



BP AZERBAIJAN BUSINESS UPDATE
December 21, 2004

**Year End Press Meeting with
David Woodward, BP Azerbaijan Associate President.**

1. Azeri-Chirag-Gunashli (ACG)

ACG Participating Interests are: BP (operator - 34.1%), Unocal (10.2%), SOCAR (10%), INPEX (10%), Statoil (8.6%), ExxonMobil (8%), TPAO (6.8%), Devon (5.6%), ITOCHU (3.9%), Amerada Hess (2.7%).

Our current forecast is that through our ACG activities in Azerbaijan by the end of the year we will have spent about \$90 million in operating expenditure against the 2004 target of \$90 million and \$2,491 million in capital expenditure versus the 2004 target of \$2,364 million.

In 2005 we are planning to spend \$154 million in operating expenditure and \$2,311 million in capital expenditure on ACG activities.

• ACG Operations

Since the beginning of the year our production activities on Chirag have continued in accordance with the plan for 2004 with an average production rate in excess of 132,000 barrels per day for the full year, which significantly exceeds our planned daily average production target of 125,000 for 2004, with an overall production efficiency of 93% despite production cutbacks during January and February owing to shipping congestion in the Turkish Straits and the planned shutdown of the platform in early July.

In 2005 we expect to produce 227,000 bpd in total from Chirag and Central Azeri.

a. Production and Transportation

To date the Chirag platform has produced over 273 million barrels (over 36 million tonnes) of oil, which is a significant achievement reflecting excellent production performance from Chirag since November 1997. Chirag has operated with virtually no interruption since the commencement of development drilling and first oil production in 1997. This year we set a new production record from Chirag of 154,000 barrels of oil per day as a result of drilling successes, positive impact of water injection and the successful completion of the planned shutdown works.

Export from Supsa has continued on schedule and by the end of November we had successfully transported over 32 million tonnes of oil via the Western Route Export Pipeline for AIOC partners and the State of Azerbaijan (211 tanker loads - over 27 million

tonnes for AIOC and 38 tanker loads - over 5 million tonnes of Azerbaijan's profit oil) from Supsa.

In that same timeframe over 15.5 million tonnes of oil (including SOCAR non-ACG oil) was transported via the Northern Route Export system, which allowed the shipment of 175 tanker loads from Novorossiysk (including 120 tank ships (over 11 million tonnes of SOCAR oil) since the beginning of transportation operations.

b. Drilling

We currently have 19 wells on Chirag, of which 15 are producing wells and four are water injection wells. The conversion of A-08 to a water injection well has helped to establish injection in the northern portion of the field and the completion of the A-13a sidetrack injector has further enhanced the voidage replacement. We are planning to convert the A-15 well to a water injector early in 2005. The 19th well (A.19) on the field, which we spudded earlier this year was put on production on the 13th of December and is currently in the process of establishing stable production rates. We are pleased with the process to date and are proud of the delivery from this well. A19 is an Extended Reach Drilling (ERD) well and is the longest deviated well drilled in the Caspian with a 6.5 kilometer step-out from the platform.

Drilling operations within the West Azeri (WA) pre-drilling programme have continued successfully since we moved the Dada Gorgud semi-submersible rig to that location in July this year following the completion of the first four pre-drill wells in East Azeri (EA). Currently we are drilling the fourth pre-drill well on West Azeri and are planning to complete this by the end of December.

The WA pre-drilling programme currently consists of six wells, five of which are planned as producers and one as a cuttings re-injection well (to be used for platform drilling activity only). Two of the production wells will have open hole gravel pack completions installed as part of the pre-drilling programme. Following the WA pre-drill programme the Dada Gorgud will move back to EA to complete the EA pre-drill programme.

c. Operations HSE

Chirag's Health, Safety and Environmental (HSE) performance has been very good during this period. A number of activities have been undertaken to maintain platform integrity, including a new cathodic protection system for the jacket. In addition, the Early Oil Project (EOP) Environmental Management System of ISO 14001 Standard was re-certified this year by Moody International Certification. This indicates that BP, as operator of the ACG project, has been able to maintain its environmental management to the required standard during the four years since the first certification in 2000.

