

PRUDHOE BAY UNIT
APPROVAL OF THE
FIRST EXPANSION OF THE POINT MCINTYRE PARTICIPATING AREA
FIRST CONTRACTION OF THE WEST BEACH PARTICIPATING AREA
AND
FIFTH CONTRACTION OF THE PRUDHOE BAY UNIT

FINDINGS AND DECISION OF THE DIRECTOR
DIVISION OF OIL AND GAS
UNDER DELEGATION OF AUTHORITY FROM THE COMMISSIONER
DEPARTMENT OF NATURAL RESOURCES
STATE OF ALASKA

September 30, 2011

TABLE OF CONTENTS

I.	DECISION SUMMARY.....	3
II.	INTRODUCTION AND BACKGROUND.....	3
III.	DISCUSSION OF DECISION CRITERIA.....	4
A.	Decision Criteria considered under 11 AAC 83.303(b)	
1.	Environmental Costs and Benefits of Unitized Exploration and Development	
2.	Geological and Engineering Characteristics of, and prior delineation activities in, the proposed participating area expansion area	
3.	Prior Activities in the Proposed Expansion Areas	
4.	Plan of Development for the Point McIntyre Participating Area	
5.	Economic Costs and Benefits to the State	
6.	Other Relevant Factors	
B.	Decision Criteria considered under 11 AAC 83.303(a)	
1.	Promote the Conservation of All Natural Resources	
2.	Prevention of Economic and Physical Waste	
3.	Protection of All Parties of Interest, Including the State	
V.	FINDINGS AND DECISION.....	8
VI.	ATTACHMENTS.....	12

I. DECISION SUMMARY

On February 28, 2011, BP Exploration (Alaska) Inc. (BPXA), as Operator of the Prudhoe Bay Unit (PBU), on behalf of itself and the other PBU Working Interest Owners (WIOs), Chevron U.S.A. Inc., ConocoPhillips Alaska, Inc., and ExxonMobil Alaska Production Inc., submitted an application to expand the PBU Point McIntyre Participating Area (PMPA) and simultaneously contract the PBU West Beach Participating Area (WBPA) (Application). *See* Attachment 1.

For the reasons set out in this Decision, the Department of Natural Resources (DNR), Division of Oil and Gas (Division), approves the first expansion of the PMPA and the contraction of the WBPA.

The PMPA is expanded to include approximately 2,966.57 acres within ADLs 389945, 389946, 34626, and 34627 because the expansion is consistent with 11 AAC 83.351(c) and Article 5.3 of the PBU Agreement. The Division approves the tract participation and allocation schedule for the expanded PMPA and the field cost deduction tract percentage ratios, submitted by BPXA with its request. *See* Attachment 2, Proposed PMPA Tract Factors; Attachment 3, Tract Percentage Ratio for PMPA “Stan” Leases.

The WBPA is simultaneously contracted by approximately 240 acres because the contraction is also consistent with the provision of 11 AAC 83.351(c) and Article 5.3 PBU Agreement. This contracted acreage lies within a portion of ADLs 34626 and 34627 and is part of Southeast Expansion Area added to the PMPA by this Decision. *See* Attachment 1. No change in the WBPA tract participation and allocation schedule is required because no WBPA production is allocated to the contraction area.

The portions of ADLs 34626 and 34627 not included within a PA are automatically contracted out of the PBU, as of the effective date of this Decision.

II. INTRODUCTION AND BACKGROUND

On March 16, 2009, BPXA submitted an application to expand the PBU. The Division conditionally approved the PBU expansion in a June 30, 2009 Decision. BPXA spudded well P2-22A on March 14, 2010 and the well reached a total depth of 9,033 feet TVD within lease ADL 389946. BPXA completed the well on April 27, 2010. Having satisfied the conditions set out in the June 30, 2009 Decision pertaining to ADLs 389945 and 389946 (PMPA North Expansion Area) and ADLs 34626 and 34627 (PMPA Southeast Expansion Area), BPXA submitted an Application to Expand the PMPA and Contract the WBPA on February 28, 2011.

The PMPA and the WBPA (WBPA production is currently shut-in) both produce hydrocarbons from the Cretaceous Kuparuk River Formation. However, the PAs are producing from separate hydrocarbon accumulations within the formation because the WBPA oil-water contact (-9,240 ft ss) is deeper than the PMPA oil-water contact (-9,069 ft ss) suggesting a structural/stratigraphic separation of the two accumulations.

