

MILNE POINT UNIT

APPLICATION FOR THE  
FIRST REVISION OF THE SCHRADER BLUFF  
PARTICIPATING AREA

FINDINGS AND DECISION OF THE COMMISSIONER  
ALASKA DEPARTMENT OF NATURAL RESOURCES

January 3, 2000

Production from the expansion area began in July 1996 with MPJ-19a, and currently averages approximately 2500 to 2600 BOPD.

Pursuant to Article 11 of the MPU Agreement, the effective date of any revision to the SBPA shall be the first of the month in which knowledge or information is obtained on which the revision is predicated. A more appropriate date may be used if justified by the Unit Operator and approved by the Division Director. BP requested that the first revision to the SBPA be effective October 1, 1999.

### III. DISCUSSION OF THE PARTICIPATING AREA DECISION CRITERIA

The commissioner may approve expansion of a participating area (PA) if it is determined that expansion is "necessary or advisable to protect the public interest." AS 38.05.180(p), 11 AAC 83.303(c) and 11 AAC 83.351(c). Approval of BP's application must be based on the criteria in 11 AAC 83.303(a) and the factors enumerated in 11 AAC 83.303(b).

The commissioner will approve a proposed expansion of a PA or a proposed production or cost allocation formula if the commissioner finds that each requested approval is necessary or advisable to protect the public interest. AS 38.05.180(p), 11 AAC 83.351(c), 11 AAC 83.371(a), and 11 AAC 83.303(a), (c). To find that any or all of the requested approvals are necessary or advisable to protect the public interest, the commissioner must find that the requested approvals will: (1) promote the conservation of all natural resources; (2) promote the prevention of economic and physical waste; and (3) provide for the protection of all parties of interest, including the state. 11 AAC 83.303(a). The commissioner must consider: (1) the environmental costs and benefits; (2) the geological and engineering characteristics of the potential hydrocarbon accumulation or reservoir(s) proposed for inclusion in the participating area; (3) prior exploration activities on the acreage proposed for inclusion in the participating area; (4) the applicant's plans for exploration or development of an expanded participating area; (5) the economic costs and benefits to the state; and (6) any other relevant factors (including mitigation measures) the commissioner determines necessary or advisable to protect the public interest. 11 AAC 83.303(b).

A PA may include only land reasonably known to be underlain by hydrocarbons and known or reasonably estimated through use of geological, geophysical, or engineering data to be capable of producing or contributing to the production of hydrocarbons in paying quantities. 11 AAC 83.351(a). "Paying quantities" means:

quantities sufficient to yield a return in excess of operating costs, even if drilling and equipment costs may never be repaid and the undertaking as a whole may ultimately result in a loss; quantities are insufficient to yield a return in excess of operating costs unless those quantities, not considering the costs of transportation and marketing, will produce sufficient revenue to induce a prudent operator to produce those quantities.

11 AAC 83.395(4).

MILNE POINT UNIT  
FIRST REVISION OF THE SCHRADER BLUFF  
PARTICIPATING AREA

I. INTRODUCTION AND BACKGROUND

BP Exploration (Alaska), Inc. (BP), as Milne Point Unit Operator, applied to expand the Milne Point Unit (MPU) Schrader Bluff Participating Area (SBPA). BP's application, if approved, would result in the first revision to the SBPA and add approximately 6,272 acres from ADLs 25517, 380109 and 380110 to that participating area. BP submitted geological, well, and production data that justifies the expansion of the SBPA within this portion of the MPU. The data indicate that the Schrader Bluff formation within the proposed expansion area is capable of producing or contributing to the production of hydrocarbons in paying quantities.

The State of Alaska Department of Natural Resources, Division of Oil and Gas ("Division") approves BP's application to revise the SBPA. The SBPA revision encompasses an area that is "reasonably known to be underlain by hydrocarbons and known or reasonably estimated ...to be capable of producing or contributing to production of hydrocarbons in paying quantities." 11 AAC 83.351(a). The Division also approves a revision to Exhibit C to the MPU Agreement (entitled Tract Allocation Schedule), dated September 15, 1999 (Attachment 2 to this Findings and Decision). The effective date of the First SBPA revision and the revised Exhibit C is July 1, 1996.