The **Sangachal Terminal** operations have achieved some 450 days and more than one million hours worked without a day away from work case (DAMFC). The planned cleaning of all five oil heater-treaters was performed in record time of 33 days. Integration of operations and projects teams in preparation for the Central Azeri First Oil is progressing successfully.

On the 15th of December we extended the current ACG Terminal Operations to include the core area of the Phase 1 expansion. This is a notable milestone in the delivery of the

Sangachal Terminal Expansion Project (STEP) activities. Between now and the end of 2004 we will complete a major portion of the commissioning of the STEP systems and facilities.

Western Route Export Pipeline (WREP), consisting of 830 km pipeline and eight manned facilities from Baku to Supsa, has demonstrated remarkable safety performance since the beginning of its operations over six years ago. The rigorous health and safety culture established by the pipeline staff has enabled them to achieve 5 years and 9 months without a single DAWFC. In addition, for the first time since the beginning of WREP operations, WREP team has achieved this year 99.95 % operations efficiency under challenging conditions with high pipeline flow rates of 995m³/hours.

Another important achievement of the pipeline is that its personnel currently consists of only local Azerbaijanian (28) and Georgian (77 WREP, 39 Supsa) citizens, some of whom were promoted to replace expatriates in their positions.

In October the **Northern Route Export Pipeline (NREP)**, which consists of 231 km of pipeline in Azerbaijan, along with pump, injection and metering stations, celebrated the achievement of seven years without a Day Away From Work Case (DAFWC) or more than 1, 225,000 hours worked safely. In addition, the NREP has achieved this year 99.9% operational efficiency.

d. Training of people

Technical and professional development of the newly-recruited national staff, who will operate our new facilities including offshore platforms, remains a priority area. To date we have trained a total of 291 nationals as operations (139) and drilling (152) technicians through the new world-class technical training centre in the Sangachal Terminal Expansion Project (STEP) area. In addition to these, there are 120 local people who are at various stages of their foundation training programme.

Today the Chirag platform employs 250 people of whom approximately 85% are Azerbaijan nationals. The training and development programme for Chirag has been highly successful. Over the past three years 27 national staff (out of 36 core platform staff) have been trained and moved through the Chirag organisation either into supervisory positions or on to engineering/ projects and other parts of the Business Unit.

e. The major 2005 ACG Operations milestones are:

- Central Azeri First Oil at the wellhead - 1Q
- Central Azeri first revenue oil - 1Q (March)
- Complete Azeri pre-drilling -3Q
- C&WP first injection -4Q
- Complete Chirag primary slot drill-out -4Q
- Tiebacks complete and commence first Central Azeri platform well - 4Q

• ACG Project

Key milestones since the beginning of this year have been:

- commencement of East Azeri (EA) pre-drilling programme in February
- completion of Central Azeri (CA) Production, Drilling and Quarters (PDO) Platform jacket installation offshore in March
- completion of CA subsea pipelines in March
- re-commencement of West Azeri (WA) pre-drilling activities in July

- offshore installation of the Compressor and Water Injection Platform (C&WP) jacket in August,
- commencement of EA jacket fabrication in 1Q
- delivery to Baku of drilling facilities for the WA platform in August
- sanctioning of Phase 3 of ACG Full Field Development in September
- award of Phase 3 construction contracts in September
- offshore installation of the topsides of the CCA PDO in October
- commencement of jacket fabrication for Deepwater Gunashi Drilling, Utilities and Living Quarters (DUC) platform in October

The major outstanding ACG milestones for the near future are:

- STEP ready to receive First Oil - 4Q
- CA First Oil at the wellhead - 1Q 2005

In 2004 a high level of safety performance at all ACG Project construction sites has continued to be our main priority with 30 million manhours expended safely and significant milestones achieved without major injuries. Key priorities have been driving and lifting safety and managing commissioning in addition to construction activities. Since Phase 1 sanction in August 2001, the ACG Project has expended over 65 million hours (over 80% of the total hours expended in Azerbaijan) and has delivered world-class safety performance with no fatalities.

