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February 4, 1999

Peter Hanley
BP Exploration (Alaska) Inc.
P.O. Box 196612
Anchorage AK 99519-6612

Dear Mr. Hanley:

SUBJECT: Northstar Development Project
Final Consistency Determination
STATE I.D. No. AK9806-01PA

The Division of Governmental Coordination has completed coordinating the state's review of the Northstar Development Project (Northstar Project) for consistency with the Alaska Coastal Management Program (ACMP) and has developed this final determination based on reviewers' comments. This project would be the first offshore production facility in Alaska that is not reached by directional drilling or by a causeway. Also, it would be the first sub-sea oil pipeline in the Arctic.

The Division of Governmental Coordination issued the original Proposed Consistency Determination on January 12, 1999 and a revised Proposed Consistency Determination on January 13, 1999. Greenpeace, Inc. submitted a petition to the Coastal Policy Council (CPC) on January 20, 1999. The CPC met earlier today by teleconference to hear the petition. The CPC dismissed the petitioner and determined that DGC fairly considered comments submitted by Greenpeace.

Project Description

BP Exploration (Alaska) Inc. (BPXA) proposes to develop the Northstar Project. This oil field will produce approximately 65,000 barrels of oil per day, and recoverable reserves are estimated to be about 145 million barrels of oil. The project proposal involves re-construction of a gravel island approximately 6 miles offshore in the Beaufort Sea, construction and operation of drilling and production facilities at the island, and construction and operation of a subsea pipeline.

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Alaska District, Corps of Engineers
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The Northstar production island will be built at the location of the existing man-made Seal Island exploration island in approximately 40 feet of water. BPXA proposes to haul additional gravel to Seal Island this winter to create a work surface 465 feet by 410 feet. A sheet pile wall, concrete block slope protection system and facilities foundations will be installed during the island construction phase.

As part of this project, BPXA requests a new material site be approved for excavation of 1.2 million cubic yards of gravel for use in construction of the island and several small pads for valve sites and staging areas. The proposed location of the mine site is east of the main channel of the Kuparuk River approximately 1.5 miles upstream from the Kuparuk River Delta and Gwydyr Bay; Section 21, Township 12 North, Range 13 East, Umiat Meridian. A previously permitted gravel source further inland on the Kuparuk River may also be used for the project. The gravel will be used to construct the island and several small pads for valve sites and staging areas.

The project involves construction of two pipelines: a crude oil sales pipeline and a gas pipeline. The crude oil sales pipeline will be a 10-inch line running from the island to a tie-in at Pump Station 1 of the Trans-Alaska Pipeline System. A 10-inch gas line, to supply gas to the island, will begin at the Prudhoe Bay Unit Central Compressor Plant and will run to the production island. Pipeline construction will be conducted during winter using standard construction methods for the aboveground portions, and by trenching through the sea ice for the offshore portions.

The offshore, subsea portion of the pipeline will be six miles long and will be constructed between December 1999 and April 2000. The crude oil sales and supply gas pipelines will be buried together in a common trench and back-filled. The depth of cover (distance from original sea bed to top of pipe) will range from six feet in the shallow lagoon area to nine feet at the island. The trenching will be done from thickened ice using excavation and other construction equipment.

The onshore pipelines will follow a new route from landfall near Storkerson Point to existing aboveground pipeline vertical support members (VSMs) near "E" Pad where it will follow existing rights-of-way to Pump Station 1. The onshore pipeline construction will start in January 2000 and be completed in May of that year. Ice roads will be built to access the pipeline routes during construction. The onshore oil and gas pipelines will be about 11 and 10 miles long, respectively, and will be placed on above ground VSMs using standard North Slope practices. At the shoreline transition, the buried pipeline will continue approximately 150 feet from the existing shoreline to a gravel pad. The pipeline will be installed above ground at the valve enclosure and controls building located on the pad.

Twenty-three wells will be drilled initially. One well will be a Class I disposal well for non-hazardous and Resource Conservation and Recovery Act (RCRA) exempt waste

generated by drilling and camp activities. Fifteen wells will be for oil production, and 7 wells will be for gas injection into the reservoir to boost production.

A more complete description of the project may be found in the Project Description dated June 3, 1996 (Appendix A of the Draft Environmental Impact Statement) and in an October 27, 1998 letter from Peter Hanley of BPXA to Terry Carpenter of the Army Corps of Engineers. Permit applications, listed in the next section, provide additional information about the project.

Authorizations Needed

This final consistency determination applies to the following state and federal authorizations.