II. APPLICATION FOR THE FIRST REVISION OF THE SCHRADER BLUFF PARTICIPATING AREA

BP applied to expand the existing SBPA on August 31, 1999. BP submitted the application under 11 AAC 83.351 and Articles 11 and 12 of the MPU Agreement. BP applied to add ADL 25517 (Tract 13), ADL 380109 (Tract 23), and a portion of ADL 380110 (Tract 24), totaling approximately 6,272 acres, to the SBPA. The proposed SBPA expansion acreage encompasses the Schrader Bluff reservoir within the Schrader Bluff formation in the southwestern and southern parts of the MPU. The leases proposed for inclusion in the first revision to the SBPA and the proposed tract allocation schedule for all the leases in the SBPA are listed in Attachment 1 and 2, respectively, to this Findings and Decision.

Geologic evidence supports expansion of the SBPA to develop the Schrader Bluff reservoirs within the MPU under a unified plan of development. All of the expansion acreage is capable of production or contributing to production in paying quantities. BP conducted tract operations on Tracts 13 and 23 to evaluate the extent of the Schrader Bluff formation. BP drilled seven Schrader Bluff wells in Tract 13 (six producers and one water injector) and five wells on Tract 23 (four producers and one water injector). Five wells are planned to be drilled into the expansion area in 4Q99-1Q00: from MPJ-Pad, J-15I and J-01a have recently been drilled, and J-09a is currently being drilled; J-08a will be drilled after J-09a, and H-08a is planned from MPH-Pad.

(A) Promote the Conservation of Natural Resources

The formation of oil and gas units, as well as the creation and expansion of PAs within units, generally conserve hydrocarbons; coordinated development of leases held by diverse parties maximizes total hydrocarbon recovery and minimizes waste. Thus, an expansion of the existing SBPA to encompass the new acreage will provide for more efficient, integrated development of the entire Schrader Bluff reservoir within the MPU. A comprehensive operating agreement and plan of development governing the expanded area will help avoid duplicative development efforts on and beneath the surface.

Furthermore, producing hydrocarbon liquids from the expansion area through the existing production and processing facilities will reduce the incremental environmental impact of the additional production. The oil and gas resources of the expansion area can be accessed by wells from preexisting drill pads and processed through preexisting facilities. While some facilities and infrastructure may be constructed to accommodate the further SBPA development, including a new drillsite (S Pad) and a new gravel road from the Milne Point Road to the MPS-Pad, the expanded SBPA will share all the existing facilities, gravel pads, and infrastructure within the MPU. Expanding the SBPA will maximize oil and gas recovery, while minimizing negative impacts on other resources within the area.

(B) Prevention of Economic and Physical Waste

Generally, the formation and expansion of a PA facilitates the equitable division of costs and allocation of hydrocarbon shares, and provides for a diligent development plan which maximizes physical and economic benefit from a reservoir's production. Further, the creation and subsequent expansion of a PA which enables both facility sharing and adoption of a unified reservoir management strategy may allow economically marginal hydrocarbon accumulations to be developed that otherwise might not be.

Expanding the SBPA improves the likelihood of more complete development of a reservoir with variable productivity across adjoining leases. Using the existing MPU infrastructure and facilities eliminates the need to construct stand-alone facilities to process the additional volume of recoverable hydrocarbons from the expansion area. The Division encourages the shared use of major processing facilities to minimize any additional surface impacts and costs. The Division allows commingled production through the existing MPU facilities and approved a well test-based production allocation methodology for current and future reservoirs sharing those facilities. The methodology is subject to periodic review and reconsideration to assure that the state's royalty, tax, and other interests are protected.

Further, facility consolidation saves capital and promotes better reservoir management through pressure maintenance and enhanced recovery procedures. In combination, these factors allow the Schrader Bluff reservoir to be developed and produced in the interest of all parties, including the State. Expanding the SBPA to include the leases that contain productive Schrader Bluff formation reservoirs allows these expansion areas to access existing drill pads and unit facilities and prevents economic and physical waste.

### (C) Protection of All Parties

Because hydrocarbon recovery will be maximized and additional production-based revenue will be derived from the additional SBPA production, the state's economic interest is promoted. Diligent exploration under a single approved unit plan without the complications of competing leasehold interests promotes the state's interest. The expansion of the SBPA promotes efficient evaluation and development of the state's resources, yet minimizes impacts to the area's cultural, biological, and environmental resources. Operating under the MPU Agreement provides for accurate reporting and record keeping, royalty settlement, in kind taking, and emergency storage of oil. These all protect the state's interest.

