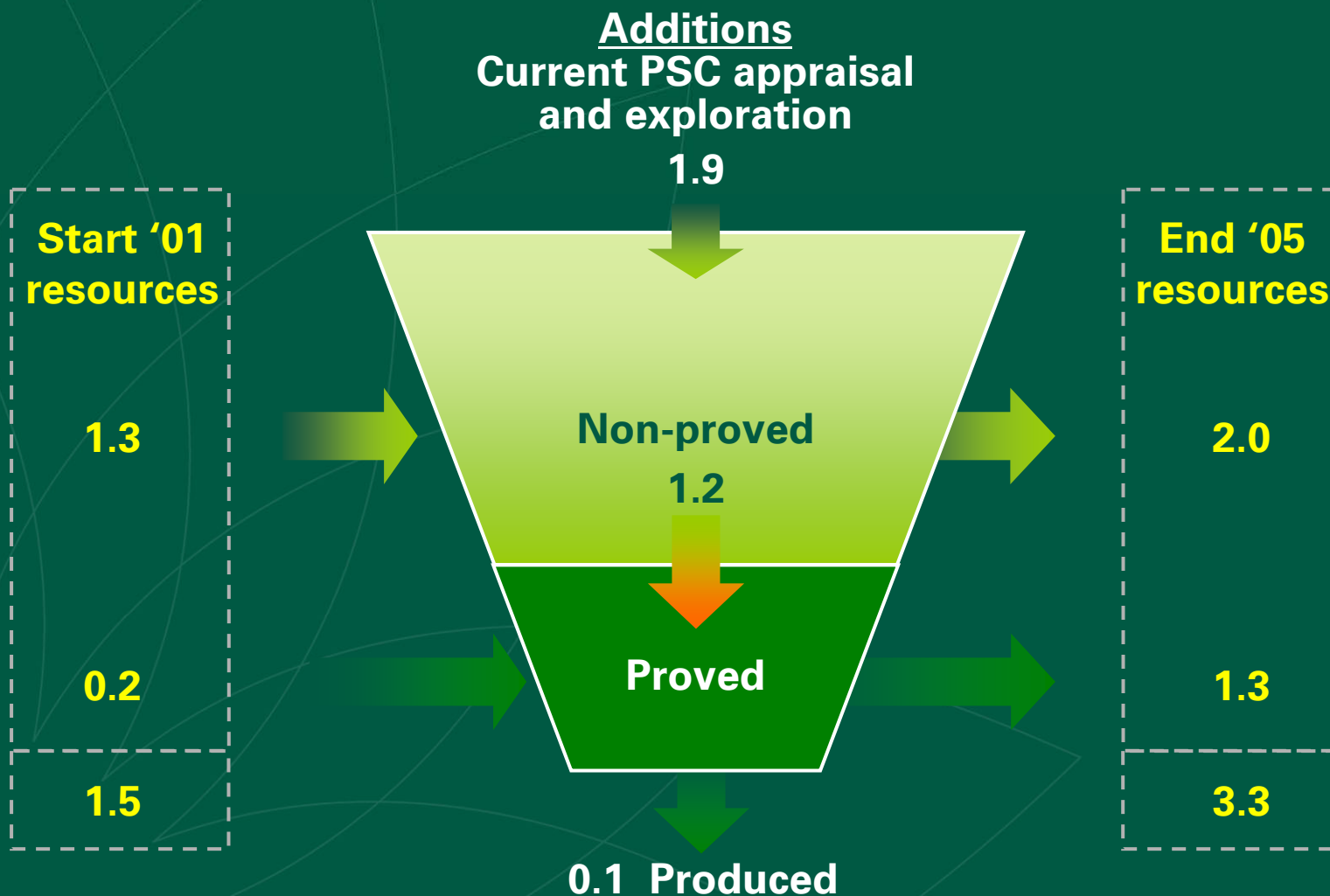
Paul Clyne
Vice President, Renewal

Resource base: Azerbaijan



Source: BP data (based on existing PSCs only)

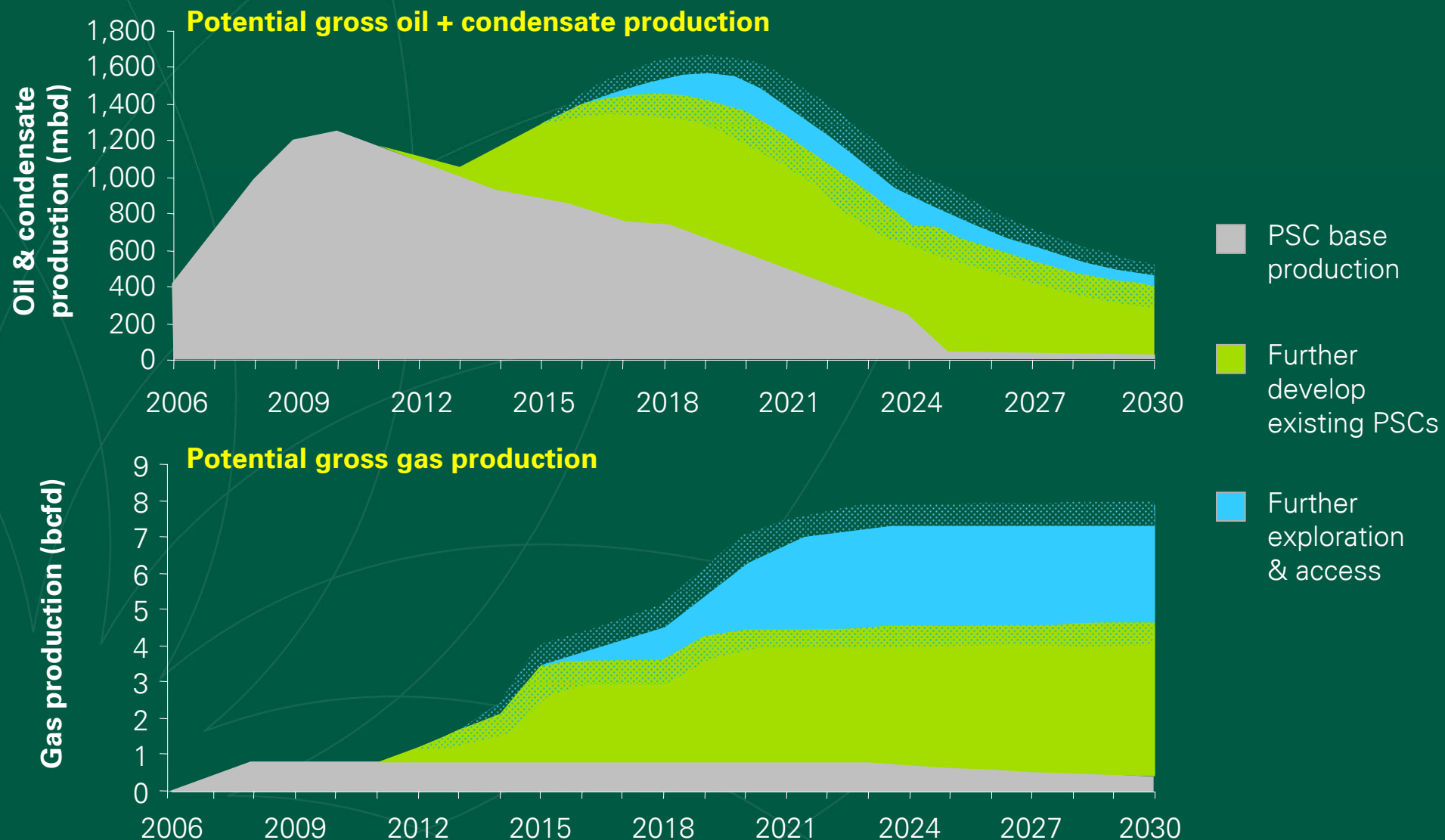
BP Azerbaijan net resource progression 2001 - 2005



**Totals in bn boe*

End '05 position based on UK SORP, non-proved BP data

Future potential



Forward projections: BP data



Major Projects Delivery (Offshore)

Bruce Luberski, Vice President, Major Projects
Mike Skitmore, Vice President, Shah Deniz