In the Application, BPXA proposed to expand the PMPA by approximately 3,987.50 acres. Subsequently, BPXA agreed to a smaller expansion acreage consisting of 2,966.57 acres that covers only those lands reasonably estimated through the use of geological, geophysical, or engineering data to be capable of producing or contributing to the production of hydrocarbon in paying quantities. The proposed expansion acreage includes portions of leases ADLs 389945, 389946, 34626 and 34627. The P2-22A and P2-22APB1 are the only wells located in the proposed expansion areas. Both sidetrack wells are located within ADL 389946 (North Expansion Area) and commenced production in May 2010. The P2-22A well reached total depth within 500 feet of lease ADL 389945. The P2-45B well, drilled in 2008, established oil production at the southeastern limit of the current PMPA. Oil production rates are an indicator that good quality reservoir rock extends into acreage outside of the current PA, and that production from the P2-45B well is capturing moveable hydrocarbons from outside the existing PMPA within the proposed Southeast Expansion Area (ADLs 34626 and 34627).

A portion of the proposed PMPA Southeast Expansion Area currently lies within the WBPA. BPXA proposes to contract the WBPA by approximately 240 acres, thereby excluding portions of leases ADLs 34626 and 34627 from the WBPA. Acreage that contracts out of the WBPA does not contain the West Beach Reservoir/oil pool. Therefore, contraction of these lands out of the WBPA complies with 11 AAC 83.351(c), which provides that a participating area must be contracted to exclude acreage reasonably proven through use of geologic, geophysical, or engineering data to be incapable of producing hydrocarbons in paying quantities.

III. DISCUSSION OF DECISION CRITERIA

The DNR Commissioner (Commissioner) reviews unit-related applications under 11 AAC 83.303-11 AAC 83.395. By memorandum dated December 21, 1998, the Commissioner delegated this authority to the Director of the Division. The Division's review of the Application is based on the criteria set out in 11 AAC 83.303(a) and (b). A discussion of the subsection (b) criteria, as they apply to the Application, is set out directly below, followed by a discussion of the subsection (a) criteria.

A. Decision Criteria considered under 11 AAC 83.303(b)

1. Environmental Costs and Benefits of Unitized Development

The PMPA is located within the PBU, covering both onshore and offshore acreage. Alaska statutes require that DNR provide public notice and issue a written best interest finding before approving a contract for disposal of the State's oil and gas resources. AS 38.05.035(e), AS 38.05.945 and 11 AAC 82.415. In preparing the finding, the Commissioner may impose additional conditions or limitations beyond those imposed by law. AS 38.05.035(e). DNR develops lease stipulations through the lease sale process to mitigate the potential environmental, social and cultural impacts from oil and gas activity.

The lands to be included in the PMPA are within four leases that contain stipulations designed to protect the environment and to address concerns regarding potential impact to fish and game, to wildlife habitats, and to subsistence. Lease conditions address issues such as the protection of primary waterfowl areas, site restoration, construction of pipelines, seasonal restriction on operations, public access to, or use of,

the leased lands, and avoidance of seismic hazards. Expansion of the PMPA will neither change these protective measures, nor result in additional restrictions or limitations. All lease operations require additional approvals and must comply with federal, state, and applicable borough regulations.

2. Geological and Engineering Characteristics of the Proposed Expanded Participating Area

Introduction

BPXA submitted confidential data in support of the Application. That data included well data from the P2-22APB1, P2-22APB2, and P2-22A wells and new seismic interpretation of the top and base Kuparuk. BPXA provided reservoir properties within the Kuparuk as grid data and the Division will protect all data from public disclosure in accordance with AS 38.05.035(a)(8)(C) and 11 AAC 96.220.

Geologic Setting

The Kuparuk River Formation at PMPA is characterized by depositional facies changes, variations in net to gross, and variations in thickness associated with coeval faulting. Post depositional cementation which can occlude primary porosity and permeability is also a factor in determining the extent of reservoir. The Point McIntyre Pool rules indicate that the Point McIntyre reservoir is formed by a north plunging anticline with fault closure to the south along the Point McIntyre bounding fault and by low net to gross and truncation along the eastern margin of the anticline.

