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**BP Exploration [Alaska] Pleads Guilty To Hazardous Substance Crime
Will Pay \$22 Million, Establish Nationwide Environmental Management
System**

WASHINGTON, D.C. -- BP Exploration (Alaska) Inc. today pleaded guilty to one felony count related to the illegal disposal of hazardous waste on Alaska's North Slope, and it agreed to spend \$22 million to resolve the criminal case and related civil claims, the Justice Department announced.

BP Exploration (Alaska) Inc., or "BPXA," admitted in U.S. District Court in Anchorage that it failed to immediately notify authorities of a release of hazardous substances to the environment, and it agreed to pay the maximum criminal fine of \$500,000. As part of the plea agreement, BPXA also admitted that it failed to provide adequate oversight, audits and funding to ensure proper environmental management on Endicott Island, Alaska.

Under the terms of the plea agreement, the U.S. subsidiary of BP Amoco p.l.c. - the third largest oil company in the world -- will establish an environmental management system at all of BP Amoco's facilities in the United States and Gulf of Mexico that are engaged in the exploration, drilling or production of oil. This system will be the first of its kind in the oil industry to result from a federal prosecution.

"This has been one of largest and most complex criminal investigations ever conducted in Alaska," said Robert Bundy, U.S. Attorney for the District of Alaska. "The case underscores our commitment to investigate and prosecute violations of environmental laws. Corporations that benefit from Alaska's resources must also be good stewards of Alaska's environment."

The federal government and BPXA today also agreed to a civil settlement involving related environmental claims. The settlement, filed in federal court in Anchorage, requires BPXA to pay \$6.5 million in civil penalties to resolve allegations that BPXA illegally disposed of hazardous waste and also violated federal drinking water law.

"This case forces a company that should have known better to do better," said Lois J. Schiffer, Assistant Attorney General for Environment and Natural Resources at the Department of Justice. "Our goal is to deter such violations by all oil companies."

The criminal plea and civil claims stem from the injection of hazardous wastes on Endicott Island over a three-year period beginning in 1993. The manmade, gravel island northeast of Prudhoe Bay was built for the purpose of extracting and processing oil reserves under the Beaufort Sea. Endicott Island is operated by BPXA, which contracts with Doyon Drilling Inc. to drill oil-producing wells there.

From 1993 to 1995, Doyon Drilling employees illegally discharged waste oil and hazardous substances by injecting them down the outer rim, or annuli, of the oil wells. BPXA failed to report the illegal injections as soon as it learned of the conduct, in violation of the Comprehensive Environmental Response, Compensation and Liability Act. The illegally injected wastes included paint thinner and toxic solvents containing lead and chemicals such as benzene, toluene and methylene chloride.

Steven A. Herman, EPA Assistant Administrator for Enforcement and Compliance Assurance, said, "Rules governing the proper management of hazardous waste apply everywhere, but it's of critical importance in areas like the North Slope. It is absolutely essential that oil companies aggressively self-police their employees and their contractors working in remote places."

In April 1998, Doyon Drilling pleaded guilty to 15 counts of violating the Oil Pollution Act. Doyon agreed to pay a \$1 million fine and spend \$2 million to develop an environmental compliance program and environmental training program for employees. Three Doyon employees were convicted in 1998, and one was sentenced to a year in jail.

George Burttram, FBI Special Agent in Charge in Anchorage, said, "The FBI places a high priority on investigating environmental crimes in Alaska. This investigation demonstrates our commitment to dedicating the necessary resources to ensure that corporations and individuals are held accountable for their actions. The FBI will continue to investigate these complex cases in cooperation with other federal law enforcement agencies."

BPXA spent approximately \$5 million to improve environmental management within Alaska during the criminal investigation, and the corporation has taken steps to cooperate with the government's continuing investigation. Because of these efforts, additional criminal charges relating to the illegal injections were not filed, in accord with the Department of Justice's 1991 Voluntary Disclosure Policy, which grants prosecutors the discretion to forego prosecution when certain conditions -- including cooperation, remedial measures, and the existence of an adequate compliance program -- are met, according to U.S. Attorney Bundy.

As a result of the criminal plea agreement, BPXA must use best environmental practices to protect workers, the public, and the environment. The court will appoint an environmental monitor to oversee BPXA's nationwide implementation of the \$15 million management system during a five-year probation.

"This case would not be possible without the outstanding efforts of the

FBI and EPA's Criminal Investigation Division and Regional Counsel's Office," Bundy said. "I'd like to thank the Justice Department's Environmental Crimes Section, especially the leadership of Deputy Chief Deborah Smith, for extraordinary support and expertise during the investigation." The Department's Environmental Enforcement Section handled the civil settlement with BPXA.

Both the civil settlement and the plea agreement must be approved by the court before they become final.

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