

BP PRUDHOE BAY ROYALTY TRUST
Form 10-K
February 29, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year ended December 31, 2011

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-10243

BP PRUDHOE BAY ROYALTY TRUST

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

13-6943724
(I.R.S. Employer
Identification No.)

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THE BANK OF NEW YORK MELLON

TRUST COMPANY, N.A., TRUSTEE

919 CONGRESS AVE.

AUSTIN, TEXAS
(Address of principal executive offices)

78701
(Zip Code)

Registrant's telephone number, including area code: (512) 236-6565

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
UNITS OF BENEFICIAL INTEREST	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (17 CFR § 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

The aggregate market value of Units held by nonaffiliates (computed by reference to the closing sale price in New York Stock Exchange transactions on June 30, 2011 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$2,389,524,000.

As of February 29, 2012, 21,400,000 Units of Beneficial Interest were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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PART I

ITEM 1. BUSINESS

INTRODUCTION

BP Prudhoe Bay Royalty Trust (the Trust) was created as a Delaware business trust by the BP Prudhoe Bay Royalty Trust Agreement dated February 28, 1989 (the Trust Agreement) among The Standard Oil Company (Standard Oil), BP Exploration (Alaska) Inc. (BP Alaska), The Bank of New York Mellon (formerly named The Bank of New York), as trustee, and F. James Hutchinson, co-trustee (BNY Mellon Trust of Delaware, formerly named The Bank of New York (Delaware), successor co-trustee). BP Alaska and Standard Oil are wholly owned subsidiaries of BP p.l.c. (BP).

Effective as of December 15, 2010, The Bank of New York Mellon (BNYM) resigned as trustee under the Trust Agreement and BP Alaska appointed The Bank of New York Mellon Trust Company, N.A. (the Trust Company) to succeed BNYM as trustee. The Trust Company accepted its appointment and assumed all rights, titles, duties, powers and authority formerly held and exercised by BNYM under the Trust Agreement. The corporate trust office of the Trust Company (which we refer to hereafter as the Trustee) at which the affairs of the Trust are administered is located at 919 Congress Avenue, Austin, Texas 78701 and its telephone number at that address is (512) 236-6565.

The Trust electronically files annual reports on Form 10-K, quarterly reports on Form 10-Q and, when certain events require them, current reports on Form 8-K with the Securities and Exchange Commission (SEC). The public may read and copy any materials filed by the Trust with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers (including the Trust) that file electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>.

The Trust does not maintain an Internet website, but certain information concerning the Trust and the Trust Units may be obtained from the BusinessWire website at the following page location: <http://www.businesswire.com/portal/site/home/news/company?vnsId=41701>. The Trustee will provide paper or electronic copies of the Trust's reports on Form 10-K, Form 10-Q and Form 8-K, and amendments to those reports, free of charge upon request as soon as reasonably practicable after the Trust files them with the SEC. Requests for copies of reports may be made by mail to: The Bank of New York Mellon Trust Company, N.A., 919 Congress Avenue, Suite 500, Austin, TX 78701, Attention: Global Corporate Trust Corporate Finance; by telephone to: (800) 852-1422; or by e-mail to: sarah.newell@bnymellon.com.

The information in this report relating to the Prudhoe Bay Unit, the calculation of royalty payments and certain other matters has been furnished to the Trustee by BP Alaska.

Forward-Looking Statements

Various sections of this report contain forward-looking statements (that is, statements anticipating future events or conditions and not statements of historical fact). Words such as anticipate, expect, believe, intend, plan or project, and should, would, could, potentially, possibly, and other words that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. Forward-looking statements in this report are subject to a number of risks

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and uncertainties beyond the control of the Trustee. These risks and uncertainties include such matters as future changes in oil prices, oil production levels, economic activity, domestic and international political events and developments, legislation and regulation, and certain changes in expenses of the Trust.

The actual results, performance and prospects of the Trust could differ materially from those expressed or implied by forward-looking statements. Descriptions of some of the risks that could affect the future performance of the Trust appear in the following Item 1A, **RISK FACTORS**, and elsewhere in this report. There may be additional risks of which the Trustee is unaware or which are currently deemed immaterial.

In the light of these risks, uncertainties and assumptions, you should not rely unduly on any forward-looking statements. Forward-looking events and outcomes discussed in this report may not occur or may turn out differently. The Trustee undertakes no obligation to update forward-looking statements after the date of this report, except as required by law, and all such forward-looking statements in this report are qualified in their entirety by the preceding cautionary statements.

THE TRUST

Trust Property

The property of the Trust consists of an overriding royalty interest (the **Royalty Interest**) and cash and cash equivalents held by the Trustee from time to time. The Royalty Interest entitles the Trust to a royalty on 16.4246% of the lesser of (i) the first 90,000 barrels* of the average actual daily net production of crude oil and condensate per quarter from the working interest of BP Alaska as of February 28, 1989 in the Prudhoe Bay oil field located on the North Slope in Alaska or (ii) the average actual daily net production of crude oil and condensate per quarter from that working interest. The Prudhoe Bay field is one of four contiguous North Slope oil fields that are operated by BP Alaska and are known collectively as the **Prudhoe Bay Unit**. The Royalty Interest was conveyed to the Trust by an **Overriding Royalty Conveyance** dated February 27, 1989 from BP Alaska to Standard Oil and a **Trust Conveyance** dated February 28, 1989 from Standard Oil to the Trust. Copies of the **Overriding Royalty Conveyance** and the **Trust Conveyance** are filed with the SEC as exhibits to this report. The **Overriding Royalty Conveyance** and the **Trust Conveyance** are referred to collectively in this report as the **Conveyance**.

The Royalty Interest is a non-operational interest in minerals. The Trust does not have the right to take oil and gas in kind, nor does it have any right to take over operations or to share in any operating decision with respect to BP Alaska's working interest in the Prudhoe Bay field. BP Alaska is not obligated to continue to operate any well or maintain or attempt to maintain in force any portion of its working interest when, in its reasonable and prudent business judgment, the well or interest ceases to produce or is not capable of producing oil or gas in paying quantities.

Employees

The Trust has no employees. All administrative functions of the Trust are performed by the Trustee.

* The term **barrel** is a unit of measure of petroleum liquids equal to 42 United States gallons corrected to 60 degrees Fahrenheit temperature.

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Duties and Powers of the Trustee

The duties of the Trustee are specified in the Trust Agreement and the laws of the State of Delaware. BNY Mellon Trust of Delaware has been appointed co-trustee in order to satisfy the Delaware Statutory Trust Act's requirement that the Trust have at least one trustee resident in, or which has its principal place of business in, Delaware. However, The Bank of New York Mellon Trust Company, N.A. alone is able to exercise the rights and powers granted to the Trustee in the Trust Agreement. A copy of the Trust Agreement is filed with the SEC as an exhibit to this report.

The basic function of the Trustee is to collect income from the Royalty Interest, to pay all expenses, charges and obligations of the Trust from the Trust's income and assets, and to pay available cash to Unit holders. Because of the passive nature of the Trust's assets and the restrictions on the power of the Trustee to incur obligations, the only liabilities that the Trust normally incurs in the conduct of its operations are the Trustee's fees and routine administrative expenses, including accounting, legal and other professional fees.

The Trust Agreement grants the Trustee only the rights and powers necessary to achieve the purposes of the Trust. The Trust Agreement prohibits the Trust from engaging in any business or commercial activity or, with certain exceptions, any investment activity and from using any assets of the Trust to acquire any oil and gas lease, royalty or other mineral interest.

The Trustee is entitled to be indemnified out of the assets of the Trust for any liability or loss incurred by it in the performance of its duties unless the loss results from its negligence, bad faith or fraud or from expenses incurred in carrying out its duties that exceed the compensation and reimbursement to which it is entitled under the Trust Agreement.

Sales of Royalty Interest; Borrowings and Reserves

With certain exceptions, the Trustee may sell all or part of the Royalty Interest or an interest therein only if authorized to do so by vote of the holders of 60% of the Units outstanding. However, if the sale is made in order to pay specific liabilities of the Trust then due and involves a part, but not all or substantially all, of the Trust properties, the sale only needs to be approved by the vote of holders of a majority of the Units. Any sale of Trust properties must be for cash unless otherwise authorized by the Unit holders. The Trustee is obligated to distribute the available net proceeds of any such sale to the Unit holders after establishing reserves for liabilities of the Trust.

The Trustee has the power to borrow on behalf of the Trust or to sell Trust assets to pay liabilities of the Trust and to establish a reserve for the payment of liabilities without the consent of the Unit holders under the following circumstances:

The Trustee may borrow from a lender not affiliated with the Trustee if cash on hand is not sufficient to pay current liabilities and the Trustee has determined that it is not practical to pay such liabilities out of funds anticipated to be available in subsequent quarters and that, without such borrowing, the Trust property is subject to the risk of loss or diminution in value. To secure payment of its borrowings on behalf of the Trust, the Trustee is authorized to encumber the Trust's assets and to carve out and convey production payments. The borrowing must be on terms which (in the opinion of an investment banking firm or commercial banking firm selected by the Trustee) are commercially reasonable when compared to other available alternatives. No distributions to Unit holders may be made until the borrowings by the Trust have been repaid in full.

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If the Trustee is unable to borrow to pay Trust liabilities, the Trustee may sell Trust assets if it determines that the failure to pay the liabilities at a later date will be contrary to the best interest of the Unit holders and that it is not practicable to submit the sale to a vote of the Unit holders. The sale must be made for cash at a price which (in the opinion of an investment banking firm or commercial banking firm selected by the Trustee) is at least equal to the fair market value of the interest sold and is made on commercially reasonable terms when compared to other available alternatives.

The Trustee has the right to establish a cash reserve for the payment of material liabilities of the Trust which may become due if it determines that it is not practical to pay such liabilities out of funds anticipated to be available in subsequent quarters and that, in the absence of a reserve, the Trust property is subject to the risk of loss or diminution in value or the Trustee is subject to the risk of personal liability for such liabilities.

In order for the Trustee to borrow, sell assets to pay Trust liabilities or establish a reserve for Trust liabilities, the Trustee must receive an unqualified written legal opinion that the contemplated action will not adversely affect the classification of the Trust as a grantor trust for federal income tax purposes or cause the income from the Trust to be treated as unrelated business taxable income for federal income tax purposes. If the Trustee is unable to obtain the required legal opinion, it still may proceed with the borrowing or sale, or establish the reserve, if it determines that the failure to do so will be materially detrimental to the Unit holders considered as a whole.

The Trustee maintains a \$1,000,000 cash reserve to provide liquidity to the Trust during any periods in which the Trust does not receive a distribution from BP Alaska. See Item 7 in Part II below.

Irrevocability; Amendment of the Trust Agreement

The Trust Agreement and the Trust are irrevocable. No person has the power to terminate, revoke or change the Trust Agreement except as described in the following paragraph and below under Termination of the Trust.

The Trust Agreement may be amended without a vote of the Unit holders to cure an ambiguity, to correct or supplement any provision of the Trust Agreement that may be inconsistent with any other provision or to make any other provision with respect to matters arising under the Trust Agreement that does not adversely affect the Unit holders. The Trust Agreement also may be amended with the approval of holders of a majority of the outstanding Units. However, no such amendment may alter the relative rights of Unit holders unless approved by the affirmative vote of holders of 100% of the outstanding Units, nor may any amendment reduce or delay the distributions to the Unit holders, alter the voting rights of Unit holders or the number of Units in the Trust, or make certain other changes, unless approved by the affirmative vote of holders of at least 80% of the outstanding Units and by the Trustee. The Trustee is required to consent to any amendment approved by the requisite vote of Unit holders unless the amendment affects the Trustee's rights, duties and immunities under the Trust Agreement. No amendment will be effective until the Trustee has received a ruling from the Internal Revenue Service or an opinion of counsel to the effect that such modification will not adversely affect the classification of the Trust as a grantor trust for federal income tax purposes or cause the income from the Trust to be treated as unrelated business taxable income for federal income tax purposes.

