

# Charter for Development of the Alaskan North Slope



**The Alaska Department of Environmental Conservation's  
2002 & 2003 Report**





Signed in December of 1999, the Charter is an agreement between the State of Alaska, BP Exploration (Alaska) Inc., and ARCO Alaska Inc., which led to State of Alaska support of a merger between BP and ARCO. The Charter is the first antitrust agreement in the U.S. to include environmental provisions. These environmental provisions include significant programs to improve environmental performance, develop improved technology, remedy existing environmental challenges, and address emerging ones. As set forth in the Charter, ARCO agreed to sell their Alaska interests to a third "qualified company" prior to their merger in order to ensure continued competition. Phillips Petroleum Company (now ConocoPhillips) purchased the stock of ARCO Alaska, Inc. and, with BP, assumed responsibility for fulfilling the Charter obligations. The following is a summary of the Charter provisions and status of these commitments for 2002 and 2003.

## Environmental Commitments

### Provisions

### 2002 Status

### 2003 Status

#### Cleanup of Abandoned Sites (II.A.1)

By year end 2005, BP will spend \$10,000,000 or more to assess and clean up North Slope "orphan" sites.

\$2,717,000 was spent to cleanup 15 orphan sites.

\$1,723,000 was spent to cleanup 12 orphan sites.

Cumulative expenditures to date (2000-2003) is \$6,417,527.

#### Cleanup of Abandoned Empty Barrels (II.A.2)

BP and CPA to identify and remove abandoned barrels as part of their respective seismic or exploration activities.

BP removed 75 abandoned barrels.

BP removed 5 abandoned barrels.

CPA removed 244 abandoned barrels from an area south of the Kuparuk Oil Field.

CPA removed 430 abandoned barrels.



## Environmental Commitments

### Provisions

### 2002 Status

### 2003 Status

#### **Accelerated Cleanup of Existing Contaminated Sites (II.A.3)**

BP and CPA to assess and cleanup contaminated sites listed on Exhibit D2 to standards approved by ADEC.

High priority sites will be substantially completed by year end 2005.

Remaining sites to be completed by year end 2007.

Sites which due to operational restrictions cannot be fully cleaned until facility or equipment abandonment will be identified by BP/CPA/ADEC for completion according to a mutually agreed schedule.

Cleanup activities included site investigations, monitoring and ongoing review of reports and site data for most locations and planning for future activities.

Work was completed at 6 sites.



ADEC continued their ongoing review of reports and site data from BP and CPA to determine whether site closure requests are appropriate or whether additional monitoring or remedial action is necessary.

Work was completed at 6 additional sites.

Of the 42 contaminated sites identified on the D2 list, work remains to be completed at 20 of them.

Remaining sites will require either remedial corrective action during the next few years or may be requested for deferral due to operational restrictions by existing facilities.



# Environmental Commitments

## Provisions

## 2002 Status

## 2003 Status

### Accelerated Cleanup of Inactive Reserve Pits (II.A.4)

BP and CPA to comply with ADEC regulatory requirements in closing inactive reserve pits.

BP and CPA to close inactive reserve pits listed in Exhibit D3A and subject to the Natural Resources Defense Council Inc. v. ARCO settlement agreement by December 31, 2004 and to close the other inactive reserve pits listed on Exhibit D3A by the end of 2007.

BP and CPA to close inactive reserve pits listed on Exhibit D3B according to a mutually agreed schedule that ends a reasonable period after work on D3A sites has been completed.

33 of the 87 (38%) D3A production reserve pits have been approved for closure by ADEC.

37 out of 84 (44%) D3B exploration reserve pits have been approved for closure by ADEC.

39 of the 87 (45%) D3A production reserve pits have been approved for closure by ADEC.

39 of the 84 (46%) D3B exploration reserve pits have been approved for closure by ADEC.

BP and CPA are on schedule to close the reserve pits subject to the Natural Resources Defense Council Inc. v. ARCO settlement agreement by December 31, 2004.



## Environmental Commitments

### Provisions

### 2002 Status

### 2003 Status

#### Arctic Spill Response Research and Development (II.A.5)

BP and CPA to support and fund an Arctic spill response research and development (R&D) program (jointly agreed to by the spill response organization, BP, CPA and ADEC) at an average annual level of not less than \$200,000 during the Charter's 10-year life.

