

JAY S. HAMMOND, GOVERNOR

**DEPARTMENT OF NATURAL RESOURCES**

OFFICE OF THE COMMISSIONER

POUCH M—JUNEAU 99811

October 31, 1979

Mr. Gunnar S. Pedersen, President  
Geopol, Inc.  
KJOEPMANNSGTI  
Trondheim, Norway

Dear Mr. Pedersen:

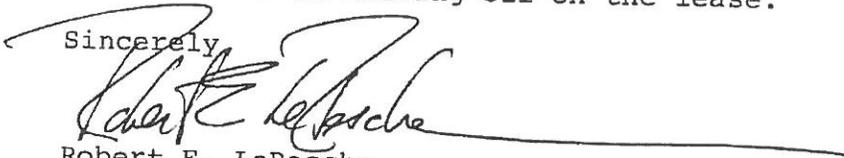
I have approved an extension of Lease ADL-47516 by commitment to the Duck Island Unit Agreement under terms similar to those stated in my letter of September 19. The attached certification applies to this lease only, since other lessees in the proposed Duck Island expansion area declined to accept the terms.

This extension is for three years, rather than the two years I proposed earlier. I agreed to this change after negotiations with lessees in other pending North Slope units, and I believe a three-year period will allow a reasonable time for exploration of these leases, considering the limited winter drilling season.

A copy of this certification has been forwarded to Exxon, operator of the Duck Island Unit.

I appreciate your response in this matter and wish you the best of luck in finding oil on the lease.

Sincerely,



Robert E. LeResche  
Commissioner

Attachment

cc: Exxon Company, U.S.A.  
Attention: Robert Riddle  
Pouch 6601  
Anchorage, Alaska 99502

Tom Cook, Director  
Minerals and Energy Management

P.S. Please send us your correct address and phone number; our files show an Anchorage address.

# TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

ANCHORAGE, ALASKA 99502

1979 OCT 31 PM 4.53

02049 ANCHORAGE ALASKA 30 12-31 235P AST

FROM COMMISSIONER ROBERT E LERESCHE

DEPT OF NATURAL RESOURCES **1707**

PO BOX 4 JUNEAU AK 99811

RE: DUCK ISLAND UNIT EXPANSION MADATHON OIL COMPANY ONE OF  
THE LEASEES OF #147512 ELECTS NOT TO ACCEPT TERMS FOR APPROVAL  
OF THE EXPANSION OF THE DUCK ISLAND UNIT.

Y L LOWAN

AGO 1363587

ARCO Oil and Gas Company  
North Alaska District  
Post Office Box 360  
Anchorage, Alaska 99510  
Telephone 907 277 5637

Gerry L. Arnold  
District Landman



October 30, 1979

Mr. Robert E. LeResche, Commissioner  
Department of Natural Resources  
State of Alaska  
Pouch M  
Juneau, AK 99811

PROPOSED EXPANSION, DUCK ISLAND UNIT /  
NORTH SLOPE, ALASKA

Dear Mr. LeResche:

By letter dated September 19, 1979, certain changes and modifications to leases within the expansion area were enumerated as conditions for approval of the Unit expansion, pursuant to your administrative authority.

After careful consideration, Atlantic Richfield Company finds these conditions unacceptable and declines to commit its interests in State of Alaska Leases No. ADL-47470 and ADL-47473 to the proposed expansion of the Duck Island Unit. It was not our intention to commit any portion of Leases ADL-28344 and ADL-28347 to the Duck Island Unit, as these leases are committed to and held by the Prudhoe Bay Unit. Their terms, therefore, remain unchanged.

By copy of this letter, we are advising Mr. Tom Cook, Director, Division of Minerals and Energy Management, of our decision and requesting a refund of delay rental payments of \$3.00/acre, as set out in our letter of September 28, 1979.

Very truly yours,

G. L. Arnold

GLA/CRM/gr

cc: Mr. Robert T. Anderson, Union  
Mr. Vahl Vladyka, Exxon  
Mr. Tom Cook, DMEM

RECEIVED

OCT 30 1979

Div. of Minerals & Energy Mgt.  
Anchorage, Ak.

AGO 1363591

10/30/79

APPROVAL - CERTIFICATION - DETERMINATION

An Amendment to the Duck Island Unit Agreement

Pursuant to the authority vested in the Commissioner of the Department of Natural Resources of the State of Alaska, under Title 38 of the Alaska Statutes, as amended, and under the Alaska Oil and Gas Leasing Regulations pursuant thereto, I do hereby:

(a) Approve an expansion of the Duck Island Unit to include Sections 14 and 23 of Lease ADL-47516, owned by Geopol, Inc., with the following changes in terms, which apply to only Lease ADL-47516:

1. Rentals or minimum royalty on Lease ADL-47516 shall be paid at the rate of \$3.00 per acre.
2. The State's royalty share due on Lease ADL-47516 shall be one-fifth (20 percent).
3. All operations on Lease ADL-47516 shall be conducted in accordance with the following stipulations:

Stipulation No. 1

In the event any site, structure, or object of historic or archeological significance should be discovered during the conduct of any operations in the unit area, the lessee shall report immediately such findings to the Director, Division of Minerals and Energy Management, and make every reasonable effort to preserve and protect such site, structure, or object from damage until the Director has given directions as to its preservation.