ACG field



ACG sanctioned resource

5.4 bn bbl

Peak production gross

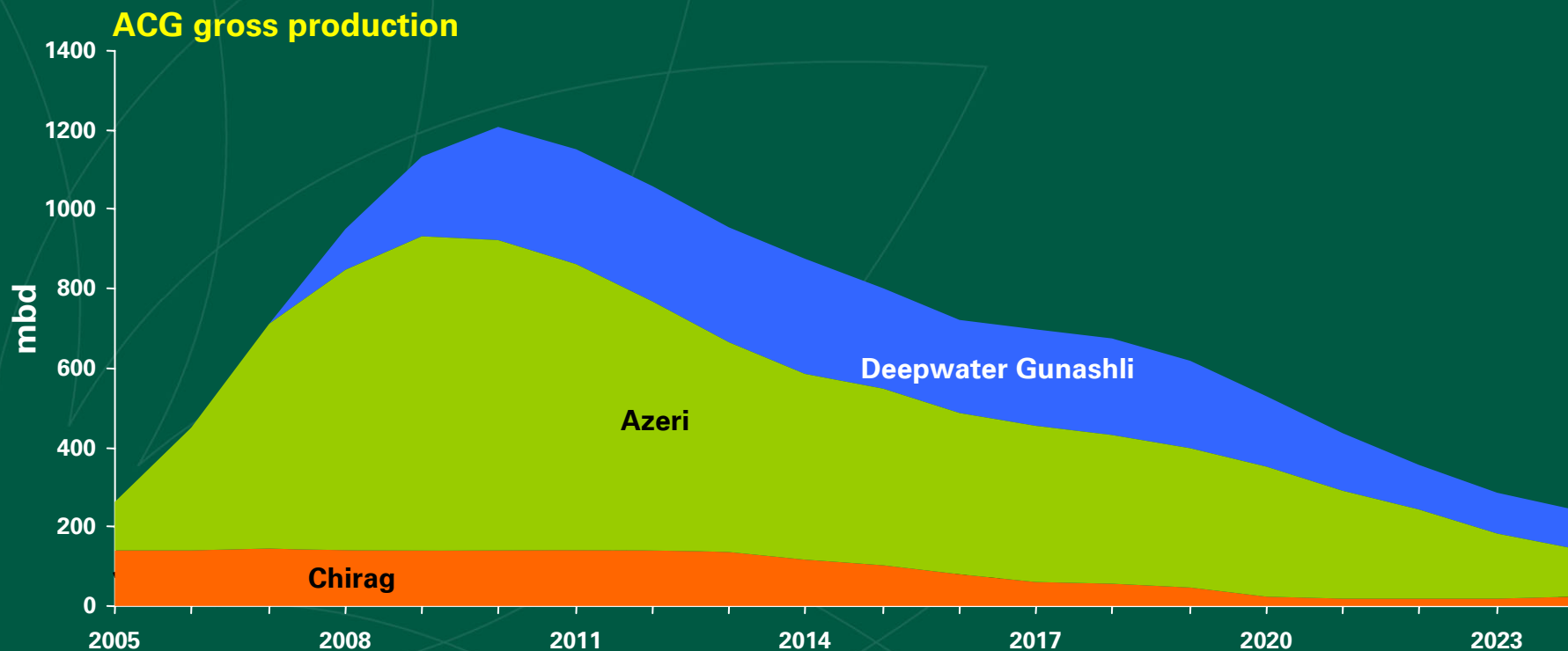
1.2 mmbd

Capital cost gross

\$17 bn

BP working interest

34.1%



Forward projections: BP data

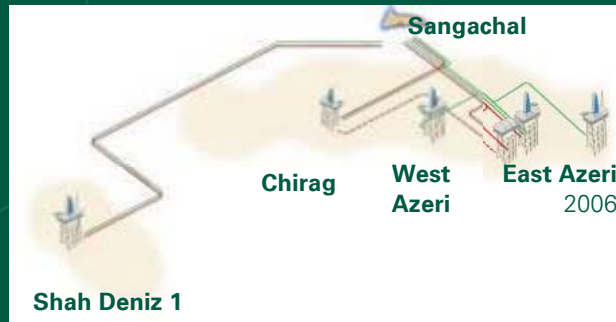
BP Azerbaijan vision



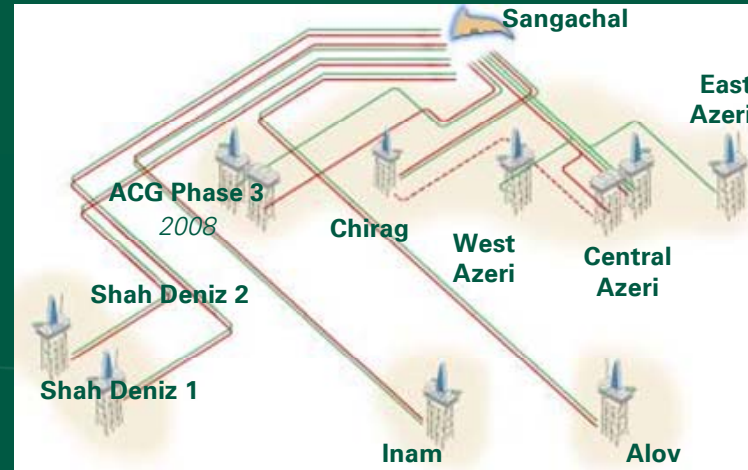
End 2004



End 2006



The Future



GROWTH Capital Spend 2004:
\$12m/ day

GROWTH Capital Spend 2006:
\$13m/day

Offshore: Chirag

Chirag, CA/CWP, WA, SD, EA

8+ operating platforms + Projects

People:

3000 BP staff + agency

4000 BP staff + agency

>2000 BP staff

Infrastructure:

- 2 export pipelines
- Sangachal EOP Terminal

- 4 export pipelines
- Expanded Sangachal Terminal

- 4 export pipelines
- One of the biggest terminals in the world

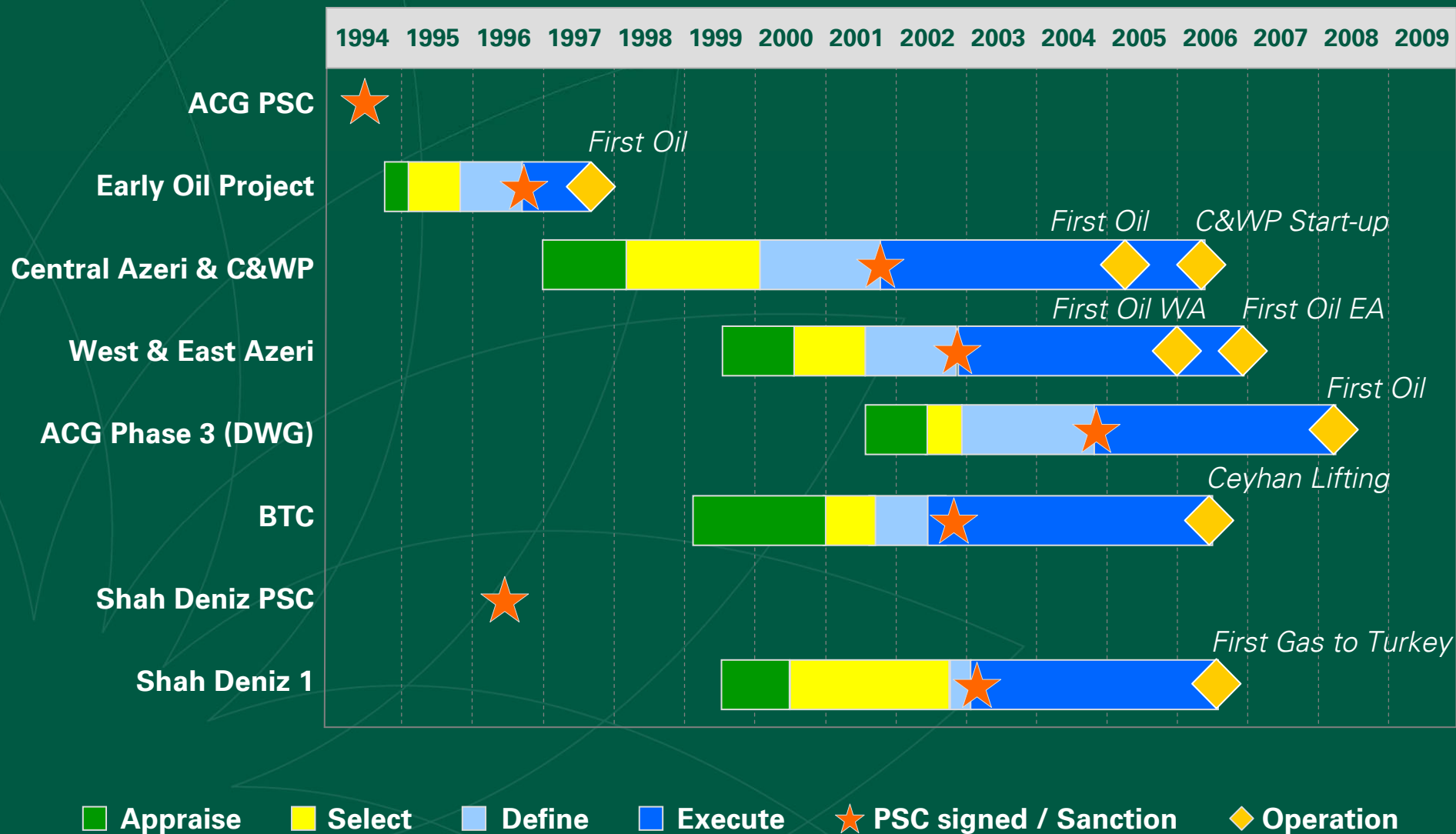
Production:

130 mbd

- 500 mbd
- Shah Deniz ramping up

- 1 mmbd in 2009
- 840 mmcf/d in 2009

Project schedule



ACG early oil project (Chirag)



Sanctioned 1994

First oil Nov 1997

Sangachal EOP terminal



Chirag platform



2005 production – exported 140 mbd gross

2005 Lifting and transportation cost ~\$1.60/bbl

Total investment ~\$2.2bn

ACG full field development



**Sangachal
Terminal**

**Deepwater
Gunashli
Phase 3**
2008

**Chirag
EOP**
Nov 1997

**West Azeri
Phase 2**
Dec 2005

**Central
Azeri
Phase 1**
Mar 2005

**East Azeri
Phase 2**
4Q 2006

- 90,000 te topsides
- 90,000 te jackets
- 1000 km offshore pipelines
- One of world's largest terminals
- 7 years of execute
- 100 million man-hours to date
- Over 3 million man-hours/month
- 80% of man-hours in Azerbaijan
- 20% across another 10 countries
- New Workforce - 8000 Azerbaijani

Sangachal history



2000



Early Oil
Project

Sangachal history



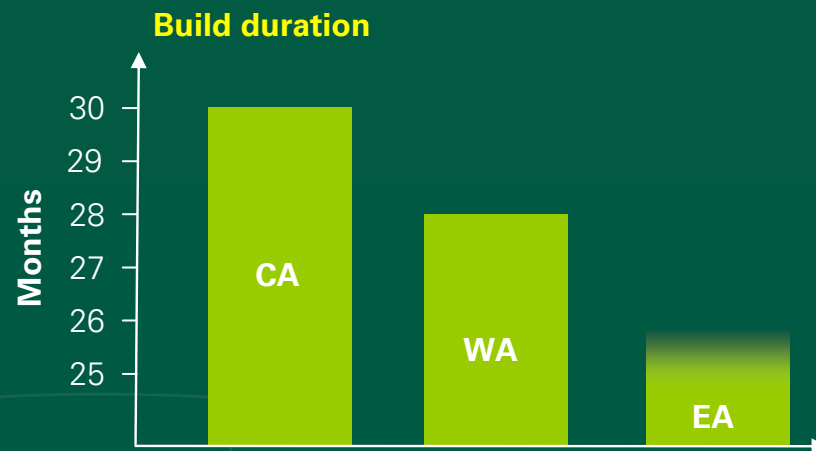
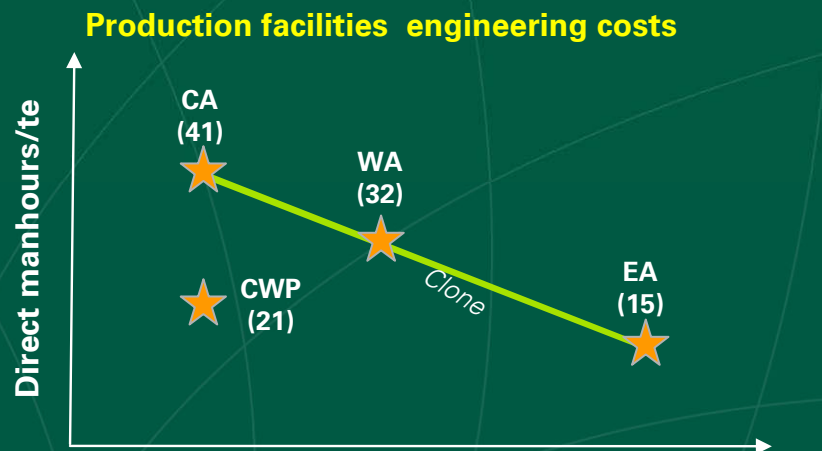
2005



