

Land Ownership, Leases, Units & Pools

Krissell Crandall, BP

State Roles

- **Landowner:**

Dept. of Natural Resources, Division of Oil & Gas

- Issues leases, and approves formation of units and participating areas
- Collects royalties from on- and off-shore state lands (to 3-mile limit)

- **Taxing Authority:**

Dept. of Revenue, Tax Division

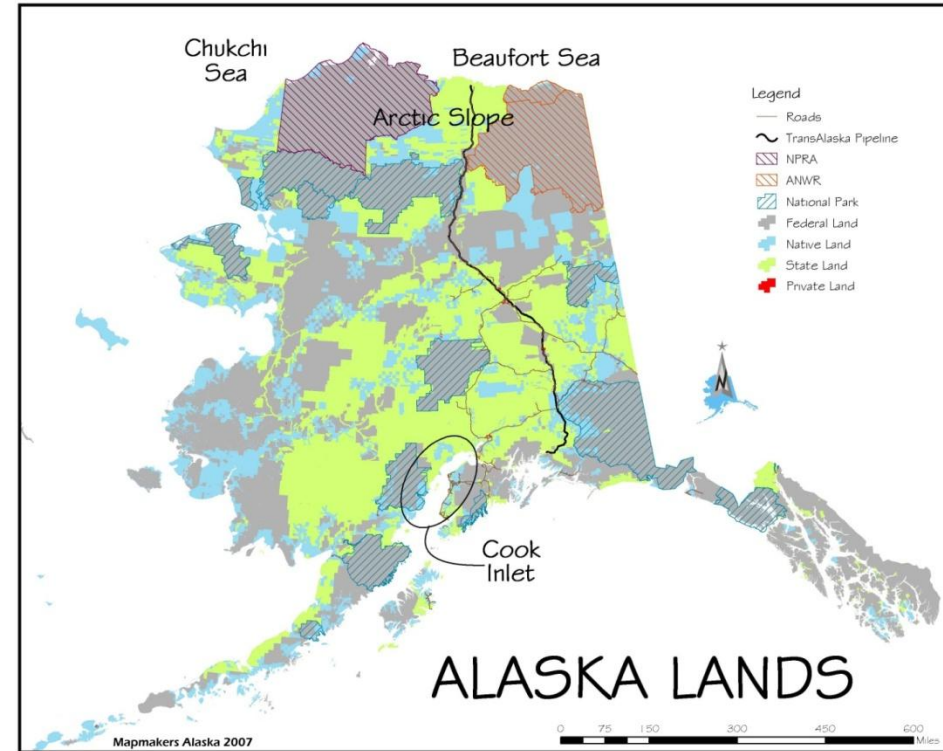
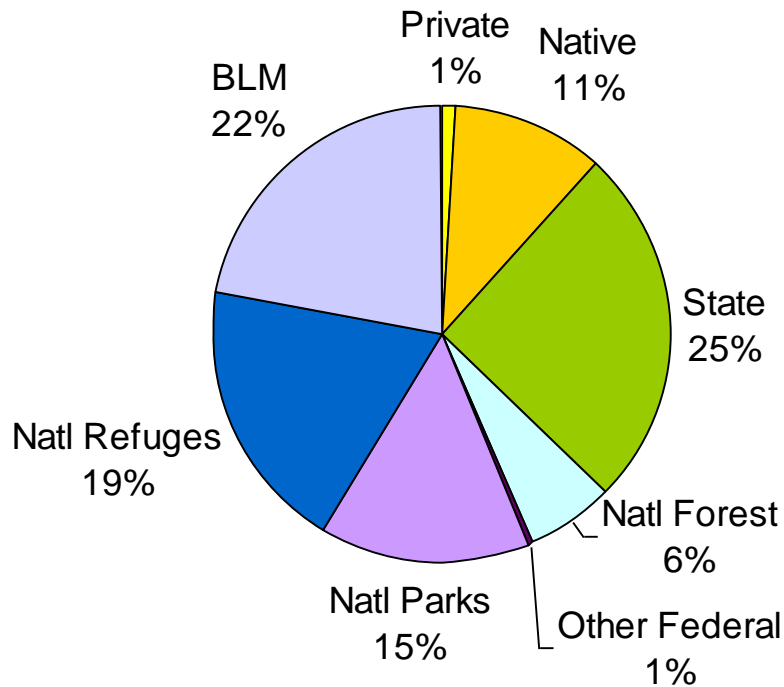
- Collects production, income and property taxes
- State gets a share of revenue from federal leases (on-shore and from 3 to 6 miles offshore)

