



Business

Oil company BP admits environmental crime

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James Wilk, left, BP Exploration Alaska Inc.'s chief of staff in Alaska, walks with chief of security Billy Andrews into the federal court building yesterday in Anchorage, Alaska.

AP / Al Grillo

ANCHORAGE, Alaska — The Alaska subsidiary of oil company BP PLC pleaded guilty yesterday to a federal environmental crime for failing to prevent a crude spill across a swath of delicate tundra in America's largest oil field.

The guilty plea by BP Exploration Alaska Inc. is part of a settlement with the government over a 200,000-gallon spill at the Prudhoe Bay field in March 2006. It was the largest spill ever in the vast, oil-rich region of Arctic Alaska known as the North Slope.

Under the agreement, BP pleaded guilty to one violation of the Clean Water Act, a misdemeanor, and will pay \$20 million in fines for allowing the pipeline to corrode. The company will also be under probation for a maximum of three years.

"We believe the sentence contained in the plea agreement is both fair and just," said James Wilk, BPXA's vice president and chief of staff, at the arraignment in U.S. District Court in Anchorage. "We have taken many actions to learn from these events and make changes to mitigate the risks of similar events in the future."

The settlement was one of three struck last month between the London-based oil and gas company and investigators in the resolution of several probes in the United States.

BP has agreed to pay another \$353 million in fines and restitution over the manipulation of energy markets in the Midwest and a refinery explosion that killed 15 people in Texas.

The problems in Alaska came to light after the March 2006 spill prompted the FBI and the Environmental Protection Agency to open an investigation into maintenance practices at the 30-year-old field, Alaska Attorney General Nelson Cohen told the court.

They found that thick, black sludge caked along the bottom of the leaky pipe was protecting colonies of bacteria that produce a corrosive acid. The acid had eaten an almond-sized hole in the steel over the course of several years.

The presence of sludge helped the government prove that BP had neglected to run cleaning and inspection devices called "pigs" through the pipeline, creating a "wonderful environment for microbes to develop in the bottom of the pipe," Cohen said.

A second pipeline started leaking in August 2006 for the same reason, prompting BP to halve production at Prudhoe Bay to 200,000 gallons a day for several weeks. The company is not being charged for the resulting 1,000-gallon spill because of its willingness to cooperate with the investigation, Cohen said.

Prosecutors estimate BP saved \$9.6 million by choosing not to regularly clean and inspect the two pipelines over the course of eight years, Cohen said. The estimated savings represented less than half of 1 percent of BP's adjusted net profit of \$22 billion in 2006.

Judge Ralph Beistline called the crime "serious" and exhorted the company to pay more attention to environmental protection and less to the bottom line.

"I think we need to put a particular emphasis on the need to give high priority to maintenance and maybe a little less priority to profits," Beistline said. "In this particular case, the need to protect the environment should be our ultimate priority."

The company has spent \$260 million to replace the two damaged pipelines and add new leak detection systems. The pipelines carry crude oil from production centers into the 800-mile trans-Alaska oil pipeline, said spokesman Steve Rinehart.

BP had already been convicted for an environmental felony in 2000 after failing to report a subcontractor, Doyon Drilling, for dumping hazardous waste on the North Slope over a three-year period, according to court documents.

The company is still negotiating with the federal government and State of Alaska in an unknown number of civil cases, according to BP spokesman Ronnie Chappell. He would not comment further.

BP will pay \$12 million in federal fines. The remaining \$8 million will be split evenly between the State of Alaska and the National Fish and Wildlife Foundation for Arctic environmental research.

"BPXA and all of its employees who are responsible for the company's operations in Alaska regret having failed to recognize the risks of corrosion," Wilk said.

BP manages the Prudhoe Bay field on behalf of its Texas-based production partners, Exxon Mobil Corp. and ConocoPhillips.

Share prices for BP dropped 17 cents yesterday to \$72.32.