The proposed expansion of the SBPA protects the economic interests of all working interest owners of the reservoirs in the PA, and the royalty owner. Combining interests and operating under the terms of the MPU Agreement and MPU Operating Agreement assure each individual working interest owner an equitable allocation of costs and revenues commensurate with the resources of its lease(s).

In reviewing the above criteria, the following factors were considered:

#### 1) The Environmental Costs and Benefits

As discussed above in section III (A), the sharing of the existing facilities eliminates duplication and minimizes the surface area affected by additional development. All of the wells in the proposed expansion area have been developed from existing drill pads and MPU infrastructure. All current development of the expansion area will take place from existing drill pads and infrastructure.

Depending on the 4Q99-1Q00 drilling and production results, BPX may construct a new drilling pad on ADL 380109 (Tract 23), MPS-Pad, and use an existing gravel pad on ADL 25517 (Tract 13), MPN-Pad, to develop the reserves within the proposed SBPA expansion area. If the MPS-Pad is proposed, BPX will apply for permits and authorizations for S-Pad from the various federal, state, and local agencies. Construction of S-Pad will need to be in an environmentally sound manner and in compliance with federal, state, and local regulations. The S-Pad surface location will need to minimize habitat impacts, while the proposed road routing from the Milne Point Road S-Pad should be designed to minimize stream and braided channel crossings. Assuming these facility design features, no significant additional impacts to onshore habitat or biological resources are anticipated because of the additional SBPA development.

#### (2) The Geological and Engineering Characteristics, and Previous Exploration of the Proposed Expansion Area

The current SBPA contains 55 wells, most of which were drilled from four pads in the ADL 25906 (Tract 14) area. Thirty-one of the fifty-five wells are producing a total of six to seven thousand barrels of oil per day. BP has recently drilled five "radically de-scoped" (RDS) wells from existing Milne Point pads to experiment with different types of drilling technology. This

new technology hopes to determine the most efficient way to produce the heavy oil in the Schrader Bluff sands.

BP submitted the following confidential geological, geophysical, and engineering data in support of the SBPA expansion application.

- 1) A SBPA expansion area map.
- 2) Location map – illustrating locations of the seismic and cross-section lines submitted.
- 3) Four representative strike (1) and dip (3) seismic lines over the SBPA expansion areas.
- 4) Correlated and annotated well log cross-sections across the proposed expansion area.
- 5) Hydrocarbon pore-foot maps for key ‘O’ and ‘N’ sandstone intervals over the entire SBPA.
- 6) Structure Maps on the Top ‘O’ and Top ‘N’ sand reservoirs.
- 7) 14 Representative Key Well logs illustrating the stratigraphy in the area around and within the proposed Schrader Bluff expansion area. The list of well logs provided include: MPE-22, MPE-24, MPG-02, MPG15, MPH-07, MPH-08, MPH-10, MPI-02, MPI-06, MPI-08, MPJ-02, MPJ-17, MPN-01, Texaco Prudhoe #1.
- 8) A map of the proposed SBPA expansion area with 10,000’ radius circles surrounding drilling pads M, N, and S.
- 9) An enlarged surface map of S pad locating potential drilling sites consisting of 21 producer and 14 injector wells.
- 10) A proposed work schedule for the SBPA.

Twelve wells have been drilled into the proposed SBPA expansion area. MPH-07, drilled into ADL 380109 (Tract 23) in 1996, is currently producing. In 1997 BP drilled MPH-08, MPH-09, MPH-10, and MPH-11i (an injector) into the same lease. The wells were completed in 1998. MPJ-19a was drilled into lease ADL 025517 (Tract 13) and has been producing since 1996. In addition four production wells and one injection well were drilled in 1997 into the same lease and were completed in 1998: MPI-06; MPI-08; MPJ-20; MPJ-21; and MPJ-17i. Production well MPJ-22 was drilled and completed in 1998 in Lease ADL 025517.

The Schrader Bluff formation within the MPU is part of a larger accumulation collectively referred to as the Shallow Oil Sands that includes the Ugnu and West Sak Sands of the Kuparuk River Unit and Schrader Bluff within the Prudhoe Bay Unit. The Schrader Bluff Sands occur between the depths of –3400’ in the northwest to –4800’ in the southeast part of the MPU.