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Termination of the Trust

The Trust will terminate if either (a) holders of at least 60% of the outstanding Units vote to terminate the Trust or (b) the net revenues from the Royalty Interest for two successive years are less than \$1,000,000 per year (unless the net revenues during the two-year period have been materially and adversely affected by certain extraordinary events).

Upon termination of the Trust, BP Alaska will have an option to purchase the Royalty Interest at a price equal to the greater of (i) the fair market value of the Trust property as set forth in an opinion of an investment banking firm, commercial banking firm or other entity qualified to give an opinion as to the fair market value of the assets of the Trust, or (ii) the number of outstanding Units multiplied by (a) the closing price of Units on the day of termination of the Trust on the stock exchange on which the Units are listed, or (b) if the Units are not listed on any stock exchange but are traded in the over-the-counter market, the closing bid price on the day of termination of the Trust as quoted on the NASDAQ Stock Market. The purchase must be for cash unless holders of 60% of the Units outstanding authorize the sale for non-cash consideration and the Trustee has received a ruling from the Internal Revenue Service or an opinion of counsel to the effect that such non-cash sale will not adversely affect the classification of the Trust as a grantor trust for federal income tax purposes or cause the income from the Trust to be treated as unrelated business taxable income for federal income tax purposes.

If BP Alaska does not exercise its option, the Trustee will sell the Trust property on terms and conditions approved by the vote of holders of 60% of the outstanding Units, unless the Trustee determines that it is not practicable to submit the matter to a vote of the Unit holders and the sale is made at a price at least equal to the fair market value of the Trust property as set forth in the opinion of the investment banking firm, commercial banking firm or other entity mentioned above and on terms and conditions deemed commercially reasonable by that firm.

The Trustee will distribute all available proceeds to the Unit holders after satisfying all existing liabilities of the Trust and establishing adequate reserves for the payment of contingent liabilities.

Unit holders do not have the right under the Trust Agreement to seek or secure any partition or distribution of the Royalty Interest or any other asset of the Trust or any accounting during the term of the Trust or during any period of liquidation and winding up.

Resignation or Removal of Trustee

The Trustee may resign at any time or be removed with or without cause by vote of the holders of a majority of the outstanding Units at a meeting called and held in accordance with the Trust Agreement. A successor trustee may be appointed by BP Alaska or, if the Trustee has been removed at a meeting of the Unit holders, the successor trustee may be appointed by the Unit holders at the meeting. Any successor trustee must be a corporation organized, doing business and authorized to exercise trust powers under the laws of the United States, any state thereof or the District of Columbia, or a national banking association domiciled in the United States, in either case having a combined capital, surplus and undivided profits of at least \$50,000,000 and subject to supervision or examination by federal or state authorities. Unless the Trust already has a trustee that is a resident of or has a principal office in Delaware, any successor trustee must be a resident of Delaware or have a principal office in Delaware. No resignation or removal of the Trustee will become effective until a successor trustee has accepted appointment.

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Voting Rights of Unit Holders

Unit holders possess certain voting rights, but their voting rights are not comparable to those of shareholders of a corporation. For example, there is no requirement for annual meetings of Unit holders or for periodic reelection of the Trustee.

A meeting of the Unit holders may be called at any time to act with respect to any matter as to which the Trust Agreement authorizes the Unit holders to act. Any such meeting may be called by the Trustee in its discretion and will be called by the Trustee (i) as soon as practicable after receipt of a written request by BP Alaska or a written request that sets forth in reasonable detail the action proposed to be taken at the meeting and is signed by holders of at least 25% of the outstanding Units or (ii) when required by applicable laws or regulations or the New York Stock Exchange. The Trustee will give written notice of any meeting stating the time and place of the meeting and the matters to be acted on not more than 60 days nor fewer than 10 days before the meeting to all Unit holders of record on a date not more than 60 days before the meeting at their addresses shown on the records of the Trust. All meetings of Unit holders are required to be held in Manhattan, New York City. Unit holders are entitled to cast one vote on all matters coming before a meeting, in person or by proxy, for each Unit held on the record date for the meeting.

THE ROYALTY INTEREST

The Royalty Interest is a property right under Alaska law which burdens production, but there is no other security interest in the reserves or production revenues assigned to it. The royalty payable to the Trust for each calendar quarter is the sum of the amounts obtained by multiplying Royalty Production for each day in the calendar quarter by the Per Barrel Royalty for that day. The payment under the Royalty Interest for any calendar quarter may not be less than zero nor more than the aggregate value of the total production of oil and condensate from BP Alaska's working interest in the Prudhoe Bay Unit for the quarter, net of the State of Alaska royalty and less the value of any applicable payments made to affiliates of BP Alaska.

Royalty Production

The Royalty Production for each day in a calendar quarter is 16.4246% of the lesser of (i) the first 90,000 barrels of the actual average daily net production of crude oil and condensate for the quarter from the Prudhoe Bay (Permo-Triassic) Reservoir and saved and allocated to the oil and gas leases owned by BP Alaska in the Prudhoe Bay field as of February 28, 1989 (the 1989 Working Interests), or (ii) the actual average daily net production of crude oil and condensate for the quarter from the 1989 Working Interests. The Royalty Production is based on oil produced from the oil rim and condensate produced from the gas cap, but not on gas production or natural gas liquids production. The actual average daily net production of oil and condensate from the 1989 Working Interests for any calendar quarter is the total production of oil and condensate for the quarter, net of the State of Alaska royalty, divided by the number of days in the quarter.

Per Barrel Royalty

The Per Barrel Royalty for any day is the WTI Price for the day less the sum of (i) Chargeable Costs multiplied by the Cost Adjustment Factor and (ii) Production Taxes.

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WTI Price

The WTI Price for any trading day is (i) the price (in dollars per barrel) for West Texas intermediate crude oil of standard quality having a specific gravity of 40 API degrees for delivery at Cushing, Oklahoma (West Texas Intermediate) quoted for that trading day by whichever of The Wall Street Journal, Reuters, or Platts Oilgram Price Report, in that order, publishes West Texas Intermediate price quotations for the trading day, or (ii) if the price of West Texas Intermediate is not published by one of those publications, the WTI Price will be the simple average of the daily mean prices (in dollars per barrel) quoted for West Texas Intermediate by one major oil company, one petroleum broker and one petroleum trading company designated by BP Alaska, in each case unaffiliated with BP and having substantial U.S. operations, until published price quotations are again available. If prices for West Texas Intermediate are not quoted so as to permit the calculation of the WTI Price, the price of West Texas Intermediate, for the purposes of calculating the WTI Price will be the price of another light sweet domestic crude oil of standard quality designated by BP Alaska and approved by the Trustee, with appropriate allowance for transportation costs to the Gulf coast (or another appropriate location) to equilibrate its price to the WTI Price. The WTI Price for any day which is not a trading day is the WTI Price for the preceding trading day.

Chargeable Costs

The Chargeable Costs per barrel of Royalty Production for each calendar year are fixed amounts specified in the Conveyance and do not necessarily represent BP Alaska's actual costs of production. Chargeable Costs per barrel were \$12.75 during 2007, \$13.00 during 2008, \$13.25 during 2009, \$14.50 during 2010 and \$16.60 during 2011. Chargeable Costs for 2012 and subsequent years are shown in the following table:

Calendar year	Chargeable Costs per barrel	Calendar year	Chargeable Costs per barrel
2012	\$ 16.70	2017	\$ 17.20
2013	16.80	2018	20.00
2014	16.90	2019	23.75
2015	17.00	2020	26.50
2016	17.10		

After 2020, Chargeable Costs increase at a uniform rate of \$2.75 per barrel per year.

Cost Adjustment Factor

The Cost Adjustment Factor for a quarter is the ratio of the Consumer Price Index published for the most recently past February, May, August or November to 121.1 (the Consumer Price Index for January 1989). The Consumer Price Index is the U.S. Consumer Price Index, all items and all urban consumers, U.S. city average (1982-84 equals 100), as first published, without seasonal adjustment, by the Bureau of Labor Statistics, Department of Labor, without regard to subsequent revisions or corrections. If the average WTI Price for any calendar quarter falls to \$18.00 or less, the Cost Adjustment Factor for that quarter will be the Cost Adjustment Factor for the immediately preceding quarter. If the average WTI Price returns to more than \$18.00 for a later quarter, adjustments to the Cost Adjustment Factor resume, but with an adjustment to the formula that excludes changes in the Consumer Price Index during the period that adjustments to the Cost Adjustment Factor were suspended.

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Production Taxes

Production Taxes are the sum of any severance taxes, excise taxes (including windfall profit tax, if any), sales taxes, value added taxes or other similar or direct taxes imposed upon the reserves or production, delivery or sale of Royalty Production, computed at defined statutory rates.

Until August 2006, the Production Taxes deductible with respect to the Royalty Production under the Alaska oil and gas production tax statutes, AS 43.55.10 *et seq.* (the Production Tax Statutes) were (i) the Alaska Oil Production Tax (the Old Tax), which was levied at the flat rate of 15% of the gross value of oil at the point of production (the wellhead or field value) and which, as required by the Conveyance, was applied for the purpose of determining the Royalty Interest without regard to the economic limit factor (a formula designed to result in low tax rates for smaller low productive fields and higher tax rates for larger highly productive fields), and (ii) a surcharge of \$0.03 per barrel of Royalty Production. The Conveyance provides that, in the case of taxes based upon wellhead or field value, the WTI Price less the product of \$4.50 multiplied by the Cost Adjustment Factor is deemed to be the wellhead or field value.

In August 2006 Alaska adopted amendments to the Production Tax Statutes (Chapter 2, Third Special Session Laws of Alaska 2006) (the 2006 Amendments) which replaced the Old Tax. Commencing with the 2006 Amendments, producers were taxed on the production tax value of taxable oil (gross value at the point of production for the calendar year less the producer's direct costs of exploring for, developing, or producing oil or gas deposits located within the producer's leases or properties in Alaska (Lease Expenditures) for the year) at a rate equal to the sum of 22.5% plus a progressivity rate determined by the average monthly production tax value of the oil produced. The progressivity portion of the 2006 Amendments was equal to 0.25% times the amount by which the simple average for each calendar month of the daily production tax values per barrel of the oil produced during the month exceeded \$40 per barrel. In addition, the 2006 Amendments increased the surcharge on oil produced from leases or properties in Alaska from \$0.03 to \$0.04 per barrel.

In December 2007, a bill (Chapter 1, Second Special Session Laws of Alaska 2007) (popularly titled Alaska's Clear and Equitable Share or ACES) took effect and further amended the Production Tax Statutes in certain respects. ACES changed the basic tax rate from 22.5% to 25% and increased the progressivity rate. If the producer's average monthly production tax value per barrel is greater than \$30 but not more than \$92.50, the progressivity tax rate is 0.4% times the amount by which the average monthly production tax value exceeds \$30 per barrel. If the producer's average monthly production tax value per barrel is greater than \$92.50, the progressivity tax rate is the sum of 25% and the product of 0.1% multiplied by the difference between the average monthly production tax value per barrel and \$92.50, except that the sum may not exceed 50%.

In order to resolve uncertainties in the interpretation of the Conveyance resulting from adoption of the 2006 Amendments, in October 2006 the Trustee entered into a letter agreement with BP Alaska (the 2006 Letter Agreement), a copy of which is incorporated by reference as Exhibit 4.5 to this report. The 2006 Letter Agreement sets forth principles agreed to by BP Alaska and the Trustee to resolve how the amount of tax chargeable against the Royalty Interest was to be determined under the Conveyance and the extent to which the retroactivity of the tax legislation was to be recognized for purposes of the Conveyance (the Consensus Principles). In December 2007, BP Alaska notified the Trustee that the adoption of ACES made it necessary to modify the Consensus Principles to give effect to the new tax rates. After determining that the proposed changes to the Consensus Principles were consistent with the changes in tax rates effected by ACES, on January 11, 2008 the Trustee executed a letter agreement dated December 21, 2007 with BP Alaska (the 2008 Letter Agreement) which supplements and amends the 2006 Letter Agreement and which is incorporated by reference as Exhibit 4.6 to this report.

