

KUPARUK RIVER UNIT  
APPLICATION FOR THE  
FOURTH EXPANSION OF THE UNIT AREA AND FOR  
DEFERRAL OF CONTRACTION OF KUPARUK RIVER UNIT AREA

DECISION AND FINDINGS OF THE COMMISSIONER  
ALASKA DEPARTMENT OF NATURAL RESOURCES

JULY 27, 1988

## KUPARUK RIVER UNIT

### APPROVAL OF FOURTH EXPANSION OF THE UNIT AREA AND THE DENIAL OF DEFERRAL OF CONTRACTION OF KUPARUK RIVER UNIT AREA

#### I. INTRODUCTION AND BACKGROUND

The Kuparuk River Unit is an oil and gas unit located on the Alaska North Slope immediately west of the Prudhoe Bay Unit. It was approved by the Alaska Department of Natural Resources on March 26, 1982, effective retroactive to December 1, 1981.

The original application for the Kuparuk River Unit proposed the unitization of 100 State of Alaska leases, all of which were executed on the 1963 version of the Division of Lands (DL-1) lease forms. The original unit area consisted of approximately 237,776 acres, and contained about 30 exploratory wells and 40 development wells at the time of approval.

The Kuparuk River Unit Agreement was modeled after the State of Alaska's Standard Unit Agreement form, which provides for operation of the leases within the unit area as a single entity without regard to lease boundaries and diverse ownership of the leases. The unit is operated in conformance with annual plans of development and operation approved by the Department of Natural Resources. ARCO Alaska, Inc. is the Unit Operator of the Kuparuk River Unit.

On December 13, 1981, production commenced from the Kuparuk Formation, the primary producing interval underlying the Kuparuk River Unit. Start-up production was about 100 thousand barrels of oil per day.

On March 26, 1984, the Department of Natural Resources approved the first expansion of the Kuparuk River Unit Area to include all or portions of an additional 28 State of Alaska leases. The expanded unit area after this first expansion comprised approximately 294,986 acres. Five of the leases included in that expansion were leased in the State of Alaska Oil and Gas Lease Sale 31 (September 1980), and reserved a net profit share of 30 percent to the State, as well as providing for a 20 percent royalty. The Department of Natural Resources approved the first expansion of the Kuparuk River Unit Area as submitted, conditional upon the subsequent submittal and approval of an amendment of the Kuparuk River Unit Agreement to accommodate the terms of the added Net Profit Share leases. This amendment was submitted to the Department on May 6, 1985, and was approved on May 17, 1985.

On May 31, 1985, a second expansion of the Kuparuk River Unit was approved by the Department to include all or portions of four State of Alaska leases. The unit area after this expansion comprised approximately 306,872 acres, an addition of 11,886 acres. Three of the leases included in the second expansion were acquired in the State of Alaska Oil and Gas Lease Sale 39 (May 1983) and reserved a net profit share of 30 percent to the State, as well as providing for a 12.5 percent royalty. This May 31, 1985 Decision was amended on May 29, 1987 to exclude USS 4275 (an unleased Federal Tract within ADL 355023) from the Kuparuk River Unit and the Kuparuk Participating Area.

On May 13, 1988, a third expansion of the Kuparuk River Unit was approved by the Department of Natural Resources to include all or portions of three State leases. The expanded unit area after this expansion comprised 316,400 acres, an addition of 9528 acres. Two of the three leases included within the Kuparuk River Unit Area as a result of this third expansion were Net Profit Share leases acquired in the State of Alaska Oil and Gas Lease Sale 39 (May 1983). These leases, ADL 355024 and ADL 355032, provide for a 30 percent net profit share and 12.5 percent royalty to the State. The third lease included in the unit expansion, ADL 365501, was acquired in the State of Alaska Oil and Gas Lease Sale 45A (September 1985) and reserves a 16 2/3 percent royalty to the State. Presently, the Kuparuk River Unit contains ten net profit share leases.

The Kuparuk Participating Area consists of the leases and portions of leases within the Kuparuk River Unit that have been determined to be underlain by hydrocarbons and capable of producing or contributing to production of hydrocarbons from the Kuparuk River Reservoir in paying quantities. Only leases that are either partially or wholly included within the Kuparuk Participating Area can have oil production from that reservoir allocated to them. Although there are apparently several prospective oil and/or gas reservoirs underlying the Kuparuk River Unit Area, the Kuparuk River Reservoir is the only hydrocarbon pool that is currently commercially productive. Other potential reservoirs, such as the West Sak sands, so far have not been determined to be capable of production of hydrocarbons in paying quantities.

