PXP PRODUCING CO LLC
Form 424B3
October 23, 2012
Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-165263

The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are part of an effective registration statement filed with the Securities and Exchange Commission. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

Subject to completion, dated October 23, 2012

Preliminary prospectus supplement

To prospectus dated March 5, 2010

PXP

Plains Exploration & Production Company

$2,250,000,000

% Senior Notes due 2020

% Senior Notes due 2023

Interest will be payable on the notes due 2020 on and of each year, and interest will be payable on the notes due 2023 on and of each year. The notes due 2020 will mature on , 2020, and the notes due 2023 will mature on , 2023. Interest on each series of notes will accrue from , 2012. The first interest payment on the notes due 2020 will be due on , 2013, and the first interest payment on the notes due 2023 will be due on , 2013. We refer to the notes due 2020 and the notes due 2023 collectively as the notes.

We may redeem all or part of the notes due 2020 on or after , 2015 and the notes due 2023 on or after , 2018, in each case, at the applicable redemption prices described in this prospectus supplement and prior to such dates, at a make-whole redemption price, in each case, together with any accrued and unpaid interest to the date of redemption. The optional redemption provisions are more fully described in this prospectus supplement under Description of notes Redemption Optional redemption. In addition, prior to , 2015, we may, at our option, redeem up to 35% of the principal amount of the notes of each series with the proceeds of certain equity offerings. If we undergo a change of control coupled with a ratings downgrade or sell assets, we may be required to offer to purchase notes.

The notes are being offered to fund a portion of the consideration to acquire certain oil and gas interests in and near the Holstein, Diana, Hoover, Horn Mountain, Marlin, Dorado, King and Ram Powell Fields located in the Gulf of Mexico. The oil and gas interests will be acquired pursuant to two purchase and sale agreements, including an agreement with BP Exploration & Production Inc. and BP America Production Company, which we refer to collectively as BP. Prior to the consummation of the acquisitions, a portion of the net proceeds from this offering will be used to repay borrowings outstanding under our senior revolving credit facility. If the BP acquisition does not close on or prior to March 15, 2013, or if the BP purchase and sale agreement is terminated at any time prior to the consummation of the BP acquisition, we will be required to redeem all of the notes of each series in cash at a redemption price equal to 100% of the aggregate principal amount of the notes, plus accrued and unpaid interest to, but not including, the date of redemption. Additionally, if we determine it is reasonably likely that the BP acquisition will not close on or prior to March 15, 2013, or the BP purchase agreement will be terminated at any time prior to the consummation of the BP acquisition, we may, at our option, redeem all but not less than all of the notes then outstanding in cash at a redemption price equal to 100% of the aggregate principal amount of the notes, plus accrued and unpaid interest to, but not including, the date of redemption. See Description of notes Redemption Special redemption.

The notes will be our general unsecured, senior obligations, will be equal in right of payment with any of our existing and future unsecured indebtedness that is not by its terms subordinated to the notes, and will be effectively junior to our existing and future secured indebtedness to the extent of the value of the collateral securing that indebtedness. The notes will initially be guaranteed on a senior unsecured basis by certain of our subsidiaries. The notes will be structurally junior to the indebtedness and other liabilities and the preferred stock of our non-guarantor subsidiaries.

Investing in the notes involves risks. See Risk factors beginning on page S-25 of this prospectus supplement and on page 1 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per note due 2020	Total	Per note due 2023	Total
Public offering price(1)	%	$	%	$
Underwriting discount	%	$	%	$
Proceeds, before expenses, to us	%	$	%	$

(1) Plus accrued interest, if any, from , 2012 if settlement occurs after that date. Excludes expenses directly associated with the offering.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes. Delivery of the notes, in book-entry form, will be made on or about , 2012 through The Depository Trust Company.

Joint book-running managers

J.P. Morgan **Barclays**
BMO Capital Markets **Citigroup** **Wells Fargo Securities**

Senior co-managers

BofA Merrill Lynch **RBC Capital Markets**
Scotiabank **TD Securities**

Co-managers

Capital One Southcoast **Deutsche Bank Securities**
Goldman, Sachs & Co. **ING** **SunTrust Robinson Humphrey**
UBS Investment Bank **BNP PARIBAS** **CIBC**
Comerica Securities **Fifth Third Securities, Inc.** **Mizuho Securities**

The date of this prospectus supplement is , 2012.

