



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Natural Resources

Division of Oil & Gas
Anchorage Office

550 W. 7th Avenue Suite 1100
Anchorage, Alaska 99501-3560
Main: 907.269.8800
Fax: 907.269.8939

October 8, 2013

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. John Whitworth
Supervisor, WNS Growth
ConocoPhillips Alaska, Inc.
700 G Street
Anchorage, Alaska 99501

Re: Colville River Unit, 2013 Revision of the Qannik Participating Area
Five Year Reserves Estimate Revision

Dear Mr. Whitworth:

As you know, on December 21, 2012, ConocoPhillips Alaska, Inc. (ConocoPhillips), as Unit Operator on behalf of the Colville River Unit (CRU) Working Interest Owners, submitted a proposal, under Articles 9 and 10 of the Colville River Unit Agreement and 11 AAC 83.351, to the Commissioner of the Department of Natural Resources (DNR) and the President of the Arctic Slope Regional Corporation (ASRC) seeking no change to the boundary, reserves, or division of interest of the CRU Qannik Participating Area (QPA) as part of the Five Year Reserves Estimate Revision required under the CRU Agreement.

Based on subsequent discussions between ConocoPhillips, ASRC, and the DNR Division of Oil and Gas (Division), the parties are contracting the QPA boundary based on the Circle and Tangent method set out in Section 9.5.1 of the CRU Agreement. ConocoPhillips developed a modified division of interest and map of the QPA at the Division's request. Under Article

10.1.3(b)(vi) of the CRU Agreement, the Division is submitting the modified division of interest as the Alternate Division of Interest (ADI), Exhibit C, and updated map, Exhibit D. The Division has consulted with and reached agreement on this approach and ADI with ASRC and ConocoPhillips. Under Article 10.1.3(b)(vii) of the CRU Agreement, the ADI submitted to the Unit Operator becomes effective as of the first day of the first month following ninety days after the ADI is delivered to the Unit Operator.

Sincerely,



W.C. Barron
Director

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

Attachments

1. Exhibit B 2013 Revision of the QPA
2. Exhibit C to the CRU Agreement QPA Tract Participations
3. Exhibit D to the CRU Agreement Revised Map of QPA

Qannik Participating Area

Contraction Acreage

ConocoPhillips

**Attachment B
Contraction Areas
Qannik PA**

12101601Q01 6-19-13

Attachment 2: Exhibit C to the CRU Agreement QPA Tract Participations

Tr. No.	ADL No./ AK No. Tobin No.	Legal Description	Acres	Depth Restrictions	Original Royalty (%)	Tract Owners	Working Interest (%)	Liquid Tract Allocation**	Gas Tract Allocation**
14	25530	T12N,R4E-U.M.		None	12.5	CPAI	78.00	0.00000000	0.06179459
	4714	Sec. 24, SE1/4SW1/4, W1/2W1/2	<u>200.00</u>			APC	<u>22.00</u>		
	932098	TOTAL	200.00				100.00		
15	25529	T12N,R4E-U.M.		None	12.5	CPAI	78.00	0.03284468	0.10238465
	4713	Sec. 23, All	<u>640.00</u>			APC	<u>22.00</u>		
	932096	TOTAL	640.00				100.00		
16	25529	T12N,R4E-U.M.		None	12.5	CPAI	78.00	0.00134510	0.01010479
	4713	Sec. 22, NE4NE4, S2NE4,				APC	<u>22.00</u>		
	932096	SE1/4, excl. NPRA	<u>274.05</u>				100.00		
		TOTAL	274.05						
17	387211	T12N,R4E-U.M.		None	16.66667	CPAI	78.00	0.00069733	0.00169253
	4833	Sec. 22, SE1/4SW1/4, SW4SE4				APC	<u>22.00</u>		
	932197	within NPRA	<u>45.95</u>				100.00		
		TOTAL	45.95						
24	387212	T12N,R4E-U.M.		None	Sliding	CPAI	78.00	0.02275624	0.02473538
	4834	Sec. 27, S1/2, NE1/4,			Scale	APC	<u>22.00</u>		
	932199	E1/2NW1/4, within NPRA	<u>470.29</u>		*16.66667		100.00		
		TOTAL	470.29						
25	25530	T12N,R4E-U.M.		None	12.5	CPAI	78.00	0.00627389	0.00440509
	4714	Sec. 27, All, excl. NPRA	<u>89.71</u>			APC	<u>22.00</u>		
	932098	TOTAL	89.71				100.00		