The initial Kuparuk Participating Area was approved by the Department of Natural Resources on March 26, 1982; the approval was subsequently made retroactive to December 1, 1981. The participating area was established simultaneous with and as a part of the original Kuparuk River Unit Agreement. The Kuparuk Participating Area presently encompasses 150,390 acres more or less.

## II. APPLICATION FOR THE FOURTH EXPANSION OF KUPARUK RIVER UNIT AREA AND FOR DEFERRAL OF CONTRACTION OF THE KUPARUK RIVER UNIT AREA.

On June 7, 1988, ARCO Alaska, Inc., the Unit Operator, on behalf of itself and ten other Working Interest Owners, made an application for a fourth expansion of the Kuparuk River Unit Area. This fourth expansion proposes to add all or portions of three State leases, for a total expanded Unit Area of 326,592 acres, an addition of 10,192 acres. Other Working Interest Owners include the Amerada Hess Corporation; Amoco Production Company; BP Alaska Exploration, Inc.; Chevron U.S.A., Inc.; Exxon Corporation; Mobil Oil Company; Standard Alaska Petroleum Company; Texaco, Inc. and Union Oil Company of California.

The three leases, ADL 365520, ADL 365523 and ADL 365524, proposed to be included within the Kuparuk River Unit Area as a result of this fourth expansion are leases acquired in the State of Alaska Oil and Gas Lease Sale 45A (September 1985). These leases provide for a 16 2/3 percent royalty to the State.

The proposed expansion of the Kuparuk River Unit Area would conform and modify provisions of the individual oil and gas leases to be added to the unit so that development of the area could be conducted on a unit-wide basis rather than on a lease-by-lease basis. Approval of the expansion would extend the joint, cooperative exploration and development of the unit area in conformance with approved Unit Plans of Development and Operation.

An application to defer the contraction date of the Kuparuk River Unit Area was submitted to the Department of Natural Resources at the same time as the application to expand the Kuparuk River Unit Area. This application for contraction deferral proposes to postpone the December 1, 1991 contraction date on those leases in Attachment II ("Deferral Leases") having West Sak sand potential. The application requests a six year deferral of unit contraction with respect to the Deferral Leases and the three expansion leases proposed for addition to the unit at this time.

Public notice of the proposed Fourth Expansion of the Kuparuk River Unit Area and Deferral of Contraction of the Kuparuk Unit Area was published on June 15, 1988 in the Anchorage Daily News and the Fairbanks Daily News-Miner, and in the Barrow Sun on June 23, 1988. Copies of the proposed expansions were also provided to interested parties in conformance with 11 AAC 83.311, as well as to the Alaska Department of Environmental Conservation, the Alaska Department of Fish and Game, and the Alaska Department of Natural Resources, Division of Land and Water Management.

During the 30 day public notice period allowed under 11 AAC 83.311, thirteen comments were received from interested parties across the state. Twelve letters urged the Commissioner to deny the request for deferral of the scheduled contraction, while one letter favored approval of the deferral. No objection was made to the proposed expansion of the Kuparuk River Unit area.

The proposed effective date of the Fourth Expansion of the Kuparuk River Unit Area is the first day of the month following approval by the Commissioner of the Department of Natural Resources, that is 12:01 a.m. August 1, 1988.

### III. GEOLOGICAL AND ENGINEERING CHARACTERISTICS, AND PREVIOUS EXPLORATION OF THE PROPOSED EXPANSION AREAS

Staff members of the Division of Oil and Gas met with ARCO, the Kuparuk River Unit Operator, in August and October of 1987 to discuss confidential geological, geophysical, engineering and well information prior to and in support of a proposed application for the fourth expansion of the Kuparuk River Unit Area. Confidential information pertinent to the delineation and development of the potentially producible Shallow Sands (West Sak, Colville and Ugnu) within the Kuparuk River Unit was also presented by ARCO to the division during these meetings. This information included an overview of the West Sak Pilot project conducted by ARCO from September 1984 through December 1986 and the results from the recently drilled Winter Trails wells.