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ACES authorizes the Alaska Department of Revenue (DOR) to interpret and apply the amendments to the Production Tax Statutes. DOR is allowed to limit deductible transportation costs for transportation by a regulated pipeline to something less than the tariff actually paid. Other amendments allow DOR to exclude by regulation certain categories of otherwise deductible lease expenditures, or a fixed percentage of them, from being deductible in determining the production tax value of taxable oil. In the 2008 Letter Agreement, BP Alaska indicated that, depending on what the regulations provide, it may wish to amend the Consensus Principles. Any such amendment would require the consent of the Trustee. If any such amendment should be proposed, the Trustee will evaluate the proposal to determine whether such amendment is consistent with the Conveyance and the interests of the Unit holders of the Trust and will make its decision accordingly.

Per Barrel Royalty Calculations

The following table shows how the above-described factors interacted during the past five years to produce the average Per Barrel Royalty paid during the calendar years indicated. Royalty revenues are generally received on the fifteenth day of the month following the end of the calendar quarter in which the related Royalty Production occurred. Revenues and expenses presented in the statement of cash earnings and distributions presented in Part II, Item 8 below are recorded on a modified cash basis and, as a result, royalty revenues and distributions shown in such statements for any calendar year are attributable to BP Alaska's operations during the twelve-month period ended September 30 of that year.

	Average WTI Price	Chargeable Costs	Cost Adjustment Factor	Adjusted Chargeable Costs	Production Taxes(1)	Average Per Barrel Royalty
Calendar 2007:						
4 th Qtr 2006	\$ 60.17	\$ 12.50	1.552	\$ 19.39	\$ 9.31	\$ 31.46
1 st Qtr 2007	58.17	12.75	1.567	19.98	8.66	29.54
2 nd Qtr 2007	65.00	12.75	1.601	20.42	10.59	34.00
3 rd Qtr 2007	75.29	12.75	1.601	20.42	14.45	40.42
Calendar 2008:						
4 th Qtr 2007	\$ 90.93	\$ 12.75	1.618	\$ 20.63	\$ 22.29	\$ 48.01
1 st Qtr 2008	97.78	13.00	1.630	21.19	33.58	43.01
2 nd Qtr 2008	124.34	13.00	1.668	21.68	52.37	50.29
3 rd Qtr 2008	118.69	13.00	1.687	21.93	48.18	48.58

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	Average WTI Price	Chargeable Costs	Cost Adjustment Factor	Adjusted Chargeable Costs	Production Taxes(1)	Average Per Barrel Royalty
Calendar 2009:						
4 th Qtr 2008	\$ 58.03	\$ 13.00	1.636	\$ 21.26	\$ 11.42	\$ 25.35
1 st Qtr 2009	43.20	13.25	1.634	21.65	5.43	16.13
2 nd Qtr 2009	59.74	13.25	1.647	21.82	11.03	26.89
3 rd Qtr 2009	68.13	13.25	1.662	22.02	14.57	31.54
Calendar 2010:						
4 th Qtr 2009	\$ 75.90	\$ 13.25	1.666	\$ 22.07	\$ 18.64	\$ 35.19
1 st Qtr 2010	78.59	14.50	1.669	24.20	18.96	35.43
2 nd Qtr 2010	77.96	14.50	1.680	24.36	18.59	35.01
3 rd Qtr 2010	76.04	14.50	1.681	24.37	17.43	34.23
Calendar 2011:						
4 th Qtr 2010	\$ 85.09	\$ 14.50	1.685	\$ 24.43	\$ 22.70	\$ 37.96
1 st Qtr 2011	94.12	16.60	1.704	28.29	26.10	39.74
2 nd Qtr 2011	102.58	16.60	1.740	28.88	31.48	42.21
3 rd Qtr 2011	89.52	16.60	1.744	28.96	22.69	37.87

- (1) Production Taxes for the fourth quarter of 2007 reflect the effect of the 2006 Amendments of the Production Tax Statutes. Production Taxes for the first quarter of 2008 and subsequent periods reflect the application of ACES.
- (2) Dollar amounts in the table have been rounded to two decimal places for presentation and do not reflect the precision of the actual calculations.

THE UNITS**Units**

Each Unit represents an equal undivided share of beneficial interest in the Trust. The Units do not represent an interest in or an obligation of BP Alaska, Standard Oil or any of their respective affiliates. Units are evidenced by transferable certificates issued by the Trustee. Each Unit entitles its holder to the same rights as the holder of any other Unit. The Trust has no other authorized or outstanding class of securities.

Distributions of Income

BP Alaska makes quarterly payments to the Trust of the amounts due with respect to the Trust's Royalty Interest on the fifteenth day following the end of each calendar quarter or, if the fifteenth is not a business day, on the next succeeding business day (the Quarterly Record Date). The Trustee pays all expenses of the Trust for each quarter on the Quarterly Record Date to the extent possible, then distributes the excess, if any, of the cash received by the Trust over the Trust's expenses, net of any additions to or subtractions from the cash reserve established for the payment of estimated liabilities (the Quarterly Distribution), to the persons in whose names the Units were registered at the close of business on the Quarterly Record Date.

The Trust Agreement requires the Trustee to pay the Quarterly Distribution to Unit holders on the fifth day after the Trustee's receipt of the amount paid by BP Alaska. Cash balances held by the Trustee

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for distribution to Unit holders are required to be invested in United States government or agency obligations secured by the full faith and credit of the United States (Government Obligations) or, if Government Obligations that mature on the date of the distribution to Unit holders are not available, in repurchase agreements secured by Government Obligations with banks having capital, surplus and undivided profits of \$100,000,000 or more (which may include The Bank of New York Mellon). If time does not permit the Trustee to invest collected funds in Government Obligations or repurchase agreements, the Trustee may invest funds overnight in a time deposit with a bank meeting the foregoing capital requirement (including The Bank of New York Mellon).

Reports to Unit Holders

After the end of each calendar year, the Trustee mails a report to the persons who held Units of record during the year containing information to enable them to make the calculations necessary for federal and Alaska income tax purposes, including the calculation of any depletion or other deduction which may be available to them for the calendar year. In addition, after the end of each calendar year the Trustee mails Unit holders an annual report containing a copy of this Form 10-K and certain other information required by the Trust Agreement.

Limited Liability of Unit Holders

The Trust Agreement provides that the Unit holders are, to the full extent permitted by Delaware law, entitled to the same limitation of personal liability extended to stockholders of private corporations for profit under Delaware law.

Possible Divestiture of Units

The Trust Agreement imposes no restrictions on nationality or other status of the persons eligible to hold Units. However, it provides that if at any time the Trust or the Trustee is named a party in any judicial or administrative proceeding seeking the cancellation or forfeiture of any property in which the Trust has an interest because of the nationality, or any other status, of any one or more Unit holders, the Trustee may require each holder whose nationality or other status is an issue in the proceeding to dispose of his Units to a party not of the nationality or other status at issue in the proceeding. If any holder fails to dispose of his Units within 30 days after receipt of notice from the Trustee to do so, the Trustee will redeem any Units not so transferred within 90 days after the end of the 30-day period specified in the notice for a cash price equal to the fair market value of the Units. Units redeemed by the Trustee will be cancelled.

The Trustee may cause the Trust to borrow any amount required to redeem the Units. If the purchase of Units from an ineligible holder by the Trustee would result in a non-exempt prohibited transaction under the Employee Retirement Income Security Act of 1970, or under the Internal Revenue Code of 1986, the Units subject to the Trustee's right of redemption will be purchased by BP Alaska or a designee of BP Alaska.

Issuance of Additional Units

The Trust Agreement provides that BP Alaska or an affiliate from time to time may assign to the Trust additional royalty interests meeting certain conditions and, upon satisfaction of various other conditions, the Trust may issue up to an additional 18,600,000 Units. BP Alaska has not conveyed any additional royalty interests to the Trust, and the Trust has not issued any additional Units.

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THE BP SUPPORT AGREEMENT

BP agreed to provide financial support to BP Alaska in meeting its payment obligations to the Trust in a Support Agreement dated February 28, 1989 among BP, BP Alaska, Standard Oil and the Trust (the "Support Agreement"). Within 30 days after BP receives notice from the Trustee that the royalty payable with respect to the Royalty Interest or any other amount payable by BP Alaska or Standard Oil has not been paid to the Trustee, BP will cause BP Alaska and Standard Oil to satisfy their respective payment obligations to the Trust and the Trustee under the Trust Agreement and the Conveyance, including contributing to BP Alaska the funds necessary to make such payments. BP is required to make available to BP Alaska and Standard Oil such financial support as BP Alaska, Standard Oil or the Trustee may request in writing. Any Unit holder has the unconditional right to institute suit against BP to enforce BP's obligations under the Support Agreement.

Neither BP nor BP Alaska may transfer or assign its rights or obligations under the Support Agreement without the prior written consent of the Trustee, except that BP can arrange for its obligations to be performed by any its affiliates so long as BP remains responsible for ensuring that its obligations are performed in a timely manner.

BP Alaska may sell or transfer all or part of its working interest in the Prudhoe Bay Unit, although such a transfer will not relieve BP of its responsibility to ensure that BP Alaska's payment obligations with respect to the Royalty Interest and under the Trust Agreement and the Conveyance are performed.

BP will be released from its obligation under the Support Agreement upon the sale or transfer of all or substantially all of BP Alaska's working interest in the Prudhoe Bay Unit if the transferee agrees in writing to assume and be bound by BP's obligation under the Support Agreement. The transferee's agreement to assume BP's obligations must be reasonably satisfactory to the Trustee and the transferee must be an entity having a rating of its unsecured, unsupported long-term debt of at least A3 from Moody's Investors Service, Inc., a rating of at least A- from Standard & Poor's, or an equivalent rating from at least one nationally-recognized statistical rating organization (after giving effect to the sale or transfer and the assumption of all of BP Alaska's obligations under the Conveyance and all of BP's obligations under the Support Agreement).

THE PRUDHOE BAY UNIT AND FIELD

Prudhoe Bay Unit Operation and Ownership

Since several oil companies besides BP Alaska hold acreage within the Prudhoe Bay field, as well as several contiguous oil fields, the Prudhoe Bay Unit was established to optimize field development. Other owners of these fields include affiliates of Exxon Mobil Corporation, ConocoPhillips and Chevron Corporation. The Trust's Royalty Interest pertains only to production from the 1989 Working Interests in the Prudhoe Bay field and does not include production from the other oil fields included in the Prudhoe Bay Unit.

The operations of BP Alaska and the other working interest owners in the Prudhoe Bay Unit are governed by an agreement dated April 1, 1977 among the State of Alaska and the working interest owners establishing the Prudhoe Bay Unit (the "Prudhoe Bay Unit Agreement") and an agreement dated April 1, 1977 among the working interest owners governing Prudhoe Bay Unit operations (the "Prudhoe Bay Unit Operating Agreement").

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The Prudhoe Bay Unit Operating Agreement specifies the allocation of production and costs to the working interest owners. It also defines operator responsibilities and voting requirements and is unusual in its establishment of separate participating areas for the gas cap and oil rim. Since July 1, 2000, BP Alaska has been the sole operator of the Prudhoe Bay Unit.

