

## MITCHELL & MITCHELL

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November 11, 2005

Mr. William H. Clifton  
BP Pipelines (Alaska) Inc.  
P.O. Box 190848  
Anchorage, Alaska 99519-0848

Dear Bill:

Section III.E.6 of the TAPS Quality Bank Methodology requires a review of the gravity differential to be used in the calculation of the Quality Bank adjustments for the Valdez Marine Terminal twice each year, in May and November. The current review has been concluded and the gravity differential for the six-month period beginning January 1, 2006 will be adjusted from \$0.0330 to \$0.0364 per 0.1° API.

Table 1 provides a summary of the calculation of the distribution of ANS crude oil to the West Coast and East of the Rockies. The calculation is based on data from the U.S. Department of Transportation Maritime Administration. These percentages will also be used for calculation of the weighted average component prices for January, 2006 – June, 2006.

Table 2 summarizes the posted gravity differentials taken from the crude oil bulletins published by the companies specified in the methodology. In accordance with the methodology, a weighted average of the differentials over the six-month period May, 2005 – October, 2005 was used.

Table 3 shows the calculation of the overall gravity differential and illustrates that the differential changed by more than 5% and, therefore, an adjustment to the differential is required.

This report is being mailed to the persons on the attached distribution list. Copies are also being sent to Vinson & Elkins, Guess & Rudd, KPMG LLP, and the State of Alaska, as well as interested shippers.

Very truly yours,



J.T. Mitchell  
Quality Bank Administrator

**TABLE 1**

**TAPS Quality Bank**

**Alaskan North Slope Crude Oil Distribution**  
(Thousands of Barrels per Day)

Shipment Location	2005						Six Month Average	Percent
	March	April	May	June	July	August		
ANS Pipeline Shipment	0	0	0	0	0	0	0	0.0000
U.S. East Coast	0	0	0	0	0	0	0	0.0000
U.S. Gulf Coast	0	0	0	0	0	0	0	0.0000
Panama	0	0	0	0	0	0	0	0.0000
Puerto Rico	0	0	0	0	0	0	0	0.0000
Virgin Islands	0	0	0	0	0	0	0	0.0000
<b>Gulf Coast Sub-Total</b>	0	0	0	0	0	0	0	<b>0.00</b>
Alaska	32	17	42	34	25	33	30	3.7446
ANS Pipeline Shipment	0	0	0	0	0	0	0	0.0000
Hawaii	0	23	0	14	0	0	6	0.7571
West Coast Delivered	809	841	751	792	714	760	778	95.4983
<b>West Coast Sub-Total</b>	841	881	793	840	739	793	814	<b>100.00</b>
<b>TOTAL:</b>	841	881	793	840	739	793	814	100.00

Price Analyst: *J. Moran* Date: *11/10/05*  
 Reviewed By: *C.R. Mitchell* Date: *11/10/05*

**TABLE 2**  
**TAPS Quality Bank**  
**Gravity Differentials Report**

**Postings averages summary for West Texas Sour (Gulf Coast) and California (West Coast) crude oils**

Units for differential amounts :  $\frac{\$}{(\text{1}^\circ\text{API})(\text{BBL})}$

Weighted averages based on the period: 05/01/2005 - 10/31/2005, inclusive

Coast	Company	Weighted Average Differential Amount	Period Postings
GULF	Chevron Products Company	0.00000	7
	Exxon Mobil Corporation	1.50000	7
	Shell Global Trading	1.50000	7
Simple average gravity differential for Gulf Coast crude oils:		1.000	

Coast	Company	Weighted Average Differential Amount	Period Postings
WEST	ChevronTexaco	3.55707	9
	Exxon Mobil Oil Corporation	3.50000	7
	Shell Global Trading	4.00000	7
	Union 76	3.50000	7
Simple average gravity differential for West Coast crude oils:		3.639	

**TABLE 2**  
**TAPS Quality Bank**  
**Gravity Differentials Report**

Postings averages detail for West Texas Sour crude oils (Gulf Coast)