The Department of Natural Resources reviewed the geological, geophysical and engineering data submitted in support of the proposed expansion to determine whether ADL 365520, ADL 365523 and ADL 365524 are justified for inclusion within the unit under the terms of the applicable regulations governing formation and expansion of an oil and gas unit (11 AAC 83.301 - 11 AAC 83.395) and the terms and conditions under which the lands were leased from the State of Alaska.

#### IV. TERMS AND CONDITIONS OF THE KUPARUK RIVER UNIT AGREEMENT -- CONTRACTION OF UNIT AREA

As previously stated, the initial Kuparuk Participating Area was established effective December 1, 1981. Article 9.2 of the Kuparuk River Unit Agreement states:

Any lease, a part of which is not included in a Participating Area on the tenth anniversary of the effective date of the initial Participating Area formed under this Agreement shall be excluded from the Unit Area and from this Agreement. If any portion of a lease is included in a Participating Area, the entire lease will remain committed to the Unit.

Thus, the Kuparuk Working Interest Owners agreed to the mandatory contraction of the unit area, scheduled to occur on December 1, 1991 in accordance with Article 9.2 of the Unit Agreement. This application requests deferral of the contraction for the leases listed in Attachment II (Deferral Leases) and for the three expansion leases which are proposed for inclusion in the fourth expansion of the unit area.

It is clear from the 1987 Update of the Kuparuk River Unit Plan of Development that the Working Interest Owners contemplated an application for deferral of unit contraction, four years prior to the 1991 contraction date. In a July 9, 1987 letter responding to the 1987 Update of the Unit Plan of Development, the Division of Oil and Gas put the Kuparuk Working Interest Owners on notice that it considered the ten year contraction period to be adequate to delineate acreage to be retained in the Kuparuk Unit Area. In that letter, the Division Director, James E. Eason, stated that

"...Required contraction provisions are included in all unit agreements approved by the division in order to provide a mechanism for timely unit delineation. ...the Kuparuk River Unit working interest owners will have had sufficient time to delineate the Kuparuk River Unit by 1991. Although working interest owner economics might dictate that further delineation of the Kuparuk reservoir

be postponed until after the currently delineated area is in full production, I do not believe that it is in the State's overall best interest to provide for an additional delineation period beyond the contraction date set out in the Unit Agreement."

In subsequent meetings with ARCO on August 18, 1987 and on October 28, 1987, the division restated its reluctance to consider any request for further delay of the mandatory contraction of the unit area beyond the December 1, 1991 date.

#### V. DISCUSSION OF CONTRACTION DEFERRAL DECISION

Under 11 AAC 83.356(a), units are required to encompass the minimum area required to include all or part of one or more oil or gas reservoirs, or all or part of one or more potential hydrocarbon accumulations. Therefore, 11 AAC 83.356(b) calls for contraction of the unit area ten years after sustained unit production begins. Under that subsection, contraction can be delayed if the circumstances of a particular unit warrant. Postponement of contraction must be evaluated considering the provisions of 11 AAC 83.303. The criteria of that section are promotion of conservation of natural resources, promotion of prevention of waste, and protection of all parties of interest, including the state.

Analyzing the deferral application under these criteria, delay of contraction at this time would not be warranted. The majority of these leases were issued in 1965, twenty-six years before the scheduled contraction date provided under the terms of the Kuparuk River Unit Agreement. For these leases, the lessees have benefited from an extended period of ownership because of the coincidence of several factors, which in combination have provided an extraordinary amount of time in which to explore, delineate and develop any underlying oil and gas reserves.

Since the patent to these lands had not vested to the state when the leases were issued in 1965, they were issued as "conditional" leases. As conditional leases, their primary term did not commence until patent was issued, which in this instance was March 27, 1974. Following receipt of patent, but before expiration of the primary ten year term, these leases were committed to the Kuparuk River Unit, thus qualifying for further extension under the terms of the unit agreement.

However, as a condition of their committal to the unit, the lessees (now Working Interest Owners) agreed to a predictable unit contraction schedule under the terms of Article 9.2 of the Unit Agreement. Under the negotiated terms of that agreement, both the State and the lessees bargained for and received valuable considerations. In this instance, the lessees received extensions of the primary term for their leases, and the State received a corresponding commitment from the lessees to expedited development under a predictable schedule and under terms designed to protect the interests of all parties, including the State. Thus, as the mandatory contraction date

approaches, many of these leases will have had almost thirty year terms, and all of them will have had at least some extension beyond their normal ten year primary term.

