

February 25, 1983

ARCO Alaska, Inc.
Post Office Box 360
Anchorage, Alaska 99510

Attention: Paul B. Norgaard
President

Reference: Petition for Expansion of the Kuparuk Participating Area

Dear Mr. Norgaard:

In a December 20, 1982 letter to Commissioner Katz you requested the Department's consideration of your Petition for expansion of the Kuparuk River Participating Area to include Tracts 36 and 57. In your petition you requested that the State approve the revised participating area retroactively to December 13, 1981.

Under the authority delegated to me by the Commissioner, I am approving your petition to expand the Participating Area to include Tracts 36 and 57. However, the effective date of the expansion is the effective date of the Kuparuk River Unit Agreement, March 27, 1982. The Department cannot approve an effect date for the subject expansion which predates the effective date of the Unit Agreement itself. I am enclosing my Finding and Decision on your Petition to reflect these facts.

Sincerely,

original signed by Kay Brown 2/25/83
Kay Brown,
Director

KB/DLW/skt/1009s

AGO 1365420

In The Matter of the Petition of ARCO Alaska, Inc.
Unit Operator, Kuparuk River Unit
Finding and Decision for the First
Expansion of the Kuparuk Participating Area

History

Production commenced on December 13, 1981 in a portion of the area now known as the Kuparuk River Unit on state leases ADL 25647, 25648, 25649, 25650, and 25651. These leases are owned 100% by ARCO Alaska, Inc. On December 16, 1981, a formal application was submitted by ARCO Alaska, Inc. (ARCO), on behalf of the future working interest owners in the Kuparuk Unit, to the Director, Division of Minerals & Energy Management (DMEM) for approval of the Kuparuk River Unit Agreement. The Kuparuk River Unit includes 100 oil and gas leases covering approximately 237,776 acres of state land immediately west of the Prudhoe Bay Unit. About 30 exploratory wells and 40 development wells had been drilled within the then proposed unit area. ARCO had constructed a base camp and a central production facility within the area and a pipeline from the central production facility to Pump Station No. 1 on the Trans-Alaska Pipeline system.

After a review period which included notice and solicitation of public comments, the Unit Agreement was approved and signed by the Director, Division of Minerals & Energy Management on March 26, 1982. The approved agreement provided for operations and development within the unit area without regard to lease boundaries or the diverse ownership of the included leases.

The working interest owners in the Kuparuk River Unit's Participating Area as of March 27, 1982 were British Petroleum Alaska Exploration, Inc. (BPAE) (28.774%), ARCO Alaska, Inc. (ARCO) (57.534%), Sohio Alaska Petroleum Company (Sohio) (9.592%), and Union Oil Company, of California (Union) (4.100%). Chevron, Mobil and Phillips (owners of Tracts 36 and 57) were technically entitled to join the Unit and be included in the Participating Area on March 27, 1982, but declined to commit their interests at that time.

Findings

1. Under provisions of Article 6.2 of the Kuparuk River Unit Agreement, ARCO, Alaska, Inc., Unit Operator, Kuparuk River Unit, petitioned the Commissioner of the Department of Natural Resources to expand the Kuparuk Participating Area to include two tracts located within the Kuparuk River Unit, Tract 36 (portions of ADL 47449) owned by Mobil and Chevron, and Tract 57 (portions of ADL 28243) owned by Mobil and Phillips.
2. The Kuparuk River Unit and Initial Kuparuk Participating Area were approved by the Commissioner on March 26, 1982.
3. Based on geological, geophysical, engineering and well information contained in the application for approval of the Kuparuk River Unit, Tracts 36 and 57 overlay the reservoir limits of the Kuparuk River reservoir and contain acreage that is capable of producing Unitized Substances in Paying Quantities.

4. The Working Interest Owners in the Kuparuk Participating Area have reached agreement for the inclusion of Tracts 36 and 57 in the Kuparuk Participating Area, and have approved the requested expansion. Mobil, Phillips, and Chevron have agreed to adopt and ratify the Kuparuk River Unit Agreement and Appendix I and II of that Agreement.

5. A revised Exhibit A showing ownership information in the Kuparuk River Unit was attached and made a part of the petition correcting errors in the present Exhibit A. The revised working interest ownership in the Kuparuk River Unit is ARCO Alaska Inc., 57.108%; British Petroleum Alaska Exploration, 28.561%; Sohio Alaska Petroleum Company, 9.521%; Union Oil Company of California, 4.070%; Chevron U.S.A., Inc., 0.110%; Phillips Petroleum Company, 0.260%; Mobil Oil Corporation, 0.370%.

6. A revised Exhibit C showing tract participating percentages was attached and made part of the petition. The Tract Participation for Tract 36 is 0.002200 and for Tract 57 is 0.005200.

7. A revised Exhibit D depicting the Kuparuk Participating Area was attached and made a part of the petition.

Decision

Under the authority delegated to me by the Commissioner, I approve your petition to expand the Kuparuk River Unit Participating Area to include Tracts 36 and 57. The effective date of this expansion is the effective date of the Kuparuk River Unit Agreement which was approved March 26, 1982, effective at 12:01 a.m. March 27, 1982.

It is agreed that Mobil, Phillips, and Chevron, are joined in the Unit Agreement effective March 27, 1982 upon their ratification, adoption, and confirmation of that agreement and proof of that ratification being filed with the Department.

Revised Exhibits A, C, and D to the Kuparuk River Unit Agreement are approved and accepted by the State upon adoption and ratification of the Unit Agreement and Appendices I and II to the Unit Agreement by Mobil, Chevron, and Phillips. That portion of the petition for expansion titled "AGREEMENT FOR THE PARTICIPATION OF MOBIL, PHILLIPS AND CHEVRON IN THE KUPARUK RIVER UNIT" is neither approved nor denied. It has been accepted by the Department for information purposes only.

This Finding and Decision shall become binding upon all parties upon execution by the Commissioner's designee.

original signed by Kay Brown 2/25/83
Kay Brown, Director
Division of Minerals & Energy Management

Date