The ownership of the Prudhoe Bay Unit by participating area as of December 31, 2011 is shown in the following table:

	Oil rim	Gas cap
BP Alaska	26.36%(a)	26.36%(b)
Exxon Mobil	36.40	36.40
ConocoPhillips	36.08	36.08
Chevron	1.16	1.16
Total	100.00%	100.00%

- (a) The Trust's share of oil production is computed based on BP Alaska's ownership interest in the oil rim participating area of 50.68% as of February 28, 1989. Subsequent decreases in BP Alaska's participation in oil rim ownership do not affect calculation of Royalty Production from the 1989 Working Interests and have not decreased the Trust's Royalty Interest.
- (b) The Trust's share of condensate production is computed based on BP Alaska's ownership interest in the gas cap participating area of 13.84% as of February 28, 1989. Subsequent increases in BP Alaska's gas cap ownership do not affect calculation of Royalty Production from the 1989 Working Interests and have not increased the Trust's Royalty Interest.

If BP Alaska fails to pay any costs and expenses chargeable to BP Alaska under the Prudhoe Bay Unit Operating Agreement and the production of oil and condensate is insufficient to pay such costs and expenses, the Royalty Interest is chargeable with a pro rata portion of such costs and expenses and is subject to the enforcement against it of liens granted to the operators of the Prudhoe Bay Unit. However, in the Conveyance BP Alaska agreed to pay all costs and expenses chargeable to it and to ensure that no such costs and expenses will be chargeable against the Royalty Interest. The Trust is not liable for any loss or liability incurred by BP Alaska or others attributable to BP Alaska's working interest in the Prudhoe Bay Unit or to the oil produced from it and BP Alaska has agreed to indemnify the Trust and hold it harmless against any such impositions.

BP Alaska has the right to amend or terminate the Prudhoe Bay Unit Agreement, the Prudhoe Bay Unit Operating Agreement and any leases or conveyances with respect to the 1989 Working Interests in the exercise of its reasonable and prudent business judgment without liability to the Trust. BP Alaska also has the right to sell or assign all or any part of the 1989 Working Interests, so long as the sale or assignment is expressly made subject to the Royalty Interest and the terms and provisions of the Conveyance.

The Prudhoe Bay Field

The Prudhoe Bay field is located on the North Slope of Alaska, 250 miles north of the Arctic Circle and 650 miles north of Anchorage. The Prudhoe Bay field extends approximately 12 miles by 27 miles and contains nearly 150,000 gross productive acres. Approximately 45% of the acreage within the field is subject to the Royalty Interest granted to the Trust by the Conveyance. The Prudhoe Bay field, which was discovered in 1968 by BP and others, has been in production since 1977 and is the largest producing oil field in North America. As of December 31, 2011, approximately 11.35 billion barrels of oil and condensate had been produced from the Prudhoe Bay field.

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Field Geology

The principal hydrocarbon accumulations at Prudhoe Bay are in the Ivishak sandstone of the Sadlerochit Group at a depth of approximately 8,700 feet below sea level. The Ivishak is overlain by four minor reservoirs of varying extent which are designated the Put River, Eileen, Sag River and Shublik (PESS) formations. Underlying the Sadlerochit Group are the oil-bearing Lisburne and Endicott formations. The net production allocated to the Royalty Interest pertains only to the Ivishak and PESS formations, collectively known as the Prudhoe Bay (Permo-Triassic) Reservoir, and does not pertain to the Lisburne and Endicott formations.

The Ivishak sandstone was deposited, commencing some 250 million years ago, during the Permian and Triassic geologic periods. The sediments in the Ivishak are composed of sandstone, conglomerate and shale which were deposited by a massive braided river and delta system that flowed from an ancient mountain system to the north. Oil was trapped in the Ivishak by a combination of structural and stratigraphic trapping mechanisms.

Gross reservoir thickness is 550 feet, with a maximum oil column thickness of 425 feet. The original oil column is bounded on the top by a gas-oil contact, originally at 8,575 feet below sea level across the main field, and on the bottom by an oil-water contact at approximately 9,000 feet below sea level. A layer of heavy oil and tar overlays the oil-water contact in the main field and has an average thickness of around 40 feet.

Oil Characteristics

The oil produced from the Prudhoe Bay (Permo-Triassic) Reservoir is a medium grade, low sulfur crude with an average specific gravity of 27 API degrees. The gas cap composition is such that, upon surfacing, a liquid hydrocarbon phase, known as condensate, is formed.

The Royalty Interest is based upon oil produced from the oil rim and condensate produced from the gas cap, but not upon gas production (which is currently uneconomic on a large scale) or natural gas liquids production stripped from gas produced.

Historical Production

Production from the Prudhoe Bay field began on June 19, 1977, with the completion of the Trans-Alaska Pipeline System (TAPS). As of December 31, 2011 there were about 1,133 active producing oil wells, 33 gas reinjection wells, 170 water injection wells and 21 water and miscible gas injection wells in the Prudhoe Bay field. Production wells drilled in the field during the three years ended December 31, 2011 were: 57 in 2009, 56 in 2010 and 38 in 2011. No exploratory drilling activities were conducted in the field during the three-year period. Production from the Prudhoe Bay field reached a peak in 1988 and has declined steadily since then. The average well production rate was about 232 barrels per day in 2007, 232 barrels per day in 2008, 243 barrels per day in 2009, 211 barrels per day in 2010 and 204 barrels per day in 2011.

BP Alaska's share of the hydrocarbon liquids production from the Prudhoe Bay field includes oil, condensate and natural gas liquids. Using the production allocation procedures from the Prudhoe Bay Unit Operating Agreement, the Prudhoe Bay field's total production and the net share of oil and condensate (net of State of Alaska royalty) allocated to the 1989 Working Interests have been as follows during the past five years:

Calendar year	Total field	Oil	Total field	Condensate
		Net to 1989 Working Interests		Net to 1989 Working Interests
(thousand barrels per day)				
2007 ^(a)	184.1	81.6	77.9	9.4
2008	192.7	85.4	69.4	8.4
2009	189.1	83.9	63.0	7.6
2010	183.9	81.6	59.0	7.1
2011	180.3	80.0	50.8	6.2

(a) 2007 production figures reported in the Trust's Annual Report on Form 10-K for the year ended December 31, 2007 have been revised to reflect actual production for the year.

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Collection and Transportation of Prudhoe Bay Oil

Raw crude oil produced from individual production wells located at well pads is diverted to flowlines (pipelines). The flowlines transport the raw crude oil to one of six separation facilities (three on the western side of the Prudhoe Bay Unit and three on the eastern side) where the water and natural gas mixed with the raw crude are removed. The stabilized crude is then sent from the separation facilities through two 34-inch diameter transit lines, one from each half of the Prudhoe Bay Unit, to Pump Station 1, the starting point for TAPS.

At Pump Station 1, Alyeska Pipeline Service Company, the operator of TAPS, meters the oil and pumps it in the 48-inch diameter pipeline to Valdez, almost 800 miles (1,288 km) to the south, where it is either loaded onto marine tankers or stored temporarily. It currently takes the oil about 16 days to make the trip from the Prudhoe Bay Unit to Valdez, due to declining flows of oil from the North Slope. TAPS has a maximum daily average throughput of approximately 1.14 million barrels of oil; recently, however, the pipeline has been moving an average of approximately 583 thousand barrels per day.

Following a partial shutdown of the eastern side of the Prudhoe Bay Unit which lasted from August 7 until September 22, 2006, BP Alaska replaced approximately 16 miles of oil transit lines and has implemented new integrity management and corrosion monitoring practices that supplement or replace the practices that existed in 2006. BP Alaska states that its integrity management practices meet the requirements of 49 CFR 195.452 for pipeline integrity management in high consequence areas.

Reservoir Management

The Prudhoe Bay field is a complex, combination-drive reservoir, with widely varying reservoir properties. Reservoir management involves directing field activities and projects to maximize the economic value of reserves.

Several different oil recovery mechanisms are currently active in the Prudhoe Bay field, including pressure depletion, gravity drainage/gas cap expansion, water flooding and miscible gas flooding. Separate yet integrated reservoir management strategies have been developed for the areas affected by each of these recovery processes.

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Reserve Estimates

Proved oil reserves attributable to the 1989 Working Interests at December 31, 2011 are those quantities of oil which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from 2012 forward from known reservoirs and under existing economic conditions, operating methods and government regulations. Estimates of proved reserves are inherently imprecise and subjective and are revised over time as additional data becomes available. Such revisions often may be substantial. BP Alaska's reserve estimates and production assumptions and projections are predicated upon a reasonable estimate of the allocation of hydrocarbon liquids between oil and condensate according to the procedures of the Prudhoe Bay Unit Operating Agreement. Oil and condensate are physically produced in a commingled stream of hydrocarbon liquids. The allocation of hydrocarbon liquids between the oil and condensate from the Prudhoe Bay field is a theoretical calculation performed in accordance with procedures specified in the Prudhoe Bay Unit Operating Agreement. Under the terms of an Issues Resolution Agreement entered into by the Prudhoe Bay Unit owners in October 1990, the allocation procedures have been adjusted to generally allocate condensate in a manner which approximates the anticipated decline in the production of oil until an agreed original condensate reserve of 1,175 million barrels has been allocated to the working interest owners.

There is no precise method of forecasting the allocation of reserve volumes to the Trust. The Royalty Interest is not a working interest and the Trust is not entitled to receive any specific volume of reserves from the 1989 Working Interests. The reserve volumes attributable to the 1989 Working Interests are estimated using an allocation of reserve volumes based on estimated future production and the average WTI Price, and assume no future movement in the Consumer Price Index and no changes to the procedure for calculating Production Taxes. The estimated reserve volumes attributable to the Trust will vary if different estimates of production, prices and other factors are used. Even if expected reservoir performance does not change, the estimated reserves, economic life, and future revenues attributable to the Trust may change significantly in the future. This may result from changes in the WTI Price or from changes in other prescribed variables utilized in calculations defined by the Overriding Royalty Conveyance.

The reserves attributable to the 1989 Working Interests constitute only a part of the overall reserves in the Prudhoe Bay Unit. BP Alaska has estimated that the net remaining proved reserves allocated to the Trust as of December 31, 2011 were 82.304 million barrels of oil and condensate, of which 73.476 million barrels are proved developed reserves² and 8.828 million barrels are proved undeveloped reserves³. Approximately 1.6 million barrels (net) of proved undeveloped reserves allocated to the Trust were converted into proved developed reserves during 2011 and approximately 0.6 million barrels (net) of proved undeveloped reserves allocated to the Trust were added during 2011 as a result of planned projects and debottlenecking activity. There were no contributions to proved undeveloped reserves from extensions or discoveries during 2011. To the extent that the estimated volumes of proved undeveloped reserves include reserves the development of which is scheduled to commence after five years, the inclusions are based on a development plan which calls for drilling wells over an extended period of time

² Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well.

³ Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

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given the magnitude of the development. BP has a historical record of completing comparable projects. Based on the 2011 twelve-month average WTI Price⁴ of \$96.19 per barrel, other economic parameters prescribed by the Conveyance, and utilizing procedures specified in Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 932, *Extractive Activities – Oil and Gas*, BP Alaska calculated that as of December 31, 2011 production of oil and condensate from the proved reserves allocated to the 1989 Working Interests will result in estimated future net revenues to the Trust of \$2,460.5 million, with a present value of \$1,433.1 million.

The internal controls applicable to the foregoing estimates of the reserves allocated to the Trust are those employed by BP, which provides the information to the Trustee. BP Alaska has advised the Trustee that BP's vice president of segment reserves, David MacDonald, is the petroleum engineer primarily responsible for overseeing the preparation of the reserves estimate. He has over 25 years of diversified industry experience with the past eight spent managing the governance and compliance of BP's reserves estimation. He is a past member of the Society of Petroleum Engineers Oil and Gas Reserves Committee, a sitting member of the American Association of Petroleum Geologists Committee on Resource Evaluation and vice-chair of the bureau of the United Nations Economic Commission for Europe Expert Group on Resource Classification. The Trust employs Miller and Lents, Ltd., an international oil and gas consulting firm, to conduct an annual review of BP Alaska's estimates of the proved reserves allocated to the Trust, estimated future net revenues to the Trust, and the remaining period of economic production from the Prudhoe Bay field. The engineering staff members assigned to the Trust project are all university graduates, with degrees in petroleum engineering and/or advanced degrees in petroleum or chemical engineering. All are licensed professional engineers with over 20 years of diversified experience, including at least 10 years of experience with the Trust. A copy of the February 15, 2012 report of Miller and Lents, Ltd. is filed as Exhibit 99 to this report.

