BP (GOM) EXPLORATION
(Registered No.1062698)

ANNUAL REPORT AND ACCOUNTS 2008

Board of Directors: J H Bartlett
F W M Starkie

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2008.

Results and dividends

The profit for the year after taxation was $154,859,000 which, when added to the adjusted retained profit brought forward at 1 January 2008 of $459,225,000, gives a total retained profit carried forward at 31 December 2008 of $614,084,000. The directors do not propose the payment of a dividend.

Principal activity and review of the business

The company is engaged in the exploration, development and production of hydrocarbons in the Gulf of Mexico area.

The key financial and other performance indicators during the year were as follows:

	2008	2007 Restated	Variance
	$000	$000	%
Turnover	66,374	25,406	161
Profit on ordinary activities before interest and tax	48,563	15,159	220
Profit after taxation	154,859	183,840	(16)
Shareholders' funds	4,131,398	3,976,539	4
Current assets as % of current liabilities (quick ratio)	1,190%	9,172%	-

Deimos and Pompano fields have been producing at full capacity during the current year and this factor has contributed to the year-on-year increase of production and turnover.

The increase of profit on ordinary activities before interest and tax is mainly due to the increase in turnover.

Taxation has also increased due to the increased level of the company's profitability during the year.

The decrease of the company's 'quick ratio' (current assets as a percentage of current liabilities) is due to the fact that the loan of $3,029,250,000 which the company had granted to BP International Limited on 5 December 2005, has been repaid on 5 December 2008. The loan has been renewed in the same amount on 15 December 2008 with a maturity date of 5 December 2011 and as such it has not been included in the current year's quick ratio.

BP (GOM) EXPLORATION

REPORT OF THE DIRECTORS

Principal risks

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management at a group level. Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level.

Company level risks have been identified and classified in four categories: strategic, compliance and ethics, financial risk management and operations.

Strategic risks

Access and renewal
Successful execution of our group plan depends critically on implementing activities to renew and reposition our portfolio. The challenges to the renewal of our upstream portfolio are growing due to increasing competition for access to opportunities globally. Inability to complete planned disposals and/or lack of material positions in new markets could result in an inability to capture above-average market growth.

Prices and markets
Oil, gas and product prices are subject to international supply and demand. Political developments (especially in the Middle East) and the outcome of meetings of OPEC can particularly affect world supply and oil prices. In addition to the adverse effect on revenues, margins and profitability from any future fall in oil and natural gas price, a prolonged period of low prices or other indicators would lead to a review for impairment of the group's oil and natural gas properties. This review would reflect management's view of long-term oil and natural gas prices. Such a review could result in a charge for impairment that could have a significant effect on the group's results of operations in the period in which it occurs.

Refining profitability can be volatile, with both periodic oversupply and supply tightness in various regional markets. Sectors of the chemicals industry are also subject to fluctuations in supply and demand within the petrochemicals market, with consequent effect on prices and profitability.

Competition
The oil, gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home. Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency.

Compliance and ethics risks

Regulatory
The oil industry is subject to regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalization, expropriation, cancellation or non-renewal of contract rights. We buy, sell and trade oil and gas products in certain regulated commodity markets. The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities, and operates in certain tax jurisdictions that have a degree of uncertainty relating to the interpretation of, and changes to, tax law.

Regulatory (continued)

As a result of new laws and regulations or other factors, we could be required to curtail or cease certain operations, causing our production to decrease, or we could incur additional costs.

Financial risk management

The main financial risks faced by the company through its normal business activities are market risk and credit risk. The management of these financial risks is performed at a group (BP p.l.c. Group) level.

Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or oil, natural gas and power prices will adversely affect the value of the group's financial assets, liabilities or expected future cash flows. The management of such risks is performed at BP Group level. The group has developed policies aimed at managing the market risk inherent in its natural business activities and, in accordance with these policies, the group enters into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices that are defined in the contract. The group also trades derivatives in conjunction with these risk management activities.

Credit risk

Credit risk is the potential exposure of the company to loss in the event of non-performance by a counterparty. The management of such risks is performed at BP Group level. The group controls the related credit risk through credit approvals, limits, use of netting arrangements and monitoring procedures. Before trading with a new counterparty, its creditworthiness is assessed and a credit rating allocated that indicates the probability of default, along with a credit exposure limit. Creditworthiness continues to be evaluated after transactions have been initiated and a watchlist of higher-risk counterparties is maintained.