Table of Contents

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted.

You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates on the front of those documents or earlier dates specified herein or therein. Our business, financial condition, results of operations and prospects may have changed since those dates.

Table of contents

Prospectus supplement

Prospectus

S-i

Table of Contents

About this prospectus supplement

This prospectus supplement and the accompanying prospectus are part of a shelf registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC. Under the shelf registration process, we may sell any combination of common stock and debt securities in one or more offerings from time to time. In the accompanying prospectus, we provide you a general description of the securities we may offer from time to time under our shelf registration statement. This prospectus supplement describes the specific details regarding this offering, including the price, the aggregate principal amount of debt being offered and the risks of investing in our securities. This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein include important information about us, the notes being offered and other information you should know before investing.

Except in the Description of notes or unless otherwise indicated or the context otherwise requires, all references to Plains, PXP, we, us and in this prospectus supplement refer to Plains Exploration & Production Company and its direct and indirect subsidiaries on a consolidated basis.

Incorporation by reference

The SEC allows us to incorporate by reference the information that we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the following documents and all documents that we subsequently file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (other than information furnished rather than filed):

- our Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2011;
- our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2012 and June 30, 2012;
- our Current Reports on Form 8-K and 8-K/A filed on February 13, 2012, April 24, 2012, April 27, 2012, May 22, 2012, September 10, 2012 and October 23, 2012;
- our Definitive Proxy Statement on Schedule 14A filed on April 13, 2012; and
- the description of our common stock contained in our Form 10 registration statement filed with the SEC on November 8, 2002, as amended by Amendment No. 1 filed November 21, 2002, Amendment No. 2 filed December 3, 2002, and Amendment No. 3 filed December 6, 2002.

Forward-looking statements

This prospectus supplement includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and the Private Securities Litigation Reform Act of 1995 about us that are subject to risks and uncertainties. All statements other than statements of historical fact included in this document are forward-looking statements. Forward-looking statements may be found under Prospectus supplement

Table of Contents

summary, Risk factors and elsewhere in this document regarding our financial position, business strategy, production and reserve growth, possible or assumed future results of operations, and other plans and objectives for our future operations. All forward-looking statements in this prospectus supplement are made as of the date hereof, and you should not place undue reliance on these statements without also considering the risks and uncertainties associated with these statements and our business that are discussed in this prospectus supplement, the accompanying prospectus and our other filings with the SEC. Forward-looking statements are subject to risks and uncertainties. Although we believe that in making such statements our expectations are based on reasonable assumptions, there are risks, uncertainties, and other factors that could cause actual results to be materially different from those in the forward-looking statements. Except as required by law, we do not undertake any obligation to release publicly any revisions to any forward-looking statements, to report events or circumstances after the date of this prospectus supplement, or to report the occurrence of unanticipated events. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as will, would, should, plans, likely, expects, anticipates, intends, believes, esti may, and similar expressions, are forward-looking statements. The following important factors, in addition to those discussed under Risk factors and elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, could affect the future results of the energy industry in general, and us in particular, and could cause those results to differ materially from those expressed in or implied by such forward-looking statements:

- our ability to consummate the GOM Acquisition (as defined herein) and to realize the expected benefits therefrom;
- unexpected difficulties in integrating our operations as a result of any significant acquisitions, including the GOM Acquisition;
- the impact of hurricanes and other weather conditions on our offshore operations;
- the impact of the lack of physical and oilfield service infrastructure in deeper waters on our ability to bring production online;
- our ability to borrow under our new credit facilities;
- uncertainties inherent in the development and production of oil and gas and in estimating reserves;
- unexpected future capital expenditures (including the amount and nature thereof);
- the impact of oil and gas price fluctuations, including the impact on our reserve volumes and values and on our earnings;
- the effects of our indebtedness, which could adversely restrict our ability to operate, could make us vulnerable to general adverse economic and industry conditions, could place us at a competitive disadvantage compared to our competitors that have less debt, and could have other adverse consequences;
- the success of our derivative activities;
- the success of our risk management activities;