Stipulation No. 2

The lessee shall include in any exploration and/or development plans a proposed training program for all personnel involved

RECEIVED

NOV 15 P.M.

DIV. OF MINERALS & ENERGY MGMT.  
ANCHORAGE, ALASKA

in exploration or development activities (including personnel of the lessee's contractors and subcontractors) for review and approval by the Director. The program shall be designed to inform each person working on the project of specific types of environmental, social, and cultural concerns which relate to the individual's job. The program shall be formulated and implemented by qualified instructors experienced in each pertinent field of study and shall employ effective methods to insure that personnel understand and use techniques necessary to preserve archeological, geological, and biological resources. The program shall also be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The lessee shall also submit for review and approval a continuing technical environmental briefing program for supervisory and managerial personnel of the lessee and its agents, contractors, and subcontractors.

Stipulation No. 3

If biological population or habitats which may require protection are identified by the Director in the unit area, the Director will require the lessee to conduct environmental surveys, as approved by the Director, to determine the extent and composition of biological populations or habitats, and the effects of proposed or existing operations on the populations or habitats which require protective measures. The Director shall provide written notice to the lessee of his decision to require such surveys. The nature and extent of any surveys will be determined by the Director on a case-by-case basis.

Based on any surveys which the Director may require of the lessee, or other information available to the Director on special biological resources, the Director may require the lessee to:

- (1) locate the site of such operations so as not to adversely affect the resource identified;
- (2) establish to the satisfaction of the Director, on the basis of a site-specific survey, either that such operation will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) operate during those periods of time that do not adversely affect the biological resources as established by the Director; and
- (4) modify operations in such a way as not to affect adversely the significant biological populations or habitats deserving protection.

The lessee agrees that, if any area of biological significance should be discovered during the conduct of any operations on the leased area, he shall immediately report such findings to the Director, and make every reasonable effort to preserve and protect the biological resource from damage until the Director has given the lessee directions with respect to its protection.

The lessee shall submit all data obtained in the course of such surveys to the Director, with the locational information for drilling or other activity. The lessee may take no action that might result in any adverse effect on the biological populations or habitats surveyed, until the Director provides written directions to the lessee, with regard to permissible actions.

Stipulation No. 4

For all onshore off-lease areas under State jurisdiction, the following is required by State or Federal laws and regulations:

Prior to the construction or placement of any onshore structure, road, or facility resulting from exploration, development, and/or production activities, an inventory shall be conducted of archeological or historical sites within the area affected by a proposed activity.

Such inventory shall consider literature provided by the North Slope Borough and local residents; documentation of oral history regarding historic and prehistoric uses of such sites, evidence consultation with the Alaska Heritage Resources Survey and the National Register of Historic Places, and site surveys. The inventory shall also include a detailed analysis of the potential effects estimated to result from the proposed activity. The inventory shall be submitted to the Director, Division of Minerals and Energy Management, for distribution to the Division of Parks, and the North Slope Borough for purposes of review and comment. The Director of the Division of Parks and the North Slope Borough may request that the Director require salvage of archeological and historical sites or relocation of proposed facilities.

In the event that an archeological or historical site or area is adversely affected by an activity, documentation of such effects shall, after consultation with the Director of the Division of Parks and the North Slope Borough, direct the operator as to what course of action will be necessary to mitigate the adverse effect.

Stipulation No. 5

AGO 1363595

The following terms must be met before approval of a Plan of Operations for the unit. All lease activities and structures

shall be scheduled and/or designed to allow free movement and safe passage to fish and mammals.

Continuous fill causeways are prohibited. Non-continuous fill causeways may be permitted when demonstrated to the satisfaction of the Director, Division of Minerals and Energy Management, that the causeway is necessary for the development of the field and no other feasible and prudent alternative exists.

Winter removal of fresh water or snow cover from rivers and natural lakes which support overwintering fish is prohibited by State laws, regulations, and policies. Therefore, the lessee is responsible for ensuring that an adequate supply of water is available for winter use through development of such means as storage reservoirs and snow melting.

Surface use will be controlled, as necessary, to prevent unreasonable conflicts with local subsistence harvests.

