

PRUDHOE BAY UNIT

**AMENDED APPLICATION FOR THE
THIRD EXPANSION OF THE UNIT AREA AND
FORMATION OF THE Pt.McINTYRE
PARTICIPATING AREA**

**DECISION AND FINDINGS OF THE DIRECTOR
OF THE DIVISION OF OIL AND GAS**

DECEMBER 30, 1993

On August 18, 1993, I issued the Decision and Findings of the Director of the Division of Oil and Gas (Expansion Decision) on the Application for the Third Expansion of the Prudhoe Bay Unit and Formation of the Pt. McIntyre Participating Area (Application). I denied the Application. The Expansion Decision stated, however, that the denial would be reconsidered if the Applicants¹ amended their Application to mitigate the negative effects on the state's interest which were described in the Expansion Decision.

On October 13, 1993, the Applicants submitted an Amended Application for Proposed Pt. McIntyre Participating Area and Prudhoe Bay Unit Expansion (Amended Application). In the Amended Application as well as in numerous meetings with the Applicants between the date of the Expansion Decision and the Amended Application, the Applicants addressed many of the concerns raised in the Expansion Decision.

Accordingly, on October 13, 1993, I issued an Order granting the Application as amended by the Amended Application.² It was my understanding when issuing the Order approving the Amended Application, that ARCO and BPX will never take or claim any deductions of any kind whatsoever (whether called allowances, deductions or fees) from the State's royalty share of liquid hydrocarbon production from the Point McIntyre Participating Area for costs upstream of a LACT meter except for the deduction by ARCO for liquid hydrocarbon production from the Slivers at the rate specified in the third sentence of paragraph b. of the Amended Application. This Amended Decision is contingent upon ARCO and BPX, confirming in writing by January 14, 1994, that they will never take or claim any such deductions from the State's royalty share of liquid hydrocarbon production from the Pt. McIntyre Participating Area except as noted in the preceding sentence. Further, any royalty returns filed by ARCO or BPX for October and November which have deductions, other than ARCO's deductions for the Slivers as specified in paragraph b. of the Amended Application, should be refiled prior to January 31, 1994 to eliminate the deductions.

The Order granting the Amended Application stated that an Amended Decision and Findings (Amended Decision) explaining the basis for the grant would be issued by the end of 1993. The following sets forth the basis for my Order, and discusses each of the concerns regarding the proposed expansion of the PBU and formation of the Pt. McIntyre Participating Area (PMPA) which were enumerated in the Expansion Decision.

¹The Applicants are ARCO Alaska, Inc. (ARCO), BP Exploration (Alaska) Inc. (BPX), and Exxon Corporation (Exxon).

²Simultaneously, I granted another pending application, the Application to Produce North Prudhoe Bay State No. 3 Well as a Tract Operation. The basis for approval of this application will be discussed in a separate document.

1. ROYALTY IN KIND (RIK)

As noted in the Expansion Decision, I was concerned regarding the effect of introducing additional PBU production on very short notice to the State's RIK purchasers. In response to these concerns, in the Amended Application, the Applicants agreed to provide the RIK purchasers with a reasonable opportunity to adjust their nominations and to ensure that they receive appropriate allocations of production. Amended Application, para. (g). The Applicants further agreed to make adjustments for the fact that the RIK purchasers did not receive all of the royalty oil to which they were entitled in the past, as a result of the Applicants' unilateral adjustment of the state's RIK nominations under the presumption that the Application would be approved as submitted.

2. TRACT ALLOCATION

The Expansion Decision expressed concern regarding the Applicants' proposed "value-based" allocation given the differing royalty rates in the PMPA, the Applicants' failure to include the state in their negotiations regarding the allocation, and the fact that the lease does not burden the state's royalty share with development or production costs. The Expansion Decision noted, however, that the Division had not had an opportunity to complete its review of the Applicants' proposal, and, absent a further review, for royalty purposes only an allocation based on black oil reserves, would be acceptable. Following the Expansion Decision, the Applicants provided further information regarding their proposal, enabling the Division to complete its review.

Based on these actions and the results of the division's review, the Applicants' proposed allocation is acceptable. But, this acceptance does not suggest that a value-based allocation would be acceptable in every instance. Here, however, it has been determined that such an allocation adequately protects the state's interest and equitably allocates production and costs among the leases.