Geological and Engineering Characteristics

Over one hundred wells have been drilled within the Kuparuk reservoir at Point McIntyre. Core data in the early wells indicate average porosity ranges from 19% to 25%. Horizontal permeability ranges from 50 to 300 millidarcies in the Upper Kuparuk and from 100 to 600 millidarcies in the Lower Kuparuk. The Kuparuk net to gross ranges from 0.2 to 0.8 with an average of 0.55 in the Upper Kuparuk and from 0.7 to 0.96 with an average of 0.87 in the Lower Kuparuk. The oil-water contact is a consensus pick agreed to by the co-owners and placed at -9,069 feet TVDss. A gas-oil contact at -8,582 feet TVDss is picked based on data in Point McIntyre #3. Initial water saturation ranged from 15% to 65% with an average of 33% in the oil column. Initial water saturation was considered to be less than 15% in the gas cap. The oil gravity is 27 degrees API with a formation volume factor of 1.39 RB/STB. The oil-water contact is used to determine the maximum extent of the Kuparuk reservoir. However, rock properties, in particular net to gross, porosity, and permeability were interpreted to determine reasonable extent of the Kuparuk reservoir.

3. Prior Activities in the Proposed Expansion Areas

The P2-22A and P2-45B wells demonstrated the presence of the Point McIntyre reservoir within the proposed PMPA expansion areas. New well data in the North Expansion Area indicates Kuparuk net to gross within the range determined from cored wells, and reported in the pool rules. P2-22A has been on production sporadically since May 2010. Current Alaska Oil and Gas Conservation Commission

production data indicates 77,158 cumulative barrels of oil have been produced through the end of May 2011.

Well P2-45B, which was drilled about 22 feet from the boundary of the Southeast Expansion Area in lease ADL 34627, has a cumulative production of 487,998 barrels of oil through the end of May 2011. P2-45B started producing in April 2008. The addition of expansion acreage in this area is dependent on a determination of how far to the east the net sandstone extends. The sandstone is limited in extent as very low net to gross rock occurs in the Gull Island #1 and #3 wells located approximately 10,500 feet to the east.

4. Plan of Development for the Point McIntyre Participating Area

On June 30, 2011, BPXA submitted to the Division a proposed PMPA 2011 Plan of Development (2011 POD). The 2011 POD for the PMPA provides for:

- work on a full-field model rebuild/refresh that when complete will be used as a guide for reservoir management activities;
- evaluation of the P1-24AL well results to assess potential development opportunities in the western and northwestern areas of the field where reservoir rock quality is generally poor; and
- analysis of P2-45B well production performance and re-interpretation of 3-D seismic data over the WBPA and PMPA are being evaluated for field extension drilling opportunities.

5. The Economic Costs and Benefits to the State

The State should benefit from the PMPA expansion if the activities planned under the 2011 POD result in enhanced physical recovery of hydrocarbons from the PMPA. Enhanced hydrocarbon production will increase the State's long-term royalty and tax revenue. Thus, approval of the PMPA expansion and associated field development will likely provide economic benefits to the State.

6. Other Relevant Factors

The WIOs may not deduct any field costs provided under the 1980 PBU Royalty Settlement Agreement (1980 PBU RSA) from the State's share of hydrocarbon production from the PMPA Southeast Expansion acreage, except for production from that portion of ADL 34627 described as T12N, R15E, U.M., Section 20: N1/2, N1/2S1/2; and that portion of ADL 34626 described as T12N, R15E, U.M., Section 21: NW1/4, N1/2SW1/4. (collectively referred to below as "these lands") For accounting purposes, the field cost deduction for hydrocarbon liquids production from these lands, and production from any other PMPA lands to which a 1980 RSA field cost deduction applies (collectively referred to below as "other lands"), is equal to the volume of PMPA hydrocarbon liquids attributable to these lands and other lands times the field cost deduction for oil under the terms of the 1980 PBU RSA. The volume of hydrocarbon liquids production attributable to these lands and other lands is calculated for each affected tract by multiplying the total volume of PMPA hydrocarbon liquids allocated to the tract by a ratio, the numerator of which is the original-oil-in-place (OOIP) volume of the reservoir within these lands and other lands and the denominator of which is the total OOIP volume of the reservoir within the affected tract. BPXA

submitted revised field costs deduction ratios for these lands and other lands within the PMPA on September 7, 2011. *See* Attachment 3. These ratios are acceptable to the Division.