The project currently employs over 9600 Azerbaijan nationals across all its construction sites in Baku, which is over 75% of the overall workforce recruited by the Project.

CA PDO platform hook-up and commissioning works offshore are currently **76%** complete and we are on track to achieve the First Oil at the well-head during the first quarter of 2005.

The Compressor and Water Injection Platform (C&WP) topsides fabrication in the ATA (AMEC-Azfer-Tekfen) yard in Bibi-Heybat is to date **82%** complete and is on target for sailaway and offshore installation in the third quarter of 2005 and for the first gas injection in November 2005. The C&WP will be bridge-linked to CA PDO and will provide all the gas and water injection to the Azeri field. A maximum of ten gas injection wells, 12 water injection wells and two cutting injection wells will be drilled on the Azeri field and the platform will have a final gas injection capacity of 1050 million cfd and water injection capacity of 900,000 bpd.

All the **subsea pipe-lay**, tie-in and testing work for the oil and gas pipelines from Central Azeri to the Sangachal terminal is completed, along with installation and commissioning of the 187km fibre communications cable, which is now operational. The Pipe-lay barge Israfil Huseynov is currently completing its re-fit work, and will mobilise to commence the ACG Phase 2 pipe-lay work by the end of December. In October the pipe-lay barge was successfully used to support the Central Azeri hook-up, providing accommodation next to Central Azeri for 200 construction workers.

We have had another successful year of pipe-coating at the Eupec coating facility in Baku with over 90% of the ACG Phase 2 pipe now coated. Over 500km of pipe is now in Baku for the ACG Phase 2 and Shah Deniz pipe-lay programmes. A total of 13 support vessels are currently being mobilised to support the pipe-lay barge and

trenching operations. Upgrade construction work on the Diving Support Vessel Tofik Ismayilov is complete and the vessel is now undergoing commissioning trials.

Significant progress has been achieved in **other parts of the ACG Project** construction activities:

- WA jacket fabrication progress - 93%
- EA jacket fabrication - 33%
- WA topsides fabrication - 79%
- EA topsides fabrication - 30% (versus 22% plan)

The fabrication and installation have relied entirely on local infrastructure enabling us to considerably increase involvement of local workforce.

The Sangachal Terminal Expansion Programme (STEP) construction activities aimed at building one of the world's largest terminals, have progressed on schedule. The main contractor of the STEP works, Tekfen/Azfen has achieved the 17 million hours milestone without any accident or injury from the beginning of the construction works in November 2001. This is a remarkable achievement and is a result of extremely hard work and dedication to safety of all the people involved.

STEP is the place where all of our major projects converge to form one integrated facility. It currently employs over 3500 persons of whom more than 80% are local Azerbaijan citizens. Just about half of these people are local residents from adjacent villages and towns of the Garadagh district.

Overall construction works at STEP for Central Azeri are complete. The main completed works have included the installation of the major equipment and extensive piping systems. The pipelines have been successfully hydro tested and cleaned with the help of a pig. The construction of two crude oil tanks with a storage capacity of 880,000 barrels each is already complete and work is on schedule to complete a third tank in January 2005.

The current works on the Central Azeri section are concentrated on start-up of the new systems and connecting the STEP facilities with the existing operational terminal for the Early Oil Project (EOP). We will have the first hydrocarbons flowing from the EOP terminal facilities to Phase 1 facilities at STEP for start-up of the plant in the near future.

The gas plant for Central Azeri is complete and currently is under commissioning.

The gas export pipeline construction for SOCAR is complete with the pipes already nitrogen tested and cleaned with a pig. The connection of the SOCAR gas pipeline with Azerigas's national grid has been fully tested and is ready for service.

Equipment for two new trains has been delivered for the ACG Phase 2 section while the erection of the two main Heaters is nearing completion. The ACG Phase 2 section at STEP is currently more than 10% ahead of schedule.

