

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

SEAN PARNELL, GOVERNOR

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**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

April 5, 2012

John L. Whitworth  
Supervisor, WNS Base  
ConocoPhillips Alaska Inc.  
700 G Street  
Anchorage, AK  
99501

Re: Colville River Unit, Fiord Kuparuk Participating Area  
Fifth Year Reserves Estimate Revision

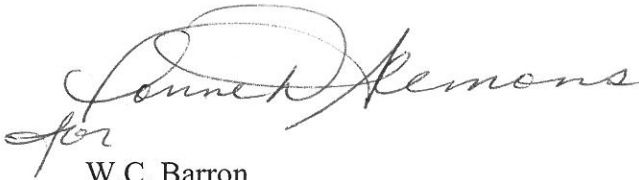
Dear Mr. Whitworth:

On October 28, 2011, ConocoPhillips Alaska, Inc. (ConocoPhillips), as Unit Operator on behalf of the Colville River Unit (CRU) Working Interest Owners, submitted an application under Articles 9 and 10 of the Colville River Unit Agreement (CRUA) and 11 AAC 83.351, to the Commissioner of the State of Alaska, Department of Natural Resources, Division of Oil and Gas, (Division) and the President of the Arctic Slope Regional Corporation (ASRC) for the Fifth Year Reserves Estimate Revision of the CRU Fiord Kuparuk Participating Area (FKPA) (Application). The Application changes the lands within the FKPA boundary by including new lands not in the FKPA and excluding some lands that are currently within the FKPA, as described in Exhibit A, (Attachment 1). This approval is for the Second Revision of the FKPA. The Application also includes a revised division of interest as described in Exhibit C, (Attachment 2), Exhibit D, Map of the FKPA, (Attachment 3), Exhibit E, Revised Allocation of FKPA Expense, (Attachment 4),

*"To responsibly develop Alaska's resources by making them available for  
maximum use and benefit consistent with the public interest."*

and Exhibit F, Revised Allocation of Unit Expense, (Attachment 5), as required under Subsection 10.1.3(a) of the CRUA. The Fifth Year Reserves Estimate Revision and revised division of interest submitted under 10.1.3(a) is approved and is effective as of the first day of the first month following the expiration of five years after commencement of sustained unit production from the FKPA, Subsection 10.1.3(a)(i), being April 1, 2012.

Sincerely,

A handwritten signature in cursive script, appearing to read "W.C. Barron".

W.C. Barron  
Director  
Division of Oil and Gas

Cc: Jeff Landry, DOL  
Dora Soria, ConocoPhillips  
ASRC, Teresa Imm  
BLM, Wayne Svejnoha

Attachments

1. Attachment A, First Revision of the Fiord Kuparuk Participating Area
2. FKPA Fifth Year Reserves Estimate Revision Exhibit C
3. FKPA Fifth Year Reserves Estimate Revision Exhibit D
4. FKPA Fifth Year Reserves Estimate Revision Exhibit E
5. FKPA Fifth Year Reserves Estimate Revision Exhibit F

**Attachment 1:** Attachment A, First Revision of the Fiord Kupaṛuk Participating Area

## Attachment A

### First Revision of the Fiord Kuparuk Participating Area

| Tract No. | Type Acreage | ADL No./ Tobin No. | Legal Description  |
|-----------|--------------|--------------------|--|
| 3         | Contraction  | 364471<br>931976   | T13N,R5E-U.M.<br>Sec. 31: SE $\frac{1}{4}$ SE $\frac{1}{4}$  |
| 11A       | Contraction  | 391577<br>341402   | T12N,R5E-U.M.<br>Sec. 15: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$  |
| 12        | Contraction  | 372106<br>932004   | T12N,R5E-U.M.<br>Sec. 13: SW $\frac{1}{4}$ SW $\frac{1}{4}$<br>Sec. 14: S $\frac{1}{2}$ SE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ ,<br>N $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ |
| 2         | Expansion    | 364470<br>931974   | T13N,R5E-U.M.<br>Sec. 30: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$   |
| 4         | Expansion    | 372105<br>932002   | T12N,R5E-U.M.<br>Sec. 5: SW $\frac{1}{4}$ NE $\frac{1}{4}$   |
| 12        | Expansion    | 372106<br>932004   | T12N,R5E-U.M.<br>Sec. 13: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$  |