U.S. Army Corps of Engineers

- Section 404 Permit

U.S. Environmental Protection Agency

- National Pollution Discharge Elimination System Permit

Minerals Management Service (MMS)

- Development and Production Plan

Alaska Department of Environmental Conservation (DEC)

- Certificate of Reasonable Assurance (401) for the Corps 404 Permit
- Certificate of Reasonable Assurance (401) for the EPA 402 Discharge Permit
- Short-term Water Quality Variance
- Oil Spill Prevention and Contingency Plan (C-Plan)
- Solid Waste Treatment Facility Permit
- Wastewater Disposal Permit
- Air Prevention of Significant Deterioration Permit
- Air Title V Operation Permits

Alaska Department of Natural Resources (DNR)

- Pipeline Right-of-Way Leases (for the entire gas and crude oil pipeline routes)
- Material Sales Contract (for gravel source)
- Lease Plan of Operations (for island-based operations)
- Temporary Water Use Permit (LAS 20589) (for ice road construction)
- Miscellaneous Land Use Permit (for ice road construction)

Alaska Department of Fish and Game (DFG)

- Title 16 Fish Habitat Permits (for ice road and pipeline crossings)

Review Procedures

The state worked closely with federal agencies to coordinate its review of the Northstar Project with the federal review. The objectives of the coordination were to encourage communication between federal and state agencies and to make it easier for the public to comment on the project. The state began its review on June 1 when the draft Environmental Impact Statement (EIS) was issued. Although the state's 60-day public comment period initially coincided with the comment period for the draft EIS, the state approved two 30-day extensions to the public comment deadline. The state extended the public comment period to ensure the public had adequate time to review permit applications and supplemental information provided by BPXA in response to information requests.

A state agency Technical Team, composed of permittees from each agency, met on a weekly basis throughout most of the review. This team discussed project issues and procedures used for review of individual permits. The DGC distributed public comments on the Northstar Project to team members to provide staff an opportunity to review those comments before submitting consistency-related comments to DGC. Comments not related to an ACMP standard or enforceable policy that is related to an agency authority will be considered by that agency during permitting.

Consistency Determination

Based on the review of the Northstar Project by the Alaska Departments of Environmental Conservation, Fish and Game, and Natural Resources and the North Slope Borough coastal district, the state concurs with your certification that the project is consistent with the ACMP. State agencies made this determination after careful consideration of public comments, review of lease stipulations, consideration of mitigating measures included in the project description, and development of the project-specific stipulations included in Attachment A of this consistency determination. These stipulations appear on individual permits issued under the authorities of the specific permitting agencies. Attachment B provides an analysis of measures that make the project consistent with the Alaska Coastal Management Program. Attachment C is a response to comments by the Department of Environmental Conservation for oil spill issues.

As appropriate, when considering best available technology and acceptable practices, project activities shall be consistent with the terms, conditions, stipulations and mitigating measures detailed in the most recent lease issued within the Unit.

Advisories

- 1) BPXA has committed to prepare Polar Bear Interaction Plans for construction in section 8.3.2 and section 8.4.1 of the Project Description. These plans should be submitted to and approved by the appropriate state agencies prior to initiation of pipeline and island construction, including development well drilling and operations. The Department of Fish and Game recommends separate plans be developed for offshore pipeline construction, island construction and facility installation, and for operations, and that these plans be cross-referenced in the Facility Site Reviews (Project Description, sec. 8.2.1) and the Waste Management Plan.
- 2) The Department of Fish and Game recommends BPXA prepare a wildlife response plan, similar to that of the Badami Development Project, with procedures for dealing with potential nuisance animals (other than polar bears), beached carcasses, and injured wildlife in situations where no oil spill is involved. This plan can be coordinated with the National Marine Fisheries Service (pinnipeds, cetaceans), U.S. Fish & Wildlife Service (walrus, migratory birds), and DFG (foxes, resident birds).
- 3) The North Slope Borough has advised us that its approval will not become effective until a shoreline protection plan for the environmentally sensitive areas near Northstar facilities is approved by the DEC. In addition, the North Slope Borough has notified us that a three-barge system, as required by DEC, be required under their approval.
- 4) The North Slope Borough has notified us that its approval will not become effective until the final EIS is complete and the federal agencies have issued permits for this project.
- 5) The North Slope Borough approved the use of a 2,800 barrel double-walled and double-bottomed tank and waived the requirement to provide lining and diking, in accordance with 18 AAC 75.075.
- 6) Please be advised that although the state has found the project consistent with the ACMP, based on your project description and any modifications that appear as stipulations contained herein, you are still required to meet all applicable state and federal laws and regulations. Your consistency determination may include reference to specific laws and regulations, but this in no way precludes your responsibility to comply with other applicable laws and regulations.
- 7) If changes to the approved project are proposed prior to or during its siting, construction, or operation, you are required to contact this office immediately to

determine if further review and approval of the revised project is necessary. If the actual use differs from the approved use contained in the project description, the state may amend the consistency determination and the state approvals listed in the consistency determination.