There now remains more than three years for the Kuparuk River Unit Working Interest Owners to delineate any producible reserves beneath the requested deferral area, to commit the producible acreage to a West Sak Participating Area and to commence development of those leases under an approved Plan of Development as provided by the Unit Agreement and the department's regulations. Any leases committed to an approved West Sak Participating Area prior to the mandatory contraction date would be extended automatically under the terms of Article 9.2 of the Unit Agreement.

However, should the Working Interest Owners fail to meet their contractual obligations as scheduled, it would be proper to contract the deferral leases from the Kuparuk River Unit area, and to make them available for re-leasing under competitive terms so that other potential lessees may have an opportunity to develop the state's oil and gas resources.

Notwithstanding the current Working Interest Owners' claim to the contrary, there is no way to demonstrate conclusively that development will occur earlier under their ownership, as opposed to that of their competitors. Under the recently submitted 1988 Update of the Kuparuk River Unit Plan of Development, the Kuparuk Working Interest Owners state, "At the present time, no commitments or firm development plans have been made for West Sak, Colville or Ugnu." The State's interest in this instance is better served by enforcing the terms of the agreement for which it bargained.

## VI. DISCUSSION OF EXPANSION DECISION CRITERIA

In accordance with the applicable regulations (11 AAC 83.301 - 11 AAC 83.395), the Commissioner will approve an expansion of an existing oil and gas unit if she finds that such expansion is necessary or advisable to protect the public interest. In determining whether a proposed expansion is in the public interest, the Commissioner will consider the following criteria: (1) the conservation of all natural resources; (2) the prevention of economic and physical waste; and (3) the protection of all parties of interest, including the State. A discussion of these criteria follows.

- (1) The Conservation of All Natural Resources. Unitized development of and production from a reservoir is universally recognized as a prudent conservation mechanism. By unitizing a field-wide area, drilling operations can be optimized and surface impacts can be reduced. Unitized development can also provide a structure for several parties to combine their expertise and resources to develop and produce an area that might be beyond the capabilities of a single party to develop or produce, especially if the prospective area is only marginally economic.

There are sufficient geological, geophysical and engineering data to indicate the probable existence of producible hydrocarbon reserves underlying portions of leases ADL 365520, ADL 365523 and ADL 365524 which have been proposed for inclusion in the unit area. There is also considerable evidence that these reserves would only be marginally economic under current technological and market conditions, and in fact may never meet a strict "commercial quantities" definition if developed on a lease-by-lease basis. As a result, the inclusion of these tracts into the producing Kuparuk River Unit does promote the conservation of all natural resources by allowing production and cost sharing to be extended to these tracts through the Unit Agreement and Unit Operating Agreement.

- (2) The Prevention of Economic and Physical Waste. Proper allocation of hydrocarbons to each affected lease through cost-sharing formulas and integrated exploration and development plans help ensure that physical and economic recovery from all reservoirs underlying the unit area is maximized.

As noted above, the benefits of unitization are especially applicable to marginally economic areas, particularly near the periphery of reservoirs. In such areas, reserves that would not economically be producible on their own are often gained through unitized operations. Capital savings as a result of the consolidation of reservoir evaluation and management and elimination of the need for duplication of surface facilities allows less profitable areas of a reservoir to be tested, developed and produced. Pressure maintenance and secondary and tertiary recovery operations applied on a reservoir-wide basis also increase ultimate recovery and improve marginal development economics.

In the approved expansion areas, the State believes that prevention of economic and physical waste will be accomplished by the accelerated development and production of hydrocarbon reserves if the affected tracts are committed to the Kuparuk River Unit.

- (3) The Protection of All Parties of Interest, Including the State. A primary goal of unitization is the protection of all parties having an economic interest in one or more common hydrocarbon accumulations. Unitization conserves natural resources and prevents economic waste by minimizing the many competing interests for delineation and operation of common reservoirs within the area, while retaining separate interests and accounts for equitable sharing of costs and benefits based on original ownership. By ratification of the Unit Agreement, all parties are assured an allocation of costs and production commensurate with the value of their leases.