Units for differential amounts :  $\frac{\text{¢}}{(.1^\circ\text{API})(\text{BBL})}$

Weighted averages based on the period: 05/01/2005 - 10/31/2005, inclusive

Company	Differential Amount	Date Posted
<b>Chevron Products Company</b>	0.000	10/31/2005
	0.000	09/30/2005
	0.000	08/31/2005
	0.000	07/29/2005
	0.000	06/30/2005
	0.000	05/31/2005
	0.000	04/29/2005
	0.00000	Wt. avg.
<b>Exxon Mobil Corporation</b>	1.500	10/31/2005
	1.500	09/30/2005
	1.500	08/31/2005
	1.500	07/29/2005
	1.500	06/30/2005
	1.500	05/31/2005
	1.500	04/29/2005
	1.50000	Wt. avg.
<b>Shell Global Trading</b>	1.500	10/31/2005
	1.500	09/30/2005
	1.500	08/31/2005
	1.500	07/29/2005
	1.500	06/30/2005
	1.500	05/31/2005
	1.500	04/29/2005
	1.50000	Wt. avg.

**TABLE 2**  
**TAPS Quality Bank**  
**Gravity Differentials Report**

Postings averages detail for California crude oils (West Coast)

Units for differential amounts :  $\frac{\text{¢}}{(.1^\circ\text{API})(\text{BBL})}$

Weighted averages based on the period: 05/01/2005 - 10/31/2005, inclusive

Company	Differential Amount	Date Posted
<b>ChevronTexaco</b>	3.500	10/31/2005
	3.500	09/30/2005
	3.500	08/31/2005
	3.500	07/29/2005
	3.500	06/30/2005
	3.500	06/10/2005
	4.000	05/31/2005
	4.000	05/20/2005
	3.500	04/29/2005
	3.55707	Wt. avg.
<b>Exxon Mobil Oil Corporation</b>	3.500	10/31/2005
	3.500	09/30/2005
	3.500	08/31/2005
	3.500	07/29/2005
	3.500	06/30/2005
	3.500	05/31/2005
	3.500	04/29/2005
	3.50000	Wt. avg.
<b>Shell Global Trading</b>	4.000	10/31/2005
	4.000	09/30/2005
	4.000	08/31/2005
	4.000	07/29/2005
	4.000	06/30/2005
	4.000	05/31/2005

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**TAPS Quality Bank**  
**Gravity Differentials Report**

Postings averages detail for California crude oils (West Coast)

Units for differential amounts :  $\frac{\text{¢}}{(.1^\circ\text{API})(\text{BBL})}$

Weighted averages based on the period: 05/01/2005 - 10/31/2005, inclusive

Company	Differential Amount	Date Posted
Shell Global Trading (continued)	4.000	04/29/2005
	4.00000	Wt. avg.
Union 76	3.500	10/31/2005
	3.500	09/30/2005
	3.500	08/31/2005
	3.500	07/29/2005
	3.500	06/30/2005
	3.500	05/31/2005
	3.500	04/29/2005
	3.50000	Wt. avg.

**TABLE 3**

**TAPS Quality Bank**

**Quality Differential Review Report**

Review Month: November, 2005

Distribution Location	Gravity Differential (¢/.1°API/BBL) for MAY 2005 - OCT 2005		Geographic Distribution Percentages for MAR 2005 - AUG 2005		Weighted Differential (¢/.1°API/BBL)
West Coast	3.639	x	1.0000	=	3.639
Gulf Coast	1.000	x	0.0000	=	0.000
<b>Calculated Quality Differential</b>					<b>3.639</b>

Allowable range based on current Quality Differential:

Current Differential (¢/.1°API/BBL) Effective: JUL 2005		(5%) Allowed Range		Range Upper Bound	Range Lower Bound
3.30	x	1.05	=	3.465	
3.30	x	0.95	=		3.135

The calculated Quality Differential equals or exceeds the 5 percent tolerance. Therefore, the current Quality Differential must be adjusted on January 1, 2006 to 3.64 cents per one tenth degree API per barrel of oil.

TAPS	Owner Contacts	Accountants	Attorneys
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