Operations risks

Process safety

Inherent in our operations are hazards that require continual oversight and control. There are risks of technical integrity failure and loss of containment of hydrocarbons and other hazardous material at operating sites or pipelines. Failure to manage these risks could result in injury or loss of life, environmental damage and/or loss of production.

Environmental

If we do not apply our resources to overcome the perceived trade-off between global access to energy and the protection or improvement of the natural environment, we could fail to live up to our aspirations of no or minimal damage to the environment and contributing to human progress.

Drilling and production

Exploration and production require high levels of investment and are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of an oil or natural gas field. The cost of drilling, completing or operating wells is often uncertain. We may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental requirements.

Research and development

The company is engaged in some research trials on a field which is working at full capacity.

Future developments

The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years. They believe that the company is in a good position to take advantage of any opportunities which may arise in the future.

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

Events since the balance sheet date

After the balance sheet date, 347,478,474 ordinary shares of £1 each were issued to the immediate parent company at par value for the total consideration of $1,400,000,000 in cash.

After the balance sheet date, the company subscribed for 85,733,434 ordinary shares in BP (GOM) Development and Production Limited for the total consideration of $900,000,000 in cash.

Also subsequent to the year end management has decided to write off $28,200,000 in costs associated with the Puma 2 and 3 exploration wells, which have been determined to be dry.

Directors

The present directors are listed on page 1.

Mr J H Bartlett, Mr R A Cooper and Mr F W M Starkie served as directors throughout the financial year.

Changes since 1 January 2008 are as follows:

	Appointed	Resigned
Mr R A Cooper		31 July 2009

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006.

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 with payments made in accordance with the relevant contractual payment terms. 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.

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.

Directors' statement as to the disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware; and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

By order of the Board

Secretary

18 September 2009

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP (GOM) EXPLORATION

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting practice.

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 the profit for the year. In preparing these accounts, the directors are required:

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

The directors are 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 (GOM) EXPLORATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP (GOM) EXPLORATION

We have audited the company's accounts for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 21. These accounts have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the directors' report is consistent with the accounts.

In addition we report to you if, in our opinion, 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 other transactions 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 judgments 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 the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the accounts.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London
23 September 2009

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ACCOUNTING POLICIES

Accounting standards

These accounts are prepared in accordance with applicable UK accounting standards.

In addition to the requirements of accounting standards, the accounting for exploration and production activities is governed by the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001.

These accounts have been prepared in accordance with the provisions of the SORP with the exception of the following:

(i) The SORP recommends that oil and gas reserve quantities be disclosed. The company is a wholly owned subsidiary of BP p.l.c. and, as such, the oil and gas reserve quantities of the company are included in the consolidated oil and gas reserve quantities disclosed in the Annual Report and Accounts of BP p.l.c. Consequently the directors have elected not to publish this information for the company;

(ii) The SORP contains rules around the estimation of future oil and gas reserves. The company, as part of the BP Group, estimates and calculates its reserves in accordance with the US Securities and Exchange Commission (SEC) rules. The main difference relates to the SEC requirement to use year-end prices to assess future reserves. This is the basis applied in the BP Group reporting and is comparable with other oil majors. It is not possible for the company to quantify the impact of this departure as SORP estimates of reserves are no longer maintained.

Accounting convention

The accounts are prepared under the historical cost convention.

Statement of cash flows

The group accounts 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.

Group accounts

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 228(1) of the Companies Act 1985. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p.l.c., a company registered in England and Wales. The accounts present information about the company as an individual undertaking and not about the group.

Revenue recognition

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products and all other items are recognised when title passes to the customer. Generally, revenues from the production of natural gas and oil properties in which the company has an interest with other producers are recognised on the basis of the company's working interests in those properties (the entitlement method). Differences between the production sold and the company's share of production (under / over lifts) are included as an adjustment to cost of sales.

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ACCOUNTING POLICIES

Foreign currency transactions

Foreign currency transactions are initially recorded in dollars by applying the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are translated into dollars at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

Research

Expenditure on research is written off in the year in which it is incurred.

Interest

Interest is charged against income in the year in which it is incurred.

