



RECEIVED
JUL 31 2014

Great Bear Petroleum Operating LLC

A New Direction for the Last Frontier

601 W. 5th Ave., Suite 505, Anchorage, AK 99501

Phone: (907) 868-8070, Fax: (907) 868-3887

July 31, 2014

Via Email: dog.comments@alaska.gov

State of Alaska
Department of Natural Resources
Division of Oil & Gas
550 W. 7th Ave, Suite 1100
Anchorage, AK 99501-3563

Re: Public Scoping on Oil and Gas Leasing Regulations, 11 AAC 83

Ladies and Gentlemen:

The Division of Oil and Gas has solicited public comments on the regulations found at 11 AAC 83 ("Chapter 83") with the prospect that the Department of Natural Resources ("DNR") may propose revisions to these regulations following this scoping process. Great Bear Petroleum Operating LLC ("Great Bear") is very interested in any potential revisions to Chapter 83, and submits the following comments for DNR's consideration as potential revisions to Chapter 83 are being developed.

Lease Extensions

In 2013, the Alaska Legislature passed HB 198 that provided the DNR Commissioner with the discretion to grant a one-time extension of the primary term of state oil and gas leases up to a maximum of 10-years, if requested by the leaseholder. Currently, Chapter 83 does not include a description of the criteria that will be considered by the Commissioner when making the determination whether to grant such an extension request. As a lessee with many 7-year leases, such direction would be extremely valuable when determining what activities to sanction during the initial primary term. A lessee approaching the end of the primary term of a lease may decide not to pursue exploration activities if there is no clear direction that such activity would result in a strong extension application. The risk of spending millions of dollars on seismic acquisition or drilling a well only to lose the subject acreage may preclude the investment. Such a result is not in the state's interest.

Plans of Operation (11 AAC 83.158 and 11 AAC 83.346)

Since the repeal of the Alaska Coastal Management Program and its associated consistency review process, the approval process for DNR's plans of operation have been without any regulatory structure concerning schedule, deadlines, public notice, review participants, review criteria, and when a modification to an existing plan of operation requires public notice. DNR should consider providing a decision-making process for plans of operation in any revision to Chapter 83. Great Bear is aware that DNR is considering revisions to create a form of "areawide exploration permits", and asks DNR to ensure that any such proposal actually simplify, streamline, and shorten the overall review process for plans of operation for all applicants.

Royalty Modification

In 2011, DNR proposed a new section in Chapter 83 to deal with royalty modification requests made under AS 38.05.180(j). At the time, Great Bear's outside counsel submitted comments on Great Bear's behalf regarding the proposed definitions of "pool", "reservoir", and "field", as well as expressing concerns regarding the proposed decision-making process and timeline. If revisions such as this new section for royalty modifications are considered by DNR, we ask that Great Bear's prior comments be incorporated into the proposal. Also, Great Bear's proposed revisions to the definitions of "pool", "reservoir", and "field" could provide an elegant and clarifying method of differentiating conventional from unconventional resources in unitization decisions.

Unitization

In a joint letter with other Alaska oil and gas explorers, Great Bear previously expressed our concerns regarding recent unitization decisions made by DNR. We ask that DNR not revise Chapter 83 to retroactively endorse the problematic policies demonstrated in these decisions. To the contrary, we recommend that DNR put in place revisions that reinforce that unitization is compatible with exploration activities, and a single lessee or working interest holder can unitize acreage.

In addition, Great Bear will be monitoring any proposed revisions to Chapter 83 to ensure that they do not make it more difficult for DNR to unitize unconventional resources. We are aware that the published position of the current Director of the Division of Oil and Gas in regards to unconventional resource units. However, DNR has recognized in the past that unitizing unconventional resources is in the state's interest and is compatible with unitization requirements of Chapter 83. As noted above, Great Bear has previously submitted proposed language regarding how to distinguish conventional and unconventional units. Great Bear's comments in this area would be useful for DNR to consider if revising the unitization provisions in Chapter 83.

Department of Natural Resources
Division of Oil and Gas
July 31, 2014
Page 3 of 3

If you have any questions or concerns on this matter, please do not hesitate to call us at (907) 868-8070.

Sincerely,

Great Bear Petroleum Operating LLC

A handwritten signature in black ink, appearing to be 'P. Galvin', followed by a long horizontal line extending to the right.

Patrick S. Galvin
Vice President-External Affairs &
Deputy General Counsel