The expansion of the Kuparuk River Unit extends these benefits and protection to leases considered likely to be capable of contributing to production from the West Sak sands. The State's economic interest is protected by maximizing any physical recovery of hydrocarbons that may exist in the area. Maximizing hydrocarbon recovery in turn assures that



the production-based revenue accruing to the State is also maximized. Accelerated development of the affected leases will contribute to the economic well-being of the State as a result of the expedited receipt of the revenues involved, and the additional subsurface information obtained due to early development and production of the area. Unitized operations within the expansion areas also minimize impacts to the area's cultural, biological and environmental resources.

With respect to the allowance for field costs expressed in Article 7.5 and Appendix I of the Kuparuk River Unit Agreement, the inclusion of all or portions of ADL 365520, ADL 365523 and ADL 365524 into the Kuparuk River Unit does not alter or amend the terms or conditions of Paragraph 7, Paragraph 37 and Paragraph 38(b) of the leases. In particular, Paragraph 7 of the leases provides as follows:

"The state's royalty share of the unit production allocated to each separately owned tract must be regarded as royalty to be distributed to and among, or the proceeds of it paid to, the state, free and clear of all unit expenses and free of any lien for them. Under this provision, the state's royalty share of any unit production allocated to the leased area will be regarded as royalty to be distributed to, or the proceeds of it paid to, the state, free and clear of all unit expenses (and any portion of those expenses incurred away from the unit area), including, but not limited to, expenses for separating, cleaning, dehydration, gathering, saltwater disposal, and preparing oil, gas, or associated substances for transportation off the unit area, and free of any lien for them."

Therefore, no field cost allowance will be made for production from those leases even after unitization.

## VII. FINDINGS AND DECISION

Considering the facts discussed in this document and the administrative record, I hereby find:

1. Based on the available geological, geophysical and engineering data submitted to the State and discussions with the Unit Operator, the fourth expansion of the Kuparuk River Unit Area as proposed on June 7, 1988 is proper and justified. The area proper for expansion of the Kuparuk River Unit Area based upon currently available data consists of the following lands:

T9N R9E U.M., Sections 1, 2, 11 and 12: all  
(ADL 365520); T9N R10E U.M., Sections 5, 6, 7, 8, 17  
and 18: all (ADL 365523); T9N R10E U.M., Sections 19,  
20, 29, 30, 31 and 32: all (ADL 365524).

The approved Kuparuk River Unit Area as of August 1, 1988 shall be as set out in Exhibit A attached to the Application to Expand the Kuparuk River Unit Area.

2. The Kuparuk River Unit Agreement provides for further expansions and contractions of the unit area in the future as warranted by additional information. Therefore, the public interest and the correlative rights of all parties affected by this expansion, including the State, are protected.
3. Approval of this expansion of the Kuparuk River Unit Area is necessary and advisable to protect the public interest. Lessees' ratification of the Unit Agreement will ensure a fair and equitable return to the State from any production of hydrocarbons from the expanded unit area.

The inclusion of these lands into the Kuparuk River Unit does not alter or amend the terms and conditions of Paragraph 7, Paragraph 37 and Paragraph 38(b) of the appropriate leases.

4. Thirty of the thirty-seven leases listed in Attachment II (Deferral Leases) have effective dates of 1965. All or portions of twenty-one of these Conditional leases became part of the Kuparuk River Unit in the First Expansion of the Unit Area on March 26, 1984. Inclusion into the Unit Area took place prior to the expiration date of these leases.
5. Within 60 days of the Effective Date of this Decision and Findings, the Unit Operator shall submit to the State updated Exhibits A, B, D and F to the Kuparuk River Unit Agreement reflecting inclusion of the approved areas as set out in this Decision and Findings.
6. Diligent exploration and delineation of all reservoirs underlying the proposed expansion area will be conducted by the Unit Operator under the Kuparuk River Unit Plans of Development and Operation approved by the State.
7. The economic benefits to the State as a result of unitized development and production of the expanded Kuparuk River Unit Area outweigh the economic costs to the State of approving the expansion.
8. Expansion of the Kuparuk River Unit Area to include the additional leases will provide for the increased conservation of all natural resources including hydrocarbons, gravel, sand, water, wetland and other valuable habitat.
9. Expansion of the Kuparuk River Unit to include the additional leases will reduce the amount of surface lands and fish and wildlife habitat that would otherwise be used if the area were to be explored and developed on a lease-by-lease basis. This reduction in the impact on the environment and on subsistence activity in the area is in the public interest.