Table of Contents

- the effects of competition;
- the availability (or lack thereof) of acquisition, disposition or combination opportunities;
- the availability (or lack thereof) of capital to fund our business strategy and/or operations;
- the impact of current and future laws and governmental regulations, including those related to climate change and hydraulic fracturing;
- the effects of future laws and governmental regulation that result from the Macondo accident and oil spill in the U.S. Gulf of Mexico;
- the value of the common stock of McMoRan Exploration Co., or McMoRan, and our ability to dispose of those shares;
- liabilities that are not covered by an effective indemnity or insurance;
- the ability and willingness of our current or potential counterparties to fulfill their obligations to us or to enter into transactions with us in the future;
- our ability to divest our low margin non-operated gas assets; and
- general economic, market, industry or business conditions.

All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by such factors. For additional information with respect to these factors, see Incorporation by reference.

Table of Contents

Prospectus supplement summary

This summary highlights information from this prospectus supplement and the accompanying prospectus to help you understand the notes. You should read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein for a more complete understanding of this offering. You should read Risk factors beginning on page S-25 of this prospectus supplement and on page 1 of the accompanying prospectus, as well as Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, for more information about important risks that you should consider before making a decision to purchase notes in this offering.

We have defined certain oil and gas industry terms used in this document in the Glossary of oil and gas terms beginning on page S-110 of this prospectus supplement. Except in the Description of notes or unless otherwise indicated or the context requires otherwise, references to Plains, PXP, we, us and our mean Plains Exploration & Production Company together with its subsidiaries.

Plains Exploration & Production Company

General

We are an independent energy company engaged in the upstream oil and gas business. The upstream business acquires, develops, explores for and produces oil and gas. Our upstream activities are located in the United States. We own oil and gas properties with principal operations in:

- Onshore California;
- Offshore California;
- the Gulf Coast Region;
- the Gulf of Mexico; and
- the Rocky Mountains.

Assets in our principal focus areas include mature properties with long-lived reserves and significant development opportunities as well as newer properties with development and exploration potential. We believe our balanced portfolio of assets and our ongoing risk management program position us well for both the current commodity price environment and future potential upside as we develop our attractive resource opportunities, including our California, Eagle Ford Shale, Haynesville Shale and Gulf of Mexico plays.

As of December 31, 2011, we had estimated proved reserves of 410.9 million BOE, of which 59% was comprised of oil and 55% was proved developed. As of that date, we had a total proved reserve life of approximately 12 years and a proved developed reserve life of approximately seven years. As of December 31, 2011, and based on the twelve-month average of the first-day-of-the-month reference prices as adjusted for location and quality differentials, our proved reserves had a standardized measure of $5.1 billion. As of December 31, 2011, we had estimated probable reserves of 292.1 million BOE, of which 37% was comprised of oil and 2% was probable developed. We believe our long-lived, low production decline reserve base, combined with our active risk management program, should provide us with relatively stable and recurring cash flow.

As of December 31, 2011, after giving effect to the GOM Acquisition (as defined below), our pro forma proved reserves would have been 564.6 million BOE, of which 66% would have been comprised of oil and 57% would have been proved developed.

Table of Contents

Our principal executive offices are located at 700 Milam, Suite 3100, Houston, Texas 77002, and our telephone number is (713) 579-6000.

GOM Acquisition

Overview

On September 4, 2012, we entered into a purchase and sale agreement with BP to acquire certain oil and gas interests in and near the Holstein, Diana, Hoover, Horn Mountain, Marlin, Dorado, King and Ram Powell Fields located in the Gulf of Mexico, in exchange for $5.55 billion in cash, subject to customary purchase price adjustments. Additionally, on September 7, 2012, we entered into a purchase and sale agreement with Shell Offshore Inc., or Shell, to acquire certain oil and gas interests in the Holstein Field located in the Gulf of Mexico, in exchange for $560 million in cash, subject to customary purchase price adjustments. We refer to the interests to be acquired from each of BP and Shell as the BP properties and the Shell properties, respectively, and collectively as the GOM Properties. We refer to the transactions with each of BP and Shell as the BP acquisition and the Shell acquisition, respectively, and collectively as the GOM Acquisition.