Tr. No.	ADL No./ AK No. Tobin No.	Legal Description	Acres	Depth Restrictions	Original Royalty (%)	Tract Owners	Working Interest (%)	Liquid Tract Allocation**	Gas Tract Allocation**
26	387212	T12N,R4E-U.M.		None	Sliding	CPAI	78.00	0.00662461	0.00178266
	4834	Sec. 26, All, within NPRA	<u>17.36</u>		Scale	APC	<u>22.00</u>		
	932199	TOTAL	17.36		*16.66667		100.00		
27	25530	T12N,R4E-U.M.		None	12.5	CPAI	78.00	0.14296137	0.06296389
	4714	Sec. 26, All, excl. NPRA	<u>622.64</u>			APC	<u>22.00</u>		
	932098	TOTAL	622.64				100.00		
28	25530	T12N,R4E-U.M.		None	12.5	CPAI	78.00	0.01646444	0.05148005
	4714	Sec. 25, W1/2	<u>320.00</u>			APC	<u>22.00</u>		
	932098	TOTAL	320.00				100.00		
35	380096	T12N,R4E-U.M.		None	16.667	CPAI	78.00	0.01886796	0.05649231
	4622	Sec. 36, W1/2, SW1/4SE1/4	<u>360.00</u>			APC	<u>22.00</u>		
	932058	TOTAL	360.00				100.00		
36	25530	T12N,R4E-U.M.		None	12.5	CPAI	78.00	0.13660884	0.06592541
	4714	Sec. 35, All, excl. NPRA	<u>596.62</u>			APC	<u>22.00</u>		
	932098	TOTAL	596.62				100.00		
37	387212	T12N,R4E-U.M.		None	Sliding	CPAI	78.00	0.01422026	0.00401111
	4834	Sec. 35, All, within NPRA	<u>43.38</u>		Scale	APC	<u>22.00</u>		
	932199	TOTAL	43.38		*16.66667		100.00		
38	387212	T12N,R4E-U.M.		None	Sliding	CPAI	78.00	0.05276651	0.0365506
	4834	Sec. 34, All, within NPRA	<u>640.00</u>		Scale	APC	<u>22.00</u>		
	932199	TOTAL	640.00		*16.66667		100.00		

Tr. No.	ADL No./ AK No. Tobin No.	Legal Description	Acres	Depth Restrictions	Original Royalty (%)	Tract Owners	Working Interest (%)	Liquid Tract Allocation**	Gas Tract Allocation**
39	387207	T11N,R4E-U.M.		None	Sliding	CPAI	78.00	0.04049019	0.04103988
	4830	Sec. 3, All, within NPRA	<u>588.85</u>		Scale	APC	<u>22.00</u>		
	932191	TOTAL	588.85		*16.66667		100.00		
40	380075	T11N-R4E- U.M.		None	16.667	CPAI	78.00	0.01325730	0.00430133
	4608	Sec. 3, All, excl. NPRA	<u>51.15</u>			APC	<u>22.00</u>		
	932034	TOTAL	51.15				100.00		
42	380075	T11N-R4E, U.M.		None	16.667	CPAI	78.00	0.16811891	0.07197604
	4608	Sec. 2, All	<u>640.00</u>			APC	<u>22.00</u>		
	932034	TOTAL	640.00				100.00		
43	380075	T11N-R4E,U.M.		None	16.667	CPAI	78.00	0.02105534	0.08157666
	4608	Sec. 1, W1/2, W1/2E1/2	<u>480.00</u>			APC	<u>22.00</u>		
	932034	TOTAL	480.00				100.00		
50	380075	T11N-R4E, U.M.		None	16.667	CPAI	78.00	0.05501896	0.07295485
	4608	Sec. 12, W1/2, W1/2E1/2	<u>480.00</u>			APC	<u>22.00</u>		
	932034	TOTAL	480.00				100.00		
51	380075	T11N-R4E, U.M.		None	16.667	CPAI	78.00	0.17103833	0.06593397
	4608	Sec. 11, All, excl. NPRA	<u>594.02</u>			APC	<u>22.00</u>		
	932034	TOTAL	594.02				100.00		
52	387207	T11N,R4E-U.M.		None	Sliding	CPAI	78.00	0.01410755	0.00513244
	4830	Sec. 11, All, within NPRA	<u>45.98</u>		Scale	APC	<u>22.00</u>		
	932191	TOTAL	45.98		*16.667		100.00		