3. MISCELLANEOUS ECONOMIC ISSUES

The Expansion Decision expressed concern regarding some miscellaneous economic issues. One issue involved whether the Fuel Gas Supply Option (FGSO) creates a royalty bearing event. This issue, however, does not apply to the PMPA because only gas within the Initial Participating Areas are subject to the FGSO. PBU Operating Agreement, art. 30. Another issue involved the large deduction taken by the Applicants for "NGL" production within the PBU. As to that portion of the proposed PMPA which can bear a deduction (the Slivers), both ARCO and Exxon have agreed that the deduction specified by the 1980 Agreement will apply to "NGL" production. See infra note 3.

4. MAXIMIZATION OF PRODUCTION/FACILITY SHARING

The Expansion Decision expressed concern about the ability of non-PBU leases or units to use the PBU facilities. In agreeing to allow commingled production and working with

the PBU lessees to obtain a facility sharing allocation methodology, the state understood that lands outside the PBU could use those facilities. During the course of the Application process, the Applicants suggested that non-PBU leases could not use the PBU facilities. Although the Amended Application does not address this concern, it is not specially relevant because the Amended Application is being granted and the PMPA will be within the PBU. The Applicants should be apprised, however, that this issue remains a concern, and the state will support use of the PBU facilities by non-PBU leases in the future.

5. FIELD COSTS

The Expansion Decision expressed concern that expanding the PBU to include the proposed PMPA could subject the state's royalty share of production from the leases within the PMPA to any deductions contemplated by the 1980 Field Cost Settlement Agreement (1980 Agreement). The 1980 Agreement applied to leases within the PBU in 1980 and other leases to which the PBU may be extended.

The BPX lease within the proposed PMPA expressly provides that no deductions may be deducted from the state's royalty share. In the Amended Application, BPX agreed to waive any argument that this lease provision could be overridden by the 1980 Agreement's allowance of field costs if the PBU were expanded, BPX is not entitled to any deductions on production from PMPA.

Whether the ARCO/Exxon leases within the proposed PMPA allow deductions to be taken from the State's royalty share have been the subject of past and present litigation. In the Amended Application, ARCO agreed to waive any argument that it was entitled to any deduction under its leases, the PBUA or the 1980 Agreement for the Expansion Acreage. ARCO is not entitled to any right to make any deductions for the Expansion Acreage.

Exxon, however, would not agree to waive any right it may have to a deduction. In the Amended Application, Exxon preserves its right to litigate this issue under certain constraints. Amended Application, para. (e)(i)-(ix).

Although this is a close question, on balance the benefits to be derived from expanding the PBU to include the expansion acreage outweigh the economic costs of expansion. The Applicants' proposal is particularly unfair to ARCO. It waives the same rights that Exxon does not. Nevertheless, ARCO, as well as BPX, strongly urged that the proposal be accepted so that production of the PMPA could commence.

I must consider and protect the interests of all the parties, including the state. Accordingly, I consider the waiver by BPX and ARCO significant and believe I must look to protect their interests.

Although the Amended Application does not provide for a complete waiver of field costs, it does provide for a waiver on over sixty-five percent of the production from the Expansion Acreage. Certainty for the state is assured on this portion of the production. On the Exxon leases, Exxon has agreed that it will not deduct field costs while litigating its rights with

the state. This is a departure from the past. In the past, the lessees have made deductions while litigation was being pursued. Although approval of the Amended Application will not avoid litigation, it will reduce the state's exposure.

Additionally, the Applicants have accommodated the state's concerns regarding its RIK purchasers. Finally, the Applicants worked diligently with the Division's staff to alleviate many of the concerns with the proposed tract allocations.

Based on the foregoing, I hereby make findings and impose conditions as follows:

1. Expansion of the PBU and formation of the PMPA within the expanded PBU is necessary and advisable to protect the public interest considering the provision of AS 38.05.180(p) and 11 AAC 83.303.

2. All of the other findings contained in the Expansion Decision are affirmed to the extent not inconsistent with this Amended Decision.