BP and CPA to support an independent professional North Slope spill response organization such as Alaska Clean Seas (ACS).

BP and CPA to encourage the fullest possible participation in the spill response organization by all North Slope producers.

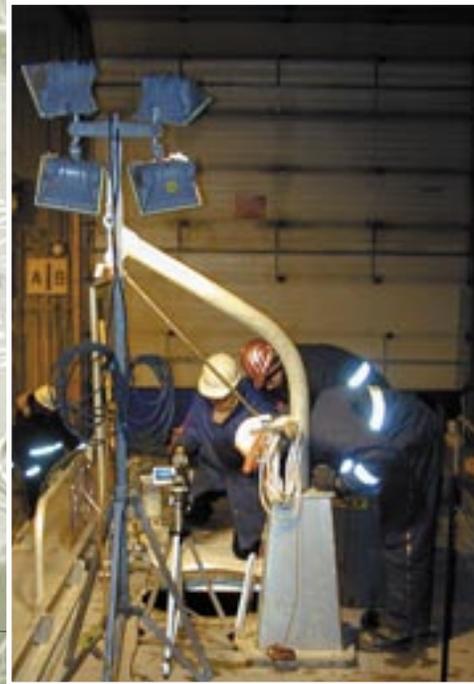
BP and CPA spent \$29,800 on the GNOME oil spill trajectory modeling project.

BP and CPA spent \$268,500 to fund R&D projects for:

- viscous oil pumping;
- emulsion breaker testing;
- oil spill trajectory modeling;
- well blowout droplet size/distribution studies.

By year end 2003, \$990,000 has been spent on R&D projects under the Charter Agreement.

In October 2003, the ACS board voted to add a new level of membership for non-producing oil companies, which reduced initial membership costs from \$500,000 to \$100,000, and annual membership costs from \$50,000 to \$15,000 thereby encouraging increased participation in ACS.



## Environmental Commitments

### Provisions

### 2002 Status

### 2003 Status

#### Commitment to Corrosion Monitoring and Related Practices (II.A.6)



In consultation with ADEC, BP and CPA to develop a performance management program for the regular review of corrosion monitoring and related practices for non-common carrier North Slope pipelines operated by BP and CPA.

Program to include the following:

Twice yearly meet and confer working sessions between BP, CPA and ADEC;

Reports by BP and CPA on their current and projected monitoring, maintenance and inspection practices to assess and to remedy potential or actual corrosion and other structural concerns related to these lines;

Ongoing consultation with ADEC regarding environmental control technologies and management practices.

BP, CPA and ADEC met in April and November 2002, to discuss corrosion control, monitoring, inspection and fitness-for-service programs.

Annual reports were submitted in March/April 2003. Report data indicates that internal corrosion rates have been reduced in recent years.

Program enhancements included:

- Implementation of an intrinsically safe UT machine;
- Development of more effective corrosion inhibitors;
- Turbulent Flow Surveys for fittings (elbows and tees) where velocity flow can increase corrosion;
- Expansion of the external inspection program.

BP, CPA and ADEC met in May and October 2003, to discuss corrosion control, monitoring, inspection and fitness-for-service programs.

Annual reports were submitted in March/April 2004. Report data continues to indicate low field wide internal corrosion rates.

Program enhancements included:

- Completion of a 5-year baseline external inspection program for all below grade (buried) pipeline segments. The next phase of this program includes re-inspection, and mitigation;
- Continued development of more effective corrosion inhibitors and delivery systems;
- ADEC initiated an annual "in the field" working session to provide a more concrete approach in reviewing the corrosion program by allowing actual observation and execution of the program.



# Environmental Commitments

## Provisions

## 2002 Status

## 2003 Status

### Additional Expenditure Commitment (II.A.7)

BP and CPA to provide/spend up to \$500k per year during the Charter's 10-year life for any combination of the following as requested annually in writing by the ADEC Commissioner:

- additional orphan site assessment or cleanup in excess of cap established under II.A.1 of the Charter;
- additional Arctic spill response research and development in excess of amount established in II.A.5 of the Charter; and/or
- funding for experts chosen by ADEC to provide advice on pipeline corrosion and/or pipeline structural issues.

ADEC continued to use the process established in August 2001 to request funding and to track expenditures for ADEC recommended projects.