The State requires a 1500-foot buffer zone to separate fresh water supplies or fish-producing streams, lakes, and marine areas from adjacent onshore sewage ponds or oil storage facilities. In cases where it can be demonstrated that a 1500-foot buffer is not physically feasible or prudent, or that no alternative sites are available, exceptions may be granted by the appropriate State official. In all cases, the maximum possible separation is to be required, but will not be greater than 1500 feet.

Borrow extraction from lagoons and nearshore areas is prohibited by the State unless substantial evidence is provided indicating that borrow excavation in these areas will not

adversely affect the environment, particularly the maintenance of the lagoon/barrier island complex, and that no alternative sources exist.

4. The provisions listed below shall be applicable to Lease ADL-47516:

Royalties

1. On Production. Except for oil, gas and associated substances used on the leased area for development and production or unavoidably lost, Lessee shall pay to the State as royalty the following:

a. On oil, 20 percent in amount or value of the oil produced and removed or sold from the leased area.

b. On gas, 20 percent in amount or value of the gas produced and removed or sold from the leased area.

c. On associated substances, 20 percent in amount or value of the associated substances produced and removed or sold from the leased area.

2. In Value. Unless the State elects to receive all or a portion of its royalty in kind as provided in part 3 below, Lessee shall pay to the State the value, as determined under paragraph 4 and 5 below, of all royalty oil, gas and associated substances. Royalty paid in value shall be free and clear of all lease expenses (and any portion of such expenses which is incurred away from the leased area), including but not limited to expenses for separation, cleaning, dehydration, gathering, salt water disposal, and preparing the oil, gas or associated substances for transportation off the leased

area. All royalty that may become payable in money to the State shall be paid on or before the last day of the calendar month following the month in which the oil or gas is produced. Royalty payments shall be accompanied by copies of run tickets or such other information relating to valuation of royalty as the State may require, which may include but is not limited to evidence of sales, shipments, and amounts of gross oil, gas and associated substances production.

3. Royalty in Kind. \*

a. At the State's option, which may be exercised from time to time upon not less than six (6) month's notice to Lessee, Lessee shall deliver all or a portion of the State's royalty oil, gas or associated substances produced from the leased area in kind. Delivery shall be on the leased area or at a place mutually agreed to by the State and Lessee, and shall be to the State or to any individual, firm or corporation designated by the State. Delivery of such royalty in kind shall continue from the period specified in the notice to Lessee.

b. Royalty oil or gas delivered in kind shall be delivered in good and merchantable condition and be of pipeline quality. Royalty delivered in kind shall be free and clear of all lease expenses (and any portion of such expenses which is incurred away from the leased area), including but not limited to expenses for separation, cleaning, dehydration, gathering, salt water disposal, and preparing the oil, gas or associated substances for transportation off the leased area.

c. After having given notice of its intention to take its royalty oil, gas or associated substances in kind, the State, at its option and upon six (6) month's notice to Lessee, may elect to receive a different portion or none of its royalty in kind.

d. Lessee shall furnish storage for royalty oil and natural gas liquids produced from the leased or unit area to the same extent that Lessee provides storage for Lessee's share of oil and natural gas liquids. Lessee shall not be liable for the loss or destruction of stored royalty oil and natural gas liquids from causes beyond lessee's reasonable control.

4. Apportionment of Royalty From Approved Unit.

The Landowners' royalty share of the unit production allocated to each separately owned tract shall be regarded as royalty to be distributed to and among, or the proceeds of it paid to, the landowners, free and clear of all unit expense and free from any lien on it. Under this provision, the State's royalty share of any unit production allocated to the leased area shall 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 such expenses which is incurred away from the unit area), including but not limited to expenses for separation, cleaning, dehydration, gathering, salt water disposal and preparing the oil, gas or other associated substances for transportation off the unit area, and free of any lien for it.

5. Production Records.

a. Lessee shall keep and have in its possession, books and records showing the development and production (including records of development and production expenses) and disposition of all oil, gas and associated substances produced from the leased area. Lessee shall permit the State or its agents to examine such books and records at all reasonable times. Such books and records of development and production must employ methods and techniques that will ensure the most accurate figures reasonably available without requiring Lessee to provide separate tankage and/or meters for each well.

b. Lessee shall use standard and consistent accounting procedures which are common to the industry.