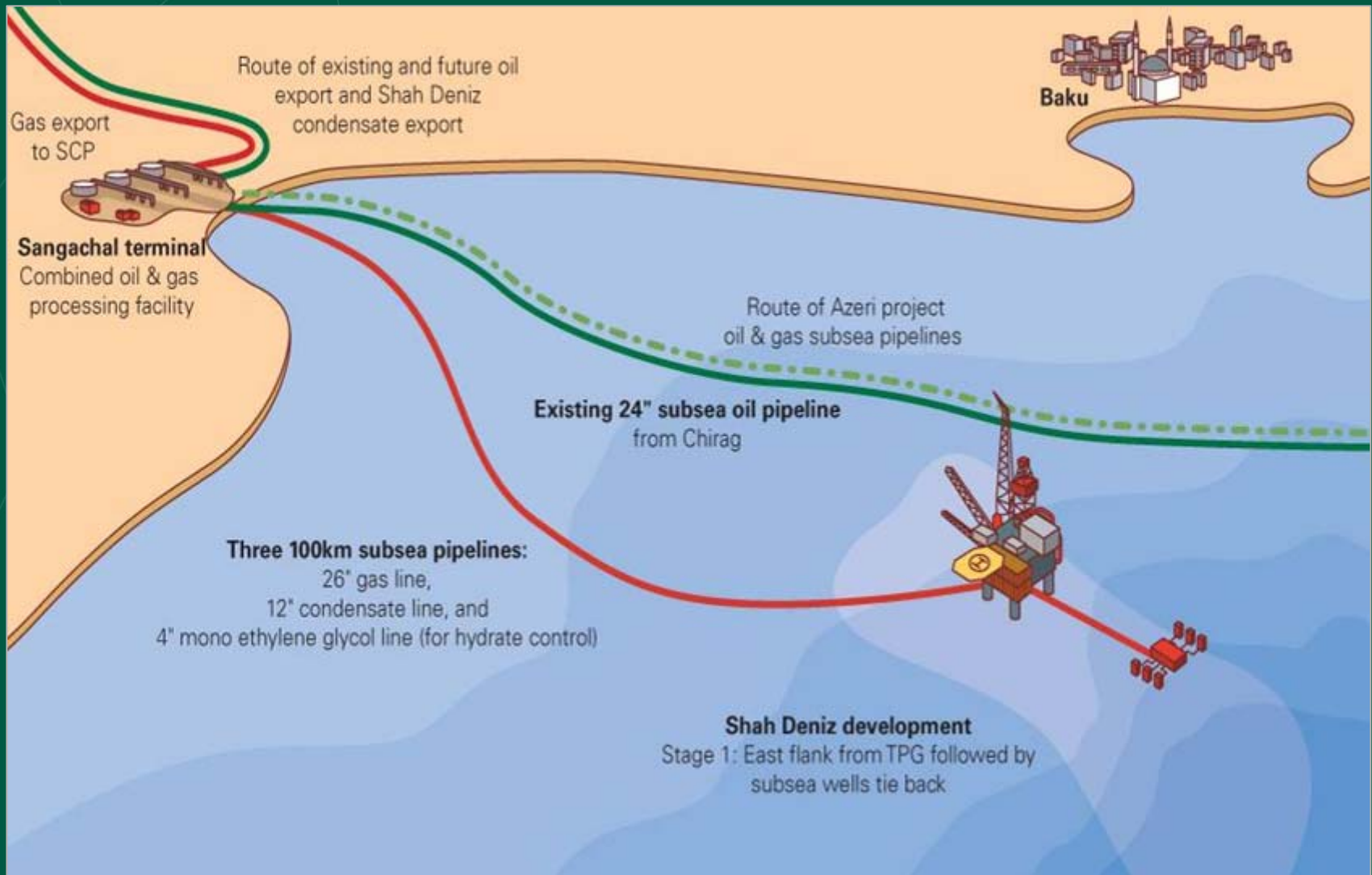
Early Oil
Project

Shah Deniz

Projects production line



Shah Deniz Stage 1 development



Shah Deniz Stage 1 development



Sanctioned resource (Stage 1)

6.5 tcf (185 bcm) of gas

Stage 1 peak production

300 mmbbl of condensate

840 mmcf/d (8.7 bcma)

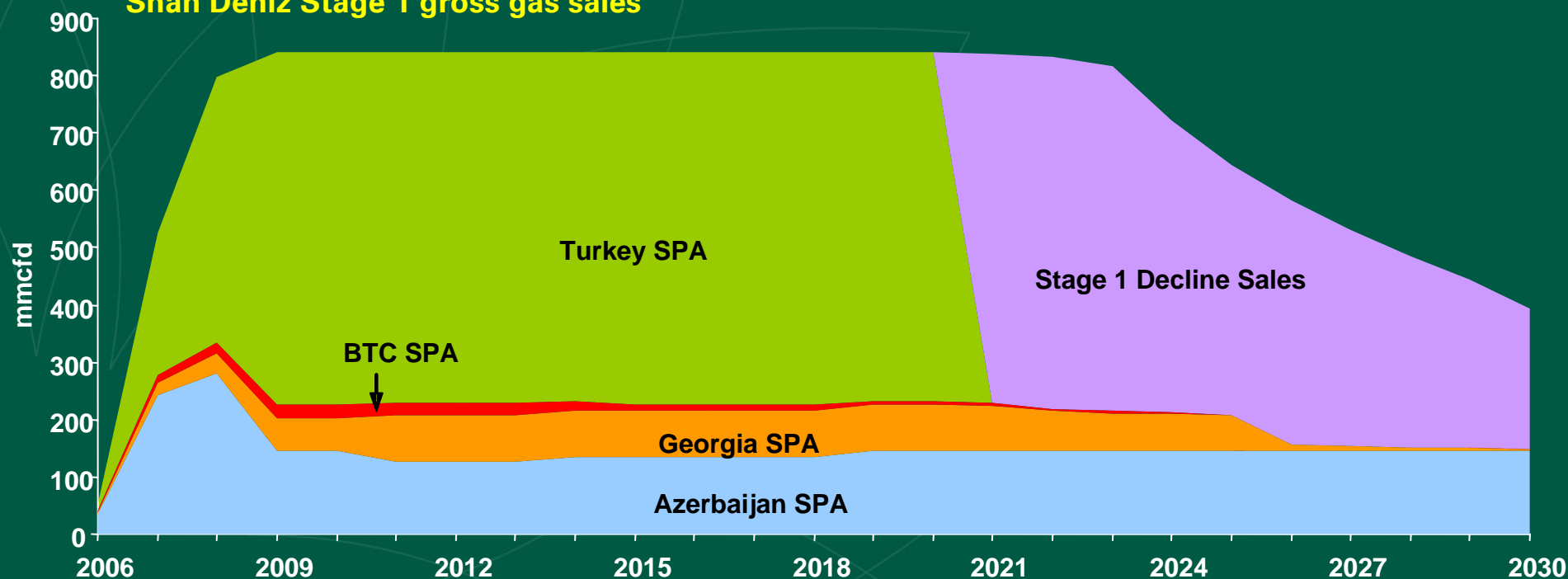
Capex (upstream & midstream)

\$4bn

Working interest

25.5%

Shah Deniz Stage 1 gross gas sales



Forward projections: BP data

Shah Deniz



Offshore pipeline – beach pull



TPG500 installation



Sangachal Terminal on track



Progress on SDX-04 appraisal



Statecraft and Diplomacy: The Story of BTC

Michael Townshend
Former Vice President, Onshore Operations & Projects

Regional context



The politics of welding



Golden Weld Azerbaijan /Georgia – Oct 04



1st Oil Azerbaijan – May 05



1st Oil Georgia – Oct 05



Golden Weld Azerbaijan /Georgia – Oct 04



Social



Environmental



Project financing and NGO scrutiny



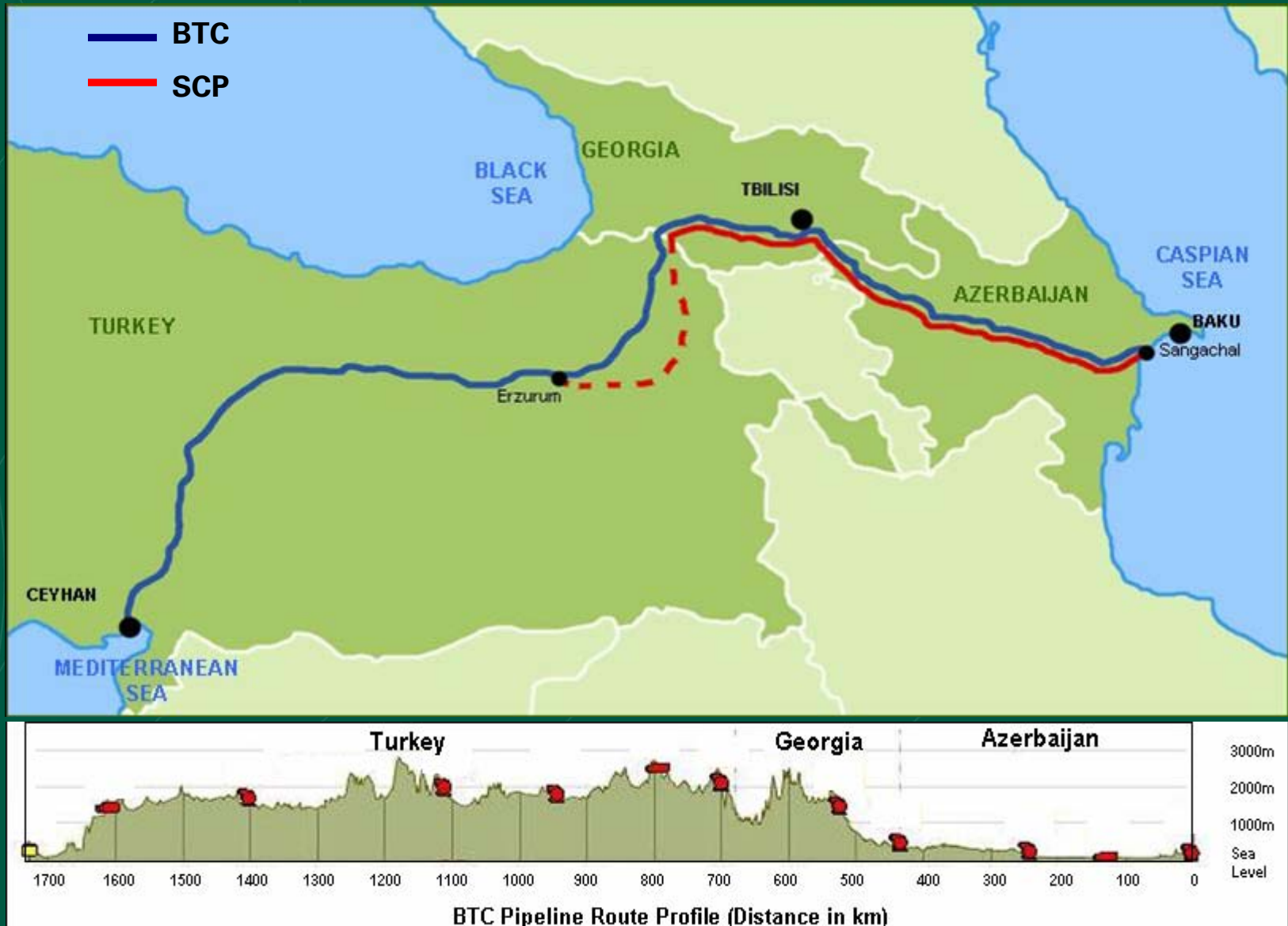
Why external financing:

- Ensured pipeline built to international standards
- Provided political risk cover

