



BP EXPLORATION

BP Exploration (Alaska) Inc.
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Northstar Project Alliance

Alaska Interstate Construction
Alaska Petroleum Contractors
Coastal Frontiers

Houston Contracting Company
Intec Engineering, Inc.
Mustang Engineering
VECO Engineering

National Tank Company
Sandwell Inc.
VECO Construction

April 29, 1997

Mr. Kenneth Boyd, Director
State of Alaska
Department of Natural Resources
Division of Oil and Gas
3601 C Street, 13th Floor
Anchorage, Alaska 99503

Mr. Jeff Walker
Regional Supervisor
Field Operations
U. S. Dept. of the Interior
Minerals Management Service
Alaska Outer Continental Shelf Region
949 East 36th Avenue, Room 308
Anchorage, Alaska 99508-4302

Re: Annual Status Report
Northstar Unit, Plan of Development
North Slope, Alaska

Gentlemen:

Pursuant to Article 8 of the Northstar Unit Agreement, BP Exploration (Alaska) Inc. (BPX), as operator, submits the enclosed annual status report describing the unit activities conducted during the preceding year and the activities planned for the coming year.

Please telephone me should you have any questions.

Very truly yours,

M. J. Skitmore
Northstar Manager
Phone: 564-5265

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APR 30 1997

REGIONAL DIRECTOR, ALASKA OCS
Minerals Management Service
ANCHORAGE, ALASKA

enc.

Annual Status Report and Update

May 1, 1997

NORTHSTAR UNIT

PLAN OF DEVELOPMENT

Pursuant to Article 8 of the Northstar Unit Agreement, BP Exploration (Alaska) Inc. (BPXA), as operator, submits the following annual status report and update to the 1995 through 1997 Northstar Unit Plan of Development ("Plan"). This annual status report and update describes unit activities conducted during the preceding year and activities planned for the ensuing year. The Plan describes proposed development activities which were based upon data reasonably available at the time of its submission in accordance with 11 AAC 83.343 and 30 CFR 250.

BPXA has moved forward on behalf of the working interest owners to expedite the development of Northstar. Project sanction was given by the BP Board of Directors on October 3, 1996, one year ahead of schedule. In May 1996, Governor Knowles signed legislation modifying the Northstar state lease royalty terms. The Northstar Project Alliance, a cooperative group of primarily Alaskan contractors, was formed to streamline and optimize project development. Infrastructure engineering is almost complete, and process engineering is substantially underway.

Module fabrication was initiated in Anchorage in January, 1997 and later suspended as a result of a pending lawsuit filed against the State of Alaska. BPXA has since joined the State of Alaska as a litigant in the aforementioned lawsuit which challenges modifications of certain State of Alaska lease terms approved by Governor Knowles and the Alaska Legislature in 1996. Emergence of said lawsuit has resulted in temporary suspension of Northstar module construction and major project spending. Every effort is being made to bring this legal challenge to a quick and favorable conclusion for the State of Alaska and BPXA. The resulting delay to the project means that first oil will be delayed from Northstar until the fourth quarter of 1999 at the earliest (this is predicated upon a satisfactory EIS Record of Decision by early 1998).

BP has actively supported the U.S. Army Corps of Engineers (Corps), the Lead Federal Agency responsible for drafting the EIS. BPXA has provided timely information to the Corps, the cooperating agencies and Dames & Moore (the Environmental Contractor) in support of the EIS. BPXA as applicant, is external to the EIS process itself; however, BPXA has acted as a responsive stakeholder in the process in an effort to promote communication and cooperation among all members of the EIS team and state agencies. BPXA has provided all necessary information,

project descriptions and updates to the Corps, along with responses to questions related to possible alternatives to the preferred project and mitigation measures and included in the design of the island and facilities. Pipeline right-of-way lease applications and all state permit applications have been submitted or are in final stages of preparation. The intent is to have the permit processes coincide with the EIS public review process schedule.

During the winter season of 1996, BP performed test-trench activities to investigate the viability and analyze the engineering/construction design criteria necessary for placement of the buried subsea pipeline. The Communications and Avoidance Agreement with the Alaska Eskimo Whalers Commission was completed in time for the 1996 open water 3D seismic appraisal program. Discussions are proceeding with appropriate parties and stakeholders related to the development phase activities of the Plan.

The acquisition of the Northstar 3D survey was completed in October, 1996 and is currently being processed. This represents the first successful ocean bottom cable survey acquired in the Beaufort Sea and preliminary data is of reasonable quality. A preliminary reservoir description has been completed and production models have been designed to support optimal well location and depletion planning. A decision on the selection of a drilling rig is forthcoming and a Well Alliance agreement is being finalized.

1997 activities include:

- continuation of support related to the completion of the EIS process,
- completion of appraisal 3D seismic interpretation,
- integration of the appraisal seismic interpretation into the geologic model,
- completion of engineering for process and infrastructure,
- and recommencement of major procurement and module fabrication (pending successful defense of legal challenge to Northstar State Lease terms).