**Attachment 2:** FKPA Fifth Year Reserves Estimate Revision Exhibit C

# Exhibit C

## Fiord Kupaak Participating Area Tract Participations

| Tr. No. | ADL No./<br>Tobin No. | Legal<br>Description   | Acres  | Depth<br>Restrictions | Original<br>Royalty<br>(%) | NPSL<br>(%) | Tract<br>Owners | Working<br>Interest<br>(%)           | Tract<br>Allocation |
|---------|-----------------------|--|--|-----------------------|----------------------------|-------------|-----------------|--------------------------------------|---------------------|
| 1       | 364472<br>931986      | T13N,R5E-U.M.<br>S1/2SW1/4, NW1/4SW1/4 of Sec. 28<br>TOTAL   | 120.00<br>120.00   | Above 6,980'          | 12.5                       | 30          | CPAI<br>APC     | 78.000000<br>22.000000<br>100.000000 | 0.00802431          |
| 2       | 364470<br>931974      | T13N,R5E-U.M.<br>SE1/4SE1/4 of Sec. 19<br>SW1/4SE1/4, S1/2SW1/4 of Sec. 20<br>E1/2E1/2, W1/2SE1/4, SW1/4NE1/4 of Sec. 30<br>TOTAL  | 40.00<br>120.00<br>280.00<br>440.00                      | None                  | 12.5                       | 30          | CPAI<br>APC     | 78.000000<br>22.000000<br>100.000000 | 0.00000000          |
| 3       | 364471<br>931976      | T13N,R5E-U.M.<br>S1/2, NW1/4,<br>S1/2NE1/4, NW1/4NE1/4 of Sec. 29<br>E1/2NE1/4, NE1/4SE1/4 OF Sec. 31<br>All of Sec. 32<br>S1/2, NW1/4, S1/2NE1/4 of Sec. 33<br>SW1/4SW1/4 of Sec. 34<br>TOTAL | 600.00<br>120.00<br>640.00<br>560.00<br>40.00<br>1960.00 | None                  | 12.5                       | 30          | CPAI<br>APC     | 78.000000<br>22.000000<br>100.000000 | 0.30945442          |
| 4       | 372105<br>932002      | T12N,R5E-U.M.<br>NE1/4 of Sec. 5<br>TOTAL  | 160.00<br>160.00   | Above 10,350'         | 12.5                       |             | CPAI<br>APC     | 78.000000<br>22.000000<br>100.000000 | 0.00108401          |
| 5       | 372104<br>932000      | T12N,R5E-U.M.<br>All of Sec. 3<br>N1/2, N1/2S1/2, S1/2SE1/4,<br>SE1/4SW1/4 of Sec. 4<br>TOTAL  | 640.00<br>600.00<br>1240.00                              | Above 10,350'         | 12.5                       |             | CPAI<br>APC     | 78.000000<br>22.000000<br>100.000000 | 0.21201070          |
| 6       | 372103<br>931998      | T12N,R5E-U.M.<br>SW1/4, SW1/4NW1/4, SW1/4SE1/4 of Sec. 2<br>TOTAL  | 240.00<br>240.00   | Above 10,350'         | 12.5                       |             | CPAI<br>APC     | 78.000000<br>22.000000<br>100.000000 | 0.05924013          |