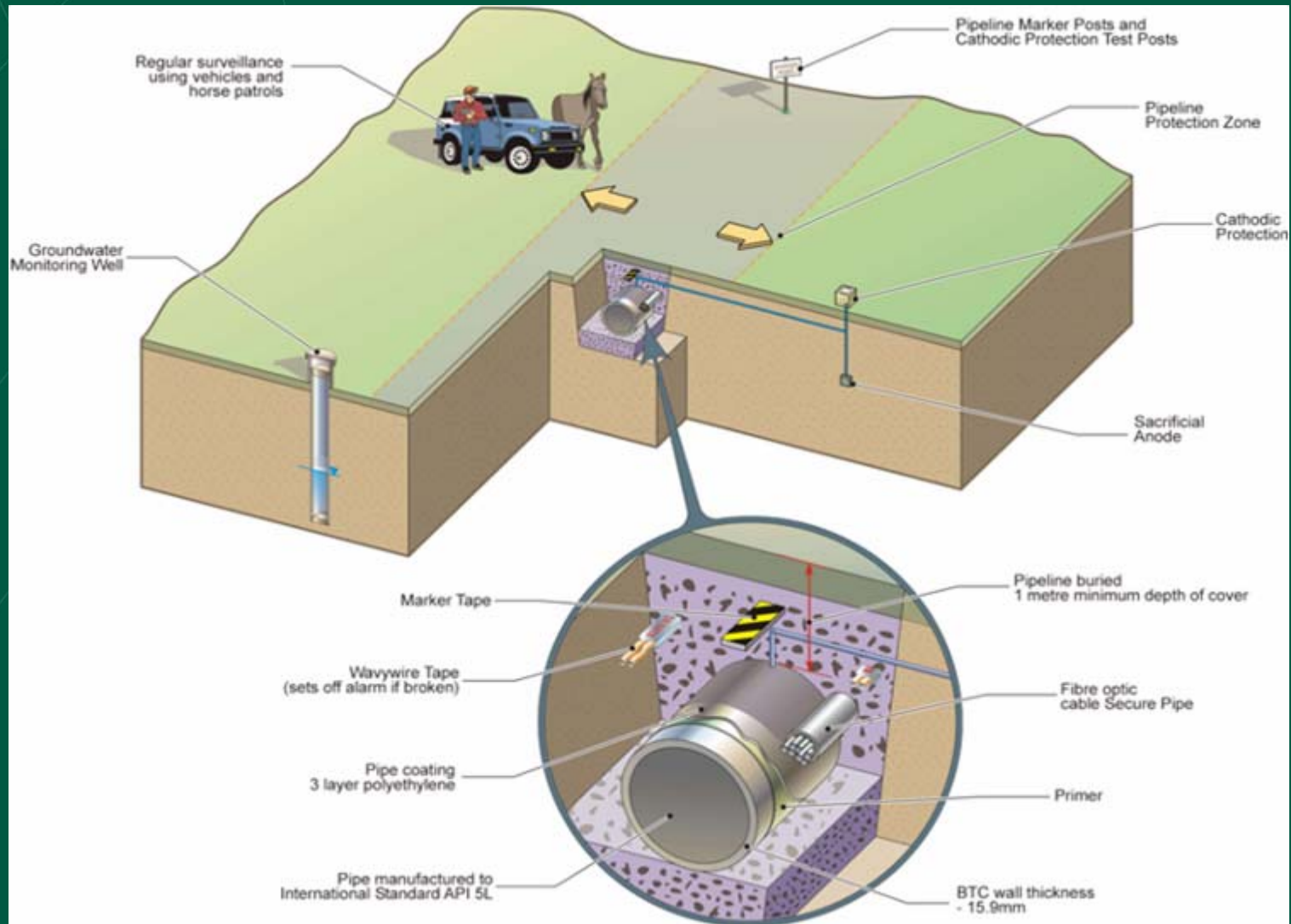
Impacts of external financing:

- Higher levels of NGO scrutiny
- Significant media coverage
- High standards set and audited by lenders

Scope and scale of BTC and SCP



Security and Integrity



Unexploded ordinance on right of way



Mud volcano ridge



Digging for the pipe & block valve station



Going down deep



River crossing



Ridgeline construction – Turkey (and China)



Rock removal



Trench breakers and broken bones



Steep slope



Moving down



Nearly there...



The end in sight



The end in sight





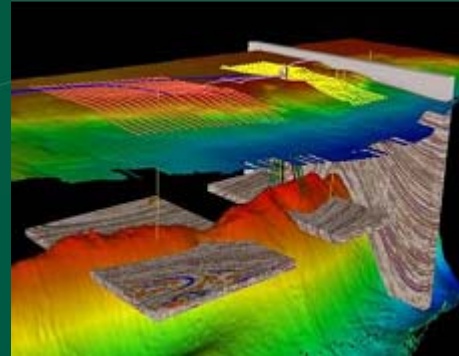
Value through Technology

Fereidoun Abbassian
Technical Director

Technology in support of business delivery



Reserves pull-through



Maximising revenue



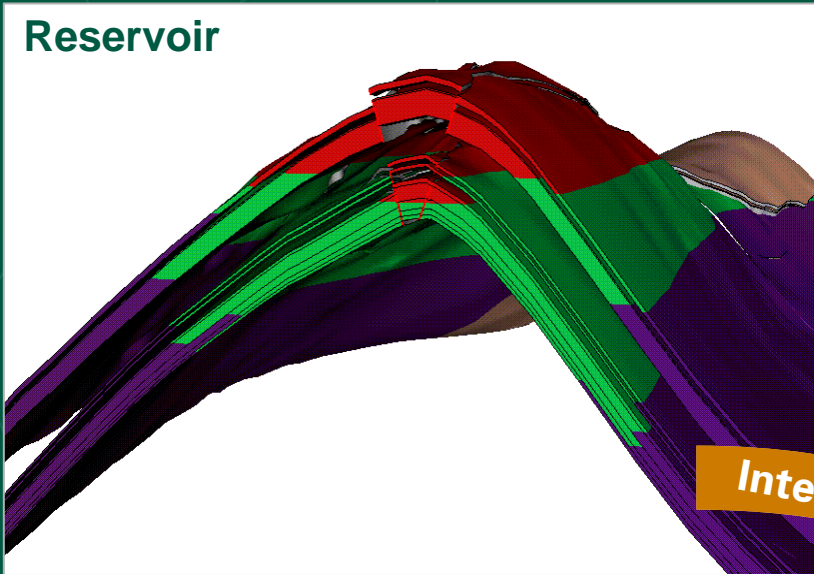
Capital efficiency



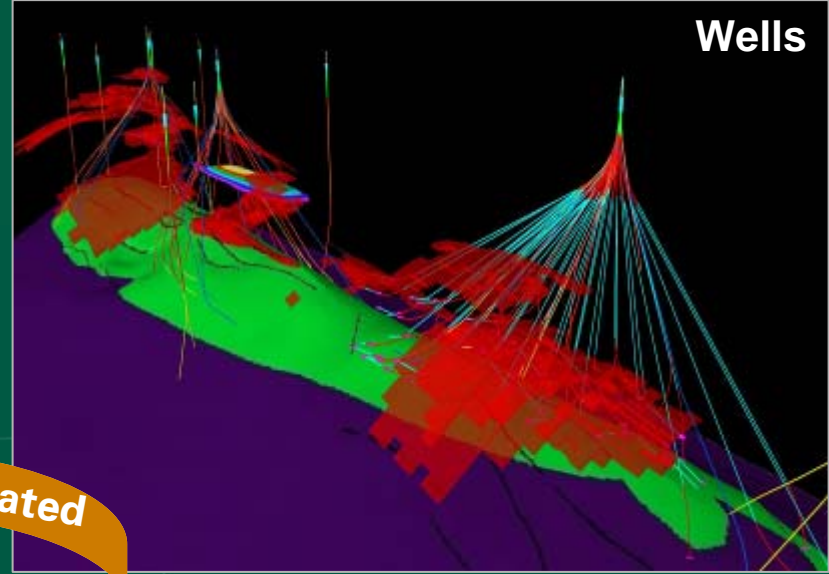
Technology in support of business delivery



Reservoir



Wells



Integrated

Onshore terminal & export



System

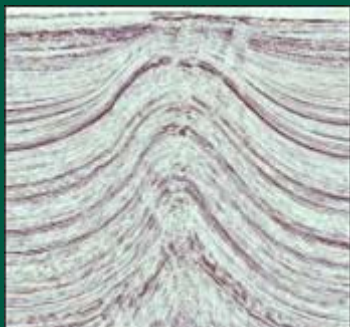
Offshore production facilities



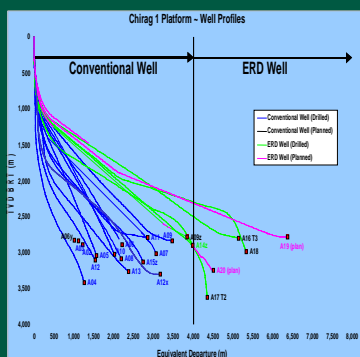
Technology delivery track record



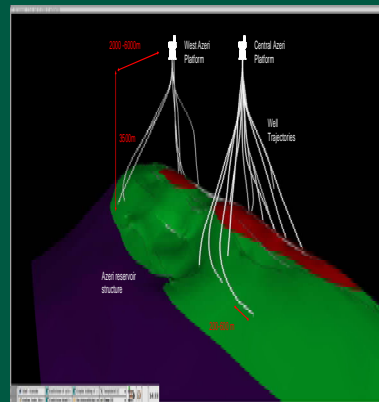
3D seismic



Extended reach drilling



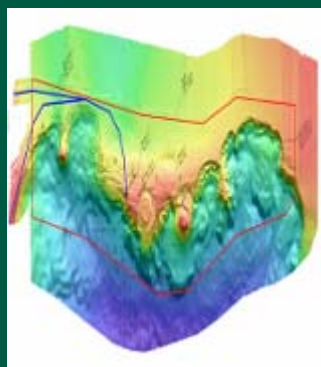
Open hole gravel pack



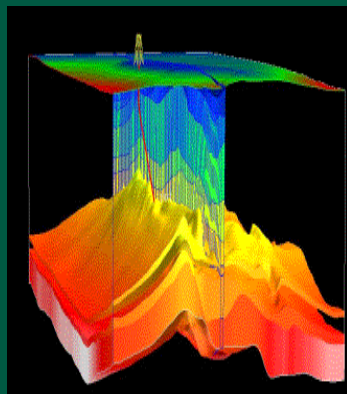
Drilling simulator



ACG early visualisation



No drilling surprises



Project production Line



Remote condition monitoring



1995

1998

2000

2002

2004

2006

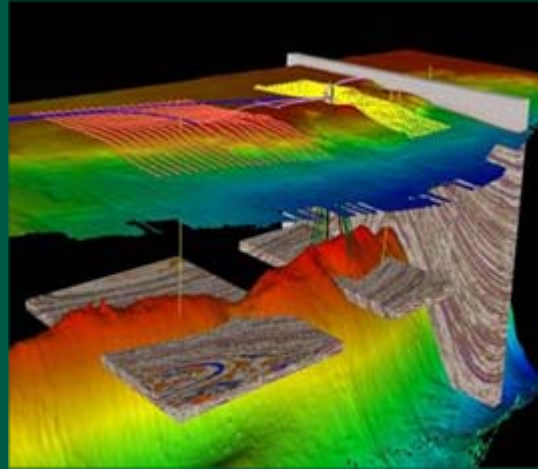
Strategic technologies



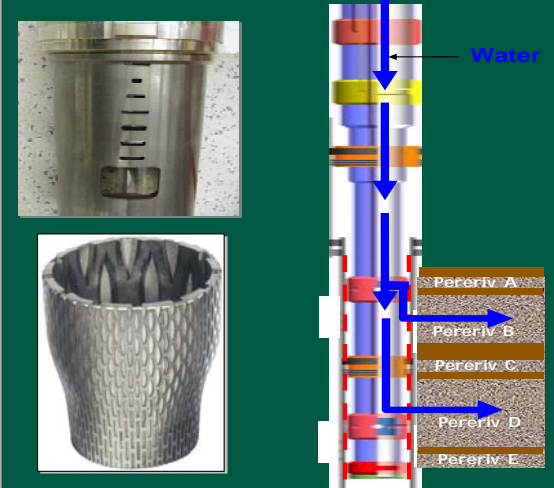
Technology drivers

- Reservoir management
- New well delivery
- D&C performance
- Operating efficiency