Under the terms of the BP purchase agreement, we made a performance deposit of $555 million with BP, which BP will be permitted to retain as liquidated damages if it terminates the agreement under certain circumstances. The Shell properties and certain of the BP properties are subject to preferential rights. Each purchase agreement contains customary conditions to closing. We expect that the GOM Acquisition will close on November 30, 2012, and will be effective as of October 1, 2012; however, there can be no assurance that all of the conditions to closing the GOM Acquisition will be satisfied or that either the BP acquisition or the Shell acquisition will be consummated.

This offering is not conditioned upon the completion of the GOM Acquisition, but if the BP acquisition is not consummated by March 15, 2013, or if the BP purchase agreement is terminated at any time prior to the consummation of the BP acquisition, we will be required to redeem all of the notes of each series in cash at a redemption price equal to 100% of the aggregate principal amount of the notes, plus accrued and unpaid interest to, but not including, the date of redemption. Additionally, if we determine it is reasonably likely that the BP acquisition will not close on or prior to March 15, 2013, or the BP purchase agreement will be terminated at any time prior to the consummation of the BP acquisition, we may, at our option, redeem all but not less than all of the notes then outstanding in cash at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to, but not including, the date of redemption. See Description of notes Redemption Special redemption.

Description of GOM Properties

Upon completion of the GOM Acquisition, we will hold a 100% working interest and operate the Holstein, Horn Mountain, Marlin, Dorado and King Fields. Additionally, we will hold a 31% working interest in the Ram Powell Field and a 33.33% working interest in the Diana and Hoover Fields, and will be a non-operator of those fields. At the end of July 2012, the BP properties and Shell properties were producing an estimated 67,000 BOE net per day, of which nearly 87% was oil with an average American Petroleum Institute gravity of 34 degrees.

Table of Contents

Holstein Field

The Holstein Field is located in Green Canyon blocks 644, 645 and 688. The Holstein platform is a truss spar in water depth of approximately 4,300 feet, and production commenced in December 2004. The capacity is approximately 113,500 barrels of oil per day, 142,300 Mcf of gas per day and 45,900 barrels of water per day. We plan to upgrade the Holstein drilling rig and infrastructure and focus on further developing existing field pay intervals through recompletion, sidetrack, and water injection projects. In addition, we plan to develop and explore via subsea tiebacks deeper potential on the Holstein structure and leases in the Green Canyon area.

Horn Mountain Field

The Horn Mountain Field is located in Mississippi Canyon blocks 82, 126 and 127. The Horn Mountain platform is a truss spar in water depth of approximately 5,400 feet, and production commenced in November 2002. The capacity is approximately 75,000 barrels of oil per day, 72,000 Mcf of gas per day and 30,000 barrels of water per day. We plan to focus on further developing the field primarily through sidetracks of existing producing wells to undrained portions of the field pay reservoir intervals. In addition, we plan to develop and explore via subsea tiebacks additional amplitude driven resource opportunities as well as deeper potential on the Horn Mountain leases.

Marlin Hub

The Marlin Hub is the production facility for three fields: the Marlin Field (S/2 Viosca Knoll block 871 and N/2 Viosca Knoll block 915), the Dorado Field (S/2 Viosca Knoll block 915) and the King Field (Mississippi Canyon 84, 85, 128 and 129). The Marlin Hub is a tension leg platform in water depth of approximately 3,200 feet and production commenced in December 2000. The capacity is approximately 60,000 barrels of oil per day, 235,000 Mcf of gas per day and 20,000 barrels of water per day. The Marlin Field currently produces via a combination of platform and subsea tieback wells while the Dorado and King Fields currently produce exclusively via subsea wells and tieback infrastructure. Our development plans focus on installation of additional compression, deepening of existing wells, and drilling of additional producing wells to optimize recovery and target additional resources primarily in the King and Dorado Fields. In addition, we plan to target deeper potential in the King Field for future tieback to the Marlin Hub.