# Exhibit C

## Fiord Kuparuk Participating Area Tract Participations

| Tr. No. | ADL No./<br>Tobin No. | Legal<br>Description                                   | Acres   | Depth<br>Restrictions | Original<br>Royalty<br>(%) | NPSL<br>(%) | Tract<br>Owners | Working<br>Interest<br>(%) | Tract<br>Allocation |
|---------|-----------------------|--|---------|-----------------------|----------------------------|-------------|-----------------|----------------------------|---------------------|
| 7       | 372103                | T12N,R3E-U.M.  |         | Above 10,350'         | 12.5                       |             | CPAI            | 78.000000                  | 0.20525569          |
|         | 931998                | All of Sec. 11   | 640.00  |                       |                            |             | APC             | 22.000000                  |                     |
|         |                       | SW1/4 of Sec. 12                                       | 160.00  |                       |                            |             |                 | 100.000000                 |                     |
|         |                       | TOTAL  | 800.00  |                       |                            |             |                 |                            |                     |
| 8       | 372104                | T12N,R3E-U.M.  |         | Above 10,350'         | 12.5                       |             | CPAI            | 78.000000                  | 0.04306862          |
|         | 932000                | N1/2NE1/4, SE1/4NE1/4 of Sec. 9                        | 120.00  |                       |                            |             | APC             | 22.000000                  |                     |
|         |                       | N1/2, N1/2S1/2, SE1/4SW1/4,<br>S1/2SE1/4 of Sec. 10    | 600.00  |                       |                            |             |                 | 100.000000                 |                     |
|         |                       | TOTAL  | 720.00  |                       |                            |             |                 |                            |                     |
| 11A     | 372107                | T12N,R3E-U.M.  |         | Above 8,500'          | 12.5                       |             | CPAI            | 78.000000                  | 0.00000000          |
|         | 932006                | NE1/4NE1/4 of Sec. 15                                  | 40.00   |                       |                            |             | APC             | 22.000000                  |                     |
|         |                       | TOTAL  | 40.00   |                       |                            |             |                 | 100.000000                 |                     |
| 12      | 372106                | T12N,R3E-U.M.  |         | Above 8,500'          | 12.5                       |             | CPAI            | 78.000000                  | 0.16186212          |
|         | 932004                | NW1/4, N1/2SW1/4, SW1/4NE1/4,<br>NW1/4SE1/4 of Sec. 13 | 320.00  |                       |                            |             | APC             | 22.000000                  |                     |
|         |                       | N1/2, NE1/4SE1/4 of Sec. 14                            | 360.00  |                       |                            |             |                 | 100.000000                 |                     |
|         |                       | TOTAL  | 680.00  |                       |                            |             |                 |                            |                     |
|         |                       | TOTAL PA ACRES   | 6400.00 |                       |                            |             |                 |                            |                     |