10. Prior to the construction of permanent facilities for development of or production from any of the tracts added to the Kuparuk River Unit Area through this expansion, the Working Interest Owners will present to the Department of Natural Resources and the Department of Fish and Game a document summarizing caribou usage on the expanded unit area. All Plans of Development and Operation, and updates of such Plans, for the expanded unit area must take such caribou usage patterns into account. Considerations of caribou usage in the Kuparuk River Unit Plans of Development and Operation and updates to such Plans, should be integrated with caribou usage considerations for unit areas adjacent to the Kuparuk River Unit Area to the extent possible.
11. Preservation of sensitive wetland habitat shall be addressed in all Kuparuk River Unit Plans of Development and Operations, and updates to such Plans, with emphasis being placed on minimizing cross-drainage problems.
12. The Fourth Expansion of the Kuparuk River Unit Area is consistent with the Alaska Coastal Zone Management Act.
13. Expansion of the Kuparuk River Unit to include the additional leases will not limit or diminish access to public and navigable waters beyond any limitations already contained in the oil and gas leases proposed to be added to the unit area.
14. This expansion of the Kuparuk River Unit Area will be effective as of 12:01 a.m. August 1, 1988.
15. Required contraction provisions are included in all unit agreements approved by the division in order to provide a mechanism for timely unit delineation. The Kuparuk River Unit working interest owners will have sufficient time to delineate the Unit Area by 1991, ten years after the effective date of the initial Participating Area, and twenty-six years after the issuance of the majority of the "Deferral Leases."
16. An application to defer the mandatory contraction at this time is premature. Given that more than three years remain before the scheduled contraction date, the benefits to the state would be speculative. The deferral may in fact discourage prompt development of the "Deferral Leases."
17. The deferral of the scheduled contraction would be inappropriate at this time. In evaluating the deferral request, the department must consider the applicant's plan for exploration or development of the unit area scheduled for contraction. 11 AAC 83.303(b)(4). At the present time, the Kuparuk Working Interest Owners have no firm development plans for the area of the Unit encompassed by the "Deferral Leases."

18. Considering the provisions of 11 AAC 83.303, delay of contraction of the unit area at this time is not warranted by the circumstances of this Unit. Consequently, this request for deferral of the December 1, 1991 contraction date is denied.

For these reasons and subject to the conditions and limitations noted, I hereby approve the Fourth Expansion of the Kuparuk River Unit and deny the request for Deferral of Contraction of the Kuparuk River Unit Area.

James E. Eason  
James E. Eason, Director  
Division of Oil and Gas

July 27 1988  
Date

For: Judith M. Brady, Commissioner  
Alaska Department of Natural Resources

Attest: Michael J. Kotowski  
Date: 7-27-88

Attest: David W. Johnson  
Date: 7-27-88

Attachments: Delegation of Authority from Commissioner,  
Alaska Department of Natural Resources, to Director, Division  
of Oil and Gas, dated May 13, 1988.

Deferral Leases

DELEGATIONS OF AUTHORITY FOR THE DIVISION OF OIL AND GAS

<u>Regulatory Citation</u>	<u>Purpose or Action</u>	<u>Authority Vested in</u>	<u>Authority Delegated to</u>
11 AAC 82.400	Parcels Offered for Competitive Lease	Commissioner	No Delegation
11 AAC 82.405	Method of Bidding	Commissioner	No Delegation
11 AAC 82.410	Minimum Bid	Commissioner	No Delegation
11 AAC 82.445	Incomplete Bids	Commissioner	No Delegation
11 AAC 82.450	Rejection of Bids	Commissioner	No Delegation
11 AAC 82.455	Tie Bids	Commissioner	No Delegation
11 AAC 82.460	Additional Information	Commissioner	No Delegation
11 AAC 82.465	Award Leases	Commissioner	Director, Div. Oil & Gas (DOG)
11 AAC 82.470	Issue Leases	Commissioner	Director, DOG
11 AAC 82.475	Bid Deposit Return	Commissioner	Director, DOG
11 AAC 82.600	Required Bonds	Commissioner	Director, DOG
11 AAC 82.605	Approve/Deny Assignments of Oil and Gas Leases	Commissioner	Director, DOG
11 AAC 82.610	Segregate Leases	Commissioner	Director, DOG
11 AAC 82.620	Transfer of a Lease, Permit or Interest as a Result of Death	Commissioner	Director, DOG
11 AAC 82.625	Eff. Date of Assignments	Commissioner	Director, DOG
11 AAC 82.635	Surrenders	Commissioner	Director, DOG
11 AAC 82.640	Survey Requirement	Commissioner	No Delegation
11 AAC 82.645	Conforming Protracted Description to Official Surveys	Commissioner	No Delegation
11 AAC 82.650	Control of Lease Boundaries	Commissioner	No Delegation
11 AAC 82.660	Excess Area; Partial Termination	Commissioner	No Delegation
11 AAC 82.665	Rental and Royalty Relief	Commissioner	No Delegation
11 AAC 82.700	Taking Royalty in Kind	Commissioner	No Delegation
11 AAC 82.705	Bidding Method	Commissioner	No Delegation