Ram Powell Field

The Ram Powell Field is located in Viosca Knoll blocks 911 through 913 and 955 through 957. The Ram Powell platform is a tension leg platform in water depth of approximately 3,200 feet, commissioned in 1997 with capacity of approximately 70,000 barrels of oil per day and 310,000 Mcf of gas per day. A drilling rig is scheduled to be installed on the platform in the fourth quarter of 2012. We intend to participate in production optimization projects as well as drilling opportunities in the main field pay intervals as planned by the operator.

Diana and Hoover Fields

The Diana Field is located in East Breaks blocks 945, 946 and 989, and the Hoover Field is located in Alaminos Canyon blocks 25 and 26. The Hoover platform is a deep draft caisson vessel located in Alaminos Canyon block 25 in water depth of approximately 4,800 feet. Production commenced

Table of Contents

May 2000, and the platform has a capacity of approximately 100,000 barrels of oil per day, 325,000 Mcf of gas per day and 60,000 barrels of water per day. While the Hoover Field is developed via platform wells, production from the Diana Field is produced via subsea tieback at the Hoover platform. Several additional drilling opportunities exist in established field pay intervals in the Diana Field.

Marketing and transportation

Our share of oil and gas production from the GOM Properties will be sold under a series of arms-length contracts awarded on a competitive bid basis or entered into following negotiations. Oil will be sold directly to companies with refineries in the Gulf Coast regions of Texas and Louisiana at prices based on widely-used industry benchmarks. Gas will be processed in one of three large onshore gas plants, where we will be paid our contractual share of revenues from the sale of natural gas liquids. We will sell or deliver our residue gas to various industrial and energy markets as well as intrastate and interstate pipeline systems.

Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile in the future. The prices we receive for our oil and gas production are subject to wide fluctuations and depend on numerous factors beyond our control, including location and quality differentials, seasonality, economic conditions, foreign imports, political conditions in other oil-producing and gas-producing countries, the actions of OPEC, and domestic government regulation, legislation and policies. Decreases in oil and gas prices have had, and could have, in the future, an adverse effect on the carrying value and volumes of our proved reserves and our revenues, profitability and cash flow.

We will use a series of pipelines, some of which will be ours, to transport our oil and gas production from the platforms to shore. These movements will be made under a combination of transportation contracts and tariffs subject to Federal Energy Regulatory Commission regulation. Currently all the pipelines we will rely upon are operating normally, but natural disasters or other operational situations beyond our control could result in increased transportation costs to us or require us to find transportation alternatives. Such circumstances may also result in significant decreases in our oil and gas production.

Business Strategy

Our strategy is centered on generating attractive returns on our capital employed through oil and gas production, development, expansion and exploration to increase our inventory of oil and gas reserves. Our capital investments are allocated to asset areas with the greatest expected returns and highest growth prospects.

Continue long-term development of our high margin oil-weighted asset base. We have been focusing our capital on high margin oil-weighted properties where we receive premium price realizations that are tied more heavily to Brent crude oil than West Texas Intermediate, or WTI, crude oil, which has been trading at a discount to world benchmark oil prices. These investments are expected to support a diversified growth strategy with sustained development and exploration of our base properties in California, the Eagle Ford Shale, and the Gulf of Mexico. We expect to continue to maintain our stable reserve and production profile through the development of our existing inventory of projects in each of these operating areas.

Table of Contents

Over the last several years, we have continued our rotation from low margin gas assets to high margin oil assets. Beginning in 2010, we completed the divestment of our Gulf of Mexico shallow water shelf properties to McMoRan in exchange for approximately $86 million in cash, including $11 million in working capital adjustments, and 51 million shares of McMoRan common stock. In November 2011, we raised $450 million, or $430.2 million net of transaction costs, through the sale of convertible preferred stock in our subsidiary Plains Offshore Operations Inc., or POI, which is being used to fund POI s share of capital investment in our Lucius oil discovery expected to commence production in 2014 and the Phobos exploration prospect for which results are expected in 2013. In December 2011 and February 2012, we completed the divestment of our Texas Panhandle properties and all of our South Texas conventional gas properties for approximately $779 million.