- **Major planned milestones for 2005**
- Commence ACG Deepwater Gunashli DUQ topsides fabrication -1Q
- WA jacket installed -2Q
- Complete Azeri pre-drilling -2Q

- Complete laying of the second 30" subsea oil line and 18" gas line -2Q
- C&WP topsides installed -3Q
- C&WP first injection -4Q
- WA topsides installed -4Q
- Tiebacks complete and commence first CA platform well -4Q

2. The Baku-Tbilisi-Ceyhan project (BTC)

The BTC Co. shareholders are: BP (30.1%); SOCAR (25.00%); Unocal (8.90%); Statoil (8.71%); TPAO (6.53%); ENI (5.00%); Total (5.00%); Hochtief (3.40%); INPEX (2.50%); ConocoPhillips (2.50%) and Amerada Hess (2.36%).

BTC construction works have progressed well this year and the project is on track to be completed during the first half of next year to allow export of oil from the Ceyhan Terminal in Turkey during the second half of 2005.

We expect construction costs to be around +/- 10% of the original budget of \$3 billion. In 2004 BTC capital expenditure has been just over \$1 billion. This will reduce to around \$700 million in 2005, excluding costs of line-fill and financing costs.

Today the project employs around 17,000 people in the three countries of whom about 2,500 are in Azerbaijan and about 80% of these are Azerbaijan nationals. During the peak summer construction period the project employed 22,000 people.

Major milestones in 2004 have included:

- Finance agreements finalized with the first drawdown of \$1.6bn completed in 1Q
- Access to 100% of the right of way across the three countries in 2Q
- The Azerbaijan and Georgian sections welded together in 3Q
- Over 99% of the BTC pipeline welded and 90% backfilled at end 4Q.
- 10% of the SCP pipeline welded at end 4Q using the same construction contractors as BTC.

In Azerbaijan overall progress is 90% complete with only 8 km left to trench, 26 km to backfill and 105 km to re-instate. The total length of the Azerbaijan section of the pipeline is 443km, of which the first 182 km has been successfully hydro-tested. The hydro-testing of the next section of about 50 km is currently underway and will be completed in about 10 days. At the Kura West river a micro tunnel operation is underway.

Construction activities on the **BTC Heed Pump station** in the Sangachal Terminal have progressed well and are 99.5% complete with commissioning activities still underway.

In Georgia the pipeline is over 80% complete and construction of pump stations is over 88% complete. Of the total 249 km of the pipeline length 3km remain to be trenched, around 25 km to backfill and about 120 km to re-instate.

In Turkey, BOTAS, the Turkish state-owned construction company, has made good progress in all construction locations. The pipeline is 65% complete, the pump

stations 65% complete and the Ceyhan terminal over 90% complete. BOTAS has already cleared the entire 1075 km length of the right of way. Remaining works include 80 km of trenching, about 100 km of lowering in, 130 km of backfilling and 600 km of re-instating.

BTC is a major project, which will make a positive difference by bringing significant benefits to the region. By avoiding the Sosphorus it will help relieve the inevitable growth in oil related traffic and associated environmental risks, will create substantial revenues for the transit countries, and will help strengthen economic and political links between Azerbaijan, Georgia, Turkey and the West.

Major BTC milestones for 2005 are:

- Start BTC linefill in 1H 2005
- Complete BTC linefill and oil out of Ceyhan 2H 2005

3. The Shah Deniz Project

The parties to the Shah Deniz Production Sharing Agreement are: BP (operator - 25.5%), Statoil (25.5%), the State Oil Company of Azerbaijan Republic (SOCAR - 10%), LUKOIL (10%), NICO (10%), Total (10%), and TPAO (9%).

The Shah Deniz gas and condensate development project has made significant progress during 2004 and Stage 1 construction is currently 44% complete overall. Construction works for Stage 1 are progressing according to schedule to meet the target of delivering first gas to the market before winter 2006.

Following the successful three well pre-drill programme and seismic re-imaging project during 2003-2004, BP has revised both our gas and condensate in place estimates and now believe there is an additional 20% of hydrocarbons in place across the whole field.

However, the project is experiencing upward cost pressures. The reasons for this are partly oil-field price inflation and currency exchange rate movements, but also the fact that the detailed design concept was not fully reflected in the original sanctioned cost of the development.