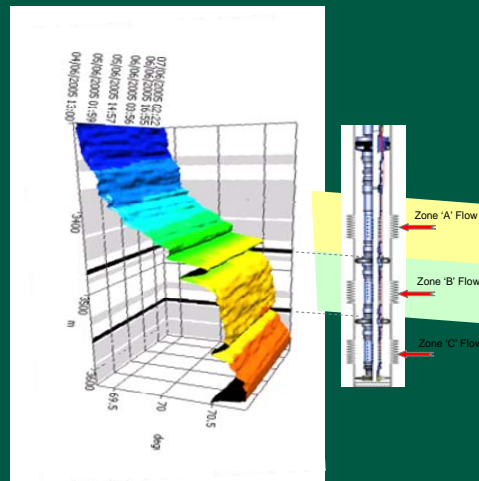
Advanced seismic



Intelligent completions



Zonal flow monitoring



Field of the Future™



Advanced seismic



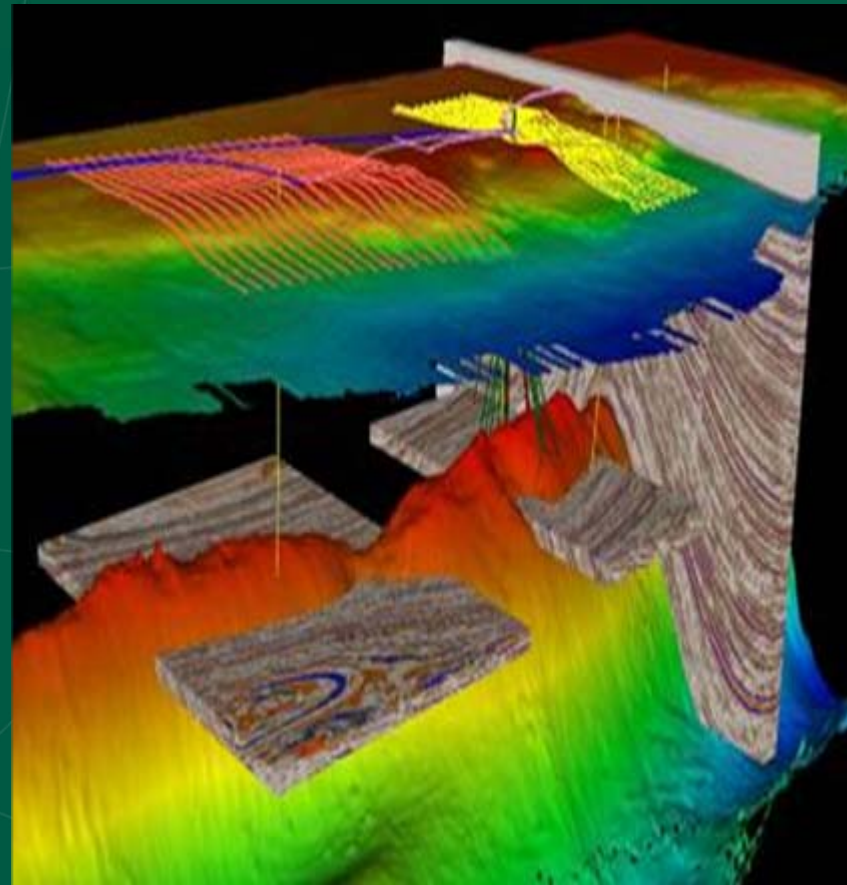
Aim

- Monitor fluid movements in the reservoir

BP's position

- Technology leadership area
- Industry leader in 4-D life-of-field monitoring

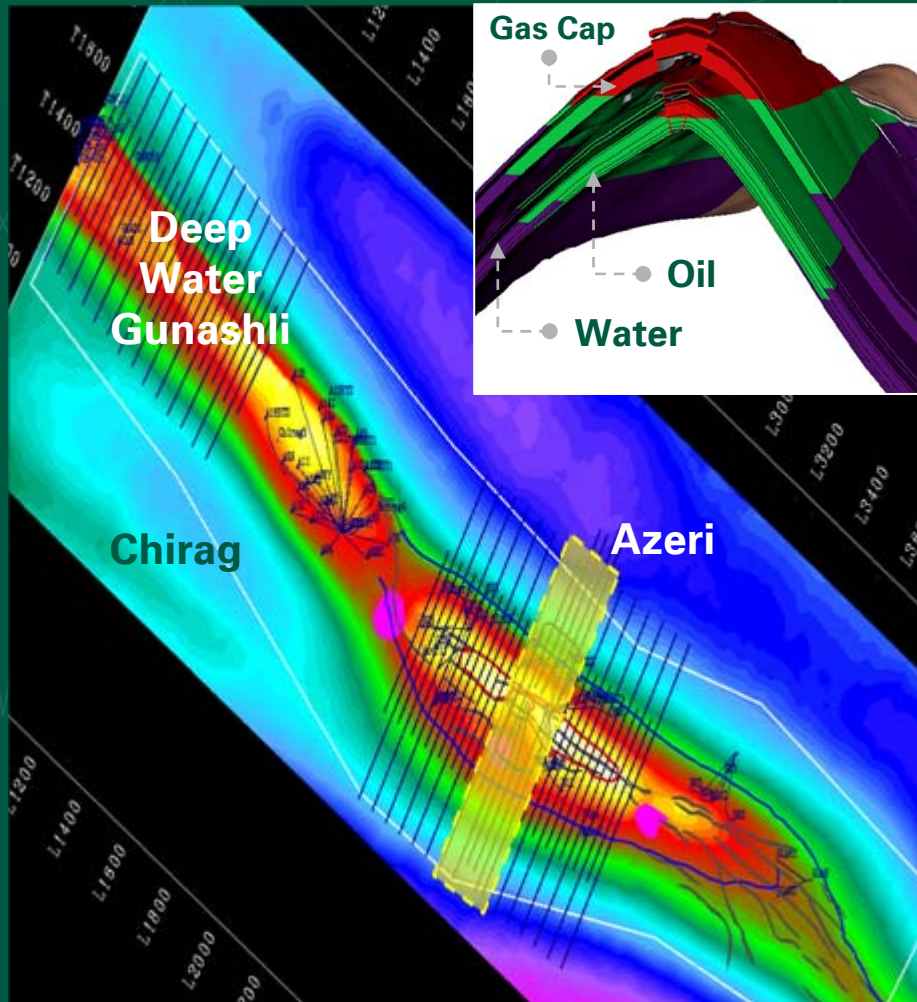
Ocean bottom cable 4D seismic



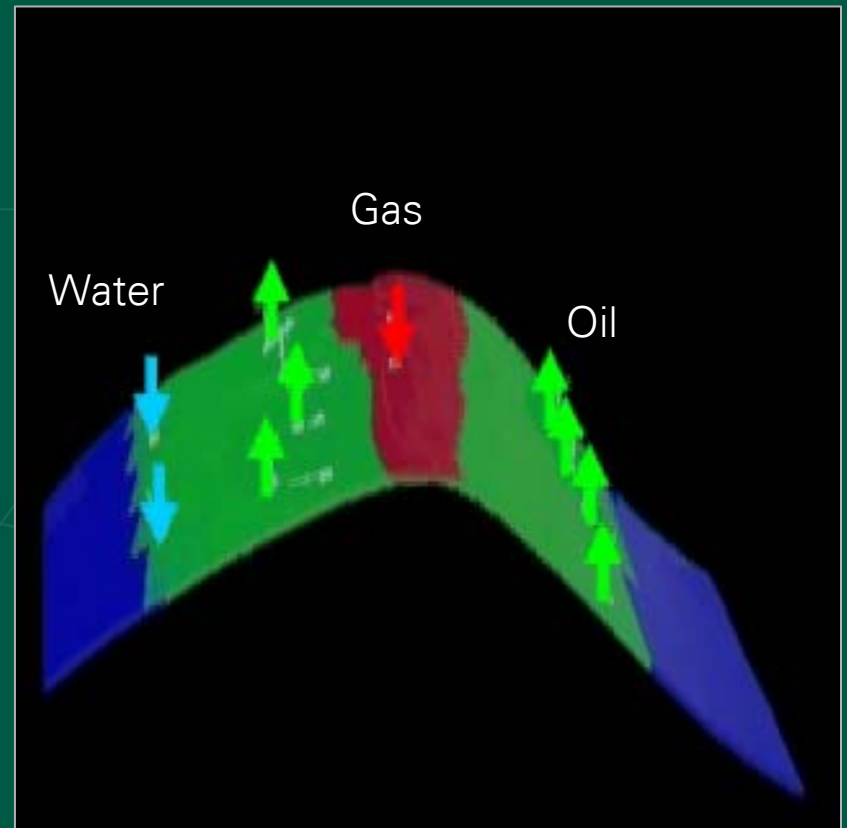
Azeri reservoir management



CARSP: Phase 1



Depletion simulation for the Central Azeri



Intelligent completions



Aim

- Increased production with fewer wells