Intangible assets

Intangible assets include expenditure on the exploration for and evaluation of oil and natural gas resources, computer software, patents, licences, trademarks and product development costs. Product development costs are capitalised as intangible assets when a project has obtained sanction and the future recoverability of such costs can reasonably be regarded as assured.

Intangible assets are not depreciated. The indefinite life of intangible assets is reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

Oil and natural gas exploration and development expenditure

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting.

Licence and property acquisition costs

Exploration licence and property leasehold acquisition costs are initially capitalised within intangible fixed assets. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves'), the costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within intangible assets. When development is sanctioned, the relevant expenditure is transferred to tangible production assets.

Each property is reviewed on an annual basis to confirm that drilling activity is planned and the property is not impaired. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off.

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BP (GOM) EXPLORATION

ACCOUNTING POLICIES

Exploration expenditure

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to regular technical, commercial and management review to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets.

Development expenditure

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within tangible production assets.

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within tangible fixed assets.

Oil and natural gas properties are depreciated using a unit-of-production method. The cost of producing wells is depreciated over proved developed reserves. Licence acquisition, decommissioning and field development costs are depreciated over total proved reserves. The unit-of-production rate for the depreciation of field development costs takes into account expenditures incurred to date, together with future development expenditure required to access the total proved reserves.

Other tangible assets, with the exception of freehold land and assets under construction, are depreciated on the straight line method over their estimated useful lives.

Changes in unit-of-production factors

Changes in factors which affect unit-of-production calculations are dealt with prospectively, not by immediate adjustment of prior years' amounts.

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ACCOUNTING POLICIES

Maintenance expenditure

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. All other maintenance costs are expensed as incurred.

Impairment of intangible assets and tangible fixed assets

The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the company makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its net realisable value and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments

Fixed asset investments in subsidiaries, joint ventures and associates are held at cost. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Trade and other debtors

Trade and other debtors are carried at the original invoice amount, less allowances made for doubtful receivables. Provision is made when there is objective evidence that the group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

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Trade and other creditors

Trade and other creditors are carried at payment or settlement amounts. If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Decommissioning

Provision for decommissioning costs is recognised when the company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future. In particular:

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Deferred tax (continued)

- Provision is made for tax on gains arising on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

Petroleum revenue tax

The charge for petroleum revenue tax includes deferred tax that is recognised in respect of timing differences that have originated, but not reversed at the balance sheet date, to the extent that the deferred tax liability does not exceed the forecast of future petroleum tax liabilities on a field-by-field basis. Deferred petroleum revenue tax is measured on an undiscounted basis on tax rates enacted or substantively enacted at the balance sheet date.

Discounting

The unwinding of the discount on provisions is included within interest expense. Any change in the amount recognised for environmental and other provisions arising through changes in discount rates is included within interest expense.

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

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BP (GOM) EXPLORATION

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008	2007 Restated
		$000	$000
Turnover	1	66,374	25,406
Cost of sales		(11,003)	(10,144)
Gross profit		55,371	15,262
Exploration expense		(5,385)	(52)
Administration expenses		(1,423)	(51)
Profit on ordinary activities before interest and tax	2	48,563	15,159
Interest payable and similar charges	4	(12,523)	(18,650)
Interest receivable and similar income	5	131,548	170,351
Profit before taxation		167,588	166,860
Taxation	6	(12,729)	16,980
Profit for the year		154,859	183,840

The profit of $154,859,000 for the year ended 31 December 2008 has derived in its entirety from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007 Restated
	$000	$000
Profit for the year	154,859	183,840
Total recognised gains and losses for the year	154,859	183,840
Prior year adjustment – as explained in note 20	(53,437)	
Total gains and losses recognised since last annual report	101,422	

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BP (GOM) EXPLORATION

BALANCE SHEET AT 31 DECEMBER 2008

	Note	2008 $000	2007 Restated $000
Fixed assets			
Intangible assets	8	211,168	202,368
Tangible assets	9	275,890	210,049
Investments	10	370,148	370,148
		857,206	782,565
Current assets			
Debtors			
Within one year	11	297,218	3,245,833
After more than one year	11	3,029,250	-
Creditors: amounts falling due within one year	12	(24,967)	(35,387)
Net current assets		3,301,501	3,210,446
TOTAL ASSETS LESS CURRENT LIABILITIES		4,158,707	3,993,011
Provisions for liabilities and charges			
Deferred tax	6	(3,276)	(4,939)
Other provisions	13	(24,033)	(11,533)
NET ASSETS		4,131,398	3,976,539
Represented by			
Capital and reserves			
Called up share capital	14	3,500,058	3,500,058
Share premium account	15	17,256	17,256
Profit and loss account	15	614,084	459,225
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		4,131,398	3,976,539

On behalf of the Board

Director

18 September 2009

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BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

1. Turnover

Turnover, which is stated net of value added tax, customs duties and sales taxes, represent amounts invoiced to group companies.

