



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

Division of Oil & Gas
Anchorage Office

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May 12, 2016

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

RE: Prudhoe Bay Unit – Initial Participating Area Plan of Development

Dear Mr. Digert:

The Division has reviewed your letter dated May 2, 2016. In that letter, BP Exploration (Alaska) Inc. (BPXA) as unit operator for the Prudhoe Bay Unit (PBU) expressed concerns regarding the Division's request for information related to gas development. The Division respectfully disagrees with BPXA's analysis. The information requested by the Commissioner of the Department of Natural Resources in his January 14, 2016 letter and subsequently by the Division in its April 11, 2016 letter to BPXA as Unit Operator is essential to the Division in understanding the "long-range proposed development activities for the unit" and must be included in the POD to the extent it exists. *See* 11 AAC 83.343.

In the May 2, 2016 letter, BPXA directed the Division to filings submitted to the Alaska Oil and Gas Conservation Commission (AOGCC) by BPXA in September 2015 in support of BPXA's application to amend Conservation Order 341E to increase the allowable gas offtake in Rule 9. The Division has reviewed those filings and will incorporate them by reference into the 2016 PBU IPA POD. The Division appreciates that the Unit Operator has provided, to the extent they currently exist, proposed plans for progressing in-fill drilling and proposed changes in existing operations during the 2016 POD period required to facilitate a MGS. The Division's technical staff will be requesting an update to the CO2 technical evaluation that was submitted as a part of the 2010 POD.

The Division also requests that the Unit Operator provide a response to the Division's request for the proposed terms by which gas balancing (if such agreement may be required), byproduct handling, and field cost allowance will be treated when a Major Gas Sale occurs. As requested in the Division's April 11, 2016 letter, if such terms have not yet been agreed upon for the PBU, the Unit Operator should explain any progress made to develop such terms and identify remaining issues that may prevent agreement on such terms and any plans to advance or finalize such terms during the 2016 POD period.

Finally, the Division has not yet received responses to questions asked regarding marketing efforts for gas sales. We continue to believe that the Unit Operator is obligated to provide this information; nevertheless, the Division in its April 11, 2016 letter authorized the Unit Operator to request that each PBU working interest owner (WIO) provide marketing information directly to the Division no later than May 1, 2016. The Division also informed the Unit Operator that

these individual responses would be considered part of the POD but would be kept confidential as appropriate, if requested. In its May 2, 2016 letter, the Unit Operator confirmed that it had made such request to each WIO. The Division received a letter from ConocoPhillips Alaska, Inc. (CPAI) on May 2, 2016 and a letter from BPXA on May 5, 2016. While appreciated, these letters do not respond to the Division's requests in sufficient detail. In order to adequately evaluate how the POD meets the requirements of 11AAC 83.343 and other law, the Division needs specific information regarding past and on-going efforts to market gas in both the local and non-local markets. To the extent it is contemplated at this time, the Division also needs specific commitments and timelines regarding how gas will be marketed in the future. The Division acknowledges the various objections raised by BPXA and CPAI regarding the Division's requests and, again, respectfully disagrees. As stated above, the requested marketing information is essential to understanding the "long-range proposed development activities for the unit," and the POD cannot be considered complete until such information is received. *See* 11 AAC 83.343. No response has yet been received from ExxonMobil.

The Division is actively evaluating the technical information provided by the Unit Operator as part of the proposed 2016 PBU IPA POD. We ask that the Unit Operator and the WIOs provide the information requested above as soon as possible so that evaluation of the entire POD may be completed. If we can help facilitate the exchange of any of the requested information, please let us know.

If you have questions regarding this decision, please do not hesitate to contact Kyle Smith at (907) 269-8807, or via email at kyle.smith@alaska.gov.

Sincerely,



Corri Feige
Director

cc: David Van Tuyl, BPXA
Jon Schultz, CPAI
Temple Davidson, DNR
Kyle Smith, DNR
DOL