6. Price or Value.

For purposes of computing royalties due under this lease, the value of royalty oil, gas or associated substances shall not be less than the highest of:

a. The field price actually received by Lessee for such oil, gas or associated substance.

b. Lessee's posted price in the field for such oil, gas or associated substances, if any.

c. The volume weighted average field price actually received by other producers in the same field or area for oil of like grade and gravity, gas of like kind and quality or associated substances of like kind and quality at the time such oil, gas or associated substances are

removed from the leased or unit area or such gas is delivered to an extraction plant if such a plant is located on the leased or unit area.

d. The volume weighted average posted price in the field of other producers in the same field or area for oil of like grade and gravity, gas of like kind and quality or associated substances of like kind and quality at the time such oil, gas or associated substances are removed from the leased or unit area or such gas is delivered to an extraction plant if such a plant is located on the leased or unit area.

e. If oil, gas or associated substances are sold away from the leased or unit area, the term "field price" shall be the actual price for such oil, gas or associated substances received by Lessee from the purchaser thereof less the actual cost of transportation away from the leased or unit area to the point of delivery.

7. Minimum Value Determinations. The State may determine which of the methods contained in paragraph 6 above shall be used to establish the value of royalty oil and gas, and associated substances, for purposes of computing royalties payable under this lease. Each such determination shall be made only after Lessee has been given notice and a reasonable opportunity to be heard.

8. Reduction of Royalty. After two years' initial production from the field in which the leased area is located has occurred, the State may reduce Lessee's

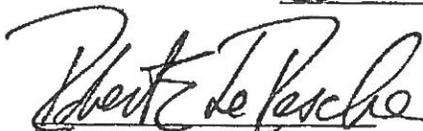
obligations to pay royalty on all of the leased area or on any tract or portion thereof segregated for royalty purposes upon (1) request by Lessee and (2) a clear showing by Lessee that the revenue from all oil, gas and associated substances produced from the field is insufficient to produce a reasonable rate of return with respect to Lessee's total investment in the field.

9. Payments. All payments to the State under this lease shall be made payable to the State in the manner directed by the State to any depository designated by the State with at least (60) days' notice to Lessee.

5. Lease ADL-47516 shall be included in the Duck Island Unit for three years from the date of this approved unit expansion, at which time it will be eliminated from the unit unless it is extended by compliance with the conditions of Section 20 of the Duck Island Unit Agreement.

(b) Lease ADL-47516 shall be subject to all other terms, conditions and requirements of the Unit Agreement for the Development and Operation of the Duck Island Unit, State of Alaska, approved August 21, 1978, and ratified September 27, 1979.

DATED this 30<sup>th</sup> day of October, 1979.

  
Robert E. LeResche  
Commissioner  
Department of Natural Resources

RECEIVED

NOV 15 P.M.

DIV. OF MINERALS & ENERGY MGMT.  
ANCHORAGE, ALASKA

TELEGRAM

Gunnar S. Pedersen, president  
Geopol Inc.  
KJOEPMANNSGTI  
Trondheim Norway

Sent  
10/29/79  
2 p.m.

RE DUCK ISLAND UNIT EXPANSION. This is to ~~confirm~~ inform you that I have approved Lease ADL-47516 for inclusion in the Duck Island Unit under the terms set out in my letter of September 19. ~~Confirmation~~ Letter will follow.

Sincerely,

Robert LeResche

Commissioner

Department of Natural Resources

AGO 1363603

msc-1

TELEGRAM

RCA ALASKA COMMUNICATIONS INC  
ANCHORAGE ALASKA 99501  
1979 OCT 26 AM 6 44

586-6440

MM

IPAFUA AHS

1-6746163288 10/26/79

ICS IPMIHA IISS

IISS RM IIT 26 0719

PMS ANCHORAGE AK

ANN124 VIA IIT 05N826

UNJU CO NOOK 084

FORNEBU AIRPORT 84 /S1 26 1130 PAGE 1/53

ROBERT E LERESCHE COMMISSIONER

PHONE 907-465-2400 **1431**

DEPARTMENT OF NATURAL RESOURCES

JUNEAU ALASKA

RE DUCK ISLAND UNIT EXPANSION STOP GEOPOL INC HOLDER OF

LEASE ADL-47516 HEREBY ACCEPTS THE PROPOSED CHANGES IN DUCK

ISLAND UNIT AGREEMENT AS STATED IN YOUR LETTER OF SEPTEMBER 18

1979 STOP KINDLY CONFIRM BY TELEGRAM TO OUR ADDRESS

COL 907-465-2400 ADL-47516, 19 1979

05N826 ROBERT E LERESCHE COMMISSIONER PAGE 2/31

BELOW THAT LEASE ADL-47516 HAS BEEN EXTENDED FOR TWO

YEARS AND SECTIONS 14 AND 23 INCLUDED IN DUCK ISLAND UNIT STOP

REGARDS

GUNVAR S PEDERSEN PRESIDENT GEOPOL INC

KJOEPMANNSGTT

TRONDHEIM NORWAY

COL ADL-47516 14 23 1

NNN

3722 EST

IPAFUA AHS

MM

AGO 1363604