ADEC continued its professional services contract with Coffman Engineering (funded through the Charter) to provide expert advice on pipeline corrosion and structural integrity issues for the program described under paragraph II.A.6 of the Charter.



Same as 2002.

### Payment of Unspent Funds (II.A.8)

In the event that expenditures by BP and CPA is less than the full amounts provided for under paragraphs II.A.1, II.A.5, and II.A.7, then BP and CPA will pay any outstanding balance as directed by the ADEC Commissioner.

Records are maintained for all expenditures associated with paragraphs II.A.1, II.A.5 and II.A.7.

To date, ADEC has not requested payment for any unspent amounts.

Same as 2002.



## Environmental Commitments

### Provisions

### 2002 Status

### 2003 Status

#### OPA 90 (II.B.1)



BP and CPA will not seek to be relieved from vessel retirement/replacement requirements of OPA 90, will not lobby for a reduction in OPA 90 requirements, and will not take any other action to extend the retirement dates of non-double hulled tankers.

If a trade association or group of which BP/CPA is a member takes a different position, BP/CPA upon notification and request by ADEC, will issue a statement reaffirming its support for OPA 90.

BP and CPA have not lobbied for a reduction or taken any other action to extend retirements of single hulled tankers.

No trade association or groups that BP and CPA are members took a different position.



BP and CPA have continued their commitment to build state of the art double hull tankers and have not sought relief from OPA 90 requirements.



No trade association or groups that BP and CPA are members of have ever taken a different position.

#### Replacement Vessels (II.B.2)

BP and CPA to purchase and deliver double-hulled tankers to meet their combined Alaskan North Slope (ANS) fleet requirements on average one year earlier than required by OPA 90, with expectation that the entire ANS fleet will be double-hulled by mid-year 2007.

Safety related attributes of new tankers to be substantially equivalent to or better than Millennium or Cape class tankers (including items noted).

Continue to support a ship escort response vessel system for Prince William Sound at current or better levels.

Replacement to Millennium class double hull tankers is occurring on average one year earlier than required by OPA 90.

The design of the new tankers is equal to or better than Millennium class tankers.

The Vessel Escort and Response Plan was renewed in 2001 and remains in effect.

BP and CPA are currently ahead of schedule in their goal to deliver Millennium class double hull tankers a year ahead of schedule.

The design of the new tankers continues to be equal to or better than Millennium class tankers.

3 Millennium class tankers are currently in service and 2 more are scheduled to be built in 2004. The cost to build a Millennium class tanker is approximately 200 to 250 million USD.

The vessel escort system for Prince William Sound continues to meet federal and state requirements.

## Environmental Commitments

### Provisions

### 2002 Status

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#### Marine Operations (II.B.3)



BP and CPA to encourage and support companies operating ANS tankers to use a performance management program for the regular review of its management and operations practices, including a safe environment, training and qualifications, and vessel operation, maintenance and management procedures.

Hold meet and confer working sessions between BP, CPA and ADEC, regarding the performance management programs.

BP and CPA to encourage the operating company to allow for ADEC to observe, and to be provided a copy of the written results of, management and vessel audits performed as part of a certification or re-certification process for the International Maritime Organization's International Safety Management Code or for the International Standards Organization.

Alaska Tanker Company (ATC) operates BP's ANS tankers. ATC uses a performance management program for the regular review of its management and operation practices including the items listed. ATC is certified for International Safety Management (ISM), ISO 9001 (Quality Management Systems) ISO 14001, (Environmental Management Systems) and State of Washington, Exceptional Compliance Program (ECOPRO).

Polar Tanker operates CPA's ANS tankers. Polar Tanker employs the Safety and Environmental Quality Management System (SEQMS) for the regular review of its management and operation practices including the items noted.

ADEC attended the ATC and Polar Tanker performance management program meetings in January 2002.

ADEC staff interacts frequently with ATC and Polar Tanker Valdez-based port captains and tanker crews regarding tanker operations and escort procedures.

ATC continues its use of their performance management program for the regular review of its management and operation practices.

Polar Tanker continues to use the Safety and Environmental Quality Management System (SEQMS) for the regular review of its management and operation practices.

ADEC attended the ATC management review of its ISO 9001 program in January, 2003 and also attended Polar Tankers performance management program meeting in January, 2003.

ADEC staff continued their frequent interaction with ATC and Polar Tanker based port captains and tanker crews regarding tanker operations and escort procedures.





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