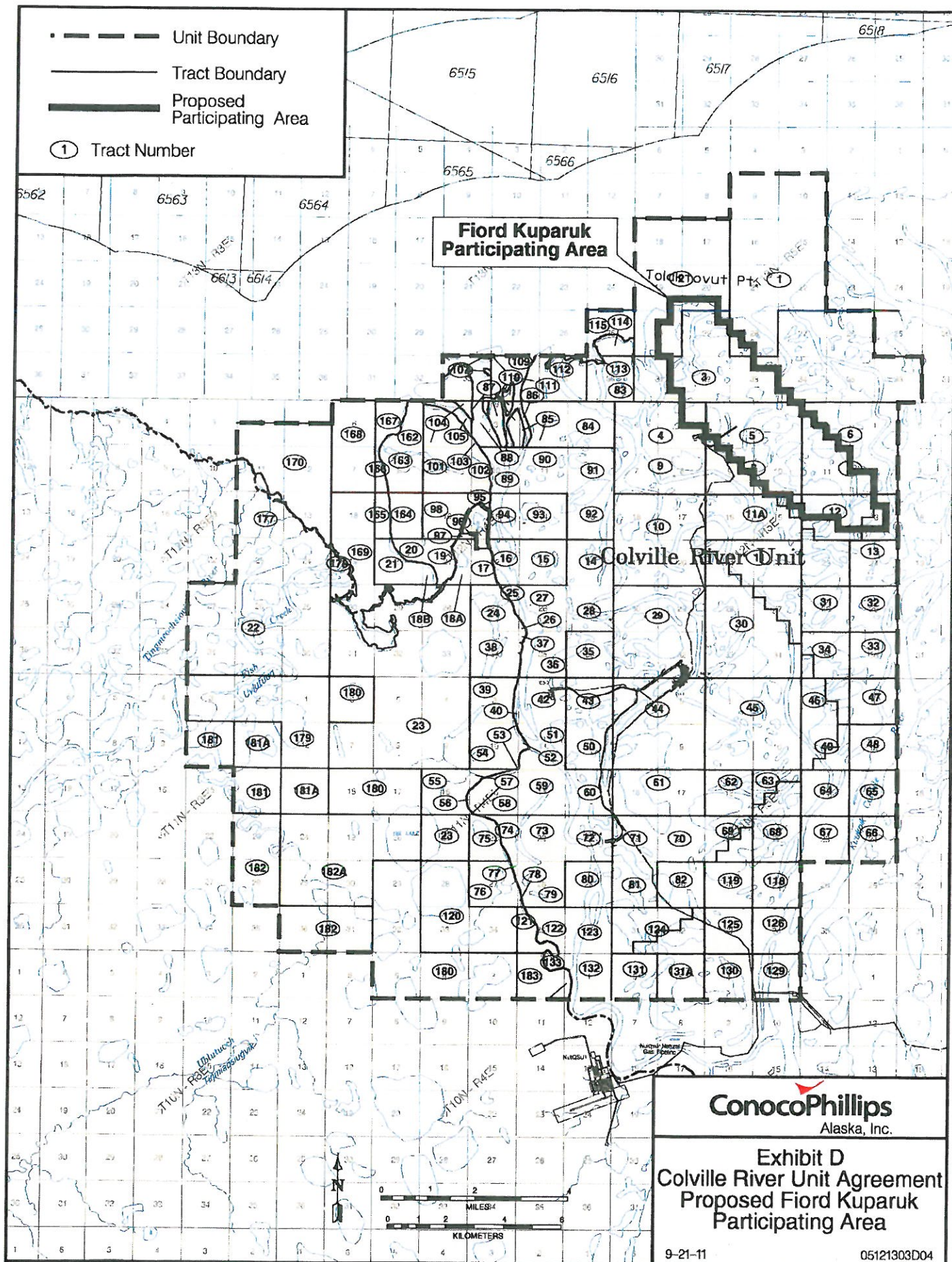
### KEY:

CPAI: ConocoPhillips Alaska, Inc.

APC: Anadarko Petroleum Corporation

**Attachment 2:** NKPA Fifth Year Reserves Estimate Revision Exhibit D





**Attachment 3:** NKPA Fifth Year Reserves Estimate Revision Exhibit E

## **Exhibit E**

### **Allocation of Fiord Kupaŕuk Participating Area Expense**

#### Participating Area Expense for Capital Expenditures

Fiord Kupaŕuk Participating Area Expense for capital expenditures that benefit both the Fiord Nechelik Participating Area and the Fiord Kupaŕuk Participating Area (collectively "Fiord Participating Area") will be allocated between the Participating Areas based on their relative percentages of total Fiord Participating Area recoverable oil-in-place ("ROIP"), as illustrated in Attachment 1 to this Exhibit E. Those Fiord Kupaŕuk Participating Area Expenses will then be allocated to specific Colville River Unit Tracts in accordance with Exhibit C for the Fiord Kupaŕuk Participating Area.