The Schrader Bluff Sands are situated in a monocline that dips gently to the northeast at an angle of less than two degrees. The area is broken by numerous north-northeast trending faults that are down thrown to the east with displacements varying from 10’ to 180’. The faults progressively down drop the reservoir to the northeast from depths between –3500’ to –4700’ TVDSS.

The primary difference between the West Sak and Schrader Bluff sands is that the Schrader Bluff sands are interpreted as the more distal, marine-dominated part of a delta and the West Sak sands are part of a more proximal deltaic complex. The West Sak sands were deposited as proximal delta-delta front sandstones. The Ugnu sands represent overlying fluvial delta plain deposits. The ‘N’ sands are probably depositional equivalents to channel mouth bar and distal delta front

to pro-delta West Sak sand deposits. The 'O' sands represent marine delta front sands.

The Shallow Oil Sands at the MPU have been subdivided into 5 major sand intervals designated as 'O,' 'N,' 'M,' 'L,' and 'K' (from oldest to youngest). Each individual sand unit is further subdivided into A (youngest) through E (oldest) members. In the MPU, the 'O' and 'N' sands comprise the Schrader Bluff Formation. The 'N,' 'M,' 'L,' and 'K' sands are roughly the MPU equivalent to the Ugnu Sands in the Kuparuk River Unit (KRU) and are Paleocene (early Tertiary) in age. The 'O' and 'N' sands are equivalent to the West Sak Sands in the KRU and are probably Maestrichtian (Latest Cretaceous) in age. It is possible that in some areas the 'N' sands and the lower Ugnu Sands might straddle the Cretaceous-Tertiary boundary.

The primary producing intervals in the Schrader Bluff sands are within the 'O' and 'N' sands. The reservoir sands contain individual stratigraphic discontinuities and are compartmentalized due to isolation in separate, distinct fault blocks with different oil/water contacts. Individual fault blocks contain variable oil gravity ranging from 14 to 23 degree API oil.

The primary producing interval in the proposed SBPA expansion area is expected to be the 'O' sands and secondarily the 'N' interval. Within the 'O' and 'N' intervals the 'OA,' 'OB,' and 'NB' members are the primary producing sands. These three sand members are typically unconsolidated to slightly consolidated, thinly laminated, bioturbated in places, very fine- to fine-grained silty sandstones. The 'O' and 'N' sands were deposited as progradational coarsening and cleaning upward clastic sequences in a shallow marine shelf environment probably as channel mouth bar - to - delta front sand complexes that were further cleaned up by marine currents. The base and tops of these three major pay sand units in the area tend to have sharp basal and upper contacts, indicating periods of continuous sediment input punctuated by sudden rapid shifts of the sediment source.

The lowermost 'OB' sandstone is a 40' to 50' coarsening-upward sequence. The unit exhibits a cleaning upward trend on the gamma ray log. The pay zones of the 'OB' sand units are generally located in the upper 20' of the sequence. The 'OB' interval is a significant contributor to net pay in the area around wells MPH-07, MPH-08, and MPH-10, where the unit averages 25'-30' in thickness. These three wells are situated near the middle of the structure around -4000' to -4100'. The 'OB' sand extends into the southern part of the proposed expansion area. In this area, the 'OB' sand appears less blocky, forming stringer sands, and the log character displays less of a distinct coarsening-upward sequence to the southeast. The amount of net pay decreases down dip to the east, to about 10' in the area around the Cascade part of the MPU, where the 'OB' member is around 25' thick, but the net pay is less than five feet, near the top of the section. The Cascade well has an oil/water contact in the sand around -4695'.

The overlying 'OA' sandstone has a sharply defined top and bottom in the southern part of the MPU and appears more evenly distributed. The 'OA' sand is typically around 25 - 30 feet thick and generally contains 20' to 25' of net pay. The hydrocarbon pore foot map for the 'OA' sand illustrates that this unit will be a prolific oil producer.

The 'NB' sand member, the uppermost major pay zone in the proposed expansion area, is best developed in the southwestern part of the MPU around the proposed N-Pad site, where it ranges

between 10' to 40' in thickness. The hydrocarbon pore foot map illustrates that the 'NB' sand is aligned along southwest-northeast elongated channel mouth bar geometries especially concentrated around N-Pad, I-Pad and H-Pad. The hydrocarbon pore feet thickness map shows a thick in the western SBPA expansion acreage. The 'NB' sand is situated at depths around – 3500' in the proposed N-Pad expansion area with net pays ranging from 10' to 40'.