Delegations of Authority

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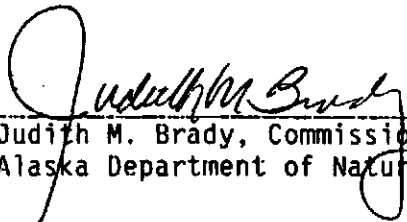
11 AAC 82.710	Notice of Sale	Commissioner	No Delegation
11 AAC 82.800	Production Records	Commissioner	No Delegation
11 AAC 82.805	Test Results	Commissioner	No Delegation
11 AAC 83.153	Well Confidentiality	Commissioner	Director, DOG
11 AAC 83.158	Approve/Deny Lease Plan of Operations	Commissioner	Director, DOG
11 AAC 83.303	Unit Agreement Approval	Commissioner	Director, DOG
11 AAC 83.306	Accept Application for Unit Agreement Approval	Commissioner	Director, DOG
11 AAC 83.311	Publish Public Notice of Unit Agreement Application	Commissioner	Director, DOG
11 AAC 83.316	Approve/Deny Unit Agreement	Commissioner	No delegation
11 AAC 83.326	Require or Accept Nonstandard Unit Agreement Language	Commissioner	No delegation
11 AAC 83.328	Mandate Unitization (Involuntary Unitization)	Commissioner	No delegation
11 AAC 83.331	Approve/Deny Change in Unit Operator	Commissioner	Director, DOG
11 AAC 83.336	Grant Extension of Unit Term; Grant Suspension of Operations (Force Majeure); Terminate Unit	Commissioner	No delegation
11 AAC 83.341	Approve/Deny Plan of Exploration	Commissioner	Director, DOG
11 AAC 83.343	Approve/Deny Plan of Development	Commissioner	Director, DOG
11 AAC 83.346	Approve/Deny Plan of Operations	Commissioner	Director, DOG
11 AAC 83.351	Approve/Deny Participating Area	Commissioner	Director, DOG
11 AAC 83.356	Expand/Contract Unit Area	Commissioner	Director, DOG
11 AAC 83.361	Certify Wells as Capable of Production in Paying Quantities	Commissioner	Director, DOG
11 AAC 83.371	Approve/Deny Allocation of Cost and Production Formulas	Commissioner	Director, DOG

Delegations of Authority  
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11 AAC 83.373	Sever Leases	Commissioner	Director, DOG
11 AAC 83.374	Declare Unit in Default	Commissioner	No delegation
11 AAC 83.383	Notation of Approval on Joinder	Commissioner	Director, DOG
11 AAC 83.385	Modification of Unit Agreement	Commissioner	Director, DOG
11 AAC 83.393	Approval of Federal or Private Party Unit Agreements	Commissioner	No delegation

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I hereby delegate the authority vested in me through AS 38.05.180 to the Director of the Division of Oil and Gas as noted above. This delegation of authority is effective until revoked by me.

