

**NORTHSTAR UNIT
THIRD PLAN OF DEVELOPMENT
May 1, 1998 - April 30, 2001**

The following proposed Third Plan of Development is submitted to the Commissioner of the Department 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. The plan describes proposed development activities based on data reasonably available at the time of submission in accordance with 11 AAC 83.343 and 30 CFR 250.

Overview

The Northstar Unit is a joint State of Alaska/Federal unit located offshore Alaska in the central Beaufort Sea. The Northstar Unit is comprised of five State of Alaska leases (ADLs 355001, 312798, 312799, 312808 & 312809) and two Federal leases (Y0179 & Y0181). BP Exploration (Alaska) Inc. ("BP") acquired a majority interest in the Northstar Unit and assumed operatorship in 1995.

Second Plan of Development (1995-1998)

Status

In 1995, MMS and DNR approved the second Northstar Plan of Development (POD). DNR's approval was subject to the following three conditions:

- 1) submittal of annual status reports,
- 2) justification of continued inclusion of state lease ADL 355001 in the unit area, and
- 3) submission of a report at least 90 days before termination of the POD synthesizing data and studies performed under the POD, giving the operator's interpretation (based on available data) of the extent and characteristics of the hydrocarbon accumulations within the unit and addressing development scenarios, timelines, technical and environmental issues associated with the development of the unit.

As acknowledged by Director of the Alaska Division of Oil and Gas in a May 14, 1997 letter regarding the 2nd Annual Status Report, BP fulfilled its obligations as they related to the first two conditions under said POD. BP presented the operator's interpretation (based on available data) of the extent and characteristics of the hydrocarbon accumulations within the unit to DNR on September 30, 1997, and to MMS on October 28, 1997. A written summary of this presentation is included herein as Attachment A, which BP requests be kept confidential.

Preliminary development scenarios and timelines were provided in the last POD and annual status reports and are updated herein. Detailed development scenarios, timelines, technical and environmental issues are being fully addressed through the EIS

process. We have been advised that a draft EIS will be available shortly and will be provided to you.

Update

BP, on behalf of the Northstar working interest owners, moved forward to expedite development of Northstar. BP's Board of Directors sanctioned the project on October 3, 1996, following approval of legislation modifying certain terms of the state leases.

The Northstar Project Alliance, a cooperative group of primarily Alaskan contractors, was formed to streamline and optimize development. Fast track activity was later suspended in January 1997, pending resolution of litigation related to the State of Alaska's modification of the lease terms. The lack of a favorable court decision prior to December 5, 1997, forced an additional year into the schedule due to procurement delays. The current development plan reflects these delays.

The acquisition of environmental data supporting permitting has been ongoing. All Pipeline Right-of-Way lease applications and state permits have been submitted or are in the final stages of preparation. The EIS process is well into its second year, and BPX has provided Dames and Moore, the contractor responsible for drafting the EIS for the U.S. Army Corps of Engineers, with all pertinent data.

The transfer of data from previous owners is complete. During the second plan of development, BP conducted detailed reservoir description and acquired 3D seismic data over Northstar using ocean bottom cable technology. Analysis of acquired data and new seismic data has been integrated into the Northstar reservoir description.

Proposed Third Plan of Development

BP hereby submits the Third Plan of Development on behalf of the Northstar Unit working interest owners to satisfy the requirements of Article 8 of the Northstar Unit Agreement. The term of the proposed plan is three years commencing May 1, 1998, and extending through April 30, 2001.

This POD is organized into six subsections. The six-part program 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, and

(6) modify and mobilize rig, and begin drilling development wells.

(1) Engineering, Procurement and Fabrication

Complete Island Slope Protection Block Fabrication	Q1/98
Complete Infrastructure procurement and engineering	Q1/99
Complete Process Facility engineering	Q1/99
Complete Pipeline Engineering	Q1/99
Complete Island procurement	Q1/99
Complete Infrastructure Fabrication	Q3/99
Complete Pipeline Procurement	Q4/ 99
Complete Process Facility Procurement	Q1/00
Complete Process Facility Fabrication	Q3/00

(2) EIS and Permitting activities

Complete EIS activities	Q3/99
Complete Permitting activities	Q3/99

(3) Form a Participating Area

Transfer data to DNR, MMS and AOGCC; discuss seismic data and container	Q1/98
Participating Area review with working interest owners	Q2/98
Agency discussions on model descriptions and inputs	Q2/98
Establish container, OOIP, and depletion plan (working interest owners, MMS, DNR)	Q3/98
Review reservoir development plan with agencies, reach final agreement for PA	Q3/99

(4) Island Construction and Pipeline installation

Build Ice Roads	Q1/99
Complete Island Construction	Q3/99
Complete Pipeline Installation	Q2/00

(5) Transport and Installation

Sealift Process Facility and Infrastructure	Q3/00
Install Process Facility and Infrastructure	Q4/00

(6) Rig Modification and Mobilization

Modify Rig	Q1/00
Mobilize Rig	Q2/00
Begin Production Drilling	Q2/00
First Oil Production	Q1/01

The combined estimated cost for the proposed plan of development for the Third Plan of Development is approximately \$430 million. BP intends to have yearly reviews to discuss results and plans and, despite the risks noted, we remain committed to successfully delivering this program on schedule.

Summary

It is BP's intention to begin commercial production of the Northstar Unit during the term of this POD. Critical risks to those plans are completion of the EIS process and resolution of the Northstar lawsuit. While BP is not a direct participant in the EIS process, we will continue to cooperate with agencies and stakeholders to provide timely information to expedite the process. BP will continue to diligently pursue resolution of the lawsuit challenging modification of the Northstar state lease terms.

This Plan of Development assumes that the EIS will proceed within a reasonable timeframe and that a resolution of the Northstar lawsuit will also occur within a reasonable time. In the event that very significant delays occur with either the EIS process or the lawsuit, BP expects to inform both the DNR and MMS that alteration of this plan may be warranted including a possible extension of the POD terms.

As operator of the Northstar Unit, BP will continue to provide the DNR and MMS an annual summary of Northstar Unit activities throughout the term of the Third Plan of Development and to inform the DNR and MMS when material changes may occur.



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Northstar Manager

Attachment A:
Confidential Northstar Geoscience Studies
Report to DNR