In summary, the geological and geophysical data submitted in support of the SBPA expansion application, along with the proposed drilling and work plans for the SBPA, justify the size and shape of the proposed expansion area.

### (3) The Applicant's Plan for Exploration or Development of the Expanded Participating Area

The expansion of the SBPA is tied to a 5-year development plan that consists of two pads, MPS-Pad and MPN-Pad, being developed adjacent to the current Tract 14 Schrader Bluff development area. Development of the Schrader Bluff reservoir to date includes 55 wells, drilled mostly from four pads, H, I, J and G, in the MPU Tract 14 area. Lessons learned from past drilling and five wells planned for the 4Q99-1Q00 will help determine the shape and direction of future Schrader Bluff development. The five wells, J-15I, J-01a, J-09a, J-08a and H-08a, will access undeveloped reserves and improve secondary recovery in tracts 14 and 23 of the expanded SBPA. J-15I, J-01 and J-09a will be drilled before the end of 1999 while J-08a and H-08a will be drilled in January and February 2000. The drilling history and production profiles from these wells will be the input into the next phase of Schrader Bluff reservoir development.

The expected next step in the 5-year SBPA plan, "Schrader Bluff Development Phase 2" (SBD-2), entails drilling from a new pad, S-Pad, in the southern part of the MPU. Construction of S-Pad on Tract 23 is proposed to develop approximately 50-60 mmbbls of reserves within a 10,000-foot drilling radius of S-Pad. Depending on the reservoir performance from the five wells drilled in 4Q99-1Q00, construction of S-pad could commence in late 2000 enabling development drilling to commence around mid-2001. First production from S-Pad could commence by 4Q01.

Beyond SBD-2, further development of the Schrader Bluff reservoir is contemplated to the west of the Tract 14 area, in part, from an existing gravel pad, N-Pad, which presently has no development wells or equipment. Development of N-Pad is envisioned in 2003.

BP provided an alternative development scenario for the proposed SBPA expansion area. This alternative scenario has development from N-Pad preceding the S-Pad development, but otherwise following the schedule outlined above. The decision to develop N-Pad first will be based upon the outcome of the 4Q99-1Q00 drilling plan. A decision is expected at the end of the first quarter of 2000.

Representatives of BP and the division met to discuss the proposed SBPA expansion area and the proposed 5-year SBPA development plan before the submittal of the expansion application. At these meetings, BP and the division recognized that portions of the proposed SBPA expansion area included production and injection wells that entitled those areas to be in an expanded SBPA.

However, portions of the proposed expansion area were undeveloped, but were subject to the proposed 5-year development schedule. For those undeveloped portions, the division was concerned with the area to be included in an expanded SBPA, BP's statements of the uncertain economic viability of the SBPA development plans and the need to reduce S-Pad development risks/uncertainties by evaluating the performance of the five wells before proceeding with their plan, the timing, and possible non-execution of the entire proposed 5-year development schedule.

To address the division's concerns and as a condition of including all the proposed expansion acreage into the SBPA now, the division proposed and BP agreed that the first revision SBPA area would automatically contract to those tracts or parts of tracts with active production or injection wells by February 4, 2003. For the expanded SBPPA area, a 160-acre drainage area around the production and injection wells will be the basis for determining the area of a tract to be retained in the SBPA after February 4, 2003. February 4, 2003 was chosen because that date is consistent with the automatic contraction date of ADL 380109 (Tract 23) and ADL 380110 (Tract 24) from the MPU per the Decision and Findings of the Commissioner Department of Natural Resources regarding the Expansion of the MPU and Ninth Revision of the Kuparuk Participating Area, dated February 5, 1998.

The division proposed this condition for several reasons. First, some of the proposed SBPA expansion lands are now in the MPU Kuparuk Participating Area (KPA), and, therefore, held by production from the KPA whether or not the lands are included in the SBPA. Second, the proposed expansion lands are appropriate for inclusion in the SBPA; including all the lands now in the SBPA reduces the administrative burden to the state and BP of multiple PA expansion applications in the immediate future. Third, there is no economic harm associated with including the proposed lands within the SBPA now. All the tracts have the same royalty rates and because portions of the tracts have producing wells, the leases will not expire anytime soon. Finally, BP will be required to drill and produce all the lands in the tracts by a date certain to keep the lands in the SBPA.