The country of origin and destination is substantially the US geographic area.

Turnover is attributable to one continuing activity, the production and selling of petroleum products.

2. Profit on ordinary activities before interest and tax

This is stated after charging / (crediting):

	2008	2007
	$000	$000
Exchange loss/ (gain) on foreign currency borrowings less deposits	6	(8)
Expenditure on research	31	32
Depreciation of owned fixed assets	10,348	9,402
Impairment of intangible assets	5,378	-

3. Auditor's remuneration

	2008	2007
	$000	$000
Fees for the audit of the company	71	67

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of BP (GOM) Exploration's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

4. Interest payable and similar charges

	2008	2007
	$000	$000
Interest expense on loans from group undertakings	12,062	18,506
Unwinding of discount on provisions	461	144
Total charged against profit	12,523	18,650

5. Interest receivable and similar income

	2008	2007
	$000	$000
Interest income from group undertakings	131,548	170,351

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6. 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.

The tax charge is made up as follows:

	2008	2007 Restated
Current tax	$000	$000
Overseas tax on income for the year	(17,312)	162
Total current tax	(17,312)	162
Deferred tax		
Origination and reversal of timing differences	4,583	16,818
Total deferred tax	4,583	16,818
Tax (charged) / credited on profit on ordinary activities	(12,729)	16,980

(a) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28.5% for the year ended 31 December 2008 (2007 – 30%). The differences are reconciled below:

	2008 UK	2008 Overseas	2007 UK	2007 Overseas
	$000	$000	$000	$000
Profit on ordinary activities before tax	167,588	167,588	166,860	166,860
Current taxation	-	(17,312)	-	162
Effective current tax rate	-	(10)%	-	-

FxY

6. **Taxation (continued)**

	2008 UK	2008 Overseas	2007 UK	2007 Overseas
	%	%	%	%
UK corporation tax rate:	28	-	30	-
Overseas corporation tax rate:	-	28	-	30
Increase / (decrease) resulting from:				
Higher taxes on overseas earnings	-	7	-	5
Fixed asset timing differences	(7)	3	(14)	1
Other timing differences		(28)	-	(36)
Group relief	(19)	-	(16)	-
Permanent differences	(2)	-	-	-
Effective current tax rate	-	10	-	-

(b) Deferred tax

The deferred tax liability included in the balance sheet is as follows:

	2008	2007 Restated
	$000	$000
Accelerated capital allowances	(3,276)	(4,939)
Deferred tax liability	(3,276)	(4,939)

	2008
	$000
At 1 January 2008 restated	(4,939)
Deferred tax credited in the profit and loss account	4,583
Elimination of prior year amount owed to group undertakings	(2,920)
At 31 December 2008	(3,276)

7. **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 (2007: $Nil).

The company had no employees during the year (2007: Nil).

EaY

8. Intangible assets

	Exploration expenditure
Cost	$000
At 1 January 2008	202,368
Additions	14,243
Transfers	(65)
At 31 December 2008	216,546
Amortisation	
At 1 January 2008	-
Impairment	5,378
At 31 December 2008	5,378
Net book value	
At 31 December 2008	211,168
At 31 December 2007	202,368

The impairment of $5,378,000 relates to Das Bump field which was written off as a dry hole during the current year.

9. Tangible assets

	Oil & gas properties	Of which AUC*
Cost	$000	$000
At 1 January 2008	219,661	126,406
Additions	76,124	65,667
Transfers	65	(12,626)
At 31 December 2008	295,850	179,447
Depreciation and impairment		
At 1 January 2008	9,612	-
Charge for the year	10,348	-
At 31 December 2008	19,960	-
Net book value		
At 31 December 2008	275,890	179,447
At 31 December 2007	210,049	126,406

*AUC = assets under construction. Assets under construction are not depreciated.