#### Participating Area Expense for Operating Expenditures

Fiord Kupaŕuk Participating Expense for operating expenditures that benefit both the Fiord Nechelik Participating Area and the Fiord Kupaŕuk Participating Area will be allocated between the Participating Areas based on their apportioned shares of total monthly Fiord Participating Area oil and water off take, as illustrated in Attachment 2 to this Exhibit F.



# Allocation of Capital Expense (Capex)

## Unit-wide Capex\*

Allocations to Each PFA Based on ROPs\*\*

Front Participating Areas  
Front Nonparticipating Areas

Allocations to Each PFA Based on ROPs

Front Klugeville Participating Area  
Front Klugeville Participating Area Capex

Allocations to Tracts Based on ROPs  
(Excludes CI)

Tracts 1 & 11A-12

Front Nonparticipating Areas  
Front Nonparticipating Areas Capex

Allocations to Tracts Based on ROPs  
(Excludes CI)

Tracts 1 & 8-10 11A-16 03-06 00-01  
109-119

Alpine Participating Areas  
Alpine Participating Areas Capex

Allocations to Tracts Based on ROPs  
(Excludes CI)

Tracts 10-11 14-21 23-25 34-40 42-48 49  
50-60-61 100-123 140

Outer Participating Areas  
Outer Participating Areas Capex

Allocations to Tracts Based on ROPs  
(Excludes CI)

Tracts 10-14 17 24-25 30-40 42-44 50-58  
57-61 70-73 75-82 82-84 123-124

Nonparticipating Areas  
Nonparticipating Areas Capex

Allocations to Each PFA Based on ROPs

Nonparticipating Areas  
Nonparticipating Areas Capex

Allocations to Tracts Based on ROPs  
(Excludes CI)

Tracts 64 60 66-67 68-82 119 124-126

Alpine Nonparticipating Areas  
Alpine Nonparticipating Areas Capex

Allocations to Tracts Based on ROPs  
(Excludes CI)

Tracts 44 50 56-61 70-82 121-122

\* Unit Capex expenditures or expenditures attributable to more than one Participating Area

