



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

COMMISSIONER'S OFFICE

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January 14, 2016

Scott Digert, Manager of Reservoir Management
BP Exploration (Alaska), Inc
P.O. Box 196612
Anchorage, AK 99519-6612

RE: Unit Plan of Development Review Process Update — Request for Additional Information

Dear Mr. Digert:

The Department of Natural Resources (“DNR”) is working proactively to ensure maximum development and monetization of Alaska’s energy resources. In order to achieve this goal, it is important that DNR understand how all hydrocarbons available for offtake are being utilized on the unit, are being sold within the state, or are being prepared and/or marketed for potential future sale. The annual Unit Plan of Development (“POD”) review is the appropriate vehicle through which to provide this information to the State, and as such, the inclusion of this discussion will become a part of the POD requirement moving forward, commencing in 2016.

The Alaska Land Act finds that the people of Alaska have an interest in maximizing production from state oil and gas leases and in maximizing competition in oil and gas development. AS 38.05.180(a). The DNR commissioner has the authority to prescribe a plan under which state oil and gas leases will operate. AS 38.05.180(p). A POD must set forth plans for developing state oil and gas leases. 11 AAC 83.343. The Department requests that you include the following information in the annual update to your plan of development for the Prudhoe Bay (IPA) Unit due on April 1, 2016.

- A) **Marketing.** A discussion of the efforts to market oil and gas from the unit, which should include the following information:
- 1) To the extent the information is not already provided to DNR in royalty reporting or otherwise, the identity of the parties with whom the unit operator has current commercial agreement(s), or with whom the operator intends to have substantive discussions regarding the marketing of unit hydrocarbons including unit gas and heavy/viscous oil resources. The commercial terms under which the unit operator is offering to make resources available for long-term sale, including: the estimated volumes to be delivered, the pricing terms, the location at which title to the gas and associated risks of loss will change, and the condition of the gas at the time of delivery;
 - 2) A clear delineation between marketing efforts for local North Slope gas sales, and off-Slope gas sales that do and do not meet the definition of a Major Gas Sale under Prudhoe Bay Operating Agreement Section 26.002;

- 3) The extent to which Major Gas or other sales will require changes in existing operations and/or additional operations such as gas processing or treatment;
 - 4) A discussion of any heavy/viscous oil resources currently under production or those that may be technically and economically recoverable.
 - 5) A detailed discussion of any change in circumstances the unit operator believes is necessary to permit the marketing of oil or gas. If the change(s) in circumstances involve a different commodity price, then the unit operator shall detail the scenarios (including sufficient details as to important variables) under which it anticipates that gas or heavy/viscous oil can be technically and economically produced and marketed.
- B) **Facility Access and Sharing.** For purposes of this section, “facility” means roads, drilling rigs, flow lines, flow stations, gathering centers, pump stations, storage tanks, related appurtenances, and other facilities that gather, clean, dehydrate, condition or store crude oil, natural gas, or associated hydrocarbons and are located on a lease or property leased from the state.
- 1) For both oil and gas, each request for facility sharing and access to facilities received and the facility owner’s response to each request.
 - 2) With respect to any request for facility sharing not yet agreed to by the facility owner(s), please provide a detailed summary of the status of on-going discussions and efforts to reach agreement for facility sharing and access including technical, commercial, land status, and regulatory issues.

Where relevant to the development of oil and gas from unitized acreage, the DNR would also expect the unit operator to bring forth discussion of other efforts to progress development, such as farmout discussions and any issues that impede the further development of the unit resources, such as agreements necessary to affect development that have not yet been successfully executed.

Upon request, the information provided will be held confidential as provided in AS 38.05.035(a)(8), to the extent such information meets the requirement of that statute.

Thank you for your assistance. We look forward to an informative discussion at the next Prudhoe Bay (IPA) Unit POD review.

Sincerely,



Mark Myers
Commissioner



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