- **Regulator:**

Alaska Oil & Gas Conservation Commission (AOGCC)

- Independent quasi-judicial agency that issues drilling permits, pool rules and injection orders
- Mission is maximization of overall resource recovery, prevention of waste, and protection of correlative rights

Land Ownership in Alaska



State: 25% (105 million acres)

Federal: 60% (222 million acres)

Native: 12% (44 million acres)

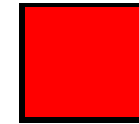
Private: <1% (1 million acres)

Oil & Gas Leases

| Phase | Lessor (State) | Lessee (Oil Co.) |
|---------------------------------|--|---|
| Lease Sale | Sets primary term (5-10 yrs), royalty rate (1/8 or 1/6), rental rate (\$1 - \$3 / acre), acreage (2560 – 5760 acres), & environmental stipulations | Bid & bonus payment |
| Primary Term | 5 to 10 years based upon prospectivity | Pays delay rental (\$1 to \$3 per acre) |
| Secondary Term — Exploration | Approves unit plan of exploration | Unitizes & explores |
| Secondary Term — Development | Approves unit plan of development Approves participating areas | Develops & produces Pays royalty on production |

Leases Expire at Different Times

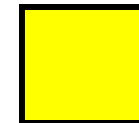
| | | | |
|-----------|-----------|-----------|-----------|
| Lease 301 | Lease 302 | Lease 101 | Lease 102 |
| Lease 303 | Lease 103 | Lease 104 | Lease 201 |
| Lease 304 | Lease 305 | Lease 202 | Lease 203 |
| Lease 306 | Lease 307 | Lease 308 | Lease 309 |