\*\* Allocations based on ROP of the relevant Participating Areas

## Unit-wide Opex\*



**Attachment 4:** NKPA Fifth Year Reserves Estimate Revision Exhibit F

## **Exhibit F**

### **Allocation of Unit Expense for the Fiord Kuparuk Participating Area**

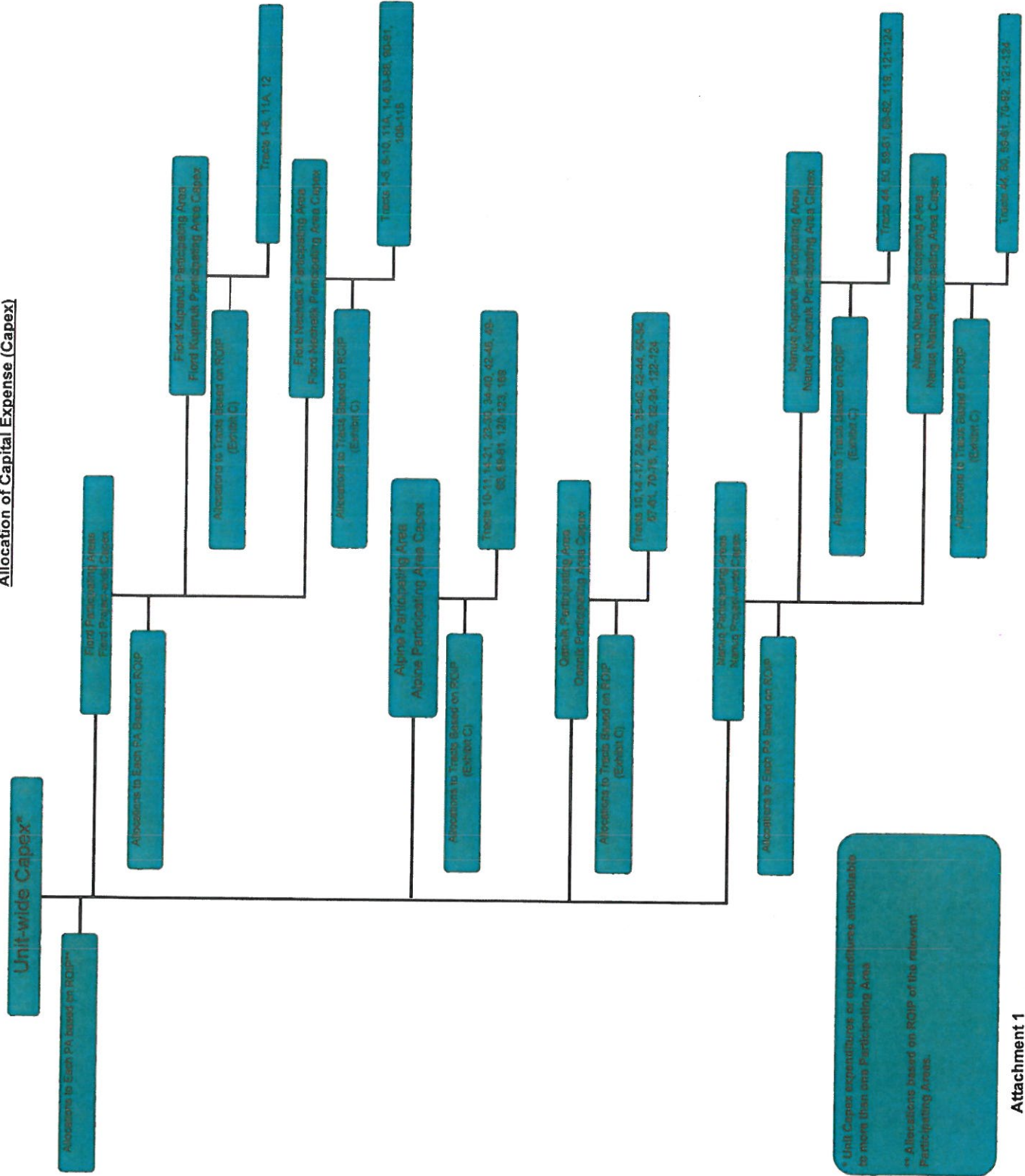
#### Unit Expense for Capital Expenditures

Unit Expense for capital expenditures that benefit more than one Participating Area shall first be allocated among those Participating Areas based on their percentages of recoverable oil-in-place ("ROIP") compared to the total ROIP of the Participating Areas benefiting from the capital expenditures, as illustrated in Attachment 1 to this Exhibit F. Those Unit Expenses allocated to the Fiord Kuparuk Participating Area will then be allocated to specific Colville River Unit Tracts in accordance with Exhibit C for the Fiord Kuparuk Participating Area.