The condition permits the state and the SBPA working interest owners to receive the economic benefits of the expanded SBPA using a phased-in development approach prior to full production from the entire expanded area. The size of the SBPA expansion in relation to the plan of development may not have been acceptable given any other set of circumstances. BP either has to drill and produce all the SBPA expansion lands by February 4, 2003 or the lands will automatically be eliminated from the SBPA and the MPU.

#### (4) The Economic Costs and Benefits to the State

Approval of the proposed SBPA expansion will provide economic benefits to the state by including the area in the MPU Schrader Bluff reservoir plan of development, which proposes to maximize the physical and economic recovery of hydrocarbons from the Schrader Bluff reservoir. Maximum hydrocarbon recovery will enhance the state's long-term royalty and tax revenues.

Any additional administrative burdens associated with the proposed revised SBPA are far outweighed by the additional royalty and tax benefits derived from the expansion area

production.

#### (5) Any Other Relevant Factors

Pursuant to 11 AAC 83.351 and 11 AAC 83.371, BP submitted with the application an allocation of production and cost for the leases in the proposed SBPA expansion area (Attachment 2 to this Findings and Decision and revised Exhibit C to the MPU Agreement). The proposed tract allocation schedule distributes working interest equity among the leases according to original recoverable reserves. The basis of the tract allocation schedule--recoverable reserves--is consistent with the original SBPA allocation schedule. Division staff agrees with BP's estimate of recoverable reserves from the expansion area tracts, and the Division finds BP's tract allocation methodology acceptable for allocating production and costs among the leases in the expanded SBPA.

Article 11 of the MPU Agreement mandates that the effective date of any revision to the SBPA shall be the first of the month in which knowledge or information is obtained on which the revision is predicated. Production from the proposed expansion area commenced during the month of July 1996. A more appropriate date may be used if justified by the Unit Operator and approved by the Division Director. BP requested that the first revision to the SBPA be effective October 1, 1999. BP did not provide a basis for this date.

Of the twelve wells drilled into the proposed expansion area, ten wells are production wells. Division records indicated that the earliest production from the proposed expansion area commenced from the MPJ-19a tract operation during July 1996. Based on this information and Article 11 of the MPU Agreement, the Division determines that the effective date of the proposed expansion and revised tract allocation schedule shall be July 1, 1996.

#### IV. SUMMARY OF FINDINGS and DECISION

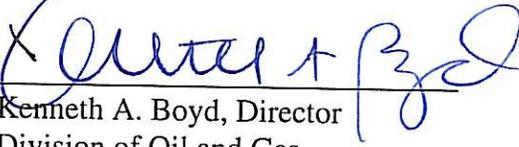
Based on the facts discussed in this document and the administrative record, I make findings and impose conditions as follows:

1. Under 11 AAC 83.351(a), a participating area may include only the land reasonably known to be underlain by hydrocarbons and known or reasonably estimated through use of geological, geophysical, or engineering data to be capable of producing or contributing to the production of hydrocarbons in paying quantities.
2. Under 11 AAC 83.303(c), the department will consider the factors specified in 11 AAC 83.303(a) and (b) when evaluating requests concerning participating areas.
3. The proposed expansion of the SBPA meets the requirements of 11 AAC 83.303.
4. The production well(s) in the Schrader Bluff formation reservoirs within the area proposed for the first SBPA revision are certified as meeting the paying quantities test. The acreage is underlain by hydrocarbons and known and reasonably estimated to be capable of production

or contributing to production in sufficient quantities to justify the expansion of the SBPA within the MPU.