E&Y

10. Fixed assets – investments

	Subsidiary shares
Cost	$000
At 1 January 2008 / 31 December 2008	370,148
Amounts provided	
At 1 January 2008 / 31 December 2008	-
Net book amount	
At 31 December 2008	370,148
At 31 December 2007	370,148

The investment in the subsidiary undertaking is unlisted.

The subsidiary undertaking of the company at 31 December 2008 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name. A complete list of investments in subsidiary and associated undertakings will be attached to the parent company's annual return made to the Registrar of Companies.

Subsidiary undertaking	**%**	**Country of incorporation**	**Principal activity**
BP (GOM) Development & Production Limited	100	England and Wales	Development and production of oil and natural gas

11. Debtors

	2008 Within 1 year	2008 After 1 year	2007 Within 1 year Restated	2007 After 1 year
	$000	$000	$000	$000
Amounts owed by group undertakings	295,539	3,029,250	3,245,823	-
Other debtors	8	-	10	-
Prepayments and accrued income	1,671	-	-	-
	297,218	3,029,250	3,245,833	-

E&Y

12. Creditors

	2008 Within 1 year $000	2007 Within 1 year $000
Trade creditors	124	141
Amounts owed to group undertakings	-	8,609
Taxation	6,899	2,021
Accruals and deferred income	17,944	24,616
	24,967	35,387

13. Other provisions

	Decom-missioning $000
At 1 January 2008	11,533
Increase in provision	12,039
Unwinding of discount	461
At 31 December 2008	24,033

The company makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis on the installation of those facilities. At 31 December 2008, the provision for the costs of decommissioning these production facilities and pipelines at the end of their economic lives was $24,033,000 (2007: $11,533,000). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2% (2007: 2%). These costs are expected to be incurred over the next 28 years. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs.

14. Called up share capital

	2008 £000	2007 £000
Authorised share capital:		
14,250,000,000 Ordinary shares of £1 each	14,250,000	14,250,000
750,000,000 fixed rate cumulative preference shares of £1 each	750,000	750,000
	15,000,000	15,000,000

	2008 $000	2007 $000
Allotted, called up and fully paid:		
1,821,780,000 Ordinary shares of £1 each	3,500,058	3,500,058

E&Y

15. Capital and reserves

	Equity share capital	Share premium account	Profit and loss account	Total
	$000	$000	$000	$000
At 1 January 2007 as previously reported	3,500,058	17,256	344,434	3,861,748
Prior year adjustment (see note 20)	-	-	(69,049)	(69,049)
At 1 January 2007 restated	3,500,058	17,256	275,385	3,792,699
Profit for the year	-	-	183,840	183,840
At 1 January 2008 restated	3,500,058	17,256	459,225	3,976,539
Profit for the year	-	-	154,859	154,859
At 31 December 2008	3,500,058	17,256	614,084	4,131,398

16. Reconciliation of movements in shareholders' funds

	2008	2007 Restated
	$000	$000
Profit for the year	154,859	183,840
Net increase in shareholders' interests	154,859	183,840
Shareholders' interest at 1 January	3,976,539	3,792,699
Shareholders' interest at 31 December	4,131,398	3,976,539

17. Capital commitments

Authorised and contracted future capital expenditure by the company for which contracts had been placed but not provided in the accounts at 31 December 2008 is estimated at $55,800,000 (2007 $132,800,000).

18. 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.

19. Post balance sheet event

After the balance sheet date, 347,478,474 ordinary shares of £1 each were issued to the immediate parent company at par value for the total consideration of $1,400,000,000 in cash.

After the balance sheet date, the company subscribed for 85,733,434 ordinary shares in BP (GOM) Development and Production Limited for the total consideration of $900,000,000 in cash.

Also subsequent to the year end management has decided to write off $28,200,000 in costs associated with the Puma 2 and 3 exploration wells, which have been determined to be dry.

FxY

20. Prior year adjustment

In 2009 a review of the company's US deferred tax position has been undertaken, covering the period from 2004 until 2007. As a result, the company's retained earnings prior to 2007 have decreased by 69,049,000 while the 2007 profit has increased by $15,612,000. The overall effect on the company's retained earnings prior to 1 January 2008 has been a decrease of $53,437,000.

21. Immediate and ultimate parent undertaking

The immediate parent undertaking of this company is BP (GOM) Holdings Limited, a company registered in England and Wales. 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.

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