

BP (GOM) EXPLORATION

(Registered No 1062698)

ANNUAL REPORT AND ACCOUNTS 2009

Board of Directors J H Bartlett
R C Harrington

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2009

Results and dividends

The profit for the year after taxation was \$2,789,269,000 which, when added to the retained profit brought forward at 1 January 2009 of \$614,084,000, gives a total retained profit carried forward at 31 December 2009 of \$3,403,353,000

The company has not declared any dividends during the year (2008 \$Nil). The directors do not propose the payment of a dividend.

Principal activity and review of the business

During the year the company was engaged in the exploration, development and production of hydrocarbons in the Gulf of Mexico area

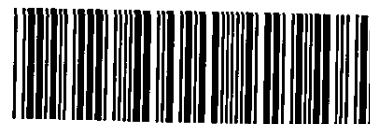
On 31 December 2009 the company entered into a conveyance and assignment and assumption agreement with one of its subsidiary undertakings, BP (GOM) Development & Production Limited. With effect from 31 December 2009, the company acquired all the rights and obligations pertaining to BP (GOM) Development & Production Limited for the purpose of the exploration and the development of the oil and gas prospects within the Gulf of Mexico. Further details on this acquisition are given in note 4.

On the same day, the company entered into a conveyance and assignment and assumption agreement with another of its subsidiary undertakings, Deepwater (GOM) LLC. With effect from 31 December 2009, the company transferred all its rights and obligations, included those acquired from BP (GOM) Development & Production Limited, for the purpose of the exploration and the development of the oil and gas prospects within the Gulf of Mexico in which the company had an interest. Therefore from 31 December 2009 the company's exploration and development activity ceased. Further details on this disposal are given in note 4.

Although there is no current plan for the company to commence a new business activity, it is the intention of the directors that the company will continue in operational existence for the foreseeable future as a holding company.

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

	2009	2008	Variance
	\$000	\$000	%
Turnover	58,349	66,374	(12)
Operating (loss) / profit	(34,935)	48,563	(172)
Profit after taxation	2,789,269	154,859	1,701
Shareholders' funds	8,320,667	4,131,398	101



BP (GOM) EXPLORATION
REPORT OF THE DIRECTORS

Principal activity and review of the business (continued)

	2009	2008	Variance
	%	%	
Current assets as % of current liabilities (quick ratio)	119	1,190	(1,071)

The decrease in turnover was largely due to a pricing environment which was less favourable than the previous year. This effect was partly offset by an increase in the volume of production which was enhanced by Dorado field starting production in March 2009.

The operating loss was mainly due to an increased level of depreciation as Dorado field started producing in March 2009 and the impairment of the Puma field which was written off as a dry hole.

The increase in the profit after taxation was mainly due to the exceptional profit of \$2,779,523,000 realised as part of the conveyance and assignment agreement signed on 31 December 2009 with Deepwater (GOM) LLC. Further details are given in note 4.

The increase in shareholders' funds was mainly due to the additional share capital subscribed on 26 March 2009 by the company's immediate parent company, BP (GOM) Holdings Limited, in the amount of \$1,400,000,000 and to the exceptional profit of \$2,779,523,000 realised as part of the conveyance and assignment agreement signed on 31 December 2009 with Deepwater (GOM) LLC. Further details are given in note 4.

The decrease in the quick ratio was mainly due to the increased level of the company's liabilities as a result of the conveyance and assignment agreement signed on 31 December 2009 with BP (GOM) Development & Production Limited. Further details are given in note 4.

Principal risks and uncertainties

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 two categories: strategic and compliance and ethics.

Strategic risks

Prices and markets

Oil, gas and product prices are subject to international supply and demand. Political developments 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 company'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 company's results of operations in the period in which it occurs.

BP (GOM) EXPLORATION
REPORT OF THE DIRECTORS

Compliance and ethics risks

Reporting

External reporting of financial and non-financial data is reliant on the integrity of systems and people. Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to our reputation.

Directors

The present directors are listed on page 1.

J H Bartlett served as a director throughout the financial year. Changes since 1 January 2009 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
R A Cooper	-	31 July 2009
F W M Starkie	-	30 September 2009
R C Harrington	1 October 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 on payment of creditors

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

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year.