The GOM Acquisition is a continuation of our high margin oil-weighted growth strategy. The GOM Properties to be acquired recently produced 67,000 BOE net per day, of which 87% was oil with an average American Petroleum Institute gravity of 34 degrees. The producing GOM Properties have established production histories and will complement our existing asset base. Additionally, given the GOM Properties proximity to Gulf coast and global markets, we expect to realize premium crude oil pricing compared to WTI crude oil.

To complement our development activities, we expect to continue to expand on our success in exploratory drilling by taking advantage of our exploratory projects in the Gulf of Mexico, California and the Eagle Ford Shale. To implement these plans, we will focus on:

- developing and extending our resource position through development and step-out drilling in our substantial drilling location inventory;
- continuing to optimize production practices, in particular by realigning and expanding on injection processes to maximize reservoir deliverability and long-term recoveries from our properties;
- performing stimulations, sidetracks, recompletions, artificial lift upgrades and other operating margin and reserve enhancements;
- employing modern seismic applications;
- optimizing the utilization of our production, marketing, processing, and transportation infrastructure related to our properties including tiebacks of known hydrocarbon accumulations; and
- using new technology applications in drilling and completion practices to reduce costs.

Maintain active risk management program. We plan to continue managing our exposure to commodity prices by actively hedging significant portions of our oil and gas production through the use of swaps, collars, puts, put spreads and calls. See Recent developments Derivatives.

Make opportunistic acquisitions. We believe that attractive property acquisition opportunities should become available in our core areas of operation. Our pending acquisition of the GOM Properties is an example of our acquisition strategy, and we believe that these properties may lead to additional expansion opportunities around our floating production systems. The GOM Acquisition will materially enhance our size and scale providing for both onshore and offshore oil development growth, and we will become one of the larger and geographically diverse oil-weighted U.S. independents. We anticipate that the increased size, scale and diversification will reduce cost of capital and operating costs in the long-run and allow us to take on larger projects. Our management team has extensive experience exploring for, developing and producing in deepwater offshore environments including our Lucius project and other exploration, development, construction, and production projects.

Maintain a disciplined financial policy. We intend to continue to pursue a disciplined financial policy by maintaining a prudent capital structure and managing our exposure to commodity price risk. Upon completion of the GOM Acquisition, we anticipate reducing our debt and strengthening our balance sheet. Our financial position is supported by the strong oil production profile of the GOM Properties to be acquired and is underpinned by our onshore oil business in California and the Eagle Ford Shale. Additionally, we anticipate divesting an estimated $1.5 billion to $2.0 billion of low margin non-operated gas assets in 2013 and using the net proceeds to reduce debt. Finally, strong production from the GOM Properties, continued growth from our onshore oil assets and Lucius volumes forecasted to come online in 2014 are expected to generate cash flow in excess of our capital expenditures and such excess cash flow may be applied to further reduce debt and strengthen our balance sheet over the next several years.

Recent developments

Commitment letter

In connection with the GOM Acquisition, on September 4, 2012, we entered into a commitment letter with JPMorgan Chase Bank, N.A. and J.P. Morgan Securities LLC. On September 7, 2012, eight additional financial institutions and their affiliates became parties to the commitment letter.

The commitment letter is subject to various conditions, including (i) the substantially concurrent consummation of the BP acquisition and the absence of a material adverse effect under the BP purchase and sale agreement, (ii) the execution of satisfactory definitive documentation and (iii) other customary closing conditions. Subject to the terms and conditions of the commitment letter, the financial institutions party to the commitment letter have agreed to amend and restate our existing senior revolving credit facility to provide us with senior secured revolving and term loan credit facilities, which we refer to as the amended and restated senior credit facilities, in an aggregate amount of $5.0 billion, with an initial borrowing base of $5.3 billion, comprised of:

- a $3.0 billion 5-year revolving credit facility;
- a $750.0 million 5-year term loan; and
- a $1.25 billion 7-year term loan.

We expect the amended and restated senior credit facilities will be secured by 100% of the shares of stock in certain of our domestic subsidiaries, 65% of the shares of stock in certain foreign subsidiaries, secured subordinated intercompany debt and mortgages covering at least 75% of the total present value of our domestic proved oil and gas properties.