3. The available geological, and engineering data submitted in support of the expansion of the PBU area justify the inclusion of the proposed tracts within the PBU at this time. Under the terms of the applicable regulations governing formation and operation of oil and gas units (11 AAC 83.301 - 11 AAC 83.395) and the terms and conditions under which these lands were leased from the State of Alaska, the following lands are to be included in the expanded PBU area:

T.12.N., R.15.E., U.M., Sec. 18, and Sec. 19: N/2
(ADL 34627 (Tract 6));

T.12.N., R.14.E., U.M., Sec. 13, Sec. 14, Sec. 23: N/2NW/4, N/2NE/4,
SW/4NW/4, Sec. 24: N/2
(ADL 34624 (Tract 7));

T.12.N., R.16.E., U.M., Sec. 15, Sec. 16, Sec. 21: N/2NE/4, and Sec. 22: N/2
(ADL 28297 (Tract 8));

T.12.N., R.14.E., U.M., Sec. 17: N/2N/2SE/4, NE/4SW/4 excluding U.S.
Survey 4044
(ADL 28298 (Tract 115));

T.12.N., R.14.E., U.M., Sec. 3, Sec. 4, Sec. 9, and Sec. 10
(ADL 34622 (Tract 116));

T.12.N., R.14.E., U.M. ADL 365548 (Tract 117).

4. Pursuant to paragraph (e)(i) of the Amended Application, the following lands are to be eliminated from the PBU:

T.12.N., R.15.E., U.M., Sec. 21: N/2, SE/4, and Sec. 22
(ADL 34626 (Tract 5));

T.12.N., R.15.E., U.M., Sec. 20: N/2
(ADL 34627 (Tract 6)).

5. Within 45 days of the date of this Decision and Findings, the Unit Operators, ARCO and BPX, shall submit to the State updated Exhibits A and B to the PBU Agreement reflecting the approved expansion and contraction acreage as set out in this Decision and Findings.

6. The available geological, and engineering data submitted demonstrate that a paying quantities certification is appropriate for the well(s) in the Pt. McIntyre and Stump Island Reservoirs, and that the acreage is known to be underlain by hydrocarbons and known and reasonably estimated to be capable of production or contributing to production in sufficient quantities to justify the formation of the PMPA within the expanded PBU.

The available geological, and engineering data submitted in support of the participating area justify the inclusion of the proposed tracts within the PMPA at this time. Under the terms of the applicable regulations governing formation and operation of oil and gas units (11 AAC 83.301 - 11 AAC 83.395) and the terms and conditions under which these lands were leased from the State of Alaska, the following lands are to be included in the PMPA Area:

T.12.N., R.15.E., U.M., Sec. 18, and Sec. 19: N/2
(ADL 34627 (Tract 6));

T.12.N., R.14.E., U.M., Sec. 13, Sec. 14, Sec. 23: N/2NW/4, N/2NE/4,
SW/4NW/4, Sec. 24: N/2
(ADL 34624 (Tract 7));

T.12.N., R.16.E., U.M., Sec. 15, Sec. 16, Sec. 21: N/2NE/4, and Sec. 22: N/2
(ADL 28297 (Tract 8));

T.12.N., R.14.E., U.M., Sec. 17: N/2N/2SE/4, NE/4SW/4 excluding U.S.
Survey 4044
(ADL 28298 (Tract 115));

T.12.N., R.14.E., U.M., Sec. 3, Sec. 4, Sec. 9, and Sec. 10
(ADL 34622 (Tract 116));

T.12.N., R.14.E., U.M. ADL 365548 (Tract 117).

7. The approved participating area encompasses the reasonably known hydrocarbon bearing portion of the Pt. McIntyre and Stump Island Reservoirs that is determined to be capable of production or contributing to production in paying quantities at this time. Formation of the participating area provides for the equitable division of costs and an equitable allocation of produced hydrocarbons, and sets forth a development plan designed to maximize physical and economic recovery from the Reservoirs within the approved participating area.

8. Pursuant to 11 AAC 83.371(a), the allocation of production and costs for the tracts within PMPA, Attachment B of the Amended Application, is approved.