BP (GOM) EXPLORATION

REPORT OF THE DIRECTORS

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



For and on behalf of
Sunbury Secretaries Limited
Company Secretary

31 August 2010

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP (GOM) EXPLORATION

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period In preparing these 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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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 financial statements for the year ended 31 December 2009 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of the company's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Jacqueline Ann Geary
(Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Registered auditor

London

2 September 2010

BP (GOM) EXPLORATION

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 plc 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 plc. 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. On 31 December 2008, the SEC published a revision of Rule 4-10 (a) of Regulation S-X for the estimation of reserves. These revised technical rules form the basis of the 2009 year-end estimation of proved reserves. The main differences relate to the SEC requirement to use a twelve-month average price to assess future reserves, being the unweighted average of the price on the first day of the month for the past twelve months. 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 400 (1) of the Companies Act 2006. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP plc, a company registered in England and Wales. The accounts present information about the company as an individual undertaking and not about the group.

BP (GOM) EXPLORATION

ACCOUNTING POLICIES

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.

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 capitalised gross of related tax relief during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other 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.

BP (GOM) EXPLORATION

ACCOUNTING POLICIES

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.

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.

BP (GOM) EXPLORATION

ACCOUNTING POLICIES

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

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.

BP (GOM) EXPLORATION

ACCOUNTING POLICIES

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 company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

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 a 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.

BP (GOM) EXPLORATION

ACCOUNTING POLICIES

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:

- 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

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

BP (GOM) EXPLORATION

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 Continuing operations \$000	2009 Discontinued operations \$000	2009 Total \$000	2008 Total \$000
Turnover	1	-	58,349	58,349	66,374
Cost of sales		-	(30,840)	(30,840)	(11,003)
Gross profit		-	27,509	27,509	55,371
Exploration expenses		-	(62,385)	(62,385)	(5,385)
Administration expenses		(59)	-	(59)	(1,423)
Operating (loss)/profit	2	(59)	(34,876)	(34,935)	48,563
Profit on sale of operations	4	-	2,779,523	2,779,523	-
Profit on ordinary activities before interest and tax		(59)	2,744,647	2,744,588	48,563
Interest payable and similar charges	5	(234)	(1,677)	(1,911)	(12,523)
Interest receivable and similar income	6	40,472	261	40,733	131,548
Profit before taxation		40,179	2,743,231	2,783,410	167,588
Taxation	7	-	5,859	5,859	(12,729)
Profit for the year		40,179	2,749,090	2,789,269	154,859

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 \$000	2008 \$000
Profit for the year	2,789,269	154,859
Prior year adjustment	-	(53,437)
Total gains and losses recognised since last annual report	2,789,269	101,422

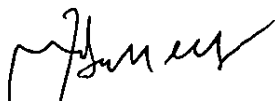
BP (GOM) EXPLORATION

(Registered No. 1062698)

BALANCE SHEET AT 31 DECEMBER 2009

	Note	2009 \$000	2008 \$000
Fixed assets			
Intangible assets	9	-	211,168
Tangible assets	10	-	275,890
Investments	11	5,165,001	370,148
		<u>5,165,001</u>	<u>857,206</u>
Current assets			
Debtors	12		
Within one year		793,273	297,218
After more than one year		3,029,250	3,029,250
Creditors: amounts falling due within one year	13	(666,857)	(24,967)
Net current assets		<u>3,155,666</u>	<u>3,301,501</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,320,667	4,158,707
Provisions for liabilities and charges			
Deferred tax	7	-	(3,276)
Other provisions	14	-	(24,033)
NET ASSETS		<u>8,320,667</u>	<u>4,131,398</u>
Represented by			
Capital and reserves			
Called up share capital	15	4,900,058	3,500,058
Share premium account	16	17,256	17,256
Profit and loss account	16	3,403,353	614,084
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>8,320,667</u>	<u>4,131,398</u>

On behalf of the Board



Director
31 August

J H BARNETT
2010

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

1. Turnover

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

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

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

2. Operating (loss) / profit

This is stated after charging

	2009	2009	2009	2008	2008	2008
	Continui- ng operations \$000	Disconti- nued operations \$000	Total \$000	Continui- ng operations \$000	Disconti- nued operations \$000	Total \$000
Exchange gain on foreign currency borrowings less deposits	1	-	1	6	-	6
Expenditure on research	-	-	-	-	31	31
Depreciation of owned fixed assets	-	29,050	29,050	-	10,348	10,348
Impairment of intangible fixed assets	-	62,393	62,393	-	5,378	5,378

3. Auditor's remuneration

	2009	2008
	\$000	\$000
Fees for the audit of the company	66	71

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

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

4. Profit on sale of operations

On 31 December 2009 the company entered into a conveyance and assignment and assumption agreement with one of its subsidiary undertakings, BP (GOM) Development & Production Limited. With effect from 31 December 2009, the company acquired all the rights and obligations pertaining to BP (GOM) Development & Production Limited for the purpose of the exploration and the development of the oil and gas prospects within the Gulf of Mexico.