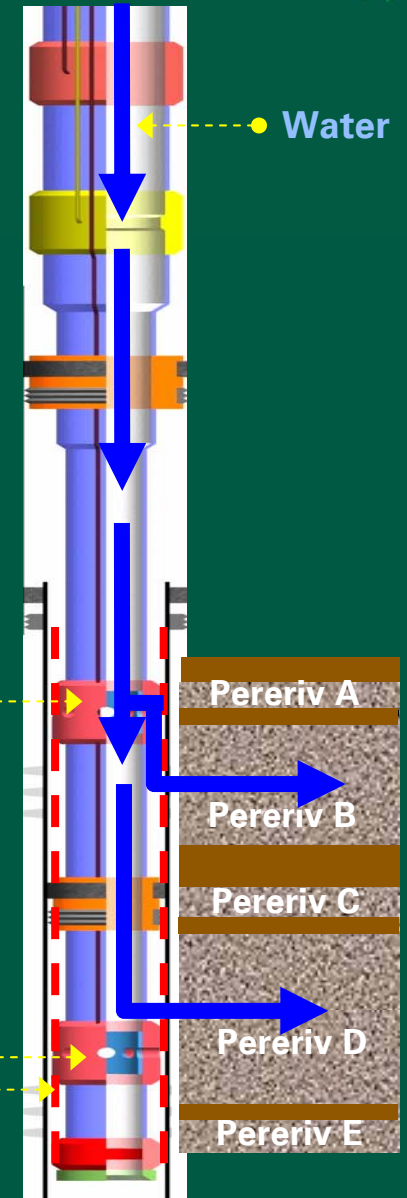
BP's position

- Azerbaijan is leading BP and the Industry

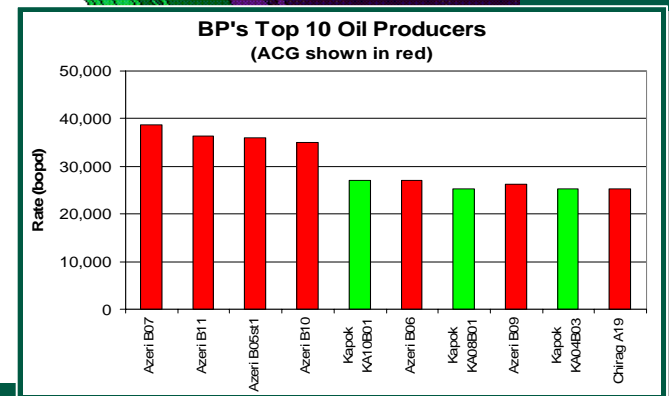
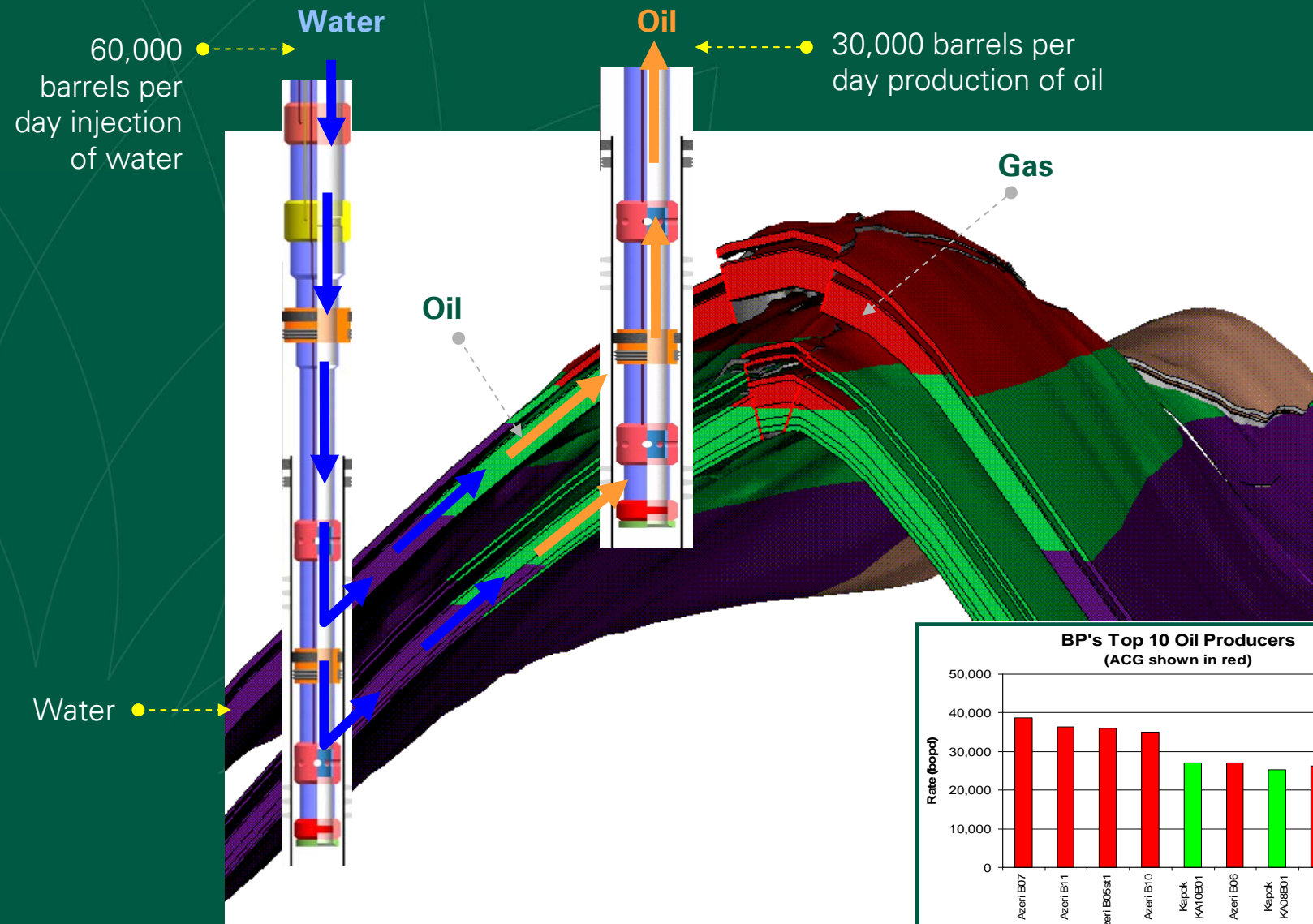
Down hole flow control valve



Expandable screen



Increased production on Azeri



Zonal flow monitoring



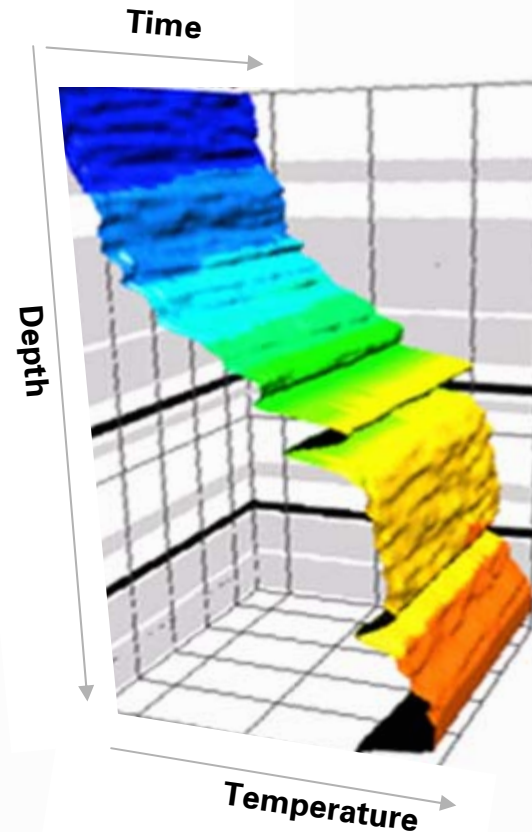
Aim

- Real time monitoring of reservoir flow

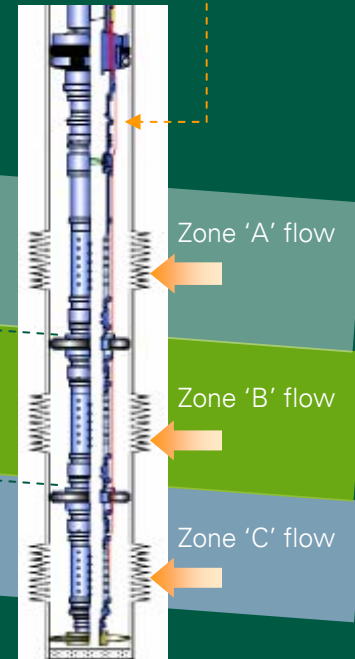
BP's position

- World leader in development and implementation of technology

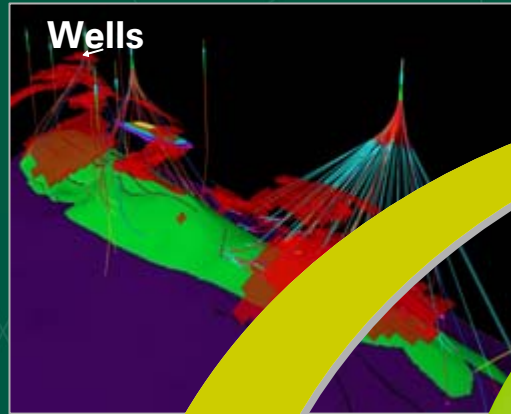
Real-time temperature data from Central Azeri well B04



