

BP EXPLORATION MEXICO LIMITED

(Registered No.119961)

ANNUAL REPORT AND ACCOUNTS 2005

Board of Directors: W E Armstrong
J H Bartlett

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2005.

Principal activity

The company provides exploration services and training in Mexico.

It is the intention of the directors that the above business of the company will continue for the foreseeable future.

Review of activities and future developments

The company is in a good position to take advantage of any opportunities which may arise in the future.

Results and dividends

The loss for the year after taxation was \$2,606,712, when added to the retained deficit brought forward at 1 January 2005 of \$20,329,355, together with exchange adjustments taken directly to reserves of \$51,025, gives a total retained deficit carried forward at 31 December 2005 of \$22,987,092. The directors do not propose the payment of a dividend.

Directors

The present directors are listed above and served as directors throughout the financial year. Changes since 1 January 2005 are as follows:

	Appointed	Resigned
J E Lynch Jr.	1 March 2003	1 August 2006



BP EXPLORATION MEXICO LIMITED

REPORT OF THE DIRECTORS

Directors' interests

The interests of the directors holding office at 31 December 2005, and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:

	<u>31 December 2005</u>	<u>1 January 2005</u>
W E Armstrong	131,188	140,906
J H Bartlett	75,705	68,915
J E Lynch, Jr	Nil	Nil

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2005 and 31 December 2005 as follows:

	<u>Granted</u>	<u>Exercised</u>
W E Armstrong	1,498	1,355
J H Bartlett	1,199	1,084
J E Lynch, Jr	Nil	Nil

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2005.

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. A copy of the code of practice may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was nil.

Post balance sheet events

After the balance sheet date 4,208,201 ordinary shares of £1 each were issued to the immediate parent company at par value.

BP EXPLORATION MEXICO LIMITED

REPORT OF THE DIRECTORS

Auditors

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

By order of the Board

Secretary



15th September 2006

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP EXPLORATION MEXICO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements, and having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

BP EXPLORATION MEXICO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BP EXPLORATION MEXICO LIMITED

We have audited the company's accounts for the year ended 31 December 2005 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 14. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

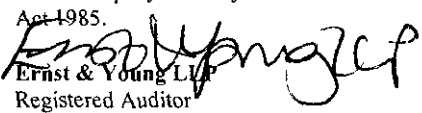
Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London.

15th September 2006

BP EXPLORATION MEXICO LIMITED

ACCOUNTING POLICIES

Accounting Standards

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the financial statements for the current year, the company has adopted Financial Reporting Standards No. 21 'Events after the Balance Sheet Date' (FRS 21) and No. 28 Corresponding Amounts. The adoption of FRS 21 has resulted in changes in accounting policy for dividends. Dividends proposed or declared on equity instruments after the balance sheet date are now not recognised as a liability at the balance sheet date.

Accounting convention

The accounts are prepared under the historical cost convention.

Basis of Preparation

At 31 December 2005 the company's balance sheet had net liabilities amounting to \$1,779,917. The directors consider it appropriate to prepare the accounts on a going concern basis because since the balance sheet date the company received an injection of cash from its immediate parent of \$8,000,000.

Statement of cash flows

The Group financial statements of the ultimate parent undertaking contain a consolidated cash flow statement. The Company has taken advantage of the exemption granted by the Financial Reporting Standard No. 1 (Revised), whereby it is not required to publish its own cash flow statement.

Foreign currency transactions

The company maintains its accounting records in Mexican Nuevo Pesos as its functional currency. These accounts have been prepared by translating those accounting records into US dollars as follows:

Assets and liabilities of foreign currency branches are translated into dollars at rates of exchange ruling at the balance sheet date. Income statements are translated into dollars using average rates of exchange. Exchange differences arising when the opening net assets and the profits for the year retained by foreign currency branches are translated into dollars are taken directly to reserves and reported in the statement of total recognised gains and losses. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the company's foreign currency investments are also dealt with in reserves.

All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of loss for the year.

BP EXPLORATION MEXICO LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

		2005	2004
			(restated)
	Note	\$	\$
Administration expenses		(3,163,129)	(2,488,604)
Other income	2	702,883	93,872
Loss on ordinary activities before interest and tax	1	(2,460,246)	(2,394,732)
Interest payable and similar charges	3	(146,466)	(563,335)
Loss before taxation		(2,606,712)	(2,958,067)
Taxation	4	-	-
Loss for the year		(2,606,712)	(2,958,067)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
		(restated)
	\$	\$
Loss for the year	(2,606,712)	(2,958,067)
Currency translation differences	(51,025)	(54,650)
Total recognised gains and losses for the year	(2,657,737)	(3,012,717)
Prior year adjustment – Administration expenses (note 13)	1,137,982	
– Currency translation	51,985	
Total gains and losses recognised since last annual report	(1,467,770)	

BP EXPLORATION MEXICO LIMITED

BALANCE SHEET AT 31 DECEMBER 2005

		2005	2004
	Note	\$	(\$ restated)
Current assets			
Debtors	6	2,423,317	1,536,078
Cash at bank and in hand		<u>10,926</u>	<u>15,283</u>
		2,434,243	1,551,361
Creditors: amounts falling due within one year	7	<u>(4,214,160)</u>	<u>(673,541)</u>
Net current (liabilities) / assets		<u>(1,779,917)</u>	<u>877,820</u>
NET (LIABILITIES) / ASSETS		<u>(1,779,917)</u>	<u>877,820</u>
Represented by			
Capital and reserves			
Called up share capital	8	21,207,175	21,207,175
Reserves	9	<u>(22,987,092)</u>	<u>(20,329,355)</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>(1,779,917)</u>	<u>877,820</u>