**Sale 1: 12.5% Royalty,
Leases expire 2011**



**Sale 2: 16.67% Royalty,
Leases expire 2012**



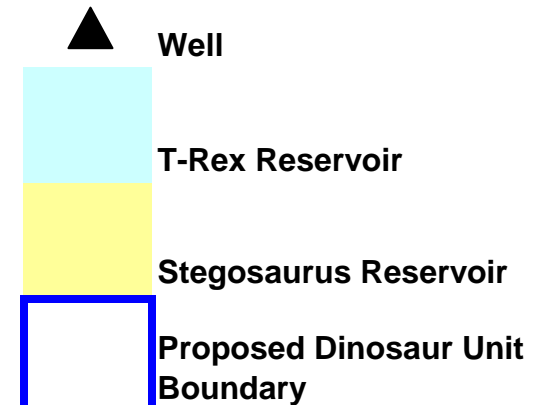
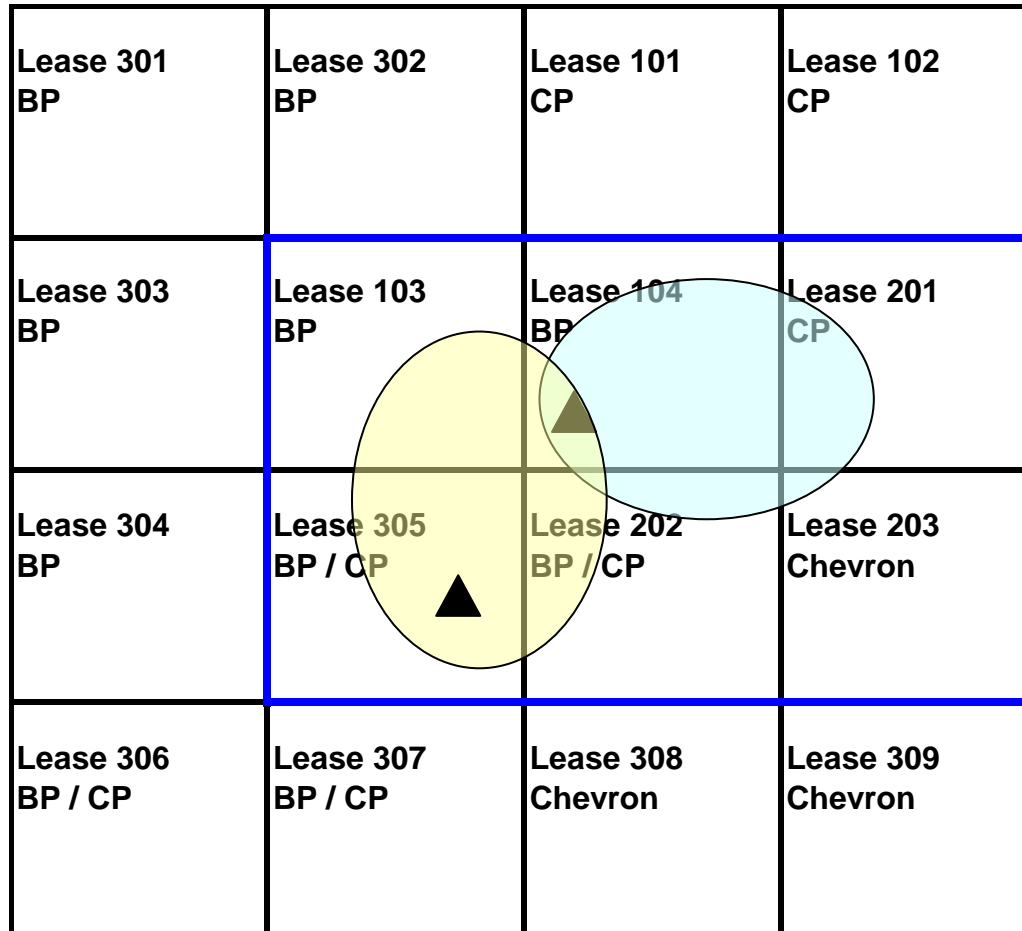
**Sale 3: 12.5% Royalty,
Leases expire 2013**

Lease Ownership Varies

| | | | |
|----------------------|----------------------|----------------------|----------------------|
| Lease 301 BP | Lease 302 BP | Lease 101 CP | Lease 102 CP |
| Lease 303 BP | Lease 103 BP | Lease 104 BP | Lease 201 CP |
| Lease 304 BP | Lease 305 BP / CP | Lease 202 BP / CP | Lease 203 Chevron |
| Lease 306 BP / CP | Lease 307 BP / CP | Lease 308 Chevron | Lease 309 Chevron |

Leases may be owned by one or more companies or individuals.