Fibre-optic sensor technology



Field of the Future TM



Wells



Offshore production facilities



Reservoirs



**Cross
discipline
collaboration**

**Monitoring
real time
data**

**Advanced Collaboration
Environment**

**Decision
making/people**

**Analysis/
modeling**

Integration



Onshore terminals & exports



BP's Distinctive Caspian Presence

Rashid Javanshir
Vice President, Onshore Operations

Workforce capability

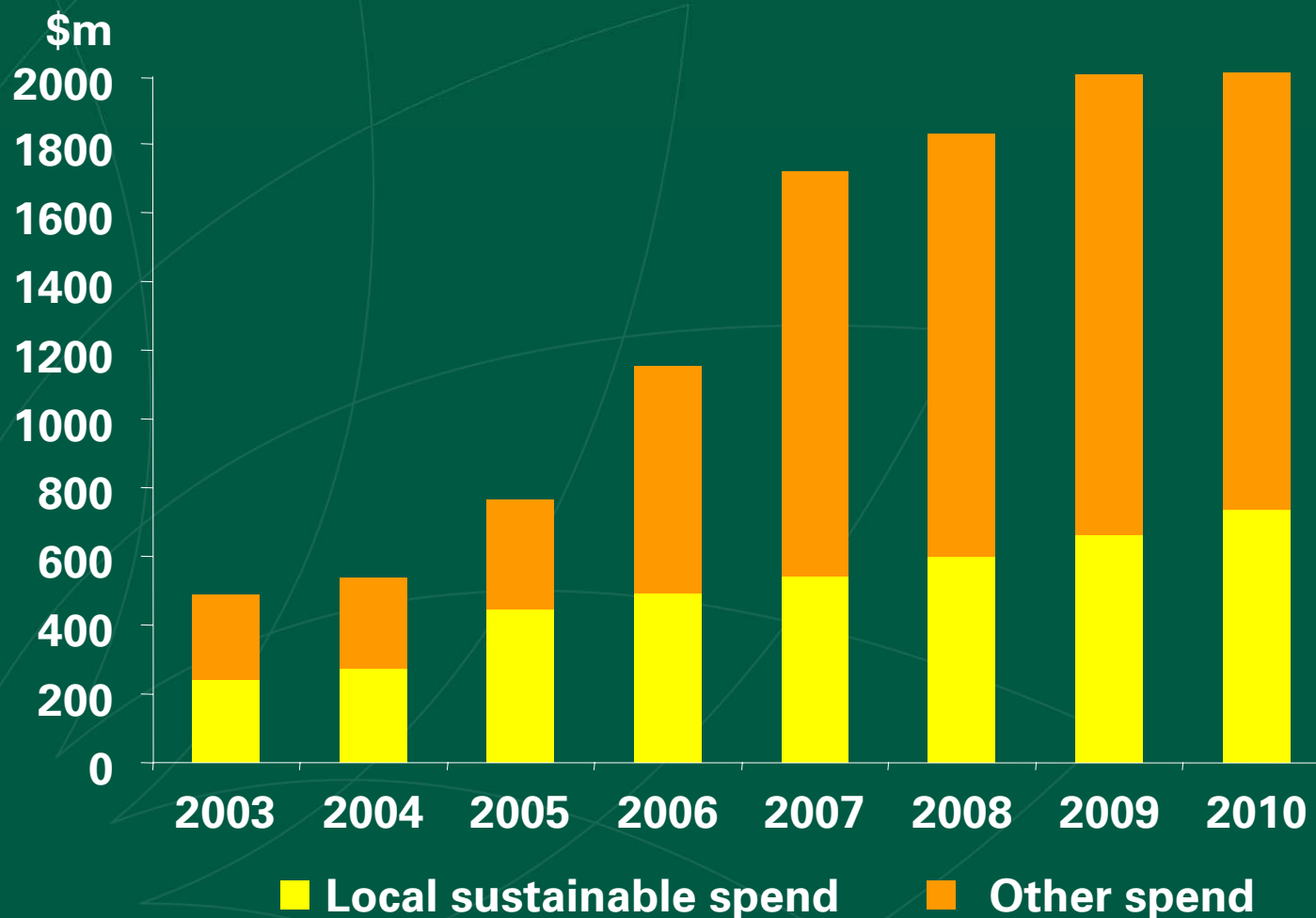


Forward projections: BP data

Local content



Local content development



(excluding projects)

Capacity building





Commercial Structure & Financial Performance

Phil Home
Commercial Director

PSC terms – General principles



Duration

- Exploration phase normally three years with 2-3 well commitment
- 25 year development phase with a five year negotiable extension

Costs

- FOCs (Foreign Oil Companies) pay all costs, recovered as “cost oil”
- Financing cost charged on unrecovered Capex & Opex balances carried forward (e.g. @ LIBOR+4% in ACG PSC)

Production

- “Profit oil” is shared between FOCs and Azerbaijan State according to profit sharing mechanism [based on either RROR (Real rate of return) or R-factor]
- Unutilised associated gas is delivered at no cost to the State

Accounting & Fiscal

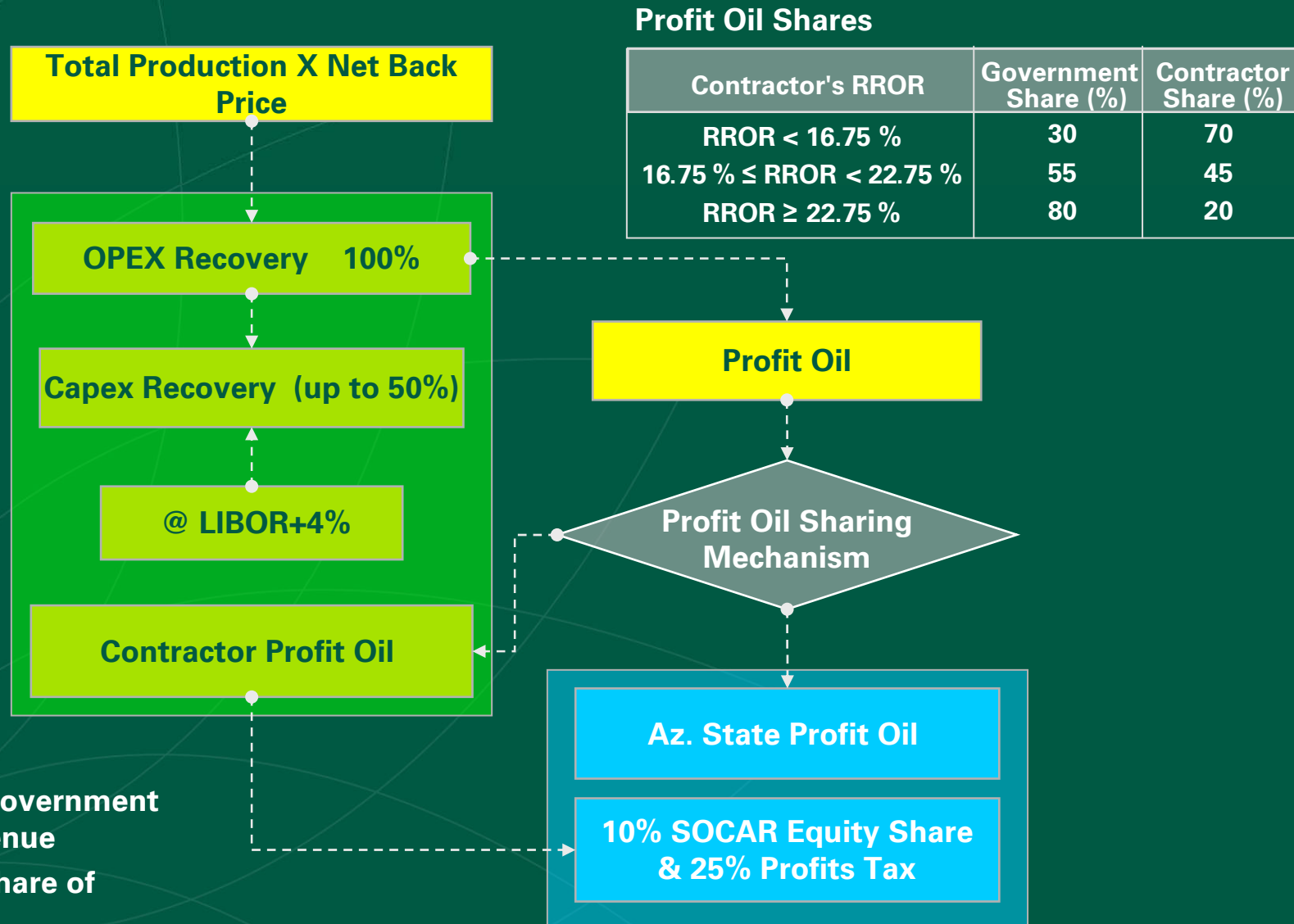
- Accounting is in US Dollars
- Azerbaijan profits tax rate is fixed for duration of PSCs
- No customs duty & VAT paid by FOCs and contractors
- PSCs contain Economic Stability clauses

Standards

- PSCs apply international standards
- Environmental and Social Impact Assessments required for all projects



Example: ACG PSC mechanism

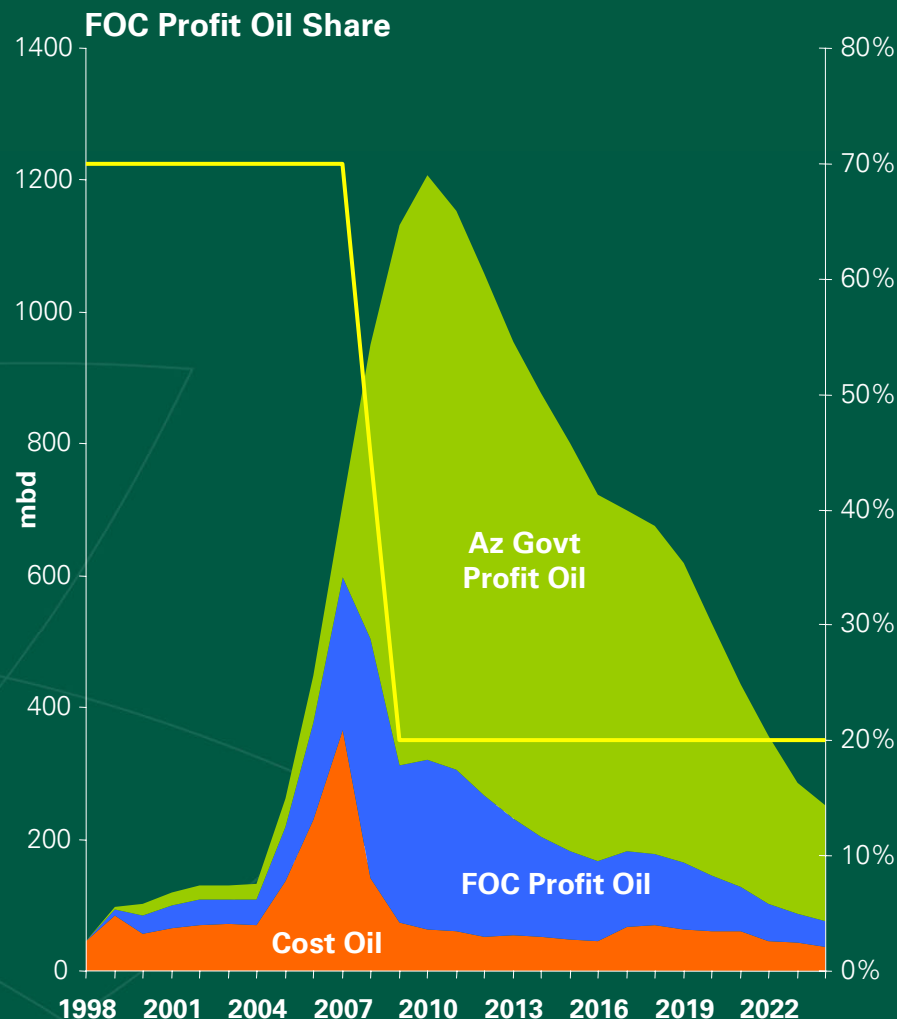
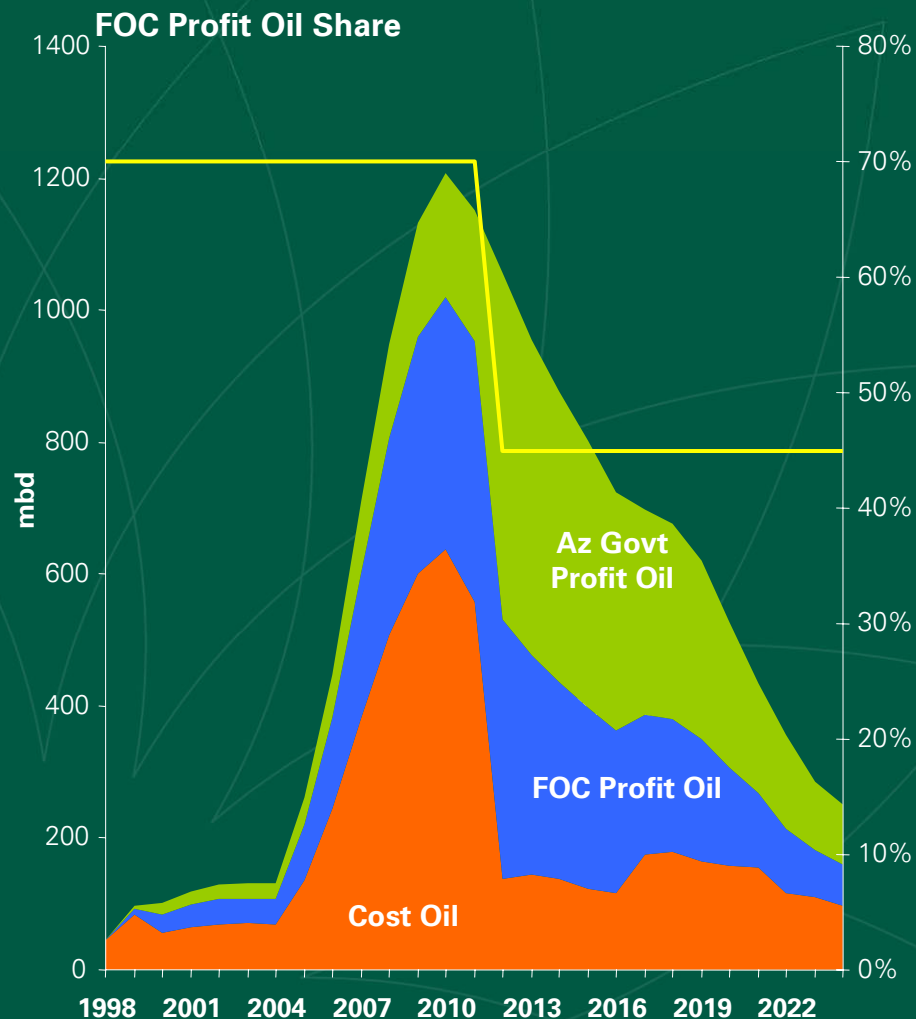