  
\_\_\_\_\_  
Judith M. Brady, Commissioner  
Alaska Department of Natural Resources

5/13/88  
Date

ATTACHMENT II

DEFERRAL LEASES

ADL 25606  
ADL 25626  
ADL 25662  
ADL 25663  
ADL 25669  
ADL 25670  
ADL 25671  
ADL 25672  
ADL 25673  
ADL 25674  
ADL 25675  
ADL 25676  
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ADL 28248  
ADL 81230  
ADL 318602  
ADL 318603  
ADL 318605  
ADL 318628  
ADL 318630  
ADL 348923  
ADL 348924




DEFERRAL LEASES

<u>ADL NUMBER</u>	<u>BONUS BID</u>	<u>RENTAL RATE</u>	<u>TOTAL ACRES</u>	<u>ANNUAL RENTAL</u>
ADL 25606	\$ 4,019.20	\$1.00/acre	2560	\$ 2,560.00
ADL 25626	14,105.60	\$1.00/acre	1280	1,280.00
ADL 25662	4,019.20	\$1.00/acre	2560	2,560.00
ADL 25663	8,550.40	\$1.00/acre	2560	2,560.00
ADL 25669	8,217.60	\$1.00/acre	2560	2,560.00
ADL 25670	8,217.60	\$1.00/acre	2560	2,560.00
ADL 25671	8,063.52	\$1.00/acre	2512	2,512.00
ADL 25672	4,019.20	\$1.00/acre	2560	2,560.00
ADL 25673	4,019.20	\$1.00/acre	2560	2,560.00
ADL 25674	4,019.20	\$1.00/acre	1280	1,280.00
ADL 25675	4,019.20	\$1.00/acre	2560	2,560.00
ADL 25676	6,458.88	\$1.00/acre	2523	2,523.00
ADL 25677	4,019.20	\$1.00/acre	2560	2,560.00
ADL 25678	4,019.20	\$1.00/acre	2560	2,560.00
ADL 25679	3,961.11	\$1.00/acre	2523	2,523.00
ADL 25680	6,484.48	\$3.00/acre	2533	7,599.00
ADL 25681	4,019.20	\$3.00/acre	2560	7,680.00
ADL 25684	2,841.60	\$1.00/acre	2560	2,560.00
ADL 25685	2,636.80	\$1.00/acre	2560	2,560.00
ADL 25686	6,553.60	\$1.00/acre	2560	2,560.00
ADL 25687	2,841.60	\$1.00/acre	2560	2,560.00
ADL 25689	6,553.60	\$3.00/acre	2560	7,680.00
ADL 25690	4,019.20	\$3.00/acre	2560	7,680.00
ADL 25691	3,994.08	\$3.00/acre	2544	7,632.00
ADL 25695	2,841.60	\$1.00/acre	2560	2,560.00
ADL 28236	8,773.20	\$1.00/acre	2437	2,437.00
ADL 28244	58,112.00	\$1.00/acre	2560	2,560.00
ADL 28247	9,113.60	\$1.00/acre	1920	1,920.00
ADL 28248	3,935.78	\$1.00/acre	1851	1,851.00
ADL 81230	4,019.20	\$1.00/acre	1280	1,280.00
ADL 318602	375,150.00	\$3.00/acre	2501	7,503.00
ADL 318603	374,288.00	\$3.00/acre	2512	7,536.00
ADL 318605	375,927.00	\$3.00/acre	2523	7,569.00
ADL 318628	359,686.00	\$3.00/acre	2533	7,599.00
ADL 318630	66,144.00	\$3.00/acre	2544	7,632.00
ADL 348923	3,935.78	\$1.00/acre	640	640.00
ADL 348924	14,105.60	\$1.00/acre	1280	1,280.00
ADL 365520	1,690,527.00	\$3.00/acre	2560	7,680.00
ADL 365523	3,301,707.00	\$3.00/acre	3804	11,412.00
ADL 365524	<u>150,391.00</u>	\$3.00/acre	<u>3828</u>	<u>11,484.00</u>
	\$6,928,329.23		96,048	\$167,172.00

Annual Rental of \$167,172.00 for the six year extension = \$1,003,032.00

● **SENDER:** Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4.  
 Put your address in the "RETURN TO" Space on the reverse side. Failure to do so will prevent this card from being returned to you. The return receipt fee will provide you with the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. †(Extra charge)†		2. <input type="checkbox"/> Restricted Delivery †(Extra charge)†	
3. Article Addressed to: ARCO Alaska, Inc. P O Box 100360 Anchorage, AK 99510 Attn: H. P. Foster, Jr. Senior Vice President		4. Article Number <b>10490</b>	
		Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	
		Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b>	

5. Signature — Addressee <b>X</b>
6. Signature — Agent <b>X</b> 
7. Date of Delivery <b>8-1-88</b>

8. Addressee's Address (ONLY if requested and fee paid)
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