

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

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CERTIFIED MAIL
RETURN RECEIPT REQUESTED

November 2, 2005

Craig Wiggs, Northstar Delivery Manager
BP Exploration (Alaska) Inc.
P.O. Box 196612
Anchorage, AK 99519-6612

RE: Northstar Unit Contraction
Northstar Unit Tract 105
Oil and Gas Lease ADL 355001

Dear Mr. Wiggs:

The Department of Natural Resources, Division of Oil and Gas, (the Division) and the U.S. Department of Interior, Minerals Management Service (MMS) jointly manage the Northstar Unit Agreement. BP Exploration (Alaska) Inc. (BPXA), the Northstar Unit Operator, commenced production from the Northstar Participating Area (Northstar PA) on October 31, 2001.

The Fifth Plan of Development for the Northstar Unit provides for contraction of the unit area as follows:

The Working Interest Owners agree that on the fourth anniversary of the commencement of Sustained Production from the Northstar Participating Area: (a) the Owners shall have commenced drilling a well which tests State acreage lying at least one-half mile outside of the boundary of the Northstar Participating Area; or (b) the Unit boundaries shall automatically contract, subject to approval by DNR and MMS, so as to exclude any State lease of which no part lies within an approved participating area.

State lease ADL 355001, Northstar Unit Tract 105, lies entirely outside of the Northstar PA. BPXA did not fulfill the drilling commitment and ADL 355001 contracted out of the Northstar Unit effective October 31, 2005. BPXA shall reflect the change to the unit boundary on Exhibits A, B, and F and provide copies to the Division and MMS in accordance with Article 2.8 of the Northstar Unit Agreement. This decision is subject to concurrent approval by MMS.

The primary term of ADL 355001 expired on July 31, 2003, and the lease was extended thereafter by commitment to the Northstar Unit Agreement. ADL 355001 is no longer extended by unitization. The lease term is extended for 90 days in accordance with Article 15.1 of the Northstar Unit Agreement and 11 AAC 83.140, Extension by Elimination from a Unit. Oil and gas lease ADL 355001 will expire on January 29, 2006, unless extended under the lease provisions or State regulations.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. The Department of Natural Resources (the DNR) must receive an appeal within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040 (c) and (d). The DNR will accept appeals mailed or delivered to Thomas E. Irwin, Commissioner, DNR, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to dnr_appeals@dnr.state.ak.us. This decision takes effect immediately. If no one files an appeal by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. Any DNR regional information office can provide a copy of 11 AAC 02.

Sincerely,

Original signed by William Van Dyke, Acting Director

William Van Dyke
Acting Director

cc: Jeffrey Walker, MMS
R.L. Skillern, BPXA
Richard Todd, Dept. of Law