9. A determination has been made and agreement reached among the parties regarding the ratio values to be used in determining the volumes of hydrocarbon liquids production attributable to each affected tract of the Slivers portion of the PMPA. Pursuant to paragraph b. of the Amended Application, the acceptance of the ratio values to be used in calculating the allowable costs deductions for PMPA production is set forth in Attachment 3 to this Decision and Findings.

10. The PBU Agreement and the statutes and regulations of the State of Alaska governing oil and gas units provide for further expansions of a participating area in the future as warranted by additional information and findings. Therefore, the public interest and the correlative rights of all parties, including the state, are protected.

11. The production of hydrocarbon liquids from the PMPA through the existing production and processing facilities within the PBU reduces the environmental impact that might otherwise accompany additional production. Utilization of existing facilities will avoid unnecessary duplication of development efforts on and beneath the surface.

12. Based upon the Division's review of the well test allocation methodology presented to the state in the original Application, as well as the production allocation testimony given at the Alaska Oil and Gas Conservation Commission's Pt. McIntyre Field Rules Hearing, that methodology is determined to be acceptable for royalty allocation purposes and for allocating the commingled gas and hydrocarbon liquids production among the West Beach Participating Area, Pt. McIntyre Participating Area and the Lisburne Participating Area as those streams are processed through the Lisburne Production Center (LPC), subject to the terms of the State's approval of those operations.

The LPC Operator, ARCO, shall provide the Division with the monthly production allocation reports and well test data for the wells producing through the LPC by the 20th day of the following month. The Division reserves the right to request any information it deems pertinent to the review of those reports. The allocation report shall include a monthly oil, gas, and water allocation factor to be applied uniformly to the commingled production, a summary of monthly allocation by well, a summary of the allocated volumes of oil, hydrocarbon liquids, gas, and water by participating area, oil gravity for each participating area and the oil gravity of the combined streams, and specific well test data for all tests which have been conducted.

13. The Division of Oil and Gas reserves the right to review the well test allocations to insure compliance with the methodology prescribed in this decision. Such review may include but is not limited to inspection of facilities, equipment, well test data, and separator back-pressure adjustments.

14. During the first year in which commingled production from the participating areas sharing the LPC is allocated, quarterly reviews of the allocation methodology will be scheduled with the division. Following its review, the division, in its sole discretion, may require revision of the allocation procedure. Subsequent reviews may be requested by either the division or the Operator. Revision of the allocation procedure shall only be made with the written consent of, or upon the written direction of the Division.

15. In order to account for the gas produced from each participating area, the gas volume disposition and gas reserves debited from or credited to each participating area utilizing the shared Lisburne production facilities, the LPC Operator shall submit a monthly gas disposition and reserves debit report using the form indicated in Attachment 2, or such form as may be acceptable to the division. The gas disposition report shall be submitted with the monthly production allocation reports.

16. With respect to the production allocated from the PMPA and the state's taking of any royalty-in-kind from the PMPA, it continues to be the state's position that it has only nominated the taking of royalty oil in kind and has never nominated gas for in-kind taking.

17. Diligent exploration and delineation of the Reservoirs underlying the approved participating area is to be conducted by the Unit Operator under the Prudhoe Bay Unit plans of development and operation approved by the state.

18. The plan of development for the PMPA meets the requirements of 11 AAC 83.303 and 11 AAC 83.343. The plan is approved for a period of two years from the effective date of this Decision and Finding. Annual updates to the plan of development which describes the status of projects undertaken and the work completed, as well as any changes or expected changes to the plan, as well as a further plan of development, must be submitted in accordance with 11 AAC 83.343.

19. Approval of the Expansion of the Prudhoe Bay Unit and the formation of the Pt. McIntyre Participating Area within the expanded Prudhoe Bay Unit is effective October 13, 1993.

For these reasons and subject to the conditions, interpretations, and limitations noted, I hereby approve the Expansion of the PBU and the formation of the Pt. McIntyre Participating Area within the expanded PBU.

Under 11 AAC 02.010-.080, Exxon has thirty calendars after the date of delivery of the decision to appeal the decision to the commissioner. (ARCO and BPX have agreed not to appeal the Amended Decision.) To be timely filed, the appeal must be received by the Department of Natural Resources, at 5th Floor, 400 Willoughby Avenue, Juneau, Alaska, 99801-1724, within the thirty calendar days.