#### Unit Expense for Operating Expenditures

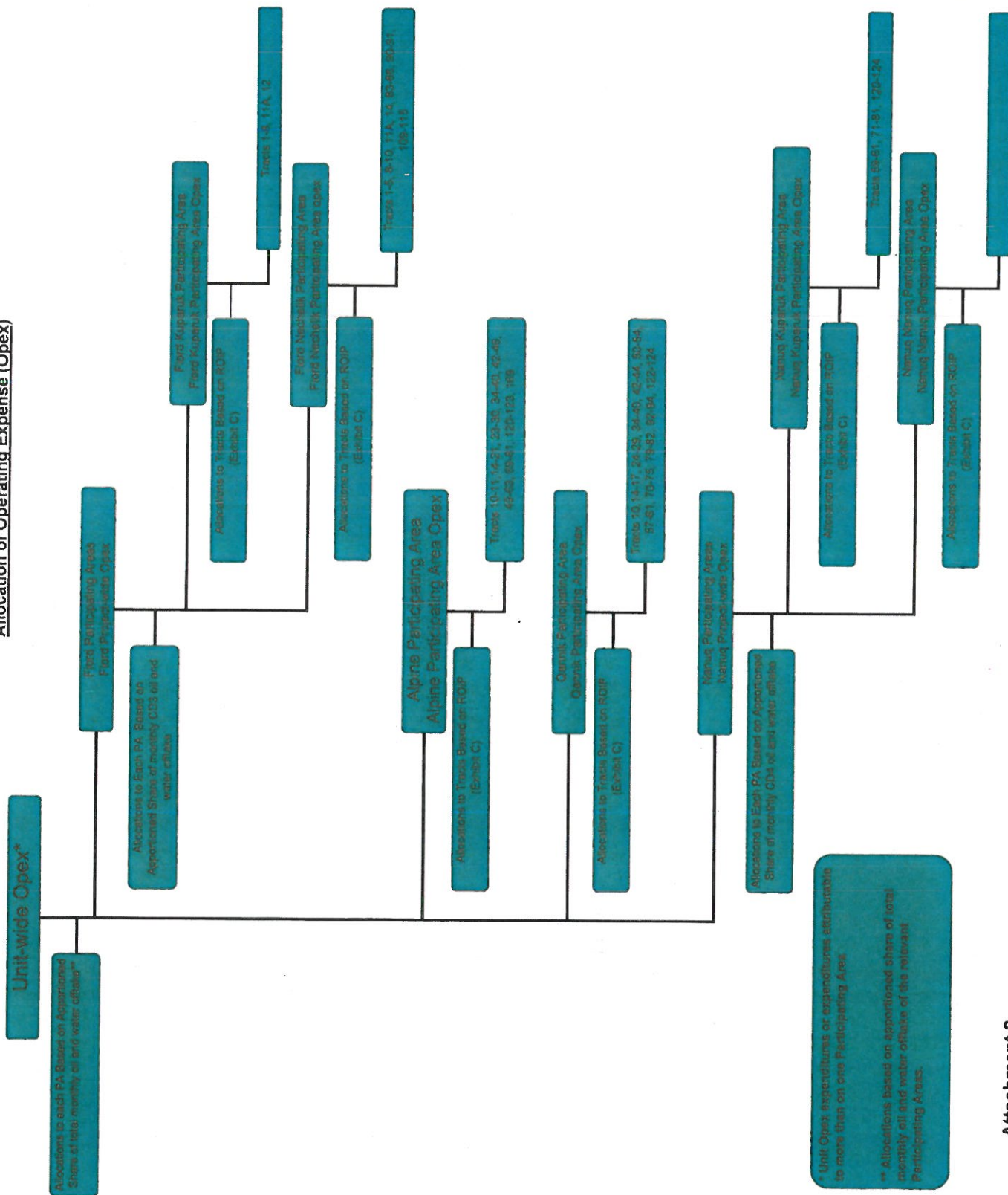
Unit Expense for operating expenditures that benefit more than one Participating Area shall first be allocated among those Participating Areas based on their percentage share of monthly oil and water offtake compared to the total monthly oil and water offtakes of the Participating Areas benefiting from the operating expenditures, as illustrated in Attachment 2 to this Exhibit F. Those Unit Expenses allocated to the Fiord Kuparuk Participating Area will then be allocated to specific Colville River Unit Tracts in accordance with Exhibit C for the Fiord Kuparuk Participating Area.