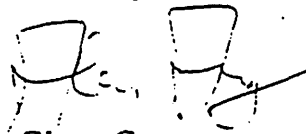
- 8) Should cultural or paleontological resources be discovered as a result of this activity, we request that work which would disturb such resources be stopped, and that the State Historic Preservation Office (269-8720) and the U.S. Army Corps of Engineers (COE) (753-2712) be contacted immediately so that consultation per section 106 of the National Historic Preservation Act may proceed.

This is the final administrative decision by the State of Alaska for the proposed project. You have 30 days to appeal this decision to the Alaska Superior Court, pursuant to Appellate Rule 601.

By copy of this letter, we are informing the Corps of Engineers of our final determination.

Please call me at 465-8792 if you have any questions about this consistency determination or the stipulations contained in it. I may also be reached by email at: Glenn_Gray@gov.state.ak.us.

Sincerely,



Glenn Gray
Project Analyst

cc: Mike Abbott, Governor's Office
Max Ahgeak, Pres., Utpeagvik Inupiat Corp.
Tom Allen, Dept. of the Interior, Bureau of Land Management
Tom Barnes, BPXA
Judith Bittner, DNR, SHPO
Tony Braden, DNR, SPCO
Larry Bright, FWS
Bill Britt, DNR, SPCO
Archie Brower, Native Village of Kaktovik
Arnold Brower, Native Village of Barrow
Terry Carpenter, COE
Lanston Chinn, Kuukpik Corp.
Robert Dolan, DEC
Jeanne Hanson, NMFS

Judy Kitagawa, DEC
John Lindstrom
Tom Loman, North Slope Borough
Don Long, Inupiat Community of the Arctic Slope
Julie Murrell, DNR, SPCO
Benjamin P. Nageak, Mayor, North Slope Borough
Thomas Napageak, Alaska Eskimo Whaling Commission
Joe Nukapigak, Kuupkik Corp.
Kris O'Conner, DNR, O&G
Al Ott, DFG, Fairbanks
Gene Pavia, DGC
Fenton Rexford, Kaktovik Inupiat Corp.
Dan Ritzman, Greenpeace
Ted Rockwell, EPA
Joe Sautner, DEC, SPAR
Stan Stephens, Alaska Forum for Environmental Responsibility
Bill Thomas, Arctic Slope Regional Corporation
Joe Upicksoun, Pres. Arctic Slope Native Association
Jeff Walker, MMS
Jacob Adams, Arctic Slope Regional Corporation
Jim Adams, National Wildlife Federation
Maggie Ahmaogak, Alaska Eskimo Whaling Commission
Jim Baumgartner, DEC, AQ
Charles Clusen, Natural Resources Defense Council
Melanie Duchin, Greenpeace
Jon Dunham, North Slope Borough
Cliff Eames, Alaska Center for the Environment
Brad Fristoe, DEC/Fairbanks
Kevin Harun, Alaska Center for the Environment
Jack Kerin, DNR/Water
Mayor Leonard Lampe, City of Nuiqsut
Kaye Laughlin, DNR, SPCO
Leon Lynch, DNR/Lands
Paul McLarnon, DEC, SW
Pam Miller, Arctic Connections
Michael Pederson, Arctic Slope Native Association
Mike Riley, Alaska Forum for Environmental Responsibility
Dick Shideler, DFG, Fairbanks
Lon Sonsalla, Mayor, Kaktovik
Jim Sykes, Oilwatch Alaska
Peter Van Tuyn, Trustees for Alaska
Mayor Jim Vorderstrasse, City of Barrow
Sylvia Ward, Northern Alaska Environmental Center
Robert Watkins, DEC, SPAR
Bruce Webb, DNR, O&G
Les Welsh, Lighthawk

Nancy Wainwright
Larry Foster, Dames and Moore
Paul Joslin, Alaska Wildlife Alliance
Paul Lowry, MMS
Lisa Weissler, DOL
Gabrielle LaRoche, DGC