The WIOs may not deduct any field costs from the State's royalty share of production from the PMPA North Expansion Area acreage--ADLs 389945 and 389946.

B. Decision Criteria considered under 11 AAC 83.303(a)

1. Promote the Conservation of All Natural Resources

The conservation of the natural resources of all or part of an oil or gas pool, field or like area means maximizing the efficient recovery of oil and gas and minimizing the adverse impacts on the surface and other resources. 11 AAC 83.395(1).

The P2-22APB2, P2-22A and P2-45B wells have demonstrated the presence of a reservoir (Point McIntyre Reservoir), as defined by 11 AAC 83.395(6), within the proposed PMPA expansion areas.

The expansion of participating areas within unit areas to develop hydrocarbon-bearing reservoirs is a well-accepted means of hydrocarbon conservation. The approval of the Application will provide a comprehensive plan for developing the entire known Point McIntyre Reservoir. The PMPA 2011 POD provides for an efficient, integrated approach to the development of the Reservoir. The PMPA expansion conserves natural resources by increasing hydrocarbon production without substantially increasing the facilities required to accommodate the production. The expansion promotes efficient evaluation and development of the State's resources, yet minimizes impacts to the area's cultural, biological, and environmental resources. Producing hydrocarbons from the expanded PMPA through the existing Lisburne and Gathering Center-1 production and processing facilities will reduce the incremental environmental impact of the additional production.

2. Promote the Prevention of Economic and Physical Waste

Economic waste is often referred to as the drilling of wells in excess of the number necessary for the efficient recovery of the oil and gas in place. Physical waste, among other things, includes the inefficient, excessive, or improper use, or unnecessary dissipation of, reservoir energy.

Sustained production from the PMPA commenced in October 1993. Expansion of the PMPA allows for continued development of the Point McIntyre Reservoir, as supported by available geological, geophysical and engineering data. Under Article 5.3 of the Agreement, a participating area may be enlarged or contracted to include lands which are reasonably proven to be within the reservoir limits of a reservoir or portion thereof. Development and management of the entire reservoir and using existing unit infrastructure will promote greater ultimate recovery and prevent economic waste.

3. Provide for the Protection of all Parties

The people of Alaska have an interest in the development of the State's oil and gas resources to maximize the economic and physical recovery of the resources. AS 38.05.180(a). Expansion of the PMPA and approval of future annually approved PODs will provide for continued review and approval of BPXA's plans to manage reservoir production and maximize economic and physical recovery.

BPXA submitted a tract participation and allocation schedule for the individual tracts in the PMPA (Attachment 2) as required under 11 AAC 83.351(c) and 11 AAC 83.371(a). The submission included a request from BPXA to change the tract allocation formula from value-based to OOIP. The calculated OOIP increased from the 1994 estimate of 777 mmbo to the current estimate of 913 mmbo based on additional information obtained from drilling and production results. The proposed PMPA expansion areas account for 38 mmbo of this increase, while the remaining 98 mmbo is due to an improved understanding of OOIP within the original PMPA boundaries. Overall, the PMPA average royalty would increase from the current 13.84 percent to the proposed 13.93 percent. BPXA's proposed tract allocation schedule and the tract allocation formula is acceptable for allocation of production and costs among the leases within the PMPA, as the Division agrees with BPXA's estimate of OOIP and the tract allocation formula is a technically based and a standard that has been acceptable to the Division in the past.

The tract allocation participation and allocation percentages for the WBPA remain unchanged.

The proposed expansion of the PMPA and the proposed contraction of the WBPA protect the economic interests of the PMPA and WBPA WIOs as well as the royalty owner. The PMPA expansion promotes the State's interests because hydrocarbon recovery will be maximized and additional production-based revenue will be derived from the increased production. It promotes efficient evaluation and development of the State's resources, yet minimizes impacts to the area's cultural, biological, and environmental resources.

V. FINDINGS AND DECISION

Considering the facts discussed in this Decision and the administrative record, I hereby make findings and impose conditions as follows.