We have undertaken a full review of the project in cooperation with our partners, who have also carried out an independent review of the project. We are making interventions to contain the cost increase to around 25%, and this overall project cost increase could be further reduced if we are able to drill longer step-out wells and the reservoir connectivity is better than our base case plan. We are progressing options to enhance value, such as a potentially accelerated fourth pre-drill well in 2005 to sell incremental gas to Azerbaijan in the 2006-2008 timeframe and, conceptually, higher gas sales on plateau through potential debottlenecking.

In BP's view, the Shah Deniz project remains a world-class project, both in its cost benchmarks and scale, with US \$ per barrel of oil equivalent development costs among the lowest in the BP Group.

Major Shah Deniz Stage 1 construction achievements of this year have been:

- First South Caucasus Pipeline (SCP) main pipeline arrived in Azerbaijan in January

- Third pre-drill well completed in July
- Floating Dry Dock refurbishment completed in August
- Drilling equipment set delivered from Norway in September
- SCP main pipelay commenced in Azerbaijan in September
- TPG 500 hull sections arrived in Baku in October

Construction activities

- **Floating Dry Dock assembly activities**

The four hull sections of the TPG 500 platform which arrived in Baku following a two month journey from Singapore in October, were successfully docked in the Floating Dry Dock early this month by the Caspian Shipyard Company, the Shah Deniz contractor for the hull sections integration. The hull sections are currently being mated at the Floating Dry Dock to form the integrated deck. Work will continue on the hull integration until the end of March 2005, when the integrated hull is scheduled to be towed across the bay to the Zykhh Yard for full topside integration and leg installation. All activities associated with the hull integration are progressing on schedule. Some 650 people are currently involved in these activities of whom about 650 are Azerbaijan nationals.

- **Zykhh Yard Construction Activities**

The leg sections are under construction at the newly refurbished Zykhh yard and are 37% complete. Six of the total nine leg sections (three sections per leg) of the TPG 500 have been completed and are now undergoing fit out with risers and appurtenances, with the final three sections to be completed by year end. This is in preparation for lifting through the hull section following its receipt from the Dry Dock in the second quarter of next year.

Some 1450 people are currently involved in the construction activities at the Zykhh yard and of these 1200 are Azerbaijan citizens.

Other ongoing activities at Zykhh include the construction of temporary foundations, on which the legs will rest at the Zykhh Quayside. This work is nearing completion in preparation for lifting into the water in February 2005.

The Drilling Equipment Set (DES), which arrived in Baku from Norway in September, has already been assembled and is nearing mechanical completion. Commissioning of the facility commenced at the beginning of December. We will begin operator training on the commissioned facility prior to the skidding of the DES onto the hull in the second quarter of 2005. In addition, the Living Quarters and topsides pipe racks are undergoing a fit out process at the Zykhh Yard.

The overall construction of the platform is on schedule for sail away during the second quarter of 2006 in line with our target to achieve First Gas for the winter of 2006.

- **Shah Deniz section of STEP**

The construction works for the Shah Deniz section of STEP have moved ahead significantly this year and are now 25% complete, which is ahead of schedule. Current activities include construction of underground piping work and hot oil heater erection works. Major pieces of equipment like the power turbines and the condensate metering skid have been delivered

and set on their foundations. Construction has commenced on the condensate storage tank and piperacts.

- **SCP (South Caucasus Pipeline) progress**

The SCP Co. funding shareholders are: BP (technical operator – 25.5%), Statoil (commercial operator - 25.5%), the State Oil Company of Azerbaijan Republic (Socar - 10%), LUKAgip(10%), NICO (10%), Total (10%), and TPAO (9%).

Major SCP milestones of this year have been :

- First SCP main linepipe arrived in Azerbaijan during January
- SCP main linepipe welding commenced in Azerbaijan in September

The overall SCP project is 54% complete, with pipe stringing along the right of way 14% complete in Azerbaijan and 30% in Georgia. The mainline welding, which began in Azerbaijan in September is 10% complete and in Georgia it is 21% complete. In Azerbaijan the pipeline currently employs about 1085 people of whom 820 are Azerbaijan nationals. The SCP pipeline is scheduled to be completed in the fourth quarter of 2005.

