



**BP EXPLORATION**  
Northstar Project

BP Exploration (Alaska) Inc.  
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RECEIVED  
Anchorage, Alaska

MAY 07 1999

REGIONAL SUPERVISOR  
FIELD OPERATIONS  
MINERALS MANAGEMENT SERVICE

April 29, 1999

Kenneth A. Boyd, Director  
Alaska Department of Natural Resources  
550 W. Seventh Avenue, Suite 800  
Anchorage, AK 99501

Jeff Walker, Regional Supervisor - Field Operations  
U.S. Minerals Management Service  
949 East 36<sup>th</sup> Avenue, Room 208  
Anchorage, AK 99508-4302

**Re: Northstar Unit  
Amended 3<sup>rd</sup> Plan of Development (Draft)**

Dear Mr. Boyd and Mr. Walker:

BP Exploration (Alaska), Inc. requests approval of the enclosed Amended Third Plan of Development for the Northstar Unit. We also request that the Suspension of Production be extended by one year so as to be concurrent with the term of the Amended Third POD.

The Amended Third POD extends the term of the POD by one year to April 30, 2002, and it provides for the production of oil in the 4<sup>th</sup> quarter of 2001, approximately six months later than provided for in the Third POD. The delay in production is due to permitting delays and to the deferral of capital expenditures as a result of low oil prices.

As discussed in the Amended Third POD, the Record of Decision concerning the Final Environmental Impact Statement for Northstar and the associated permits will not be issued in time to allow BPXA to commence island construction this spring as planned. BPXA has already de-mobilized people and equipment dedicated to island construction.

**PUBLIC FILE  
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Mr. Kenneth Boyd  
Mr. Jeffrey Walker  
April 29, 1999  
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If you have any questions concerning the Amended Third POD, please contact Krissell Crandall at 564-4535.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Fionés". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Pete Fionés  
Development Mgr., Eastern North Slope

cc: Robert Christianson, Chair AOGCC  
Bob Gage, Sr. Landman, Murphy  
E. P. Zselecsky, Land Manager, BPXA  
Krissell Crandall, Sr. Landman, BPXA

**NORTHSTAR UNIT  
AMENDED THIRD PLAN OF DEVELOPMENT  
(As Amended May 1, 1999)**

**May 1, 1998 - April 30, 2002**

BP Exploration (Alaska), Inc. ("BPXA") submits this Amended Third Plan of Development on behalf of BPXA and Murphy Exploration & Production, the Northstar Unit working interest owners.

This plan is submitted to the Commissioner of the Department of Natural Resources, State of Alaska ("DNR"), and to the Regional Supervisor, Field Operations, of the Minerals Management Service ("MMS") pursuant to Article 8 of the Northstar Unit Agreement. This plan describes proposed development activities based on data reasonably available at the time of submission in accordance with 11 AAC 83.343 and 30 C.F.R. Part 250.

**Overview**

The Third Plan of Development ("POD") filed on January 26, 1998 set out a schedule of activities for the period May 1, 1998 through April 30, 2001 which culminated in the production of oil in 1Q/01. MMS and DNR approved the Third POD in February 1998.

The deferral of various expenditures and activities due to permitting delays and low oil prices will change the timing of activities and oil production. BPXA therefore requests approval of this Amended Third POD which will: (1) extend the time period covered by the plan of development by one year to April 30, 2002; and (2) provide for the production of oil in 4Q/01, approximately six months later than originally planned.

**Conditions of MMS and DNR Approval of Third POD**

DNR conditioned its approval of the Third POD on the submission of annual status reports. BPXA submitted an annual status report for 1999 on February 16, 1999. The status report was submitted prior to the May 1, 1999 reporting deadline in order to inform MMS and DNR of delays to the project schedule which would extend the production of first oil to 4Q/01. In a letter dated March 17, 1999, DNR informed BPXA that the Northstar Unit will be in default unless the Third POD is modified with the approval of DNR and MMS. BPXA is therefore seeking approval of the Amended Third POD set out below.

DNR also conditioned its approval of the Third POD on the submission of an application for approval of a participating area at least 90 days before sustained unit production; including relevant geological, geophysical and engineering data. BPXA notes that Article 9.1 of the Northstar Unit Agreement requires that the initial application for approval of a participating area be submitted six months prior to sustained unit production. If first oil is anticipated in 4Q/01, an application for approval of a participating area must be submitted during 2Q/01. The Amended Third POD provides that a participating area application will be submitted during 1Q/00, more than a year earlier than necessary in order to allow for first production of oil in 4Q/01.

### Status of Activities Under Third Plan of Development

The original Third Plan of Development sets out a schedule of activities culminating in the production of oil in 1Q/01. The status of each of those activities is reviewed below.

#### Engineering, Procurement and Fabrication

The fabrication of island slope protection blocks is complete, and the blocks are staged at AIC's North Slope yard. The procurement of materials for the island, including sheet pile, chains and shackles, and filter fabric, is complete. The gravel for the island was purchased from the State on March 15, 1999.