1. The expansion of the PMPA promotes the conservation of all natural hydrocarbons, promotes the prevention of economic waste, protects all parties of interest, and is necessary and advisable to protect the public interest. *See* 11 AAC 83.303.
2. BPXA fulfilled its drilling commitment to drill a well within the North Expansion Area within three years of the effective date of July 1, 2009, as required under the Director's June 30, 2009 Decision and Findings (as revised on July 22 and September 17, 2010), expanding the PBU.
3. BPXA fulfilled its obligation to submit a PMPA Expansion application, as required under the Director's June 30, 2009 Decision and Findings (as revised on July 22 and September 17, 2010).

4. The available geological, geophysical and engineering data demonstrate that the following proposed expansion acreage is consistent with the provisions of 11 AAC 83.351(c) and Article 5.3 of the PBU Agreement:

PMPA North Expansion Area

Tract 120, ADL 389945

T13N, R14E, U.M.

Section 35: S1/2NE1/4, NW1/4, S1/2, excluding ADL 365548

Containing approximately 528.75 acres.

Tract 121, ADL 389946

T13N, R14E, U.M.

Section 27: S1/2

Section 28: Protracted, all tide and submerged lands, excluding ADL 312809

Section 33: Protracted, all tide and submerged lands, excluding ADL 312809 and ADL 365548

Section 34: Protracted, all tide and submerged lands, excluding ADL 365548

Containing approximately 1,717.82 acres.

PMPA Southeast Expansion Area

Tract 5, ADL 34626

T12N, R15E, U.M.

Section 21: NW1/4, N1/2SW1/4

Containing approximately 240 acres.

Tract 6, ADL 34627

T12N, R15E, U.M.

Section 20: N1/2, N1/2S1/2

Containing approximately 480 acres.

With the inclusion of these lands, the total area within the expanded PMPA is approximately 13,794.67 acres.

5. The expansion of the PMPA divides costs and allocates produced hydrocarbons in a manner acceptable to all affected WIOS. Under 11 AAC 83.351(c) and 11 AAC 83.371(a), the Division approves the allocations of production and costs for the tracts within the PMPA, as set out in Attachment 2.
6. Facility sharing, commingling of production, well production allocation, metering, gas usage and NGL processing are subject to the same terms and conditions as approved by the Division in the December 30, 1993, Decision and Findings of the Director for the Amended Application for the Third Expansion of the Unit Area and Formation of the Pt. McIntyre Participating Area.

7. WBPA is hereby simultaneously contracted upon expansion of the PMPA. It is reasonably proven through use of geological, geophysical, or engineering data that the following acreage is incapable of producing hydrocarbons in paying quantities from the West Beach Reservoir and thus is contracted from the WBPA:

WBPA Contraction Acreage

Tract 5, ADL 34626
T12N, R15E, U.M.
Section 21: N1/2SW1/4
Containing approximately 80 acres.

Tract 6, ADL 34627
T12N, R15E, U.M.
Section 20: N1/2S1/2
Containing approximately 160 acres.

With the exclusion of these lands, the total acreage within the contracted WBPA is approximately 2,267.00 acres.

8. The Director's Findings and Decision dated June 30, 2009 (as revised on July 22, 2010 and September 17, 2010) required that ADLs 34626 and 34627 or portions of those leases not included in a PA or an Application to Expand the PMPA by March 1, 2011 would automatically contract from the PBU. Therefore, the following acreage is hereby contracted from the PBU:

PBU Contraction Acreage

Tract 5, ADL 34626
T12N, R15E, U.M.
Section 16: SW1/4
Containing approximately 160 acres.

Tract 6, ADL 34627
T12N, R15E, U.M.
Section 17: S1/2
Containing approximately 320 acres.

With the exclusion of these lands, the total acreage within the contracted PBU is approximately 254,235.32 acres.

9. Field cost deductions provided for under the 1980 RSA apply to production for those portions of the Southeast Expansion Area as follows: that portion of ADL 34627 described as T12N, R15E, U.M., Section 20: N1/2, N1/2S1/2, and that portion of ADL 34626 described as T12N, R15E, U.M., Section 21: NW1/4, N1/2SW1/4.