BP Alaska has undertaken a program of field-wide infrastructure renewal, pipeline replacement, and mechanical improvements to wells. As a consequence of these activities and their required downtime, and the natural production declines discussed above under Historical Production, BP Alaska's net production of oil and condensate allocated to the Trust from proved reserves was less than 90,000 barrels per day on an annual basis in 2009, 2010 and 2011. BP Alaska anticipates that its average net production of oil and condensate allocated to the Trust from proved reserves will be below 90,000 barrels per day on an annual average basis most future years. The occurrence of major gas sales could accelerate the decline in net production, due to the consequent decline in reservoir pressure. See Item 1A, RISK FACTORS. Based on the 2011 twelve-month average WTI Price of \$96.19 per barrel, current Production Taxes, and the Chargeable Costs adjusted as prescribed by the Overriding Royalty Conveyance, it is estimated that royalty payments to the Trust will continue through the year 2027. BP Alaska expects continued economic production from the Prudhoe Bay field at a declining rate after that year; however, for the economic conditions and production forecast as of December 31, 2011 the Per Barrel Royalty will be zero following the year 2027.

BP Alaska is under no obligation to make investments in development projects which would add additional non-proved resources to proved reserves and cannot make such investments without the concurrence of the Prudhoe Bay Unit working interest owners. The Prudhoe Bay Unit working interest owners regularly assess the technical and economic attractiveness of implementing projects to increase Prudhoe Bay Unit proved reserves. See Item 1A, RISK FACTORS, below.

⁴ The unweighted arithmetic average of the WTI Price on the first day of each month during the year.

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In the event of changes in BP Alaska's current assumptions, oil and condensate recoveries may be reduced from the current estimates, unless recovery projects other than those included in the current estimates are implemented.

INDUSTRY CONDITIONS AND REGULATIONS

The production of oil and gas in Alaska is affected by many state and federal regulations with respect to allowable rates of production, marketing, environmental matters and pricing. Future regulations could change allowable rates of production or the manner in which oil and gas operations may be lawfully conducted.

In general, BP Alaska's oil and gas activities are subject to existing federal, state and local laws and regulations relating to health, safety, environmental quality and pollution control. BP Alaska believes that the equipment and facilities currently being used in its operations generally comply with the applicable legislation and regulations. During the past few years, numerous environmental laws and regulations have taken effect at the federal, state and local levels. Oil and gas operations are subject to extensive federal and state regulation and to interruption or termination by governmental authorities due to ecological and other considerations and in certain circumstances impose absolute liability upon lessees for the cost of cleaning up pollutants and for pollution damages resulting from their operations. Although BP Alaska has advised that the existence of legislation and regulation has had no material adverse effect on BP Alaska's current method of operations, the effect of future legislation and regulations cannot be predicted.

Since the end of 2006, the corrosion monitoring and mitigation practices for the oil transit lines in the Prudhoe Bay Unit have been monitored and reviewed by the U.S. Department of Transportation. The construction, testing, and commissioning of the new replacement oil transit lines have been inspected by DOT inspectors. The replacement lines have been constructed and are operated and maintained in accordance with the requirements of the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006 even though the applicable requirements of the subsequent regulations are not phased in until 2012. See **THE PRUDHOE BAY UNIT AND FIELD** Collection and Transportation of Prudhoe Bay Oil above.

CERTAIN TAX CONSIDERATIONS

The following is a summary of the principal tax consequences to Unit holders resulting from the ownership and disposition of Units. The laws and regulations affecting these matters are complex, and are subject to change by future legislation or regulations or new interpretations by the Internal Revenue Service, state taxing authorities or the courts. In addition, there may be differences of opinion as to the applicability or interpretation of present tax laws and regulations. BP Alaska and the Trust have not requested any rulings from the Internal Revenue Service with respect to the tax treatment of the Units, and no assurance can be given that the Internal Revenue Service would concur with the statements below.

Unit holders are urged to consult their tax advisors regarding the effects on their specific tax situations of owning and disposing of Units.

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Federal Income Tax

Classification of the Trust

The following discussion assumes that the Trust is properly classified as a grantor trust under current law and is not an association taxable as a corporation.

General Features of Grantor Trust Taxation

A grantor trust is not subject to tax, and its beneficiaries (the Unit holders in the case of the Trust) are considered for tax purposes to own the assets of the trust directly. The Trust pays no federal income tax but files an information return reporting all items of income or deduction. If a court were to hold that the Trust is an association taxable as a corporation, the Trust would incur substantial income tax liabilities in addition to its other expenses.

Taxation of Unit Holders

In computing his federal income tax liability, each Unit holder is required to take into account his share of all items of Trust income, gain, loss, deduction, credit and tax preference, based on the Unit holder's method of accounting. Consequently, it is possible that in any year a Unit holder's share of the taxable income of the Trust may exceed the cash actually distributed to him in that year. For example, if the Trustee should add to the reserve for the payment of Trust liabilities or repay money borrowed to satisfy debts of the Trust, the money used to replenish the reserve or to repay the loan is income to and must be reported by the Unit holder, even though the money was not distributed to the Unit holder.

The Trust makes quarterly distributions to the persons who held Units of record on each Quarterly Record Date. The terms of the Trust Agreement seek to assure to the extent practicable that income, expenses and deductions attributable to each distribution are reportable by the Unit holder who receives the distribution.

The Trust allocates income and deductions to Unit holders based on record ownership at Quarterly Record Dates. It is not known whether the Internal Revenue Service will accept the allocation based on this method.

Depletion Deductions

The owner of an economic interest in producing oil and gas properties is entitled to deduct an allowance for the greater of cost depletion or (if otherwise allowable) percentage depletion on each such property. A Unit holder's deduction for cost depletion in any year is calculated by multiplying the holder's adjusted tax basis in his Units (generally his cost less prior depletion deductions) by Royalty Production during the year and dividing that product by the sum of Royalty Production during the year and estimated remaining Royalty Production as of the end of the year. The allowance for percentage depletion generally does not apply to interests in proven oil and gas properties that were transferred after December 31, 1974 and prior to October 12, 1990. The Omnibus Budget Reconciliation Act of 1990 repealed this rule for transfers occurring on or after October 12, 1990. Unit holders who acquired their Units on or after that date may be permitted to deduct an allowance for percentage depletion if such deduction would otherwise exceed the allowable deduction for cost depletion. In order to take percentage depletion, a Unit holder must qualify for the independent producer exemption contained in section 613A(c) of the Internal Revenue Code of 1986. Percentage depletion is based on the Unit holder's gross income from the Trust rather than on his adjusted basis in his Units. Any deduction for cost depletion or percentage depletion allowable to a Unit holder reduces his adjusted basis in his Units for purposes of computing subsequent depletion or gain or loss on any subsequent disposition of Units.

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Unit holders must maintain records of their adjusted basis in their Units, make adjustments for depletion deductions to such basis, and use the adjusted basis for the computation of gain or loss on the disposition of the Units.

Taxation of Foreign Unit Holders

Generally, a holder of Units who is a nonresident alien individual or which is a foreign corporation (a Foreign Taxpayer) is subject to tax on the gross income produced by the Royalty Interest at a rate equal to 30% (or at a lower treaty rate, if applicable). This tax is withheld by the Trustee and remitted directly to the United States Treasury. A Foreign Taxpayer may elect to treat the income from the Royalty Interest as effectively connected with the conduct of a United States trade or business under Internal Revenue Code section 871 or section 882, or pursuant to any similar provisions of applicable treaties. If a Foreign Taxpayer makes this election, it is entitled to claim all deductions with respect to such income, but a United States federal income tax return must be filed to claim such deductions. This election once made is irrevocable unless an applicable treaty provides otherwise or unless the Secretary of the Treasury consents to a revocation.

Section 897 of the Internal Revenue Code and the Treasury Regulations thereunder treat the Trust as if it were a United States real property holding corporation. Foreign holders owning more than five percent of the outstanding Units are subject to United States federal income tax on the gain on the disposition of their Units. Foreign Unit holders owning less than five percent of the outstanding Units are not subject to United States federal income tax on the gain on the disposition of their Units, unless they have elected under Internal Revenue Code section 871 or section 882 to treat the income from the Royalty Interest as effectively connected with the conduct of a United States trade or business.

If a Foreign Taxpayer is a corporation which made an election under Internal Revenue Code section 882(d), the corporation would also be subject to a 30% tax under Internal Revenue Code section 884. This tax is imposed on U.S. branch profits of a foreign corporation that are not reinvested in the U.S. trade or business. This tax is in addition to the tax on effectively connected income. The branch profits tax may be either reduced or eliminated by treaty.

Sale of Units

Generally, a Unit holder will realize gain or loss on the sale or exchange of his Units measured by the difference between the amount realized on the sale or exchange and his adjusted basis for such Units. Gain on the sale of Units by a holder that is not a dealer with respect to such Units will generally be treated as capital gain. However, pursuant to Internal Revenue Code section 1254, certain depletion deductions claimed with respect to the Units must be recaptured as ordinary income upon sale or disposition of such interest.

Backup Withholding

A payor must withhold 28% of any reportable payment if the payee fails to furnish his taxpayer identification number (TIN) to the payor in the required manner or if the Secretary of the Treasury notifies the payor that the TIN furnished by the payee is incorrect. Unit holders will avoid backup withholding by furnishing their correct TINs to the Trustee in the form required by law.

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Widely Held Fixed Investment Trusts

The Trustee assumes that some Trust Units are held by a middleman, as such term is broadly defined in the U.S. Treasury Regulations (which includes custodians, nominees, certain joint owners, and brokers holding an interest for a custodian in street name). Therefore, the Trustee considers the Trust to be a widely held fixed investment trust (WHFIT) for U.S. Federal income tax purposes. The Bank of New York Mellon Trust Company, N.A. is the representative of the Trust that will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT. For information contact The Bank of New York Mellon Trust Company, N.A., Global Corporate Trust Corporate Finance, 919 Congress Avenue, Suite 500, Austin, TX 78701, telephone number (512) 236-6565.

State Income Taxes

Unit holders may be required to report their share of income from the Trust to their state of residence or commercial domicile. However, only corporate Unit holders will need to report their share of income to the State of Alaska. Alaska does not impose an income tax on individuals or estates and trusts. All Trust income is Alaska source income to corporate Unit holders and should be reported accordingly.

ITEM 1A. RISK FACTORS

Owners of Units are exposed to risks and uncertainties that are particular to their investment.

Royalty Production from the Prudhoe Bay field is projected to decline and will eventually cease.

The Prudhoe Bay field has been in production since 1977. Development of the field is largely completed and proved reserves are being depleted. Production of oil and condensate from the field has been declining during recent years and the decline is expected to continue. Royalty payments to the Trust are projected to cease after 2027. Production estimates included in this report are based on economic conditions and production forecasts as of the end of 2011, and also depend on various assumptions, projections and estimates which are continually revised and updated by BP Alaska. These revisions could result in material changes to the projected declines in production. It is possible that economic production from the reserves allocated to the 1989 Working Interests could decline more quickly and end sooner than is currently projected, especially if construction of a gas pipeline makes it economical to produce natural gas from the Prudhoe Bay field on a large scale, as discussed below.

Construction of a gas pipeline from the North Slope of Alaska could accelerate the decline in Royalty Production from the Prudhoe Bay field.

