
From: Woollam, Richard C.
Sent: Wednesday, March 08, 2000 10:57 AM
To: PBU, APC Manager
Cc: Martin, Michelle O; 'Gabrielson, Lee'; 'Burrows, Don'; Laasch, Jack (APCI); PBU, Chemical Foreman; PBU, CIC NS TL Felix/Phillips
Subject: RE: APC Budget

Bob,

Thanks for the note.

Unfortunately, the oil business is essentially assessed on lifting cost not on the oil price, therefore, as the production level at PBU continues on its relentless decline so must our costs follow. The general decline rate over the last few years has been between 12 and 15% and while the forecast is for this to reduce it still represents a reduction of some 10% per annum. Just to emphasise the point, the amount of money/budget is almost completely independent of the oil price.

As a consequence, the overall PBU budget is declining and the CIC Group, as part of that overall, is also declining. The type of performance we are asking of you is not different to that which we expect of anybody in the organization.

The idea behind a managed service is that you, as the expert, are best able to reduce cost and increase efficiency, if this is something that you do not wish to do then please let me know and I'll do it. However, clearly, if I manage the program rather than yourselves then we need to look at the contract structure in detail.

We have a meeting scheduled for next week - I will be available between now and then if to discuss the way-forward.

Thanks.

Richard.

From: PBU, APC Manager
Sent: Tuesday, March 07, 2000 7:16 PM
To: Woollam, Richard C.
Cc: Martin, Michelle O; 'Gabrielson, Lee'; 'Burrows, Don'; Laasch, Jack (APCI); PBU, Chemical Foreman; PBU, CIC NS TL Felix/Phillips
Subject: APC Budget

Richard,

Thank you for your response to our proposal to reduce the APC budget by 8% for the year 2000. I am disappointed in your answer.

Over the last several years, the management and employees of APC have worked tirelessly to meet BP expectations for service quality and cost. 1999 was our most challenging year yet. Our crews worked hard and made many personal sacrifices to try to meet your goals. Now, they're tired. They haven't had raises in years. There aren't enough people to do the demanded work load. They are frustrated because they can't get everything done; frustrated because they can't meet their own expectations for a high quality of thorough work; and frustrated because your employees are quick to make negative comments about APC as an employer.

When oil prices were below \$10.00 per barrel, we were all willing to pitch in and help reduce costs. We did as much work as before (or as close as we could get) with reduced resources. Now, with oil at over \$30.00 per barrel, you are asking us to cut another approximately \$300,000.00.

We can't cut people (we don't have enough to do the work now!), we can't cut wages (we'll lose the excellent people we have worked so hard to keep!), and about \$55,000 of the cuts is from money paid to vendors (VECO, PEAK, ARCO, etc.) over which we have little hope of control.

So, what you are asking us to do is to give up almost \$300,000.00 in corporate profits. Profits that have already

been cut from what was available in previous years. Profits that go to Alaska Natives - not a nameless corporation but real people who depend on this money for their existence, for basic human services, and to develop a future for their children.

You have demanded that I take \$300,000.00 away from our shareholders, and then continue to find some way to make our employees continue to work beyond their capacity, deny them any additional help (or finance help by taking even more money from the shareholders), and then expect the employees to keep their high standards of service quality, safety and environmental stewardship.

I can not, in any manner of good faith, make such a suggestion to my employer, my employees, or even to BP. I will be meeting with Lee tomorrow (March 8) here in Deadhorse and will discuss my concerns with him. I urge you to reconsider your demands. In my opinion, they are not in the best interests of your company.

Bob Carmichael