



## United States Department of the Interior

MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
949 East 36th Avenue, Suite 308  
Anchorage, Alaska 99508-4363

JUL 24 2001

Mr. Mattson  
Alaska New Developments Business Unit Leader  
BP Exploration (Alaska) Inc.  
P.O. Box 196612  
Anchorage, Alaska 99519-6612

RE: April 2, 2001 Application for Expansion of the Northstar Unit and  
Proposed Formation of Northstar Participating Area

Dear Mr. Mattson:

Your April 2, 2001, application proposed to expand the existing Northstar unit are to include Federal lease OCS-Y 1645. The application included supporting information to demonstrate that OCS-Y 1645 is capable of producing or contributing to the production of hydrocarbons from the Northstar development. The Minerals Management Service (MMS) agrees that OCS-Y 1645 overlies the Northstar reservoir and that expansion of the Northstar unit to include this lease is reasonable. Pursuant to the Northstar unit agreement, Article 13.1, I hereby approve the proposed expansion of the unit to include OCS-Y 1645.

There are minor language and numerical errors in the lease descriptions for Exhibit A dated April 1, 2001, which need to be corrected before the exhibit can be accepted. The corrections to Exhibit A have been included for your convenience as enclosure A.

Please note that the Northstar unit agreement, Article 11.2 describes the minimum royalty obligations for Federal leases in the unit area. Lease OCS-Y 1645 introduces a different minimum obligation than the other Federal lease included in the unit area. The royalty obligations for OCS-Y 1645 are properly described in the revised Exhibit A, but BPXA needs to provide an amendment to Article 11.2 that recognizes these differences.

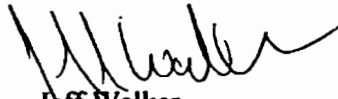
Your April 2, 2001, application also requested approval of an initial participating area pursuant to the Northstar unit agreement, Article 9. The application included proposed Exhibit B (Map of Unit Area and Tracts), Exhibit C (Tract Participation for Allocation of Unitized Substances), Exhibit D (Map showing boundary lines of a participating area) and Exhibits E and F (Tract Participation for Allocation of Participating Area Expense and Unit Expense), as required by the unit agreement. An additional Exhibit C-1 (Procedure for Redetermination of Northstar Participating Area Tract Participation) was also submitted to address the process for adjusting the initial allocation and based on discussions between the MMS, State and BPXA.

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The MMS cannot approve Exhibit B (March 21, 2001), Exhibit C (April 1, 2001), or Exhibit C-1 at this time, pending additional coordination with the Alaska Department of Natural Resources. I am not aware of any major issues that would prevent approval of these exhibits. Meetings have been arranged over the next couple weeks to work through any outstanding concerns regarding the allocation, and I expect to complete action on these exhibits by the end of August.

Sincerely



Jeff Walker  
Regional Supervisor  
Field Operations

Enclosure

cc: Mr. Mark Myers  
Division of Oil and Gas  
Alaska Department of Natural Resources  
550 West 7<sup>th</sup> Avenue, Suite 800  
Anchorage, Alaska 99501-3560

"Exhibit A (April 1, 2001 version)" - of the Northstar Unit Agreement:

Lease 0179's legal description must be shown exactly as:

That area of block 470 lying east of the line marking the western boundary of parcel "1" and between the two lines bisecting block 470, identified as parcel "1", containing approximately 94.30 hectares, and parcel "2", containing approximately 15.27 hectares, as shown on the Supplemental Official OCS Block Diagram, dated 10/4/79, based on Official Protraction Diagram NR 6-3, Beechey Point, approved April 29, 1975; and

that area lying between the two lines bisecting block 471, containing approximately 611.95 hectares, as shown on the Supplemental Official OCS Block Diagram, dated 10/4/79, based on Official Protraction Diagram NR 6-3, Beechey Point, approved April 29, 1975; and

that area lying northeasterly of the line bisecting block 515, containing approximately 189.83 hectares, as shown on the Supplemental Official OCS Block Diagram, dated 10/4/79, based on Official Protraction Diagram NR 6-3, Beechey Point, approved April 29, 1975. (911.35 hectares)

Lease 0179's acreage is: 2, 251.99 (not 2,251.95)

Lease 0181's legal description must be shown exactly as:

That area lying northeasterly of the line bisecting block 516, containing approximately 2076.98 hectares, as shown on the Supplemental Official OCS Block Diagram, dated 10/4/79, based on Official Protraction Diagram NR 6-3, Beechey Point, approved April 29, 1975; and

that area lying northeasterly of the line bisecting block 560, located in the northeast corner of block 560, containing approximately 44.65 hectares, as shown on the Supplemental Official OCS Block Diagram, revised and dated 12/9/79 based on Official Protraction Diagram NR 6-3, Beechey Point, approved April 29, 1975. (2121.63 hectares)

Lease 0181's acreage is: 5,242.65 (not 5,242.55)

Lease 1645's legal description must be shown exactly as:

That portion of Block 6510, OCS Official Protraction Diagram NR06-03, Beechey Point, approved February 01, 1996, shown as Federal 8(g) Area C on OCS Composite Block Diagram dated April 24, 1996. (1,185.584351 hectares)

The subtotal of Federal Acreage is 10,424.28 and the Total Unit Acreage is 33,767.77.