The acquisition of BP (GOM) Development & Production Limited's assets and liabilities took place at the book value of \$1,936,995,000 as at 31 December 2009.

In consideration for such acquisition, BP (GOM) Exploration agreed to a reduction of BP (GOM) Development & Production Limited's share capital by an amount of \$1,270,147,000 and to settle in cash the remaining balance of \$666,848,000. As at 31 December 2009 this balance was not settled.

The assets and liabilities acquired from BP (GOM) Development & Production Limited were as follows:

	<u>2009</u> \$000
Assets	
Intangible assets	27,051
Tangible assets	1,425,815
Debtors	454,937
Deferred tax asset	206,595
	<u>2,114,398</u>
Liabilities	
Creditors	(112,094)
Decommissioning provision	(65,309)
	<u>(177,403)</u>
Net assets acquired from BP (GOM) Development & Production Limited	<u>1,936,995</u>

On the same day, the company entered into a conveyance and assignment and assumption agreement with another of its subsidiary undertakings, Deepwater (GOM) LLC. With effect from 31 December 2009, the company transferred all its rights and obligations, including those acquired from BP (GOM) Development & Production Limited, for the purpose of the exploration and the development of the oil and gas prospects within the Gulf of Mexico in which the company had an interest. Therefore from 31 December 2009 the company's exploration and development activity ceased.

The disposal of the company's assets and liabilities took place at a market value of \$5,165,000,000.

In consideration for such disposal, the company agreed to receive 100 newly issued shares of Deepwater (GOM) LLC at a value of \$65,000,000 and loan notes with an aggregate amount of \$5,100,000,000.

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

4. Profit on sale of operations (continued)

The assets and liabilities transferred to Deepwater (GOM) LLC were as follows

	<u>2009</u>
	\$000
Assets:	
Intangible assets	(190,649)
Tangible assets	(1,739,959)
Debtors	(482,647)
Deferred tax asset	(228,533)
	<u>(2,641,788)</u>
Liabilities	
Creditors	163,430
Decommissioning provision	92,881
	<u>256,311</u>
Net assets transferred to Deepwater (GOM) LLC	<u>(2,385,477)</u>
The consideration comprised:	
100 newly issued shares in Deepwater (GOM) LLC	65,000
Loan Notes issued by Deepwater (GOM) LLC	5,100,000
	<u>2,779,523</u>
Profit on sale of operations	<u>2,779,523</u>

5. Interest payable and similar charges

	2009	2009	2009	2008	2008	2008
	Continui- ng operations \$000	Disconti- nued operations \$000	Total \$000	Continui- ng operations \$000	Disconti- nued operations \$000	Total \$000
Interest expense on Loans from group undertakings	234	1,147	1,381	-	12,062	12,062
Unwinding of discount on provisions	-	530	530	-	461	461
Total charged against profit	<u>234</u>	<u>1,677</u>	<u>1,911</u>	<u>-</u>	<u>12,523</u>	<u>12,523</u>

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

6. Interest receivable and similar income

	2009	2009	2009	2008	2008	2008
	Continui- ng operations \$000	Disconti- nued operations \$000	Total \$000	Continui- ng operations \$000	Disconti- nued operations \$000	Total \$000
Interest income from group undertakings	40,472	261	40,733	131,548	-	131,548

7. 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

	2009	2008
	Disconti- nued operations \$000	Disconti- nued operations \$000
<u>Current tax</u>		
Overseas tax on income for the year	(19,355)	(17,312)
Total current tax	(19,355)	(17,312)
<u>Deferred tax</u>		
Origination and reversal of timing differences	25,214	4,583
Total deferred tax	25,214	4,583
Tax credited / (charged) on profit on ordinary activities	5,859	(12,729)

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

7. Taxation (continued)

(a) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% for the year ended 31 December 2009 (2008 – 28.5%). The differences are reconciled below