- **Plans for 2005**

Activities in 2005 will focus on completing the fabrication and assembly of the TPG 500 at Zykhh and at the Yusuf Ibrahimov Floating Dry Dock, laying of the subsea pipelines, and construction of the Shah Deniz section of the Sangachal Terminal and the SCP pipeline, in preparation for commissioning activities and first gas deliveries in 2006.

Our current plans are to complete the Zykhh Yard upgrades during the first quarter of 2005 after which we move the TPG 500 hull strips from the Floating Dry Dock over to the Zykhh Yard for final integration work. The remaining process modules for the platform are scheduled to arrive from Singapore in the second quarter and will be assembled with the hull in the second half of 2005 along with the platform legs and the drilling rig.

We have already commenced coating of the pipe for Shah Deniz subsea pipeline at EUPEC. Offshore construction activities will start in the third quarter following the completion of the Azeri subsea pipeline construction programme, with the laying of the 100 km gas and condensate pipelines to the Shah Deniz platform location.

Shah Deniz partners have also decided to plan the drilling of a fourth pre-drill well - SDA-4 - which would be spudded in the third quarter of 2005 to enable increased gas deliveries to Azerbaijan during the early years of the Stage 1 project.

Onshore at the Sangachal Terminal, the final equipment deliveries will occur in the second quarter of 2005 with the view to complete the Shah Deniz section at the terminal in the first quarter of 2006. Following this the work program will shift to commissioning the terminal's gas facilities.

In 2005 work also will continue in Azerbaijan and Georgia on the remaining 550km section of the SCP, which we are planning to complete by the end of the year so that it is ready in time to receive First Gas in 2006.

Major milestones for 2005 include:

- Zykhh upgrade complete - 1Q
- Strip Zero complete and delivered from Singapore - 2Q
- Deliver mated TPG500 platform from CSC to Zykhh - 2Q
- Planned spud of SDA-4 pre-drill well - 3Q
- Complete installation of TPG legs - 4Q
- Complete laying of 26" gas line - 4Q
- Sangachal Terminal commissioning start - 4Q
- SCP pipeline mechanically complete - 4Q

4. Exploration projects

Exploration activities within the Inam FSA (BP 25% and operator, SOCAR 50% and Shell 25%) have continued in 2004 with the main focus being on planning a new well (INX-2).

The early stages of the well planning have now been finalised and the project is ready to move into the detailed planning stage. The well location, casing design, trajectory and drilling methodology have been agreed with the Inam partners.

We are currently planning to drill INX-2 as part of a 3 well campaign with other Operators during the second half of 2006. However, the actual timing will depend on the overall drilling programme for the South Caspian.

BP Turkey operator (50%), partnered with TPAO (50%) in License 3534, has contracted the Global Santa Fe (GSF) Explorer to drill the first exploration deepwater well in the Eastern Black Sea. The rig is a dynamically positioned drill ship capable of drilling in over 2,000m of water. GSF Explorer is currently working in the Gulf of Mexico. While there is still significant uncertainty as to outcome of drilling, the well in 1500m of water is expected to spud in June 2005 and will be an important first test of this undrilled deepwater basin.

5. Sustainability Report

As part of our continuing commitment towards transparency and to ensure that our activities are undertaken in close co-operation with all our stakeholders – the Government, the people of Azerbaijan, national and international agencies, contractors, consultants, NGOs and the media, such that the maximum benefits from our investments here are shared between us all, we have just issued our first Sustainability Report for Azerbaijan. The report endeavours to describe our business operations in the country and provides information on our environmental, economic and social performance. It highlights the key environmental and social challenges we face, and describes what we are doing to address them. This first report covers our activities in 2003 and the first half of 2004. Our intention is to publish the report annually, developing this as our main annual review of our activities. We welcome feedback on the report and will continuously seek to learn from others opinions.

We will also continue to contribute and share with Azerbaijan, our modern management practices, technology, high ethical safety and environmental standards along with our experience in managing major investments, such that our activities have a real, sustainable and positive impact upon the the country.