Veco's engineering and procurement of infrastructure is approximately 90% complete. The remaining activity involves clean-up issues and construction support, and will extend through 2Q/00. Veco's fabrication of infrastructure is approximately 3% complete, and has been halted. Infrastructure fabrication will ramp up again in January 2000.

Pipeline procurement is partially complete. Pipe has been purchased and is staged in Fairbanks, and pipe bends are being fabricated in the Seattle area. Additional procurement will start in January 2000, including the purchase of valves, anodes for cathodic protection, and VSMs.

Mustang's engineering of the process facility is approximately 60% complete. Mustang will undertake detailed engineering during 1Q/99, and continue with clean-up issues and construction support through start-up. Process facility fabrication and assembly will occur starting 1Q/00 and continuing through 2Q/00.

#### EIS and Permitting Activities

##### *Permits*

The Final Environmental Impact Statement for the Northstar Project was issued on February 5, 1999 and was open for public comment through March 8, 1999. On March 26, the U.S. Army Corps of Engineers issued its Notice of Intent to Issue the Record of Decision for the project. However, the U.S. Fish & Wildlife Service disagrees with the pipeline route chosen in the Record of Decision, and has elevated the Record of Decision to the Secretary of the Interior and the Secretary of Defense. The Assistant Secretary of the Army (Civil Works) has until May 5 to either: (1) instruct the District Engineer to proceed with final action on the permit; (2) inform the District Engineer to proceed with final action in accordance with case specific policy guidance; or (3) make the final permit decision. Regardless of the outcome of the elevation, the ROD and permits will not be issued in time to allow island construction to start in 1Q/99 as planned. As a result, island construction will commence in 1Q/00, and will be completed in 3Q/00.

The State permits required for the project have all been issued, with the exception of the Right-Of-Way Lease for the pipeline. BPXA anticipates that the Right-of-Way Lease will issue in August 1999.

### *Environmental Litigation*

Greenpeace has challenged the Northstar project on several different fronts. It has challenged DGC's issuance of a Conclusive Consistency Determination, DNR's decision to allow BPXA to construct an ice road under its Tundra Travel Permit, DNR's decision to allow BPXA to withdraw water under its Water Rights Permit, DF&G's decision to allow BPXA to withdraw water from fish-bearing streams under its Fish Habitat Permit, and MMS' approval of the Northstar Development & Production Plan and Spill Plan. All of these challenges are on-going, and are detailed below.

On December 31, 1998, Greenpeace filed a petition to the Alaska Coastal Policy Council requesting that ACPC overturn the Proposed Consistency Determination for the Northstar project. On February 4, 1999, ACPC dismissed Greenpeace's petition and the Division of Governmental Coordination issued a Conclusive Consistency Determination. On March 8, 1999, Greenpeace appealed ACPC's dismissal of its petition and DGC's issuance of a Conclusive Consistency Determination to the Alaska Superior Court. The court granted BPXA's motion to intervene on March 25, and the State and BPXA answered the complaint on April 5. The court will direct DGC to assemble the administrative record and will issue a schedule for the filing of briefs. To date, Greenpeace has not filed a motion to stay pending appeal.

On February 22, 1999, Greenpeace filed an administrative appeal challenging DNR's decision to approve ice road construction under BPXA's Tundra Travel Permit. The Division of Lands denied the appeal on March 1, 1999. Greenpeace has appealed to Commissioner Shively, and his decision is pending. If Commissioner Shively denies the appeal, Greenpeace could appeal to Alaska Superior Court.

On February 22, 1999, Greenpeace filed an administrative appeal challenging DNR's decision to allow water withdrawal under BPXA's Water Rights Permit. The Division of Mining & Water denied the appeal as being untimely on March 10, 1999. Greenpeace has until April 9, 1999, to appeal to Commissioner Shively. If an appeal is filed and denied by Commissioner Shively, Greenpeace could appeal to Alaska Superior Court.

On March 12, 1999, Greenpeace filed a complaint against the Alaska Department of Fish & Game in Anchorage Superior Court challenging DNR's decision to allow water withdrawal from fish-bearing streams under BPXA's Fish Habitat Permit. The complaint requested injunctive relief suspending the construction, use or maintenance of ice roads for the project. Greenpeace also filed a Motion for a Temporary Restraining Order ("TRO") and a Preliminary Injunction. The court granted BPXA leave to intervene on March 15, 1999. The court held a hearing on the TRO on March 23, 1999, and denied the motion on March 24, 1999. BPXA and State filed an answer to the complaint on April 5, 1999.

On February 19, 1999, Greenpeace gave a 60-day Notice of Intent to Sue MMS under the Endangered Species Act concerning MMS' approval of the Northstar Development & Production Plan and Spill Plan. The 60 days will expire on April 20, 1999. Greenpeace could thereafter sue MMS in federal court.

After the ROD and associated federal permits are issued, Greenpeace may file federal court actions challenging the issuance of those permits.

The construction schedule for the project could be affected if Greenpeace is successful in obtaining a TRO or preliminary injunction in one or more of its administrative or court challenges.