	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	UK	Overseas	UK	Overseas
	\$000	\$000	\$000	\$000
Profit on ordinary activities before tax	2,783,410	2,783,410	167,588	167,588
Current taxation	-	(19,355)	-	(17,312)
Effective current tax rate	-	1%	-	10%
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	UK	Overseas	UK	Overseas
	%	%	%	%
UK corporation tax rate	28	28	28	28
Increase / (decrease) resulting from:				
Higher taxes on overseas earnings	-	7	-	7
Fixed asset timing differences	(1)	1	(7)	3
Group relief	-	-	(19)	-
Non taxable income	(28)	(35)	(2)	(28)
Tax losses available to carry back to previous periods	1	-	-	-
Effective current tax rate	<u>-</u>	<u>1</u>	<u>-</u>	<u>10</u>

(b) Deferred tax

The deferred tax asset was transferred to the company's subsidiary undertaking, Deepwater (GOM) LLC, as part of the conveyance and assignment and assumption agreement signed on 31 December 2009

	<u>2009</u>	<u>2008</u>
	\$000	\$000
Accelerated capital allowances	-	(3,276)
Deferred tax liability	<u>-</u>	<u>(3,276)</u>
	<u>2009</u>	
	\$000	
At 1 January 2009	(3,276)	
Deferred tax credited in the profit and loss account	25,214	
Deferred tax asset acquired from another group company on 31 December 2009	206,595	
Deferred tax asset transferred to another group company on 31 December 2009	(228,533)	
At 31 December 2009	<u>-</u>	

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

8. 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 (2008 \$Nil)

(b) Employee costs

The company had no employees during the year (2008 Nil)

9. Intangible assets

	Exploration expenditure
Cost	\$000
At 1 January 2009	216,546
Additions	12,809
Acquisition	27,051
Disposal	(258,420)
Transfers	2,014
At 31 December 2009	<u>-</u>
Amortisation and impairment	
At 1 January 2009	5,378
Disposal	(67,771)
Impairment	62,393
31 December 2009	<u>-</u>
Net book value	
At 31 December 2009	<u>-</u>
At 31 December 2008	<u>211,168</u>

The net book value of the assets acquired from BP (GOM) Development & Production Limited on 31 December 2009 as part of the conveyance and assignment and assumption agreement entered on the same day was \$27,051,000

The net book value of the assets transferred to Deepwater (GOM) LLC on 31 December 2009 as part of the conveyance and assignment and assumption agreement entered on the same day, was \$190,649,000

The impairment of \$62,393,000 relates to the Puma field which was written off as a dry hole during the year

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

10. Tangible assets

	Oil & gas properties	Of which AUC*
Cost	\$000	\$000
At 1 January 2009	295,850	179,447
Additions	69,318	64,726
Acquisition	2,008,793	304,376
Disposal	(2,371,947)	(510,841)
Transfers	(2,014)	(37,708)
At 31 December 2009	<u>-</u>	<u>-</u>
Depreciation and impairment		
At 1 January 2009	19,960	-
Charge for the year	29,050	-
Acquisition	582,978	-
Disposal	(631,988)	-
At 31 December 2009	<u>-</u>	<u>-</u>
Net book value		
At 31 December 2009	<u>-</u>	<u>-</u>
At 31 December 2008	<u>275,890</u>	<u>179,447</u>

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

The net book value of the assets acquired from BP (GOM) Development & Production Limited on 31 December 2009 as part of the conveyance and assignment and assumption agreement entered on the same day was \$1,425,815,000.

The net book value of the assets transferred to Deepwater (GOM) LLC on 31 December 2009 as part of the conveyance and assignment and assumption agreement entered on the same day was \$1,739,959,000

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

11. Fixed assets – investments

	Subsidiary shares
Cost	\$000
At 1 January 2009	370,148
Additions	6,065,000
Disposals	(1,270,147)
At 31 December 2009	<u>5,165,001</u>
Amounts provided	
At 1 January 2009 / 31 December 2009	<u>-</u>
Net book amount	
At 31 December 2009	<u>5,165,001</u>
At 31 December 2008	<u>370,148</u>

The investments in the subsidiary undertakings are unlisted

On 26 March 2009 the company subscribed 85,733,434 ordinary shares of \$1 each in BP (GOM) Development & Production Limited for the consideration of \$900,000,000 in cash

On 22 December 2009 the company acquired Deepwater (GOM) LLC for a consideration of \$1.

On 31 December 2009, the company entered into a conveyance and assignment and assumption agreement with BP (GOM) Development & Production Limited. With effect from 31 December 2009, the company acquired all the rights and obligations pertaining to BP (GOM) Development & Production Limited for the purpose of the exploration and the development of the oil and gas prospects within the Gulf of Mexico. As part of the consideration for such acquisition, the company accepted a reduction of \$1,270,147,000 in BP (GOM) Development & Production Limited's share capital and to settle in cash the remaining balance of \$666,848,000.

