



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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July 6, 2017

CERTIFIED MAIL

Cory E. Quarles
Alaska Production Manager
ExxonMobil Production Company
P.O. Box 196601
Anchorage, Alaska 99519-6601

Diane Colley
BP Exploration (AK), Inc.
900 E. Benson Blvd.
Anchorage, AK 99519-6612

Dawn Thomas
ConocoPhillips
PO Box 100360
Anchorage, AK 99510-0360

RE: Permissibility of Taking a Field Cost Allowance at Point Thomson DL-1 Leases

Dear Mr. Quarles, Ms. Colley, and Ms. Thomas:

ExxonMobil Alaska Production Inc. (Exxon) notified the Division of Oil and Gas (Division) shortly after the start of the Point Thomson Unit (PTU) Initial Production System in April 2016 that it intended to take a field cost allowance based on "actual costs" from production from DL-1 leases at PTU. ExxonMobil, BP, and ConocoPhillips have since submitted royalty filings with a field cost deduction for DL-1 leases.

The Division appreciates the working interest owners bringing on production at PTU. However, after carefully considering Exxon's position, it remains the Division's position that no field cost allowance is permissible for DL-1 leases.

The Division respectfully rejects the royalty filings submitted by Exxon, BP, and ConocoPhillips insofar as those filings contain a field cost deduction for DL-1 leases. To the extent working interest owners have asserted provisional field cost allowances, the Division requests those working interest owners adjust their royalty filings to eliminate the provisional field cost allowances. By September 1, 2017, all Point Thomson lessees that have filed royalty reports (A1 Forms) that include a field cost deduction (allocation code of FC) to the royalty value must refile the report to exclude these deductions back to the date of first production (April 2016).

An eligible person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Andrew T. Mack, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,



Chantal Walsh
Director