Any use of this Amended Decision is subject to the limitations set forth in the Applicants' Amended Application, dated October 13, 1993.



James E. Eason, Director
Division of Oil and Gas

December 30, 1993
Date

cc: Harry A. Noah, Commissioner
Alaska Department of Natural Resources

Attachments: 1) Delegation of Authority
2) Example Gas Reserves and Debit Report
3) Ratio Values

PBU.PMPA.Amended Applic.D&F.txt

DELEGATIONS OF AUTHORITY FOR THE DIVISION OF OIL AND GAS

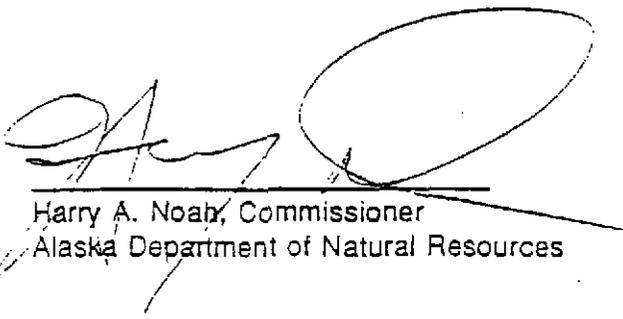
<u>Regulatory Citation</u>	<u>Purpose or Action</u>	<u>Authority Vested in</u>	<u>Authority Delegated to</u>
11 AAC 82.400	Parcels Offered for Competitive Lease	Commissioner	No Delegation
11 AAC 82.405	Method of Bidding	Commissioner	No Delegation
11 AAC 82.410	Minimum Bid	Commissioner	No Delegation
11 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. of 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

<u>Regulatory Citation</u>	<u>Purpose or Action</u>	<u>Authority Vested in</u>	<u>Authority Delegated to</u>
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
11 AAC 82.710	Notice of Sale	Commissioner	No Delegation
11 AAC 82.800	Production Records	Commissioner	Director, DOG
11 AAC 82.805	Test Results	Commissioner	Director, DOG
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	Director, DOG
11 AAC 83.326	Require or Accept Nonstandard Unit Agreement Language	Commissioner	Director, DOG
11 AAC 83.328	Mandate Unitization (Involuntary Unitization)	Commissioner	No Delegation
11 AAC 83.331	Approve/Deny Change in	Commissioner	Director, DOG Unit Operator
11 AAC 83.336	Grant Extension of Unit Term; Grant Suspension of Operations (Force Majeure); Terminate Unit	Commissioner	No Delegation

Delegations of Authority
Page 3

<u>Regulatory Citation</u>	<u>Purpose of Action</u>	<u>Authority Vested in</u>	<u>Authority Delegated to</u>
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
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

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.



Harry A. Noah, Commissioner
Alaska Department of Natural Resources

7/21/92
Date

SAMPLE AREA GAS DISPOSITION AND RESERVE DEBIT REPORT

ARCO ALASKA, INC.
VOLUMES ARE IN MCF AT 14.65 PSIA
PRODUCTION MONTH _____

USBURNE PRODUCTION CENTER

	AAI	BPX	EXXON	TOTAL
--	-----	-----	-------	-------

OWNERSHIP PERCENTAGES

Lisburne
West Beach

TOTAL HYDROCARBON LIQUIDS PRODUCED (STB)

Lisburne
West Beach

LPG SYSTEM SUMMARY TOTALS

TOTAL SOG GAS PRODUCED

LESS TOTAL FUEL GAS USED

Power generation fuel
Lease fuel
LPC fuel
Total

LESS POWER GENERATION SALES

LESS FLARE GAS

Flare within AOGCC Allowable
Excess Flare Subject to Tax
Excess Flare Subj. to Tax/Pnlty
Total

LESS NGLS (MCF equivalent)