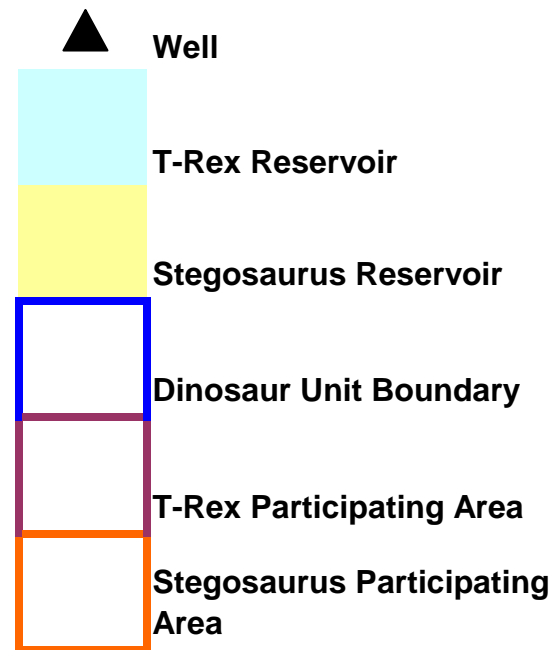
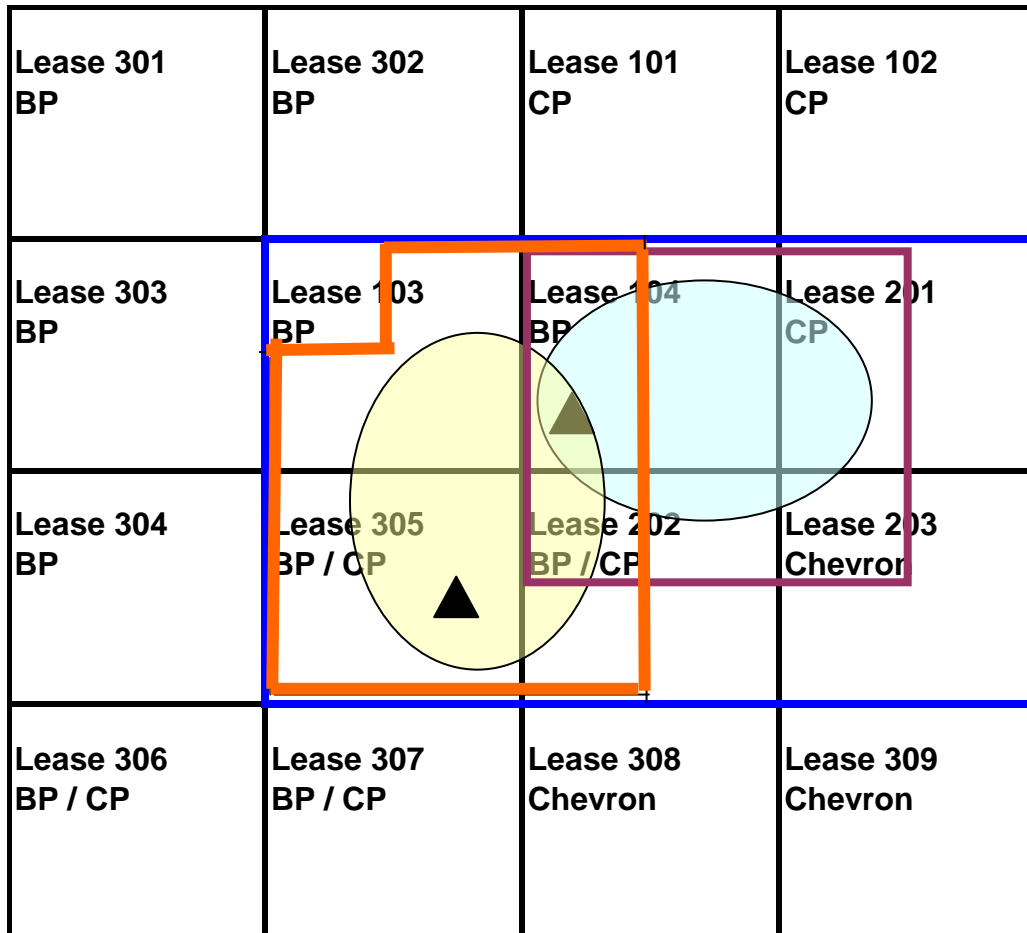
Unit Formation Preserves Leases and Development Momentum



Unit formation requires:

- Unit Operating Agreement among owners
- Unit Agreement with DNR
- Plan of Exploration approved by DNR

