

Form 4564 (Rev. September 2006)	Department of the Treasury - Internal Revenue Service	Request Number 11-22
Information Document Request		
To: (Name of Taxpayer and Company Division or Branch) ANADARKO PETROLEUM CORPORATION P.O. BOX 1330 Houston, Texas 77251		Subject Macondo Invoices
		SAIN number 701
		Submitted to: Wang, Yan
		Dates of Previous Requests (mm/dd/yyyy)

Please return Part 2 with listed documents to the requester identified below

Description of documents requested:

CAP 2011

Disclosure No. 20, tax year 201112, made reference to transactions and a settlement between Anadarko and BP regarding the Macondo well, US Gulf of Mexico.

Please provide in electronic format copies of all invoices, charges, supporting details and other related records between Anadarko and BP incident to and considered in the referenced transactions and settlement.

IDR Response due on or before: **February 14, 2012**

[Please attach a copy of this IDR to your response.]

**Receipt acknowledged by
Company:**

SB 1-31-12
Initials Date

Response received:

Initials Date

Ex 12796
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Court Reporters, Inc.

Information due by		2/14/2012	At next appointment <input type="checkbox"/>	Mail in <input checked="" type="checkbox"/>
From:	Name and Title of Requester Harris, John R Engineer	Employee ID number 03-25916	Date (mm/dd/yyyy) 1/31/2012	
	Office Location: 1919 Smith Houston, Texas 77002-8049		Telephone: 713-209-4477	

Anadarko Petroleum Corporation and Subsidiaries
2011 CAP Disclosure # 20
Deepwater Horizon Incident Settlement Agreement
As of November 3, 2011

In April 2010, the Macondo well on Mississippi Canyon block 252 (“MC252”) in the Gulf of Mexico, in which Anadarko Petroleum Corporation (“APC”) holds a 25% non-operating leasehold interest, discovered hydrocarbon accumulations. During suspension operations, the well blew out, an explosion occurred on the *Deepwater Horizon* drilling rig, and the drilling rig sank, resulting in the release of hydrocarbons into the Gulf of Mexico (the “Incident”). On October 17, 2011, APC announced an agreement (the “Agreement”) with BP to settle all of BP’s current and future claims against Anadarko associated with Incident. In short, APC has agreed to pay \$4.0 billion in cash and transfer its interest in the MC252 lease to BP (subject to required governmental approvals of the transfer), and BP has agreed to accept this consideration in full satisfaction of its claims against Anadarko for \$6.1 billion of invoices issued to date.

Agreement Summary

The Effective Date of the Agreement is October 16, 2011, and the parties include BP Exploration & Production, Inc. (“BPXP”), BP Corporation North America Inc. (“BPCNA”) and BP p.l.c. (primarily as guarantors), and APC and Anadarko E&P Company LP. Capitalized terms not defined in this disclosure are defined in the Agreement.

The BP Released Parties (“BPRP”) and Anadarko Released Parties (“ARP”) are defined in the Agreement to generally include the aforementioned entities and all past, present, and future direct and indirect subsidiaries, parents, business units, predecessors, successors, agents, servants, representatives, officers, *etc.*

The BP position is that billable costs under the joint operating agreement (“JOA”) include costs related to oil spills, containment and equipment removal, control and clean-up, third-party claims, and other legal and regulatory obligations, while the APC position is that such costs are not billable under the circumstances surrounding the Incident. The BPRP and ARP executed the Agreement due to their desire to resolve their disputes related to and arising out of the Incident.

APC agreed to remit, transfer and assign: (1) \$4 billion cash to BPXP by November 30, (2) all MC252 interests, with an agreed value of \$87.5MM, to BPXP in partial satisfaction of JOA obligations and in acknowledgement of security rights in favor of BPXP as Operator (*i.e.*, under the JOA, the Operator has a security interest in the JOA assets to the extent non-operators default), and (3) rights, title and interest (a) in possible Claims against third parties relating to the Incident and (b) related to any insurance policy (except Anadarko Insurance Policies). Anadarko Releasing Parties agreed to release BPRP from any and all Claims related to the MC252 contracts or Incident. Anadarko indemnified BPRPs against any claims seeking to recover amounts Anadarko remitted or may remit to BPXP, but the indemnity excludes securities law Claims, civil or criminal fines or penalties, Claims for punitive, exemplary, treble or other non-compensatory damages, and attorney’s fees and litigation costs.

BPXP agreed to use the cash APC remits to pay claims of persons whose injuries and damages

relate to the Incident. If future value is received related to Claims against third parties (including from their insurers), BPXP agreed to remit to APC 12.5% of such value (\$1 billion limit) where the aggregate value exceeds \$1.5 billion. The BP Releasing Parties released ARP from any and all Claims related to the MC252 contracts or Incident including Claims for punitive or exemplary damages and Claims asserted in the MDL Litigation. BPXP indemnified ARPs against (1) any claims seeking to recover amounts BP remitted to or may remit to APC (e.g., remittance of future value) and (2) all claims, costs, and liabilities arising out of the Incident excluding securities law Claims, civil or criminal fines or penalties, Claims for punitive, exemplary, treble or other non-compensatory damages, and attorney's fees and litigation costs. BPCNA guaranteed the obligations of BPXP, and BP p.l.c. guaranteed the obligations of BPXP to the extent the BPCNA guarantee fails.

Direct Tax Consequences

APC will recognize gain on the MC252 assignment under §§ 61(a)(3) and 1001(c). The character of the income will be determined under § 1221(a)(2) (i.e., real and depreciable property used in a trade or business). The MC252 interest will generally contribute to section 1231 gains and losses since the 1-year holding period requirement of § 1231(b) is satisfied, but gain will not be considered section 1231 gain to the extent of any recapture under §§ 1254(a)(1), 1245(a)(1) or 1250(a)(1). *See also* Rev. Rul. 68-226. APC will treat its obligation to convey the MC252 interest as a liability under § 1.446-1(c)(1)(ii)(B). *See also* § 1.461-4(g)(8) *Example (1)* regarding the application of § 1001 and concomitant availability of a deduction where the taxpayer transferred an asset in satisfaction of a liability.

Under § 1.461-1(a)(2)(i), under an accrual method of accounting, a liability (as defined in § 1.446-1(c)(1)(ii)(B)) is incurred and taken into account for accrual method taxpayers in the taxable year in which: (1) all the events have occurred that establish the fact of the liability, (2) the amount of the liability can be determined with reasonable accuracy, and (3) economic performance has occurred with respect to the liability. Under § 1.461-4(g)(7), economic performance will be considered to occur as APC makes payments to BPXP. Accordingly, APC will incur liabilities for (a) the \$4 billion cash payment when paid and (b) the fair market value of the MC252 interest (i.e., \$87.5 million) when assigned to BPXP following approval of the transfer by the Bureau of Ocean Energy Management, Regulation and Enforcement.

APC will deduct (a) \$4 billion (the amount of the cash payment) and (b) \$87.5 million (the fair market value of the MC252 interest assigned) under § 162(a) as expenses that are ordinary, necessary, reasonable, and directly related to the taxpayer's trade or business.

Other Tax Consequences

The deductions are expected to create a net operating loss ("NOL") for APC's taxable year ending 12-31-2011, and APC expects to carry approximately \$1.1 billion of such NOL back to 2010 under § 172(b)(1)(A)(i) and the balance forward under § 172(b)(1)(A)(ii).

The expected NOL carryback to 2010 is, in turn, expected to result in the carryforward of approximately \$110 million of foreign tax credits from 2010 under § 904(c).