On 31 December 2009 the company entered into a conveyance and assignment and assumption agreement with Deepwater (GOM) LLC. With effect from 31 December 2009, all the rights and obligations pertaining to the company for the purposes of the exploration and the development of various oil and gas prospects within the Gulf of Mexico, including those acquired on the same day from BP (GOM) Development & Production Limited, were transferred to Deepwater (GOM) LLC for a consideration of \$65,000,000, being equal to 100% of the undertaking's membership interest, and loan notes of \$5,100,000,000.

On 31 December 2009 the company also acquired the membership interest in Deepwater (GOM) II LLC in exchange for the loan notes received from Deepwater (GOM) LLC on the same day.

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

11. Fixed assets – investments (continued)

The subsidiary undertakings of the company at 31 December 2009 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.

Subsidiary undertakings	%	Country of incorporation	Principal activity
BP (GOM) Development & Production Limited	100	England and Wales	Finance
Deepwater (GOM) LLC	100	United States of America	Development and production of oil and natural gas
Deepwater (GOM) II LLC	100	United States of America	Finance

12. Debtors

	2009 Within 1 year \$000	2009 After 1 year \$000	2008 Within 1 year \$000	2008 After 1 year \$000
Amounts owed by group undertakings	793,272	3,029,250	295,539	3,029,250
Other debtors	1	-	8	-
Prepayments and accrued income	-	-	1,671	-
	<u>793,273</u>	<u>3,029,250</u>	<u>297,218</u>	<u>3,029,250</u>

13. Creditors

	2009 Within 1 year \$000	2008 Within 1 year \$000
Trade creditors	-	124
Amounts owed to group undertakings	666,857	-
Taxation	-	6,899
Accruals and deferred income	-	17,944
	<u>666,857</u>	<u>24,967</u>

14. Other provisions

	Decom- missioning \$000
At 1 January 2009	24,033
Additions	2,001
Acquisition	65,309
Unwinding of discount	530
Change in discount rate	1,008
Disposal	(92,881)
At 31 December 2009	<u>-</u>

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

14. Other provisions (continued)

During the year the company made 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

On 31 December 2009 the company acquired the decommissioning provision from one of its subsidiary undertakings, BP (GOM) Development & Production Limited, as part of the conveyance and assignment and assumption agreement entered with that undertaking on the same day.

On 31 December 2009 the decommissioning provision was transferred to another subsidiary undertaking, Deepwater (GOM) LLC, as part of the conveyance and assignment and assumption agreement entered on the same day

15. Called up share capital

	<u>2009</u>	<u>2008</u>
	\$000	\$000
Allotted and called up		
2,169,258,474 ordinary shares of £1 each for a total nominal value of		
£2,169,258,474 (2008 1,821,780,000 ordinary shares of £1 each)	4,900,058	3,500,058
	<u>4,900,058</u>	<u>3,500,058</u>

On 26 March 2009, 347,478,474 ordinary shares of £1 each for a total nominal value of £347,478,474 were allotted to the immediate parent company for the total consideration of \$1,400,000,000 in cash

16. Capital and reserves

	Equity share capital	Share premium account	Profit and loss account	Total
	\$000	\$000	\$000	\$000
At 1 January 2009	3,500,058	17,256	614,084	4,131,398
Issue of ordinary share capital	1,400,000	-	-	1,400,000
Profit for the year	-	-	2,789,269	2,789,269
At 31 December 2009	<u>4,900,058</u>	<u>17,256</u>	<u>3,403,353</u>	<u>8,320,667</u>

Although the company issued shares for an amount greater than nominal value, there is no share premium as a result of group restructuring relief being applied

17. Reconciliation of movements in shareholders' funds

	<u>2009</u>	<u>2008</u>
	\$000	\$000
Profit for the year	2,789,269	154,859
Issue of ordinary share capital	1,400,000	-
Net increase in shareholders' interests	4,189,269	154,859
Shareholders' interest at 1 January	4,131,398	3,976,539
Shareholders' interest at 31 December	<u>8,320,667</u>	<u>4,131,398</u>

BP (GOM) EXPLORATION

NOTES TO THE ACCOUNTS

18. Capital commitments

There was no authorised and contracted future capital expenditure by the company for which contracts had been placed but not provided in the accounts at 31 December 2009 (2008 \$55,800,000)

19. 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 entered into with group companies. There were no other related party transactions in the year

20. Pensions

The company does not directly employ any staff and therefore does not directly bear any pension charge

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