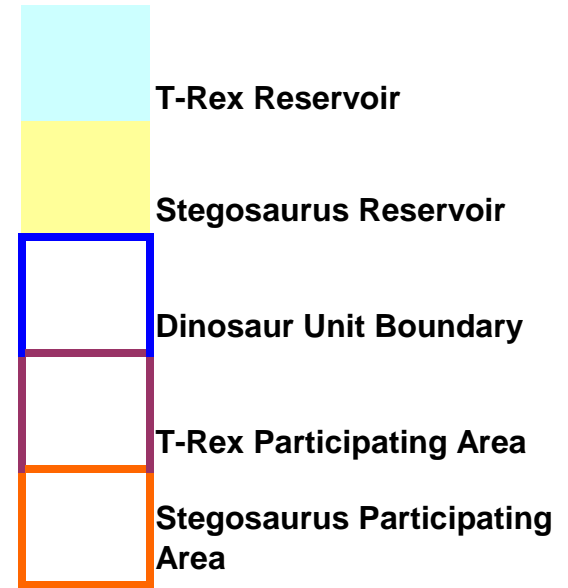
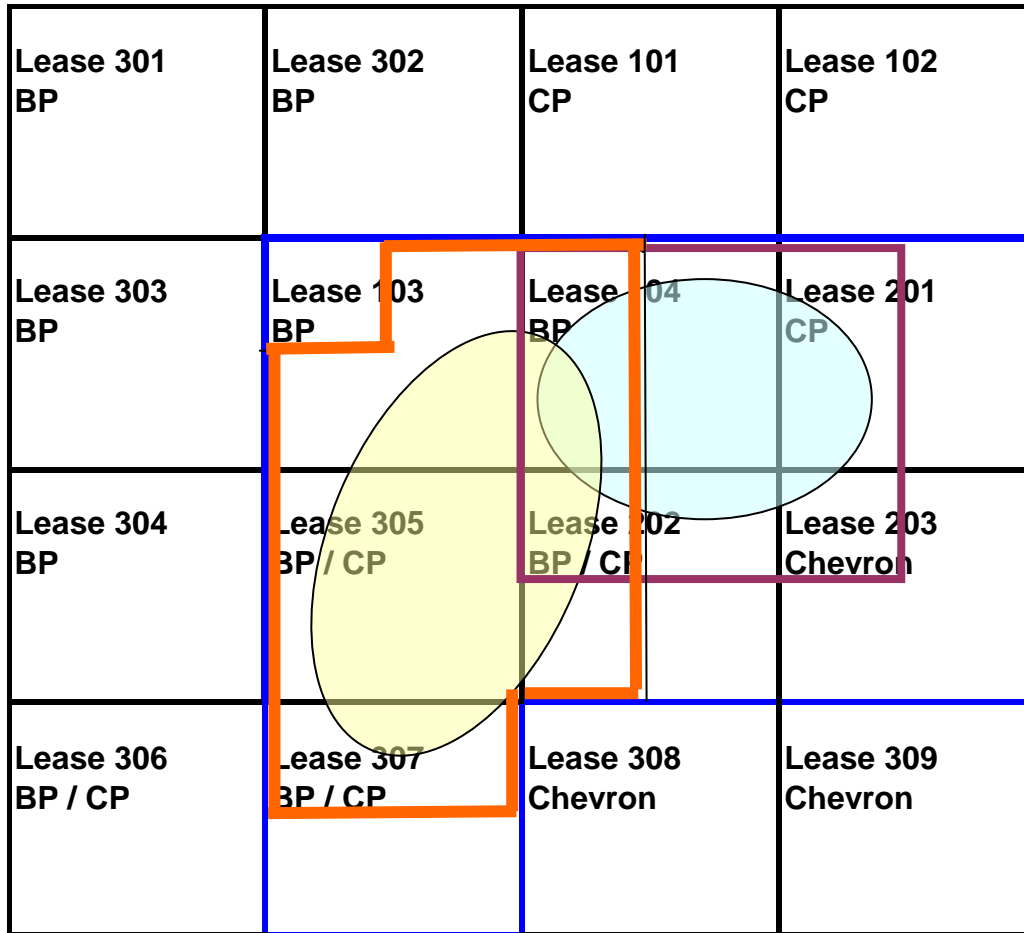
Participating Areas Allocate Production