Indicative price sensitivity: ACG



Gross production @ \$25/bbl

Gross production @ \$60/bbl



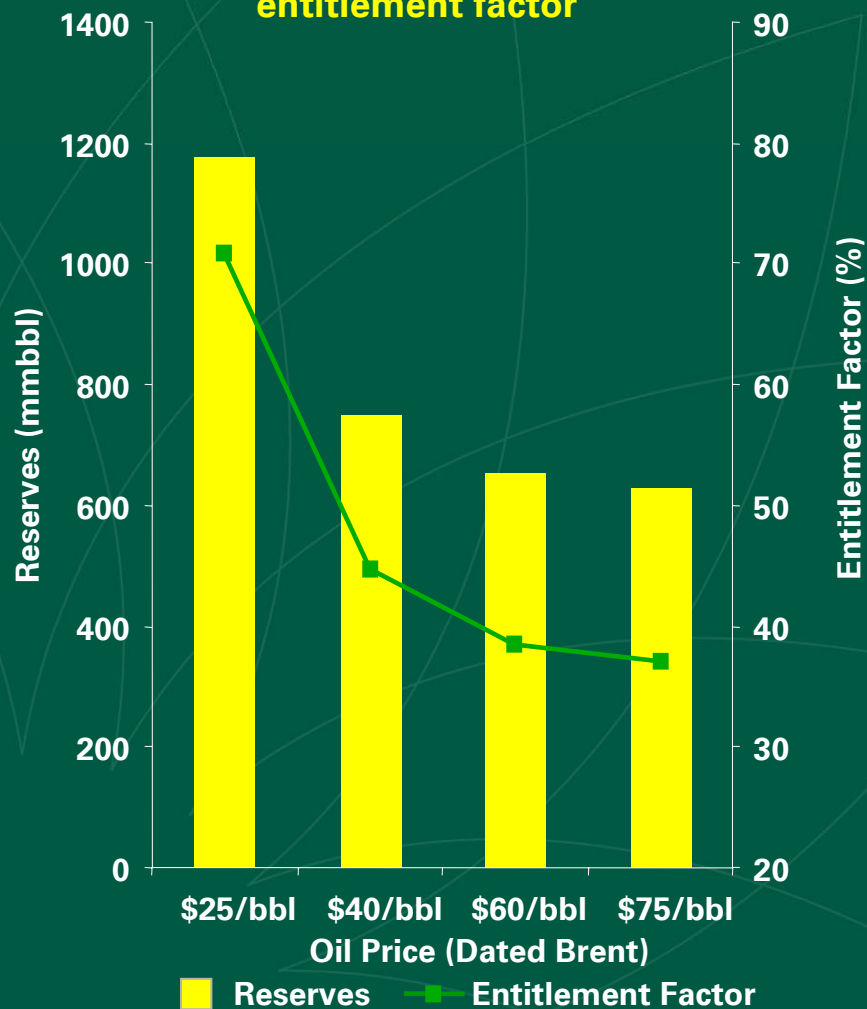
Source: BP data – indicative data based on current assumptions (currently sanctioned projects only)

ACG PSC: Impact of higher oil prices

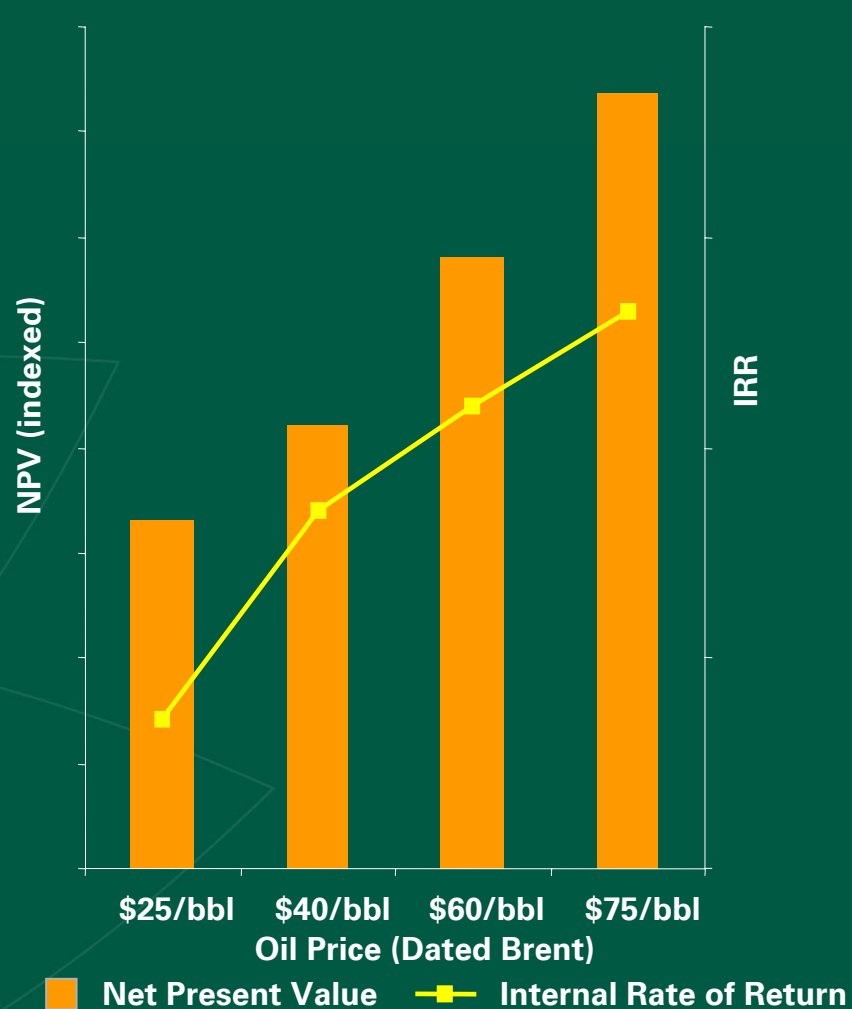
Lower production and reserve entitlement but much higher returns and NPV



BP net ACG reserves and entitlement factor



BP net ACG NPV and IRR

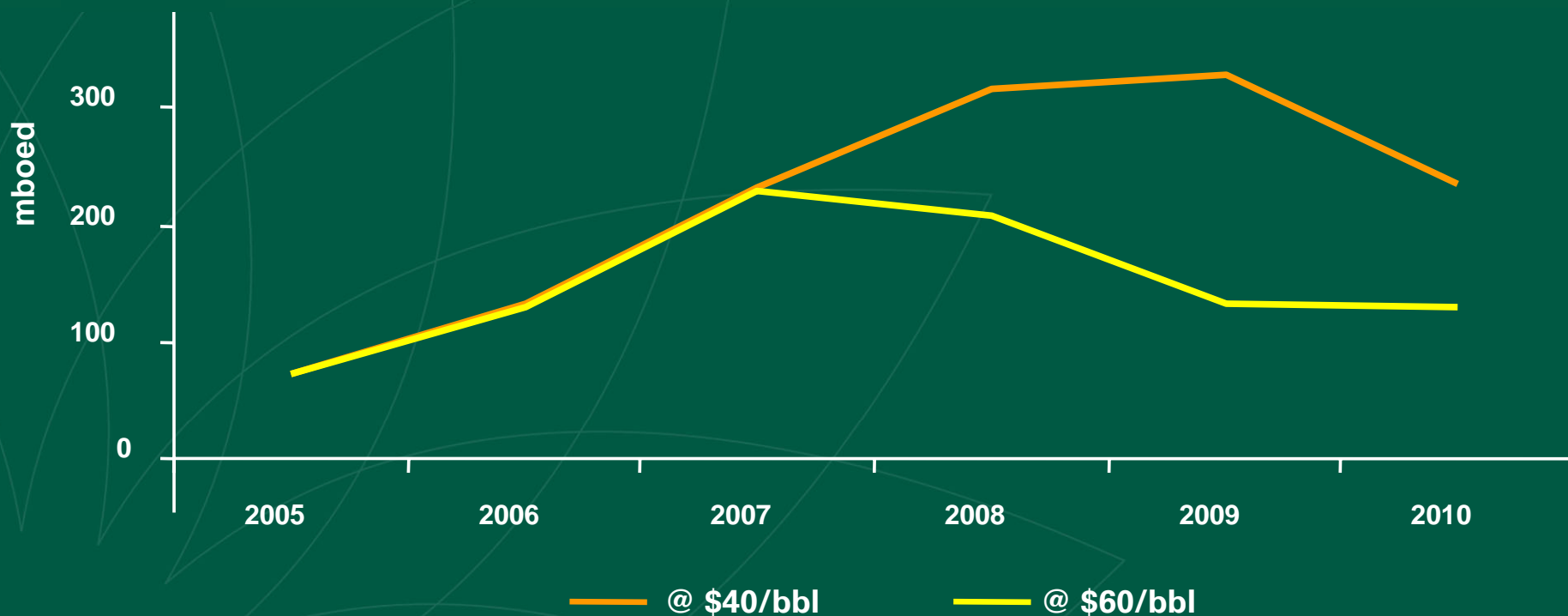


Source: BP data – indicative data based on current assumptions for life of field; currently sanctioned projects only

BP Azerbaijan net production



BP net production



Production profiles include sanctioned developments only: Chirag, Central Azeri, West Azeri, East Azeri, Deep-Water Gunashli (DWG) and DWG East manifold in ACG, and Shah Deniz Stage 1

Forward projections: BP data

BP Azerbaijan high margin barrels



2006 Barrel @ \$70/bbl dated Brent (BP net basis)

Average Realisation \$65.9/boe