Production Begins at Central Azeri in the Caspian Sea February 14, 2005

The Azerbaijan International Operating Company (AIOC), operated by BP, today announced the start-up of oil production from the Central Azeri development, part of the Azeri-Chirag-Gunashli (ACG) field, in the Azerbaijan sector of the Caspian Sea.

The parties to the Azeri-Chirag-Gunashli (ACG) Production Sharing Agreement are: BP (operator - 34.1%), Unocal (10.3%), SOCAR (10%), INPEX (10.6%), Statoil (8.6%), ExxonMobil (8%), TPAO (6.8%), Devon (5.6%), Itodcha (3.9%), Amerada Hess (2.7%).

Located in approximately 128 metres of water 100km east of Baku, Central Azeri (CA) production began from the first of ten pre-drilled production wells on Sunday, the 13th of February. Production will increase through 2005 as the other pre-drilled wells are brought online, prior to further platform drilling over the coming years. Total production from Central Azeri is forecast to be some 35 million barrels in 2005 (equivalent to an average of 93 000 barrels of oil a day).

"The start up of Azeri is an exciting moment both for Azerbaijan and BP as operator of the ACG Project," said David Woodward, BP's Associate President in Azerbaijan. "It signals the beginning of oil production from the ACG Full Field Development, and the culmination of many years of planning, construction and operations delivery."

"A team of more than ten thousand people, spanning many countries has been working on this project over the past three and a half years. I would like to congratulate the government, our partners, employees, at the contractors and suppliers and every person involved in this achievement."

The Central Azeri facilities comprise a 48-slot production, drilling and quarters (PDO) platform, a 30" oil pipeline and a 28" gas pipeline from CA to the Sangachal Terminal, expansion of the existing onshore terminal at Sangachal. The development is designed to process 420,000 barrels of oil a day.

In addition to the PDO, a compression and water injection platform (C&WI) will be installed in Central Azeri in the third quarter this year and bridge-linked to the PDO to create a major offshore complex encompassing accommodation, drilling, production, processing, compression and re-injection facilities.

Oil from Central Azeri will be transported via a new 30" subsea pipeline to the onshore Sangachal Terminal, which has been expanded to receive the additional oil volumes from the ACG field including three newly-built crude storage tanks. Processed oil from Sangachal will initially be transported to market via existing export routes, and through new export routes once the Baku-Tbilisi-Ceyhan (BTC) pipeline is operational later this year.

Gas produced from Central Azeri, beyond that used for reservoir pressure maintenance and fuel, will be exported via the new 28" subsea pipeline into the Sangachal Terminal gas processing facilities. From there the gas will be transported, via a newly built gas export pipeline into the Azerigas system for domestic use.

BP AZERBAIJAN IN-COUNTRY ACTIVITIES

JANUARY-DECEMBER 2004 (forecast to the end of the year)

BUSINESS IN-COUNTRY

- Expenditures in-country with companies with Azerbaijan Capital:
 - State owned \$ 40 million
 - Joint Ventures \$ 265 million
 - SME'S \$ 54 million
- Number of in-country companies with Azerbaijan Capital Involved:

• State owned	83
• Joint Ventures	29
• SME'S (directly and indirectly involved)	245
- Expenditures with Foreign companies based in Azerbaijan \$2,7 billion (43% in-country spend)

Total in-country spend: - \$1,6 billion (31% of third party spend)

SOCIAL INVESTMENT

- Community Investment ACG Project
 - Community Investment along the BTC /SCP route
 - Social Investment in other districts of Azerbaijan (BP 100%)
 - Social Investment ACG Ops
 - Community Investment Shah Deniz Upstream
- | | |
|-------------------|-------------|
| Forecast year end | |
| | \$ 1,8 mln |
| | \$ 5,4 mln |
| | \$ 900,000 |
| | \$ 200, 000 |
| | \$ 600,000 |

LOCAL EMPLOYMENT

- BP Azerbaijan local staff (direct) 1214
- Number recruited by BP directly 165
- Azeri Project local contract staff over 9600
- BTC/SCP project local contract staff 2600 (1776 for BTC and 820 for SCP)
- Shah Deniz local contract staff 1837