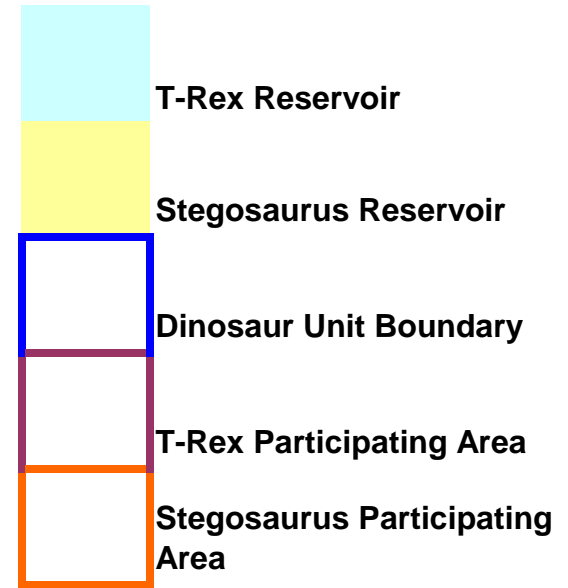
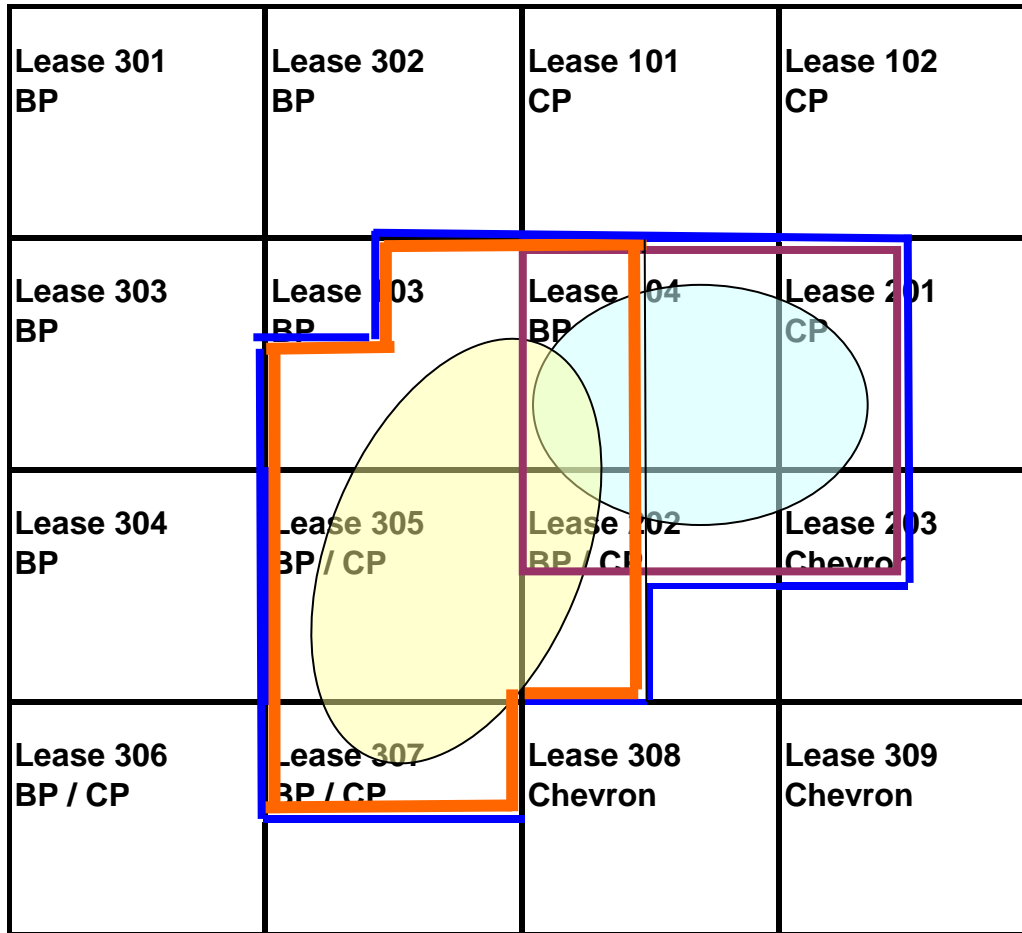
Participating Area approval establishes allocation of oil to each lease.