The construction of a natural gas pipeline to bring natural gas from the North Slope to the U.S. market would make it economical to extract natural gas from the Prudhoe Bay field and transport it to the lower 48 states for sale. Currently, natural gas released by pumping oil is reinjected into the ground, which helps to maintain reservoir pressure and facilitates extraction of oil from the field. Extraction of natural gas from the Prudhoe Bay field would lower reservoir pressure, although carbon dioxide stripped out of the gas could be reinjected and other methods could be employed to mitigate the reduction. The lowering of the reservoir pressure could accelerate the decline in production from the 1989 Working Interests and the time at which royalty payments to the Trust would cease. Since the Trust is not entitled to any royalty payments with respect to natural gas production from the 1989 Working Interests, the Unit holders would not realize any offsetting benefit from natural gas production from the Prudhoe Bay field.

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Without a pipeline, extraction of natural gas from the Prudhoe Bay field on a large scale would not be economical. Two subsidiaries of Calgary-based TransCanada Corporation (TransCanada) have been issued a license by the state of Alaska under the Alaska Gasline Inducement Act (AGIA) to construct a large-diameter natural gas pipeline from the North Slope. Under the license, the state will provide up to \$500 million in matching funds and other incentives in exchange for TransCanada doing its best to secure customers for the pipeline, financing, and regulatory clearances from the Federal Energy Regulatory Commission (FERC) and Canadian authorities. TransCanada and affiliates of ExxonMobil have combined to promote a joint venture named the Alaska Pipeline Project. The Alaska Pipeline Project contemplates a large-diameter pipeline extending from the North Slope through Alaska, and then into Canada through the Yukon Territory and British Columbia to the existing Alberta Storage Hub. The Alaska Pipeline Project proposal also includes an alternative pipeline route that would extend from the North Slope to a third-party liquefied natural gas terminal near Valdez, Alaska.

The Alaska Pipeline Project has held open seasons, in accordance with FERC regulations, seeking customers to make long-term firm transportation commitments to its project and is conducting technical and engineering studies in order to advance the design and construction plans for project facilities. The Alaska Pipeline Project has indicated that it continues to actively work toward filing major permit applications with FERC and the Northern Pipeline Agency in 2012 by conducting environmental, regulatory and land field studies and other work required to secure permits.

There is no assurance that the Alaska Pipeline Project will move from the development stage to licensing and construction of a pipeline. On May 17, 2011, Denali The Alaska Gas Pipeline, LLC (Denali), a joint venture of BP and ConocoPhillips, announced that it was ending its North Slope gas pipeline project because its open season efforts had not resulted in the customer commitments necessary to continue the work. Denali stated that it would withdraw its FERC pre-file application and close out its operations. On the same day, a spokesman for TransCanada announced that the company and ExxonMobil Corporation remain committed to their joint natural gas pipeline project, but that a lot of negotiations remain, including talks between TransCanada and oil and gas producers in Alaska over terms of a pipeline shipping agreement, and talks between producers and the state of Alaska over production taxes and incentives.

If the TransCanada project is successful, gas could commence flowing from the North Slope to market in the lower 48 states within eight to ten years.

Royalty Production from the Prudhoe Bay field may have been adversely affected by the recent changes to the Alaska Production Tax Statutes.

The 2007 adoption of ACES (see THE ROYALTY INTEREST Production Taxes in Item 1 above) may have accelerated the decline in production of oil and condensate from the Prudhoe Bay field to the extent that it has caused BP Alaska and the other owners of working interests in the Prudhoe Bay Unit to reduce or defer investment in oil production infrastructure renewal, well development and implementation of new technology due to uncompetitive returns on investment in Alaska. ACES, in addition to increasing the basic oil production tax rate and the progressivity factor, also eliminates or reduces many deductions and credits permitted under the 2006 Amendments. Since 2007, BP Alaska's spending on production adding activity, adjusted for inflation, has been flat to declining.

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Royalty payments by BP Alaska to the Trust are unpredictable, because they depend on Cushing, Oklahoma WTI spot prices, which have been volatile in recent years, and on the volume of production from the 1989 Working Interests, which may vary from quarter to quarter in the future.

Even though WTI Prices have been rising generally in recent years, they nevertheless remain subject to significant periodic fluctuations. These fluctuations were especially pronounced during 2008 and 2009. In 2011 the WTI average price of about \$96 per barrel, although short of breaking its record annual average price set in 2008, was still up \$15 a barrel over 2010. The WTI price increase was moderated over the past year as a result of increasing volumes of crude oil production from Canada and the Bakken shale formation, situated in the northwest portion of North Dakota (and extending into Montana and portions of Canada), moving into the U.S. Midwest market where most WTI is refined. With these new oil flows from Canada and the United States, Cushing, Oklahoma, the delivery point for WTI futures contracts on the New York Mercantile Exchange, has become oversupplied, keeping the price of WTI crude oil for much of the year at a historic discount to globally traded waterborne crudes such as Brent. In the past, WTI was more likely to trade at a premium to Brent. In early 2011, the discount grew as wide as \$19 per barrel and reached a record of \$29.70 per barrel on September 22, 2011.

However, between October and November, 2011, the WTI spot price increased \$23 per barrel while the price of Brent crude oil was up only about \$7 per barrel. As a result, the WTI-Brent crude oil price difference narrowed to under \$10 per barrel. The increase in the WTI spot price was due in part to indications that constraints on transportation of crude oil out of the U.S. Midwest market were easing. Currently, the market relies on high-cost rail and trucks to ship both crude oil stored at Cushing and production from Canada and the Bakken shale formation to the Gulf Coast. On November 16, 2011, ConocoPhillips announced it was selling its 50% share of the Seaway crude oil pipeline, which links markets in the Houston area with oil storage facilities near Cushing, to Enbridge, Inc. Enbridge and Enterprise Products Partners, the other joint owner of Seaway, announced that it intended to reverse oil flows to run north to south. Historically, pipelines have flowed from the Gulf Coast to Cushing. It is anticipated that the reverse flow will begin before June 1, 2012. The proposed reversed Seaway Pipeline is initially planned to transport up to 150,000 barrels per day of crude oil from Cushing to the Gulf Coast, with plans to increase capacity to 400,000 barrels per day by 2013. The ability to ship crude oil out of Cushing via pipeline, while not eliminating delays in moving WTI crude oil to other markets, is expected to allow WTI and similar inland U.S. crudes to compete directly with the higher-priced waterborne crude oils on the Gulf Coast (whose prices have historically closely followed Brent). As a result, the price of WTI may be brought more in line with prices for other crude oils trading on the global markets.

For additional information, see the history of WTI Prices since 1986 published by the U.S. Energy Information Administration at <http://tonto.eia.doe.gov>.

Recent moves in crude oil prices have been affected by many factors, including changes in demand by oil-consuming countries, the actions of OPEC to control production by members of the cartel, shifts in inventory management strategies by international oil companies, conservation measures by consumers, increasing effects of the oil futures market and other unpredictable political, psychological and economic factors including, most recently, the global economic recession, political turmoil in North Africa and the Middle East and increasing tensions in the Persian Gulf over Iran's nuclear program. Future domestic and international events and conditions may produce wide swings in crude oil prices over relatively short periods of time.

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It is increasingly likely that the Trust's revenues in future periods also will be affected by decreases in production from the 1989 Working Interests. BP Alaska's average net production of oil and condensate allocated to the Trust from proved reserves was less than 90,000 barrels per day on an annual basis during 2009 and 2010 and 2011, and the Trustee has been advised that BP Alaska expects that average net production allocated to the Trust from the proved reserves will be less than 90,000 barrels a day on an annual basis in future years. Unit holders thus are subject to the risk that cash distributions with respect to their Units may vary widely from quarter to quarter.

Prudhoe Bay field oil production could be shut in partially or entirely from time to time as a result of damage to or failures of field pipelines or equipment.

In August 2006, BP Alaska shut down the eastern side of the Prudhoe Bay Unit following the discovery of unexpectedly severe corrosion and a small spill from the oil transit line on that side of the Unit. Earlier, in March of 2006, BP had to temporarily shut down and commence the replacement of a three-mile segment of transit line on the western side of the Prudhoe Bay Unit following discovery of a large oil spill.

BP Alaska completely replaced approximately 16 miles of transit lines on the eastern and western sides of the Prudhoe Bay Unit and has implemented federally-required corrosion monitoring practices. However, the discovery of additional defects in Prudhoe Bay Unit oil flowlines and transit lines, and damage to or failures of separation facilities or other critical equipment, could result in future shutdowns of oil production from all or portions of the Prudhoe Bay Unit and have an adverse effect on future royalty payments.

Oil production from the Prudhoe Bay Unit could be interrupted by damage to the Trans-Alaska Pipeline System from natural causes, accidents, deliberate attacks or declining oil flows.

The Trans-Alaska Pipeline System connects the North Slope oil fields to the southern port of Valdez, almost 800 miles away. It is the only way that oil can be transported from the North Slope to market. The pipeline system crosses three mountain ranges, many rivers and streams and thaw-sensitive permafrost. It is susceptible along its length to damage from earthquakes, forest fires and other natural disasters. The pipeline system also is vulnerable to failures of pipeline segments and pumping equipment, accidental damage and deliberate attacks. Recently, the pipeline has become susceptible to damage resulting from declining flows of oil from the North Slope. Slower flows cause the temperature of the oil in the pipeline to cool faster, increasing the rate of deposit of wax, which coats pipe walls, hides corrosion and clogs sensors on smart pigs sent through the pipeline to detect it. Even lower flow rates projected in the future may lead to internal damage caused by ice formation within the pipe and external damage from frost heaves under buried segments. Major upgrades to the pipeline may be required to counteract the effects of cooler oil temperature. If the pipeline or its pumping stations should suffer major damage from natural or man-made causes, production from the Prudhoe Bay Unit could be shut in until the pipeline system can be repaired and restarted. Royalty payments to the Trust could be halted or reduced by a material amount as a result of interruption to production from the Prudhoe Bay Unit.

In January 2011, TAPS was shut down over two periods of several days each as a result of the discovery of a leak of crude oil in the basement of a booster pump building at Pump Station No. 1. See THE PRUDHOE BAY UNIT AND FIELD Collection and Transportation of Prudhoe Bay Oil in Item 1 for additional information

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Production from the 1989 Working Interests may be interrupted or discontinued by BP Alaska.

BP Alaska has no obligation to continue production from the 1989 Working Interests or to maintain production at any level and may interrupt or discontinue production at any time. The Trust does not have the right to take over operation of the 1989 Working Interests or share in any operating decisions by BP Alaska concerning the Prudhoe Bay Unit. The operation of the Prudhoe Bay Unit is subject to normal operating hazards incident to the production and transportation of oil in Alaska. In the event of damage to the infrastructure, facilities and equipment in the Prudhoe Bay field which is covered by insurance, BP Alaska has no obligation to use insurance proceeds to repair such damage and may elect to retain such proceeds and close damaged areas to production.

There are potential conflicts of interest between BP Alaska and the Trust that could affect the royalties paid to Unit holders.

The interests of BP Alaska and the Trust with respect to the Prudhoe Bay Unit could at times be different. The Per Barrel Royalty that BP Alaska pays to the Trust is based on the WTI Price, Chargeable Costs and Production Taxes, all of which are amounts contractually defined in the Conveyance. The WTI Price does not necessarily correspond to the actual price realized by BP Alaska for crude oil produced from the 1989 Working Interests, and Chargeable Costs and Production Taxes may not bear any relation to BP Alaska's actual costs of production and tax expenses. The actual per barrel profit realized by BP Alaska on the Royalty Production may differ materially from the Per Barrel Royalty that it is required to pay to the Trust. It is possible under certain circumstances that the relationship between BP Alaska's actual per barrel revenues and costs could be such that BP Alaska might determine to interrupt or discontinue production in whole or in part from the 1989 Working Interests even though a Per Barrel Royalty might otherwise be payable to the Trust under the Conveyance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Trust has not received any written comments from the staff of the Securities and Exchange Commission regarding its periodic or current reports under the Securities Exchange Act of 1934 (the Exchange Act) that remain unresolved.