The financial institutions party to the commitment letter have also agreed to provide us with senior unsecured loans in an aggregate principal amount of up to $2.0 billion pursuant to a new senior unsecured bridge term loan facility. We do not expect to borrow under our new senior unsecured bridge term loan facility to fund a portion of the purchase price of the GOM Acquisition unless the net proceeds from this offering are less than $2.0 billion.

Table of Contents

In October 2012, we successfully syndicated the $7.0 billion of committed financing to a group of banks and institutional lenders.

We refer to our amended and restated senior credit facilities and the senior unsecured bridge term loan as the new credit facilities. We expect to use the proceeds from the new credit facilities (i) to refinance certain of our existing indebtedness, (ii) to pay the cash consideration for the GOM Acquisition, (iii) to pay the fees and expenses incurred in connection with the GOM Acquisition and related financing transactions and (iv) for other general corporate purposes.

We cannot assure you that we will be able to enter into the new credit facilities on the terms set forth above or at all. For a more detailed description of the new credit facilities, see Description of our other indebtedness.

Table of Contents

Derivatives

As part of our financing plan for the GOM Acquisition, we will continue to implement our crude oil hedging program by entering into derivative instruments for up to 90% of our crude oil production through 2015 to lock in strong cash flows and to provide downside commodity price protection through the use of swaps, collars, put spreads and calls. We have entered into Brent crude oil swap contracts for 2013 and Brent crude oil put option spread contracts for 2014 and 2015, achieving our target of hedging up to 90% of our crude oil production for 2013 and 2014 and making significant progress for 2015. We also plan to sell calls in the future to offset the premiums associated with our put option spread contracts creating three-way collars. Below is a summary of our open commodity positions as of October 19, 2012:

Period (1)	Instrument Type	Daily Volumes	Average Price (2)	Average Deferred Premium	Index
Sales of Crude Oil Production					
2012					
Oct - Dec	Three-way collars (3)	40,000 Bbls	$100.00 Floor with an $80.00 Limit $120.00 Ceiling		Brent
2013					
Jan - Dec	Swap contracts (4)	40,000 Bbls	$109.23		Brent
Jan - Dec	Put options (5)	13,000 Bbls	$100.00 Floor with an $80.00 Limit	$6.800 per Bbl	Brent
Jan - Dec	Three-way collars (3)	25,000 Bbls	$100.00 Floor with an $80.00 Limit $124.29 Ceiling		Brent
Jan - Dec	Three-way collars (3)	5,000 Bbls	$90.00 Floor with a $70.00 Limit $126.08 Ceiling		Brent
Jan - Dec	Put options (5)	17,000 Bbls	$90.00 Floor with a $70.00 Limit	$6.253 per Bbl	Brent
2014					
Jan - Dec	Put options (5)	5,000 Bbls	$100.00 Floor with an $80.00 Limit	$7.110 per Bbl	Brent
Jan - Dec	Put options (5)	30,000 Bbls	$95.00 Floor with a $75.00 Limit	$6.091 per Bbl	Brent
Jan - Dec	Put options (5)	75,000 Bbls	$90.00 Floor with a $70.00 Limit	$5.739 per Bbl	Brent
2015					
Jan - Dec	Put options (5)	65,000 Bbls	$90.00 Floor with a $70.00 Limit	$6.904 per Bbl	Brent
Sales of Gas Production					
2012					
Oct - Dec	Put options (6)	120,000 MMBtu	$4.30 Floor with a $3.00 Limit	$0.298 per MMBtu	Henry Hub
Oct - Dec	Three-way collars (7)	40,000 MMBtu	$4.30 Floor with a $3.00 Limit $4.86 Ceiling		Henry Hub
Oct - Dec	Swap contracts (4)	80,000 MMBtu	$2.72		Henry Hub

2013				
Jan - Dec	Swap contracts (4)	110,000 MMBtu	$4.27	Henry Hub
2014				
Jan - Dec	Swap contracts (4)	100,000 MMBtu	$4.09	Henry Hub