By order of the Board


Director

15th September 2006

BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

1. Loss on ordinary activities before interest and tax

This is stated after charging / (crediting):

	<u>2005</u>	<u>2004</u>
	\$	\$
Exchange (gain) on foreign currency borrowings less deposits	(5,906)	(46,449)
Auditors' remuneration:		
Audit fees – current year	13,265	7,880

2. Other income

	<u>2005</u>	<u>2004</u>
	\$	\$
Other interest and miscellaneous income	12,914	85,415
Other	689,969	8,457
	<u>702,883</u>	<u>93,872</u>

3. Interest payable and similar charges

	<u>2005</u>	<u>2004</u>
Interest expense on:	\$	\$
Loans from fellow subsidiary undertakings	146,135	563,193
Bank fees	331	142
	<u>146,466</u>	<u>563,335</u>

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NOTES TO THE ACCOUNTS

4. Taxation

UK Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred UK tax that arises without charge.

Overseas Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005	2004
	\$	\$
Current tax		
Overseas tax on income for the period	-	-
Total current tax	-	-

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher / lower than the standard rate of corporation tax in the UK of 30% (2004 – 30%). The differences are reconciled below:

	2005	2005	2004	2004
	UK	O'seas	(restated) UK	(restated) O'seas
	\$	\$	\$	\$
Loss before tax	(2,606,712)	(2,606,712)	(2,958,067)	(2,958,067)
Current taxation	-	-	-	-
Effective current tax rate	0%	0%	0%	0%
	2005	2005	2004	2004
	UK	O'seas	UK	O'seas
	%	%	%	%
UK statutory corporation tax rate:	30	30	30	30
Increase / (decrease) resulting from:				
Higher taxes on overseas earnings	-	-	-	3
Timing differences	1	(30)	1	(33)
Non deductible expenditure	1	-	-	-
Group relief	(32)	-	(31)	-
Effective current tax rate	-	-	-	-

BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

5. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2004 \$Nil).

(b) Employee costs

There were no employees during the year (2004 Nil).

6. Debtors

	2005	2004 (restated)
	\$	\$
Parent and fellow subsidiary undertakings	1,067,632	1,186,923
Taxation recoverable	1,330,906	349,155
Other	24,779	-
	<u>2,423,317</u>	<u>1,536,078</u>

7. Creditors

	2005	2004 (restated)
	\$	\$
Parent and fellow subsidiary undertakings	4,024,408	487,601
Other	189,752	185,940
	<u>4,214,160</u>	<u>673,541</u>

8. Called up share capital

	2005	2004
	£	£
Authorised share capital:		
22,500,000 Ordinary shares of £1 each	22,500,000	22,500,000
	<u>2005</u>	<u>2004</u>
	\$	\$
Allotted, called up and fully paid:		
612,504 Ordinary shares of £1 each at exchange rate of £1=US\$1.87 on date of issue and		
11,034,483 Ordinary shares of £1 each at exchange rate of £1=US\$1.82 on date of issue	<u>21,207,175</u>	<u>21,207,175</u>

BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

9. Reconciliation of shareholders' funds and movements on reserves

	<u>Equity share capital</u>	<u>Profit & loss account</u>	<u>Total</u>
	\$	\$	\$
At 1 January 2005 (restated)	21,207,175	(20,329,355)	877,820
Currency translation differences		(51,025)	(51,025)
Loss for the year		(2,606,712)	(2,606,712)
At 31 December 2005	<u>21,207,175</u>	<u>(22,987,092)</u>	<u>(1,779,917)</u>

10. Reconciliation of movements in shareholders' interest

	<u>2005</u>	<u>2004 (restated)</u>
	\$	\$
Loss for the year	(2,606,712)	(2,958,067)
Currency translation differences	(51,025)	(54,650)
Issue of ordinary share capital	-	20,061,793
Net (decrease) / increase in shareholders' interests	<u>(2,657,737)</u>	<u>17,049,076</u>
Shareholders' interest at 1 January	877,820	(16,171,256)
Shareholders' interest at 31 December	<u>(1,779,917)</u>	<u>877,820</u>

11. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies. There were no other related party transactions in the year.

12. Post balance sheet events

After the balance sheet date 4,208,201 ordinary shares of £1 each were issued to the immediate parent company at par value.

NOTES TO THE ACCOUNTS**13. Prior year adjustment**

During 2005, it was identified that incorrect accounting treatment of investment from the parent company had the effect of overstating debtor balances and understating the creditor balances, which also had an effect on the currency translation differences in the profit and loss account. These numbers have now been adjusted accordingly.

	2004 Restated	2004 Reported
	\$	\$
Debtors	1,536,078	22,735,853
Cash at bank and in hand	15,283	15,283
Creditors	(673,541)	(20,683,349)
Net assets	<u>877,820</u>	<u>2,067,787</u>
Called up share capital	21,207,175	21,207,175
Reserves	(20,329,355)	(19,139,388)
Shareholders' funds	<u>877,820</u>	<u>2,067,787</u>
Administration expenses	(2,488,604)	(1,350,622)
Other income	93,872	93,872
Interest payable and similar charges	(563,335)	(563,335)
Loss for the year	<u>(2,958,067)</u>	<u>(1,820,085)</u>

14. Ultimate parent undertaking

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p.l.c, a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.