ITEM 2. PROPERTIES

Reference is made to Item 1 for the information required by this item.

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

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The Units are listed and traded on the New York Stock Exchange under the symbol BPT. The following table shows the high and low sales prices per Unit on the New York Stock Exchange and the cash distributions paid per Unit, for each calendar quarter in the two years ended December 31, 2011.

	High	Low	Distributions Per Unit
2010:			
First Quarter	\$ 98.79	\$ 80.45	\$ 3.612
Second Quarter	105.89	85.01	2.267
Third Quarter	103.59	86.79	2.095
Fourth Quarter	129.41	100.16	2.021
2011:			
First Quarter	\$ 131.49	\$ 100.76	\$ 2.408
Second Quarter	124.49	103.30	2.393
Third Quarter	117.72	<p><i>Classified Board.</i> Our Certificate of Incorporation provides that our board of directors is divided into three classes of directors, with the classes as nearly equal in number as possible. As a result, approximately one-third of our board of directors is elected each year. The classification of directors has the effect of making it more difficult for stockholders to change the composition of our board. Our Certificate of Incorporation also provides that, subject to any rights of holders of preferred stock to elect</p>	

additional directors under specified circumstances, the number of directors is fixed exclusively pursuant to a resolution adopted by the board of directors, provided that, the board of directors shall consist of not fewer than five directors, nor more than eleven directors; provided, however, prior to the time when the Principal Stockholders beneficially own, collectively, less than 40% of the outstanding shares of our common stock, the board of directors shall not consist of more than nine directors. Our board of directors is currently comprised of eight directors.

Authorized but Unissued or Undesignated Capital Stock. Our authorized capital stock consists of 1 billion shares of common stock and 225 million shares of preferred stock. A large quantity of authorized but unissued shares may deter potential takeover attempts because of the ability of our board of directors to authorize the issuance of some or all of these shares

to a friendly party, or to the public, which would make it more difficult for a potential acquirer to obtain control of us. This possibility may encourage persons seeking to acquire control of us to negotiate first with our board of directors. The authorized but unissued stock may be issued by the board of directors in one or more transactions. In this regard, our Certificate of Incorporation grants the board of directors broad power to establish the rights and preferences of authorized and unissued preferred stock. The issuance of shares of preferred stock pursuant to the board of directors authority described above could decrease the amount of earnings and assets available for distribution to holders of common stock and adversely affect the rights and powers, including voting rights, of such holders and may have the effect of delaying, deferring or preventing a change of control. The preferred stock could also be used in connection with the

issuance of a shareholder rights plan, sometimes referred to as a poison pill. Our board of directors is able to implement a shareholder rights plan without further action by our stockholders. The board of directors does not intend to seek stockholder approval prior to any issuance of preferred stock, unless otherwise required by law.

Action by Written Consent. Our Certificate of Incorporation provides that stockholder action can be taken only at an annual meeting or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting once the Principal Stockholders cease to beneficially own, collectively, more than 40% of the outstanding shares of our common stock.

Special Meetings of Stockholders. Our Certificate of Incorporation provides that special meetings of our stockholders may be called only by our board of directors or the chairman of the

board of directors;
provided, however, at
any time when the
Principal
Stockholders
beneficially own,
collectively, at least
40% of the
outstanding shares of
our common stock,
special meetings of
our stockholders may
also be called by the
board of directors,
the chairman of the
board of directors or
the board of directors
or the chairman of
the board at the

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request of either the Silver Lake Funds or the TPG Funds. Our Bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting.

Advance Notice Procedures. Our Bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors. In order for any matter to be properly brought before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a stockholder's notice must be received at our principal executive offices not earlier than the opening of business 120 days prior, and not later than the close of business 90 days before, the

first anniversary date of the immediately preceding annual meeting of stockholders. Our Bylaws also specify requirements as to the form and content of a stockholder's notice. Under our Bylaws, the board of directors may adopt by resolution the rules and regulations for the conduct of meetings. These advance notice provisions do not apply to the Silver Lake Funds or the TPG Funds so long as the Stockholders Agreement remains in effect. Except to the extent inconsistent with such rules and regulations adopted by the board of directors, the chairman of the meeting of stockholders shall have the right to adopt rules and regulations for the conduct of meetings, which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer's

own slate of directors or otherwise attempting to influence or obtain control of us.

Super Majority Approval Requirements. Our Certificate of Incorporation and Bylaws provide that the board of directors is expressly authorized to adopt, make, alter, amend or repeal our Bylaws without a stockholder vote in any matter not inconsistent with the laws of the State of Delaware. For as long as the Principal Stockholders beneficially own, collectively, at least 40% of the outstanding shares of our common stock, any adoption, alteration, amendment or repeal of our Bylaws by our stockholders requires the affirmative vote of the holders of a majority of the voting power of our outstanding common stock. At any time when the Principal Stockholders beneficially own, collectively, less than 40% of the outstanding shares of our common stock, any adoption, alteration, amendment, or repeal of our Bylaws by our

stockholders requires the affirmative vote of holders of at least 75% of the voting power of our outstanding common stock.

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares then entitled to vote is required to amend a corporation's certificate of incorporation, unless the certificate of incorporation requires a greater percentage. Our Certificate of Incorporation provides that at any time when the Principal Stockholders beneficially own, collectively, less than 40% of the outstanding shares of our common stock, certain specified provisions in our Certificate of Incorporation, including those relating to actions by written consent of stockholders, calling of special meetings by stockholders, a classified board, the requirements for the number and removal of directors and amendment of the Certificate of Incorporation and Bylaws, may be

amended only by a vote of at least 75% of the voting power of our outstanding common stock.

The combination of the classification of our board of directors, the lack of cumulative voting and the supermajority voting requirements make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management.

These provisions may have the effect of deterring hostile takeovers or delaying or preventing changes in control of our management or of us, such as a merger, reorganization or tender offer. These provisions are intended to enhance the likelihood of continued stability in the composition of

our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions are also intended to discourage certain tactics that may be used in proxy fights. However, such provisions could

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have the effect of discouraging others from making tender offers for our shares and, as a consequence, they may also inhibit fluctuations in the market price of our shares of common stock that could result from actual or rumored takeover attempts.

Removal of Directors. Until the point in time at which the Principal Stockholders no longer beneficially own shares representing, collectively, at least 40% of the outstanding shares of our common stock, any director may be removed from office at any time, with or without cause, by holders of a majority of the voting power of our outstanding common stock. Our Certificate of Incorporation provides that, after the point in time at which the Principal Stockholders no longer beneficially own shares representing, collectively, at least 40% of the outstanding shares of our common stock,

our directors may be removed only for cause by the affirmative vote of at least 75% of the voting power of our outstanding common stock. This requirement of a supermajority vote to remove directors could enable a minority of our stockholders to prevent a change in the composition of our board.

**Business
Combinations with
Interested
Stockholders**

Pursuant to our Certificate of Incorporation, we have opted out of the provisions of Section 203 of the DGCL, which regulates business combinations with interested stockholders, but only until the first date on which each of the Principal Stockholders and their affiliates no longer meets the requirements to be an interested stockholder as defined by Section 203 of the DGCL, but excluding for purposes thereof, clause (ii) of such definition of interested stockholder.

**Corporate
Opportunities**

Our Certificate of Incorporation provides that we renounce, to the fullest extent permitted by applicable law, any interest or expectancy in the business opportunities of our Principal Stockholders and their affiliates. In addition our Certificate of Incorporation provides that the Principal Stockholders have no obligation to offer us or even communicate to us an opportunity to participate in business opportunities presented to such Principal Stockholder or its respective affiliates even if the opportunity is one that we might reasonably have pursued (and therefore may be free to compete with us in the same business or similar businesses of which we or our affiliates now engage or propose to engage) and that, to the fullest extent permitted by applicable law, neither the Principal Stockholders nor their respective affiliates will be

liable to us or our stockholders for breach of any duty by reason of any such activities described immediately above. Stockholders are deemed to have notice of and consented to this provision of our Certificate of Incorporation.

Limitation of Liability and Indemnification of Officers and Directors

Our Certificate of Incorporation provides that no director shall be personally liable to us or any of our stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. Our Bylaws provide that we will indemnify, to the fullest extent permitted by the DGCL, any person made or threatened to be made a party to any action or is involved in a proceeding by reason of the fact that the person is or was our director or officer, or our director or officer

who, while a director or officer, is or was serving at the request of Sabre as a director, officer, employee, agent or manager of another corporation, partnership, limited liability company, joint venture, trust or other enterprise or non-profit entity, including service with respect to an employee benefit plan. Our Bylaws also provide that, subject to applicable law, we may, by action of our board of directors, grant rights to indemnification and advancement of expenses to persons other than our directors and officers with such scope and effect as the board of directors may then determine. We have entered into customary indemnification agreements with each of our directors that provide them, in general, with customary indemnification in connection with their service to us or on our behalf.

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Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the

question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Choice of Forum

Our Certificate of Incorporation provides that unless we consent to the selection of an alternate forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our Certificate of Incorporation or Bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in our shares of common stock shall be deemed to have notice of and consented to the forum provisions in our Certificate of Incorporation.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC is the transfer agent and registrar for our common stock.

Stockholders Agreement

We are a party to a Stockholders Agreement (as amended and restated, the Stockholders Agreement) with the Silver Lake Funds, the TPG Funds and Sovereign Co-Invest. The Stockholders Agreement provides that the Silver Lake Funds and the TPG Funds will have certain nomination rights to designate candidates for nomination to our board of directors and, subject to any restrictions under applicable law or the NASDAQ rules, the ability to appoint members to each board committee.

As set forth in the Stockholders Agreement, for so long as the Silver Lake Funds collectively own at least 22 million shares of our common stock, they will be entitled to

designate for nomination two of the seats on our board of directors. Thereafter, the Silver Lake Funds will be entitled to designate for nomination one director so long as they own at least 7 million shares of our common stock. Further, for so long as the TPG Funds collectively own at least 44 million shares of our common stock, they will be entitled to designate for nomination three of the seats on our board of directors. When the TPG Funds collectively own less than 44 million shares of our common stock, but at least 22 million shares of our common stock, the TPG Funds will be entitled to designate for nomination two directors. Thereafter, the TPG Funds will be entitled to designate for nomination one director so long as they own at least 7 million shares of our common stock.

In addition, the Silver Lake Funds and the TPG Funds also jointly have the right to designate for nomination one additional director

(the Joint Designee), who must qualify as independent under the NASDAQ rules and must meet the independence requirements of Rule 10A-3 of the Exchange Act, so long as the Silver Lake Funds and the TPG Funds collectively own at least 10% of their collective shares of our common stock held by them at the closing of our initial public offering (the Closing Date Shares). However, if the Silver Lake Funds and the TPG Funds collectively own at least 10% of their collective Closing Date Shares and either individually owns less than 5% of its individual Closing Date Shares, then the Joint Designee shall be designated for nomination solely by the entity that owns more than 5% of its individual Closing Date Shares.

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We are required, to the extent permitted by applicable law, to take all necessary action (as defined in the Stockholders Agreement) to cause the board of directors and the governance and nominating committee to include such persons designated by the Silver Lake Funds or the TPG Funds, as applicable, in the slate of director nominees recommended by the board of directors for election by the stockholders and solicit proxies and consents in favor of such director nominees. Subject to the terms of the Stockholders Agreement, each Principal Stockholder agrees to vote its shares in favor of the election of the director nominees designated by the Silver Lake Funds and the TPG Funds.

In accordance with the Stockholders Agreement, the TPG Funds have appointed Mr. Bravante, Mr. Kusin and Mr. Peterson to our board of directors and the Silver Lake

Funds have appointed Mr. Mondre and Mr. Osness to our board of directors.