Tr. No.	ADL No./ AK No. Tobin No.	Legal Description	Acres	Depth Restrictions	Original Royalty (%)	Tract Owners	Working Interest (%)	Liquid Tract Allocation**	Gas Tract Allocation**
53	380075	T11N-R4E, U.M.		None	16.667	CPAI	78.00	0.00062665	0.00020967
	4608	Sec. 10, All, excl. NPRA	<u>5.83</u>			APC	<u>22.00</u>		
	932034	TOTAL	5.83				100.00		
54	387207	T11N-R4E-U.M.		None	Sliding	CPAI	78.00	0.03237315	0.05342392
	4830	Sec. 10, N1/2, SE1/4, N1/2SW1/4,			Scale	APC	<u>22.00</u>		
	932191	SE1/4SW1/4 within NPRA	<u>594.17</u>		*16.667		100.00		
		TOTAL	594.17						
57	387208	T11N-R4E-U.M.		None	Sliding	CPAI	78.00	0.00079964	0.00399095
	4831	Sec. 15, N1/2NE1/4,			Scale	APC	<u>22.00</u>		
	932193	NE1/4NW1/4, within NPRA	<u>44.40</u>		*16.667		100.00		
		TOTAL	44.40						
58	380075	T11N-R4E, U.M.		None	16.667	CPAI	78.00	0.00174228	0.02573737
	4608	Sec. 15, NE1/4, E1/2NW1/4,				APC	<u>22.00</u>		
	932034	N1/2SE1/4, excl. NPRA	<u>275.60</u>				100.00		
		TOTAL	275.60						
59	380075	T11N-R4E, U.M.		None	16.667	CPAI	78.00	0.02535986	0.04778503
	4608	Sec. 14, N1/2, N1/2S1/2	<u>480.00</u>			APC	<u>22.00</u>		
	932034	TOTAL	480.00				100.00		
60	380075	T11N-R4E, U.M.		None	16.667	CPAI	78.00	0.00073380	0.02598039
	4608	Sec. 13, NW1/4, NW1/4NE1/4	<u>200.00</u>			APC	<u>22.00</u>		
	932034	TOTAL	200.00				100.00		

Tr. No.	ADL No./ AK No. Tobin No.	Legal Description	Acres	Depth Restrictions	Original Royalty (%)	Tract Owners	Working Interest (%)	Liquid Tract Allocation**	Gas Tract Allocation**
93	388901	T12N,R4E-U.M.		None	12.5	CPAI	78.00	0.00284681	0.01563444
	4943	Sec. 14, Unsurveyed, S1/2S1/2	<u>160.00</u>			APC	<u>22.00</u>		
	932349	TOTAL	160.00				100.00		

TOTAL PARTICIPATING AREA ACREAGE 8,960.00

* This lease has a sliding scale overriding royalty therefore the original royalty percentage will vary between 16.66667% and 33.33333%. Kuukpik shall receive an overriding royalty equal to 10% of the Original Royalty Percentage, payable out of ASRC Original Royalty Percentage share of production. For example, using a fictitious tract with equal ownership of mineral interest between the State and ASRC, if the royalty rate escalates to 20%, then Kuukpik shall be entitled to receive 2% overriding royalty ($0.10 \times 0.20 = 0.02$) on 8/8ths of production, the State would receive 10% royalty on 8/8ths of production ($0.50 \times 0.20 = 0.10$), and ASRC would receive 8% royalty on 8/8ths of production $[(0.50 \times 0.20) - (0.10 \times 0.20) = 0.08]$.

** Tract allocations are rounded to 8 decimal places such that the total sums to 1.00000000.

KEY
:

APC: Anadarko Petroleum
Corporation

CPAI: ConocoPhillips Alaska, Inc.

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

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Teresa Imm
Arctic Slope Regional Corp.
3900 C Street, Suite 801
Anchorage, AK 99503-5963

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Sent To
Wayne Svejnoha
Chief, Branch of Energy and Minerals
Bureau of Land Management
Alaska State Office
222 W. 7th Avenue, #13
Anchorage, AK 99513-7599

SENDER: COMPLETE THIS SECTION

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- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

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

2. Article Number
(Transfer from service label)

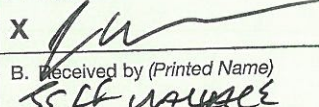
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PS Form 3811, July 2013

Domestic Return Receipt

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A. Signature

X ☒ Agent
☐ Addressee

B. Received by (Printed Name)

SELF NAME

C. Date of Delivery

10-9-13

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If YES, enter delivery address below: ☐ No

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1. Article Addressed to:

Teresa Imm
Arctic Slope Regional Corp.
3900 C Street, Suite 801
Anchorage, AK 99503-5963

2. Article Number
(Transfer from service label)

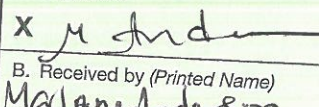
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A. Signature

X ☐ Agent
☐ Addressee

B. Received by (Printed Name)

Marlene Anderson

C. Date of Delivery

10/9/13

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If YES, enter delivery address below: ☐ No

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1. Article Addressed to:

Wayne Svejnoha
Chief, Branch of Energy and Minerals
Bureau of Land Management
Alaska State Office
222 W. 7th Avenue, #13
Anchorage, AK 99513-7599

2. Article Number
(Transfer from service label)

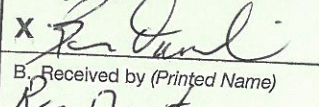
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A. Signature

X ☒ Agent
☐ Addressee

B. Received by (Printed Name)

Wayne Svejnoha

C. Date of Delivery

10/09/13

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If YES, enter delivery address below: ☒ No

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☐ Insured Mail ☐ Collect on Delivery

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