10. No field costs may be deducted from the State's royalty share of production from any of the North Expansion Area--ADLs 389945 and 389946. Field costs include, but are not limited to, expenses for separating, cleaning, dehydration, gathering, saltwater disposal, and preparing oil, gas, or associated substances for transportation off the unit area.
11. The Division approves the tract percentage ratios as set out in Attachment 3.
12. BPXA shall submit to the Division within 60 days of this Decision:
 - a. revised Exhibit A to the Prudhoe Bay Unit Agreement;
 - b. revised Exhibit B to the Prudhoe Bay Unit (map) that shows the boundary lines of the Unit Area and of each Unit Tract, identified by Unit Tract number and Lease number;
 - c. revised Exhibit C-8 Unit Tract Participation Allocation Schedule for the PMPA that includes tract participation percentages;
 - d. revised Exhibit D-8 for the PMPA (map) that shows the boundary lines of the PMPA and of each PA Tract, identified by Tract number and Lease number;
 - e. revised Exhibit C-11 Unit Tract Participation Allocation Schedule for the WBPA showing adjusted legal descriptions for Tracts 5 and 6; and
 - f. revised Exhibit D-11 for the WBPA (map) that shows the boundary lines of the WBPA and of each PA Tract, identified by Tract number and Lease number.
13. Article 5.4 of the PBU Agreement provides that a participating area will be effective on the first day of the calendar month following approval by DNR or any other date agreed to by DNR and the WIOs.

For the reasons discussed in this Decision, I hereby approve, effective October 1, 2011, the First Expansion of the PMPA, the revised PMPA tract participation schedule (as set out in Attachment 2), the revised Tract Percentage Ratios (as set out in Attachment 3), the First Contraction of the WBPA, and the Fifth Contraction of the PBU.

A 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 Daniel S. Sullivan, Commissioner, DNR, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to (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.



W.C. Barron
Director

9/30
11

Date

VI. ATTACHMENTS

- 1) Application to Expand the Point McIntyre Participating Area and Contract the West Beach Participating Area
- 2) Proposed PMPA Tract Factors
- 3) Table 1: Tract Percentage Ratio for PMPA “STAN” Leases



David J. Szabo

Head of Reservoir Management
Alaska Resource Team

RECEIVED

FEB 28 2011

DIVISION OF
OIL AND GAS



BP Exploration (Alaska) Inc.
900 East Benson Boulevard
PO Box 196612
Anchorage, AK 99519-6612
(907) 564-5111

February 24, 2011

Phone: (907) 564-4788
Fax: (907) 564-4440
Email: SzaboDJ@bp.com
Web: www.bp.com

Mr. Kevin Banks, Acting Director
Division of Oil & Gas
Alaska Department of Natural Resources
550 W. 7th Avenue, Suite 800
Anchorage, Alaska 99501 3560

Subject: Application to Expand the Point McIntyre Participating Area and
Contract the West Beach Participating Area

Dear Mr. Banks:

Pursuant to the provisions 11 AAC 83.351 and 11 AAC 371 and Articles 5.3 and 9.1 of the Prudhoe Bay Unit Agreement ("PBUA"), BP Exploration (Alaska) Inc. ("BPXA"), acting in its capacity as Operator of the Prudhoe Bay Unit ("PBU") and on behalf of itself and the other PBU Working Interest Owners, Chevron U.S.A. Inc., ConocoPhillips Alaska, Inc., and ExxonMobil Alaska Production Inc., hereby applies to the Department of Natural Resources for approval of enlargement of the Pt. McIntyre Participating Area ("PMPA") and contraction of the West Beach Participating Area ("WBPA").

The proposed expansion of the PMPA is based on new well information and new seismic interpretation that extends the field limits based on the area capable of contributing to production. The proposed expansion includes two areas, referred to in the supporting documentation as North Expansion Area and SE Expansion Area. The two expansion areas are depicted and described in Attachment 1 and generally coincide with the PBU expansion that was completed in 2009, with the exception of the SE area that also includes a portion of the WBPA.

BPXA respectfully submits that the proposed expansion of the PMPA and contraction of the WBPA meets the criteria of 11 AAC 83.303 because it will promote conservation of natural resources, promote the prevention of economic and physical waste, and will protect all parties, including the State of Alaska. It also provides for the protection of the environment through planned development that optimizes the use and minimizes duplication of existing facilities.

The following attachments are provided in support of this application for the expansion of the PMPA and the simultaneous contraction of the WBA.