In addition, the Stockholders Agreement contains agreements among the parties, including with respect to transfer restrictions, tag-along rights, drag-along rights and rights of first refusal. The Stockholders Agreement also provides that, so long as the Silver Lake Funds and the TPG Funds collectively own at least 40% of their collective Closing Date Shares, approval of at least a majority of the board of directors, including at least one director nominated for designation by the Silver Lake Funds and one director nominated by the TPG Funds must be obtained before we are permitted to take any of the following actions:

any merger, consolidation or sale of all or substantially all of the assets of Sabre or any of its subsidiaries;

any voluntary liquidation, winding up or dissolution of Sabre or any of its subsidiaries or the initiation of any actions related to a voluntary bankruptcy, reorganization or recapitalization of Sabre or any of its subsidiaries;

acquisitions or dispositions, or a related series of acquisitions or dispositions, of assets with a value in excess of \$50 million or the entering into of a joint venture requiring a capital contribution in excess of \$50 million by either Sabre or any of its subsidiaries;

any fundamental change in Sabre's or its subsidiaries existing lines of business or the entry by Sabre or any of its subsidiaries into a new significant line of business;

any amendment to the Certificate of Incorporation or Bylaws of Sabre or Sabre Holdings;

incurrence by Sabre or any of its subsidiaries of any indebtedness or derivatives liability, or any series of indebtedness or derivative liabilities in an aggregate amount in excess of \$150 million or amending in any material respect the terms of existing or future indebtedness or derivatives liability in excess of \$150 million; and

hiring and termination of our CEO.

In the case of a vacancy on our board of directors created by the removal or resignation of a director designated by the Silver Lake Funds or the TPG Funds, as applicable, the Stockholders Agreement requires us to nominate an individual designated by such entity for election to fill the vacancy.

Registration Rights

On March 30, 2007, we entered into a registration rights agreement (the

Registration Rights Agreement) with the TPG Funds, the Silver Lake Funds and Sovereign Co-Invest, which was amended and restated in connection with the completion of our initial public offering in April 2014. This Registration Rights Agreement provides the Silver Lake Funds and the TPG Funds with demand and shelf registration rights following the expiration of any lock-up period relating to the initial public offering and Sovereign Co-Invest with the right to participate in such demand and shelf registrations. In addition, the Registration Rights Agreement also provides the Principal Stockholders with piggyback registration rights on any registration statement, other than on

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Forms S-4, S-8 or any other successor form, to be filed by us. These registration rights are subject to certain conditions and limitations, including the right of the underwriters to limit the number of shares to be included in a registration statement and our right to delay a registration statement under certain circumstances.

Under the Registration Rights Agreement, we have agreed to pay certain expenses related to any such registration to indemnify the Principal Stockholders against certain liabilities that may arise under the Securities Act.

Management Services Agreement

On March 30, 2007, we entered into a management services agreement (the "MSA") with affiliates of TPG and Silver Lake (the "Managers") to provide us with management, advisory and consulting services. Pursuant to the MSA, we have been required to pay to the

Managers monitoring fees, payable quarterly in arrears, totaling to between \$5 million to \$7 million per year, the actual amount of which is calculated based upon 1% of Adjusted EBITDA, as defined in the MSA, earned by Sabre in such fiscal year up to a maximum of \$7 million. During the years ended December 31, 2014, 2013 and 2012, the annual monitoring fee paid to the Managers was \$2 million, \$7 million and \$7 million, respectively, in each year. Additionally, we reimbursed the Managers for all out-of-pocket expenses incurred by them or their affiliates in connection with services provided to us pursuant to the MSA. For the year ended December 31, 2014 these amounts were not material. For the years ended December 31, 2013 and 2012 the amount reimbursed in expenses was \$2 million and \$1 million, respectively. In connection with the completion our initial public offering in April 2014 and in

contemplation of providing continued services to Sabre after the initial public offering, the Managers received a fee payable pursuant to the MSA in an amount equal to, in the aggregate, \$21 million plus other unpaid fees and expenses and, thereafter, the MSA was terminated. The MSA included customary exculpation and indemnification provisions in favor of the affiliates of TPG and Silver Lake.

**Management
Stockholders
Agreement**

We and certain stockholders, including certain executive officers and directors, have entered into a management stockholders agreement (the Management Stockholders Agreement) with certain stockholders, which group of stockholders excludes our Principal Stockholders. The Management Stockholders Agreement contains certain agreements among the parties including with

respect to call rights in certain specified situations for shares of common stock then-currently owned, drag along rights, tag along rights and transfer restrictions. The Management Stockholders Agreement provides these stockholders with piggyback registration rights to participate on a pro rata basis in any registered offering in which the TPG Funds or the Silver Lake Funds are registering shares of common stock. Except with respect to the piggyback registration rights described immediately prior, the Management Stockholders Agreement terminates if our common stock is registered and if at least 20% of our total outstanding common stock trades regularly in, on or through the facilities of a securities exchange and/or inter-dealer quotation system or any designated offshore securities market. These conditions have been met.

Exchange

Our common stock is listed on the NASDAQ under the symbol SABR.

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**PLAN OF
DISTRIBUTION**

We or the selling stockholders may offer and sell from time to time, together or separately, shares of our common stock covered by this prospectus in one or more or any combination of the following transactions:

on the NASDAQ, in the over-the-counter market or on any other national securities exchange on which our shares are listed or traded;

in privately negotiated transactions;

in underwritten transactions;

in a block trade in which a broker-dealer will attempt to sell the offered shares as agent but may position and resell a portion of the block as principal to facilitate the

transaction;

through purchases by a broker-dealer as principal and resale by the broker-dealer for its account pursuant to this prospectus; and

through any other method permitted by applicable law.

We or the selling stockholders may sell our common stock at prices then prevailing or related to the then current market price or at negotiated prices. The offering price of our common stock from time to time will be determined by us or the selling stockholders, as applicable, and, at the time of the determination, may be higher or lower than the market price of our common stock on the NASDAQ or any other exchange or market.

Our common stock may be offered to the public, from time to time, through broker-dealers acting as agent or principal, including through underwriting syndicates represented by one or more managing

underwriters or directly by one or more of such firms in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase the shares of common stock will be subject to the conditions set forth in the applicable underwriting agreement. Any public offering price and any discounts or concessions allowed or reallocated or paid by underwriters or dealers to other dealers may be changed from time to time. The underwriters will be obligated to purchase all of the offered shares if they purchase any of the offered shares.

In connection with an underwritten offering, underwriters or agents may receive compensation in the form of discounts, concessions or commissions from us or the selling stockholders, as applicable, or from purchasers of the offered shares for whom they may act

as agents. In addition, underwriters may sell our common stock to or through dealers, and those dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. The selling stockholders and any underwriters, dealers or agents participating in a distribution of our common stock may be deemed to be underwriters within the meaning of the Securities Act, and any profit on the sale of the shares by the selling stockholders and any commissions received by broker-dealers may be deemed to be underwriting commissions under the Securities Act.

We and the selling stockholders each may agree to indemnify an underwriter, broker-dealer or agent against certain liabilities related to the selling of our common stock, including liabilities arising under the Securities Act.

At any time a particular offer of shares of common stock covered by this prospectus is made, a revised prospectus or prospectus supplement, if required, will set forth the aggregate amount of shares of common stock covered by this prospectus being offered and the terms of the offering, including the name or names of any underwriters, dealers, brokers or agents. In addition, to the extent required, any discounts, commissions, concessions and other items constituting underwriters or agents compensation, as well as any discounts, commissions or concessions allowed or reallocated or paid to dealers, will be set forth in such revised prospectus or prospectus supplement. Any such required prospectus or prospectus supplement, and, if necessary, a post-

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effective amendment to the registration statement of which this prospectus is a part, will be filed with the SEC to reflect the disclosure of additional information with respect to the distribution of our common stock covered by this prospectus.

To facilitate the offering of shares covered by this prospectus, certain persons participating in the offering may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock. This may include over-allotments or short sales of our common stock, which involve the sale by persons participating in the offering of more common stock than we or the selling stockholders sold to them. In these circumstances, these persons would cover such over-allotments or short positions by making purchases in the open market or by exercising their over-allotment option, if any. In

addition, these persons may stabilize or maintain the price of our common stock by bidding for or purchasing our common stock in the open market or by imposing penalty bids, whereby selling concessions allowed to dealers participating in the offering may be reclaimed if our common stock sold by them is repurchased in connection with stabilization transactions. The effect of these transactions may be to stabilize or maintain the market price of our common stock at a level above that which might otherwise prevail in the open market. These transactions may be discontinued at any time.

The specific terms of any lock-up provisions in respect of any given offering will be described in the applicable prospectus supplement.

In the ordinary course of their business activities, any underwriter, broker-dealer or agent and their respective affiliates may make or hold a

broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and other instruments. Any underwriter, broker-dealer or agent and their respective affiliates may also engage in transactions with or perform services for us or provide other types of financing to us in the ordinary course of their business.

To the extent required, this prospectus may be amended and/or supplemented from time to time to describe a specific plan of distribution.

To comply with applicable state securities laws, our common stock covered by this prospectus will be sold, if necessary, in such jurisdictions

only through registered or licensed brokers or dealers. In addition, our common stock may not be sold in some states absent registration or pursuant to an exemption from applicable state securities laws.

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LEGAL MATTERS

The legality of the shares of our common stock described in this prospectus will be passed upon for Sabre Corporation by Young Conaway Stargatt & Taylor, LLP. Certain legal matters in connection with any offering will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP. Certain legal matters in connection with any offering, including the legality of the shares of our common stock described in this prospectus, will be passed upon for any underwriters or agents, as the case may be, by counsel identified in the prospectus supplement with respect to any offering.

EXPERTS

The consolidated financial statements and schedule of Sabre Corporation as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, incorporated

by reference in this prospectus, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon incorporated by reference herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

**WHERE YOU
CAN FIND MORE
INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's website at www.sec.gov. Please note that the SEC's website is included in this prospectus and any applicable prospectus supplement as an inactive textual reference only. The information contained on the SEC's website is not incorporated by reference into this prospectus and should not be considered to be part of this prospectus,

except as described in the following paragraph. You may also read and copy any document we file with the SEC at its public reference facility at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facility.

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**INCORPORATION
BY REFERENCE**

We incorporate by reference into this prospectus and any applicable prospectus supplement certain information we file with the SEC, which means that we can disclose important information to you by referring you to those documents.

The information incorporated by reference is an important part of this prospectus. Certain information that we subsequently file with the SEC will automatically update and supersede information in this prospectus and in our other filings with the SEC. We incorporate by reference the documents listed below, which we have already filed with the SEC, and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, until all the securities offered by this prospectus have been sold and all conditions to the consummation of such sales have been satisfied, except that we are not

incorporating any information included in a Current Report on Form 8-K that has been or will be furnished (and not filed) with the SEC, unless such information is expressly incorporated herein by a reference in a furnished Current Report on Form 8-K or other furnished document:

our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on March 3, 2015;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 filed with the SEC on May 5, 2015;

our Current Reports on Form 8-K filed with the SEC on January 26, 2015 (Items 1.01, 2.01 and 9.01 only), February 10, 2015, March 13, 2015, March 30, 2015, April 2, 2015, April 15, 2015 and May 14, 2015 (Item 1.01

and Exhibit 2.1
only); and

the description of
our common stock
contained in our
Registration
Statement on Form
8-A, filed with the
SEC on April 17,
2014 and any
amendment or
report filed with
the SEC for the
purpose of
updating such
description.

We will provide
without charge upon
written or oral
request to each
person, including any
beneficial owner, to
whom a copy of this
prospectus is
delivered, a copy of
any and all of the
documents which are
incorporated by
reference in this
prospectus (other
than exhibits unless
such exhibits are
specifically
incorporated by
reference in such
documents).
Requests for such
copies should be
directed to the
following address:

Sabre Corporation

Attention: Corporate
Secretary

3150 Sabre Drive

Southlake, TX 76092

Telephone:
(682) 605-1000

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