**Allocation of Capital Expense (Capex)**





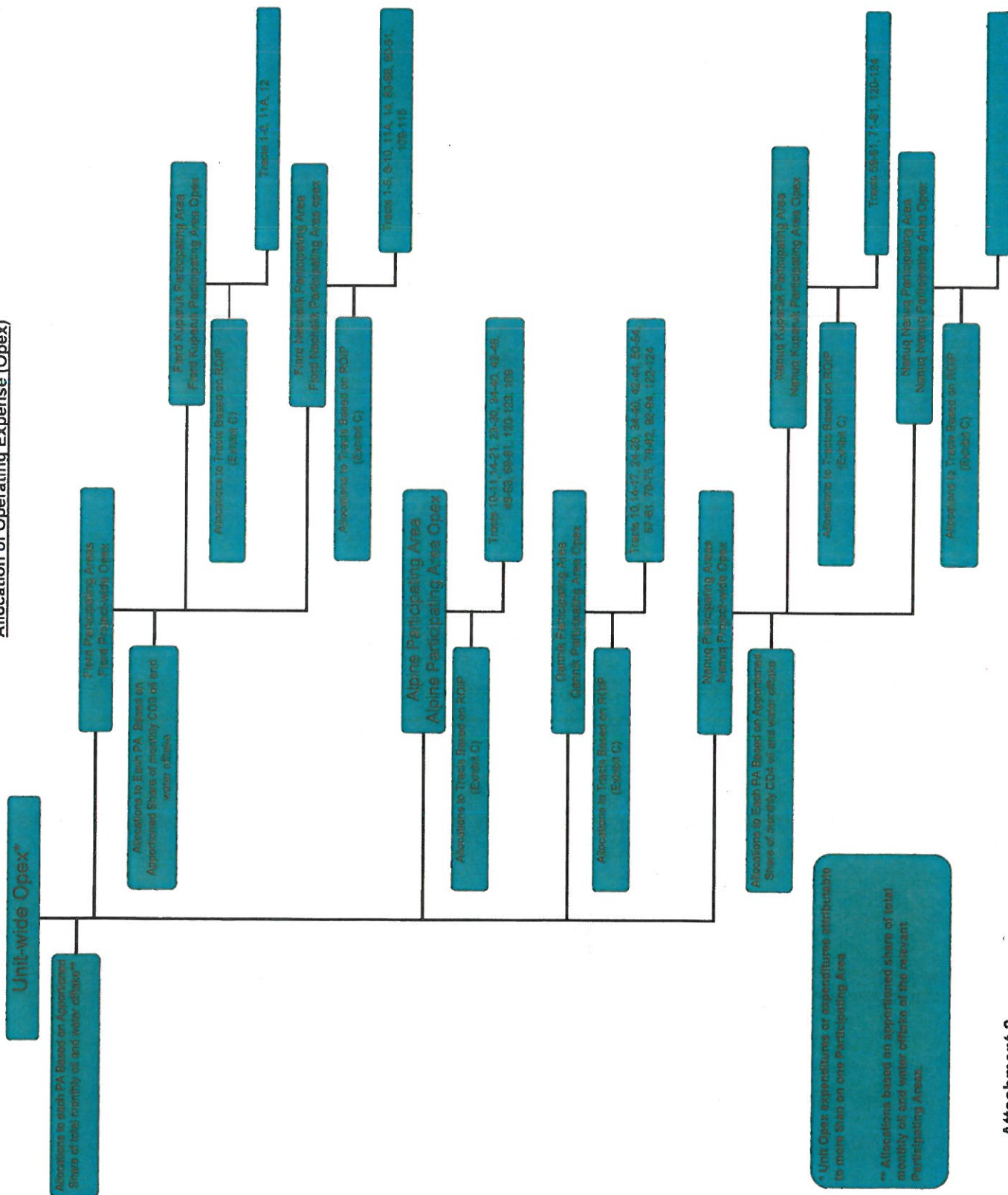
# Allocation of Operating Expense (Opex)



\* Unit Opex expenditures or expenditures attributable to more than one Participating Area.

\*\* Allocations based on appportioned share of total monthly oil and water effluents of the relevant Participating Areas.

# Allocation of Operating Expense (Opex)



\* Unit Opex expenditures or expenditures attributable to more than one Participating Area

\*\* Allocations based on appropriated share of total monthly oil and water effluents of the relevant Participating Areas.