TOTAL SOG RESERVE GAS DEBITS

GAS INJECTED

PARTICIPATING AREA SHARE BREAKOUTS

TOTAL SOG GAS PRODUCED

Lisburne
West Beach

LESS TOTAL FUEL GAS USED

Lisburne
Power generation fuel
Lease fuel
LPC fuel
LPA Total

West Beach

Power generation fuel
Lease fuel
LPC fuel
WBPA Total

LESS POWER GENERATION SALES

Lisburne
West Beach

SAMPLE AREA GAS DISPOSITION AND RESERVE DEBIT REPORT

ARCO ALASKA, INC.
 VOLUMES ARE IN MCF AT 14.65 PSIA
 PRODUCTION MONTH _____

LISBURNE PRODUCTION CENTER

	AAI	EPX	EOKIN	TOTAL
--	-----	-----	-------	-------

LESS FLARE GAS

Lisburne

Flare within AOGCC Allowable
 Excess Flare Subject to Tax
 Excess Flare Subj. to Tax/Pnlty
 LPA Total

West Beach

Flare within AOGCC Allowable
 Excess Flare Subject to Tax
 Excess Flare Subj. to Tax/Pnlty
 WBPA Total

LESS NGLS (MCF equivalent)

Lisburne

West Beach

TOTAL SOG RESERVE GAS DEBITS

Lisburne

Current month
 YTD
 ITD

West Beach

Current month
 YTD
 ITD

GAS AVAILABLE FOR INJECTION

Lisburne

Current month
 YTD
 ITD

West Beach

Current month
 YTD
 ITD

TOTAL SOG RESERVES INJECTED INTO LPA RESERVOIR

From Lisburne

Current month
 YTD
 ITD

From West Beach

Current month
 YTD
 ITD

TOTAL SOG RESERVES INJECTED INTO WBPA RESERVOIR

From Lisburne

Current month
 YTD
 ITD

From West Beach

Current month
 YTD
 ITD

NOTE: Each participating area's apportioned share of fuel gas utilized in the LPC and flare gas in any month is based on its apportioned share of total produced gas.

EXXON COMPANY, U.S.A.
POST OFFICE BOX 21100 • HOUSTON, TEXAS 77252-21100

PRODUCTION DEPARTMENT
ALASKA INTEREST

J.W. KIRK
PRODUCTION MANAGER

December 3, 1993

Pt. McIntyre Field Costs
Ratio Values

Mr. J. E. Eason, Director
State of Alaska
Department of Natural Resources
Division of Oil and Gas
555 Cordova Street
Anchorage, Alaska 99510

Dear Mr. Eason:

In response to your letter dated November 4, 1993, attached is Exxon's approval of the ratio values to be used in calculating field costs for Pt. McIntyre production pending the outcome of the "contest" referenced in paragraph e.iii et seq. of the "Amended Application for Proposed Pt. McIntyre Participating Area Prudhoe Bay Unit Expansion" filed by ARCO, BP and Exxon with the DNR on October 13, 1993.

Sincerely,

Roy 2. Stennett
for JWC
12-3-93

RLS:trw
Attachment

c - w/Attachment:
Mr. A. D. Simon

EASON.LTR

A DIVISION OF EXXON CORPORATION

ATTACHMENT

<u>Tract-Lease</u>	<u>Sliver Area</u>	<u>Total Area</u>	<u>Ratio Value (Sliver Area/Total Area)</u>
6-34627	259.54	576.03	0.45057
7-34624	104.69	1395.23	0.07503
8-28297	18.3	951.15	0.01924

A. D. Simon
ARCO Alaska, Inc.

Dated: _____

R. J. Stemmy for JWK

Joel Kiker
Exxon Corporation

Dated: 12.3.93



ARCO Alaska, Inc.

**Andrew D. Simon
Phone: 263-4275**

December 6, 1993

Dear Mr. Eason:

Please find attached ARCO's approval of the "Slivers" ratio outlined in your letter of November 4, 1993.

Sincerely,

A. D. Simon

cc: M. M. Ireland
D. G. Rodgers
R. L. Steinmetz
J. D. Weeks
M. P. Worcester

ATTACHMENT

<u>Tract-Lease</u>	<u>Sliver Area</u>	<u>Total Area</u>	<u>Ratio Value</u> <u>(Sliver Area/Total Area)</u>
6-34627	259.54	576.03	0.45057
7-34624	104.69	1395.23	0.07503
8-28297	18.3	951.15	0.01924

A. D. SimonA. D. Simon
ARCO Alaska, Inc.Dated: 11/12/93Joel Kiker
Exxon Corporation

Dated: _____