5. The geological and engineering data justify the inclusion of the proposed tracts within the SBPA. 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, the lands described in Attachment 1 to this Findings and Decision are to be included in the SBPA.
6. The SBPA expansion 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 expanded and approved participating area. The allocations of production and costs for the tracts within the SBPA (revised Exhibit C), Attachment 2 to this Findings and Decision, are approved.
7. The production of SBPA hydrocarbon liquids through the existing production and processing facilities within the MPU reduces the environmental impact of the additional production. Utilization of existing facilities will avoid unnecessary duplication of development efforts on and beneath the surface.
8. The MPU Owners plan diligent exploration and delineation of the reservoirs underlying the MPU under approved plans of development and operation.
9. The plan of development for the SBPA expansion area meets the requirements of 11 AAC 83.303 and 11 AAC 83.343. Annual updates to the MPU plan of development which describe the status of SBPA projects undertaken and the work completed, and any changes or expected changes to the plan, must be submitted in accordance with 11 AAC 83.343.
10. Approval of the first expansion of the SBPA and the revised Exhibit C to the MPU Agreement (Attachment 2 to this Findings and Decision) are effective retroactive to July 1, 1996.

For these reasons and subject to the conditions and limitations noted, I hereby approve the First Revision of the Schrader Bluff Participating Area within the Milne Point Unit.

  
Kenneth A. Boyd, Director  
Division of Oil and Gas

3 JANUARY '00  
Date

For: John Shively, Commissioner  
Alaska Department of Natural Resources

Attachments: Attachment 1: First SBPA Revision Tracts  
Attachment 2: Revised Exhibit C to the MPU Agreement (SBPA Tract Allocation  
Schedule)

MPU.1stSBPA.Rev.doc

Attachment 1

Milne Point Unit

First Revision Schrader Bluff Participating Area

SBPA Expansion Lands and Lease Description

Tract	ADL #	Legal Description	Total Acres
13	025517	T13N, R10E, UM: Sections 29, 30, 31 and 32	2,555
23	380109	T12N, R10E, UM: Sections 1,2,11 and 12	2,560
24	380110	T12N, R11E, UM: Sections 6 and 7	1,157
		Total Additions	6,272

MILNE POINT UNIT AGREEMENT  
SCHRADER BLUFF PARTICIPATING AREA

EXHIBIT C  
TRACT PARTICIPATION FACTORS

ATTACHMENT 2.

MPU Tract #	ADL Lease #	Umlat Meridian	Acres	Sections	Tract Participation %	BPAE/BPOE Royalty %	OXY Royalty %
1	47432	T13N-R11E	37	Sec. 7: SW/4 SW/4	0.00684%	20.0	12.5
2	47433	T13N-R10E	1,320	Sec. 1: W/2 SW/4, SW/4 NW/4 Sec. 2: S/2, S/2 NE/4 Sec. 11: All Sec. 12: S/2 S/2	0.92843%	20.0	12.5
3	47434	T13N-R10E	1,600	Sec. 3: S/2 Sec. 9 & 10: All	2.23579%	20.0	12.5
4	25516	T13N-R10E	1,280	Sec. 15 & 22: All	( ( 8.72033% ) ( ) )	12.5	12.5
4A	315848	T13N-R10E	1,280	Sec. 16 & 21: All		12.5	12.5
5	47437	T13N-R10E	2,560	Sec. 13, 14, 23 & 24: All	9.18442%	20.0	12.5
6	47438	T13N-R11E	1,024	Sec. 18: W/2 NW/4, SW/4, W/2 SE/4 Sec. 19: All Sec. 20: W/2 SW/4	2.36170%	20.0	12.5
8	28231	T13N-R11E	1,515	Sec. 29: W/2 W/2 Sec. 30, 31: All Sec. 32: W/2 SW/4	3.51243%	12.5	12.5
9	25518	T13N-R10E	2,560	Sec. 25, 26, 35 & 36: All	13.14630%	12.5	12.5
10	25509	T13N-R10E	800	Sec. 7: E/2 E/2 Sec. 8: All	0.72856%	12.5	12.5
11	25514	T13-R9E	2,560	Sec. 13, 14, 23 & 24: All	3.39520%	12.5	12.5
12	25515	T13N-R10E	2,544	Sec. 17, 18, 19 & 20: All	7.13539%	12.5	12.5
13	25517	T13N-R10E	2,555	Sec. 29, 30, 31 & 32: All	14.91392%	12.5	12.5
14	25906	T13N-R10E	2,560	Sec. 27, 28, 33 & 34: All	17.67871%	12.5	12.5
23	380109	T12N-R10E	2,560	Sec. 1, 2, 11 & 12: All	11.57527%	12.5	12.5
24	380110	T12N-R11E	1,157	Sec. 6, 7: All	4.47669%	12.5	12.5
			27,912		100.000000%		