#### Formation of Participating Area

BPXA and Murphy Exploration & Production reviewed and reached a common understanding of the technical subsurface issues at a partner meeting held in June 1998. BPXA is keeping Murphy apprised of discussions with the agencies concerning participating area issues, and will meet with Murphy on those issues before submitting an application for a participating area.

BPXA has held technical meetings with DNR, MMS and AOGCC throughout 1998, and the parties have reached a common understanding of the seismic data, seismic interpretations, container, and reservoir modeling inputs and descriptions.

BPXA has proposed a method of tract allocation which is currently under discussion with DNR and MMS. BPXA anticipates resuming discussions with DNR and MMS on tract allocation in June 1999, after MMS's Royalty Management Program personnel have an opportunity to meet with BPXA and DNR during May 1999.

After the working interest owners and agencies have identified a method of tract allocation acceptable to all parties, BPXA will submit an application for formation of a participating area. BPXA will review its reservoir depletion plan with DNR, MMS and AOGCC as needed prior to submitting an application for formation of a participating area by the end of 1Q/00.

#### Island Construction and Pipeline Installation

BPXA completed an ice road in 1Q/99 in anticipation of commencing construction of the gravel island. However, island construction has been delayed by one year due to permitting delays.

BPXA will build an ice road in 4Q/99 to support island construction. Construction of the gravel island will commence in 1Q/00 and be completed in 3Q/00.

BPXA will build an ice road in 1Q/01 to support pipeline construction and to mobilize the drilling rig to the island. Construction of the pipeline will start 1Q/01 and be completed by approximately 3Q/01.

#### Transport and Installation

Infrastructure, such as utility and tank skids, pipe racks, and living quarters, will be sealifted in 3Q/00 and installed in 4Q/00. The process facility and remaining infrastructure will be sealifted the following year in 3Q/01 and commissioned in 4Q/01.

#### Rig Modification and Mobilization

The Nabors 33E rig has been modified, and will be mobilized to the island via ice road in 1Q/01. Production drilling will commence in 1Q/01, and first oil production is anticipated in 4Q/01.

Northstar Lease Litigation

In January 1997, Clyde Baxley and the Republican Moderate Party filed suit against the State of Alaska, challenging the amendments to the state leases in the Northstar Unit which were approved by the legislature. BPXA intervened in the suit. After the Superior Court decided the case in favor of the State and BPXA, the plaintiffs appealed to the Alaska Supreme Court. In May 1998, the Alaska Supreme Court also decided the case in favor of the State and BPXA. Because of the uncertainty created by the lease litigation, BPXA substantially reduced the level of activity on the project, with the exception of permitting activities. Many engineering and fabrication activities were deferred by approximately one year due to the lease litigation.

Amended Third Plan Of Development

BP proposes that the Amended Third POD run for a period of four years, commencing May 1, 1998 and extending through April 30, 2002.

The Amended Third POD is organized into six subparts, and is intended to:

- (1) procure the necessary materials and fabricate production infrastructure and facilities;
- (2) complete the EIS process and acquire the necessary permits;
- (3) form a participating area;
- (4) construct the island and install the pipeline;
- (5) transport and install facilities and infrastructure;
- (6) modify and mobilize rig, and begin drilling development wells.

The schedule of activities is set out below.

<u>Activity</u>	<u>Anticipated Date</u>
<u>(1) Engineering, Procurement and Fabrication</u>	
Complete island slope protection block fabrication	Complete
Complete island procurement	Complete
Complete detail infrastructure engineering	Complete
Complete detail process facility engineering	2Q/00
Complete pipeline tie-in skid engineering	2Q/00
Complete infrastructure procurement	2Q/00
Complete infrastructure fabrication in Anchorage	2Q/00
Complete pipeline procurement	4Q/00
Complete process facility procurement	2Q/01
Complete process facility fabrication in Anchorage	2Q/01
Complete construction support and start up support engineering	4Q/01
Start-up	4Q/01

<u>Activity</u>	<u>Anticipated Date</u>
<u>(2) EIS and Permitting Activities</u>	
Complete EIS activities	1Q/99
Complete permitting activities	3Q/99
<u>(3) Form a Participating Area</u>	
Transfer data to DNR, MMS, and AOGCC; discuss seismic data and container	Complete
Complete Participating Area review with working interest owners	1Q/00
Complete agency discussions on model descriptions and inputs	1Q/00
Establish container, OOIP and depletion plan (working interest owners, MMS, DNR)	1Q/00
Complete review of reservoir development plan with agencies, reach final agreement for participating area	1Q/00
<u>(4) Island Construction and Pipeline Installation</u>	
Build ice roads for '00 construction season	4Q/99
Complete island construction	3Q/00
Build ice roads for '01 construction season	1Q/01
Complete pipeline installation	3Q/01
<u>(5) Transport and Installation</u>	
Complete sealift of infrastructure	3Q/00
Complete installation of infrastructure	4Q/00
Complete sealift of process facility	3Q/01
Complete installation of process facility	4Q/01
<u>(6) Rig Modification and Mobilization</u>	
Complete rig modification	Complete
Complete mobilization of rig	1Q/01
Begin production drilling	1Q/01
Begin first oil production	4Q/01