Attachment 1

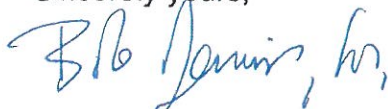
*Conf. data
is located
in the 8th
fl. vault*

Attachment 1: PMPA Tracts and Expansion Area and WBPA Tracts and
Contraction Area
Attachment 2 Text & Figures: Proposed PMPA limits and Methodology for
Determining Tract Allocation
Attachment 3: Tract Allocation and Supporting Data
Attachment 4: Well Data
Attachment 5: PMPA 2010 POD, Section 3.3 Update

Attached are five (5) copies of the application. We request that the geological, geophysical, and engineering portions of this application marked as "confidential" be kept confidential under AS 38.05.035.

Should you have questions regarding this application or should you require additional information to aid in your review please do not hesitate to contact David Lenig at (907) 564-5301. Technical inquiries should be directed to Amy Frankenburg at (907) 564-4503. Thank you for your timely consideration.

Sincerely yours,



David J. Szabo

cc: with attachments

RL Skillern, BPXA
Amy Frankenburg, BPXA
John Garing, BPXA
David Lenig, BPXA
Gary Benson, BPXA
Judy Buono, BPXA
Gerry Smith, ExxonMobil
Steve Krohn, ExxonMobil
Mark Agnew, ExxonMobil
Phil Ayer, Chevron
Don Ince, ConocoPhillips
Eric Reinbold, ConocoPhillips
Dan Kruse, ConocoPhillips
Patricia Bettis, DO&G
Cammy Taylor, DO&G

cc: without attachments

Jeff Spatz, BPXA
Janet Weiss, BPXA
Eric Jenkins, BPXA
Dan Seamount, AOGCC

The leases or portion of leases contemplated for inclusion in the PMPA and for exclusion from the WBPA are depicted in Section I: Location Map of the Expansion/Contraction Areas and are listed in Section II: Legal Description of the PMPA Expansion Area and WBPA Contraction Area. All lessees and owners of the subject leases are Working Interest Owners of the Prudhoe Bay Unit.

Section I: LOCATION MAP FOR PMPA EXPANSION & WBPA CONTRACTION AREAS



Section II:
Legal Description of the PMPA Expansion Area and WBPA Contraction Area

PMPA Expansion Area – 3987.5 Acres

Pt. McIntyre North Expansion

T. 13 N., R. 14E., Umiat Meridian, Alaska

ADL 389945, Tract 120,

Section 26: S½, 320 acres,

Section 35: Protracted, All Tide and Submerged Lands, Excluding State Oil and Gas Lease ADL365548, 608.75 acres

ADL 389946, Tract 121,

Section 27: S½, NW¼ Protracted, All Tide and Submerged Lands Shoreward of the Line Fixed by Coordinates Found in Exhibit A of the Final Decree, U.S. v. Alaska, No. 84 Original, 460.94 acres

Section 28: Protracted, All Tide and Submerged Lands, Excluding State Oil and Gas Lease ADL312809, 395.06 acres

Section 33: Protracted, All Tide and Submerged Lands, Excluding State Oil and Gas Lease ADL312809 and ADL365548, 378.52 acres

Section 34: Protracted, All Tide and Submerged Lands, Excluding State Oil and Gas Lease ADL365548, 624.20 acres

Pt. McIntyre Southeast Expansion

T. 12 N., R. 15E., Umiat Meridian, Alaska

ADL 034626, Tract 5,

Section 16: SW¼, 160 acres,

Section 21: NW¼, N½ SW¼, 240 acres

ADL 034627, Tract 6,

Section 17: S½, 320 acres,

Section 20: N½, N½ S½, 480 acres

WBPA Contraction Area – 240 Acres

West Beach Contraction

T. 12 N., R. 15E., Umiat Meridian, Alaska

ADL 034626, Tract 5,

Section 21: N½ SW¼, 80 acres

ADL 034627, Tract 6,

Section 20: N½ S½, 160 acres

Proposed PMPA Tract Factors

Tract	365548	34622	34624	28297	28298	34627	34626	389946	389945
Tract Factor (%)	31.4054113	15.80676964	26.0598094	18.66579034	0.076678716	4.94030014	0.20812794	2.44276482	0.39434768

TABLE 1: TRACT PERCENTAGE RATIO FOR PMPA "STAN" LEASES

	Tract 5 ADL 034626	Tract 6 ADL 034627	Tract 7 ADL 034624	Tract 8 ADL 028297
Sliver	1.9	25.9	9.3	4.6
Total	1.9	45.1	237.9	170.4
Ratio	1.000000	0.574279	0.039092	0.026995