Plan of Development required for each Participating Area.

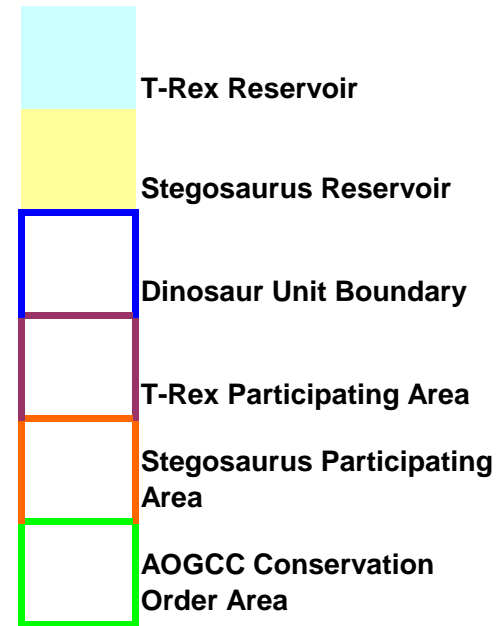
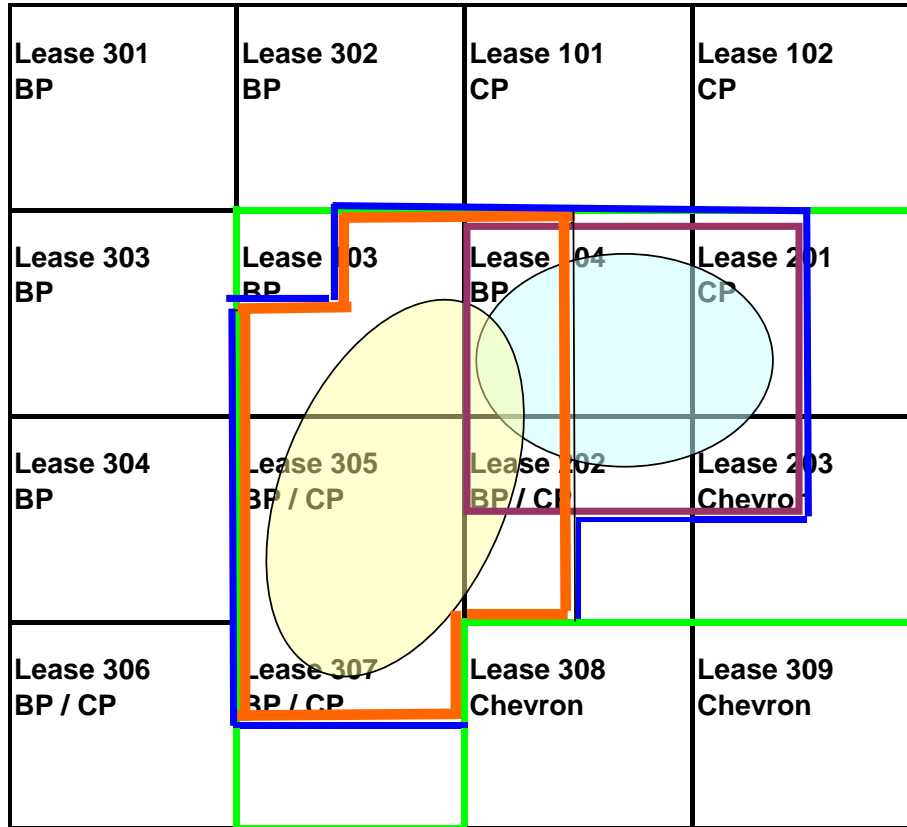
Unit Expansion



Unit Contraction



AOGCC Pool



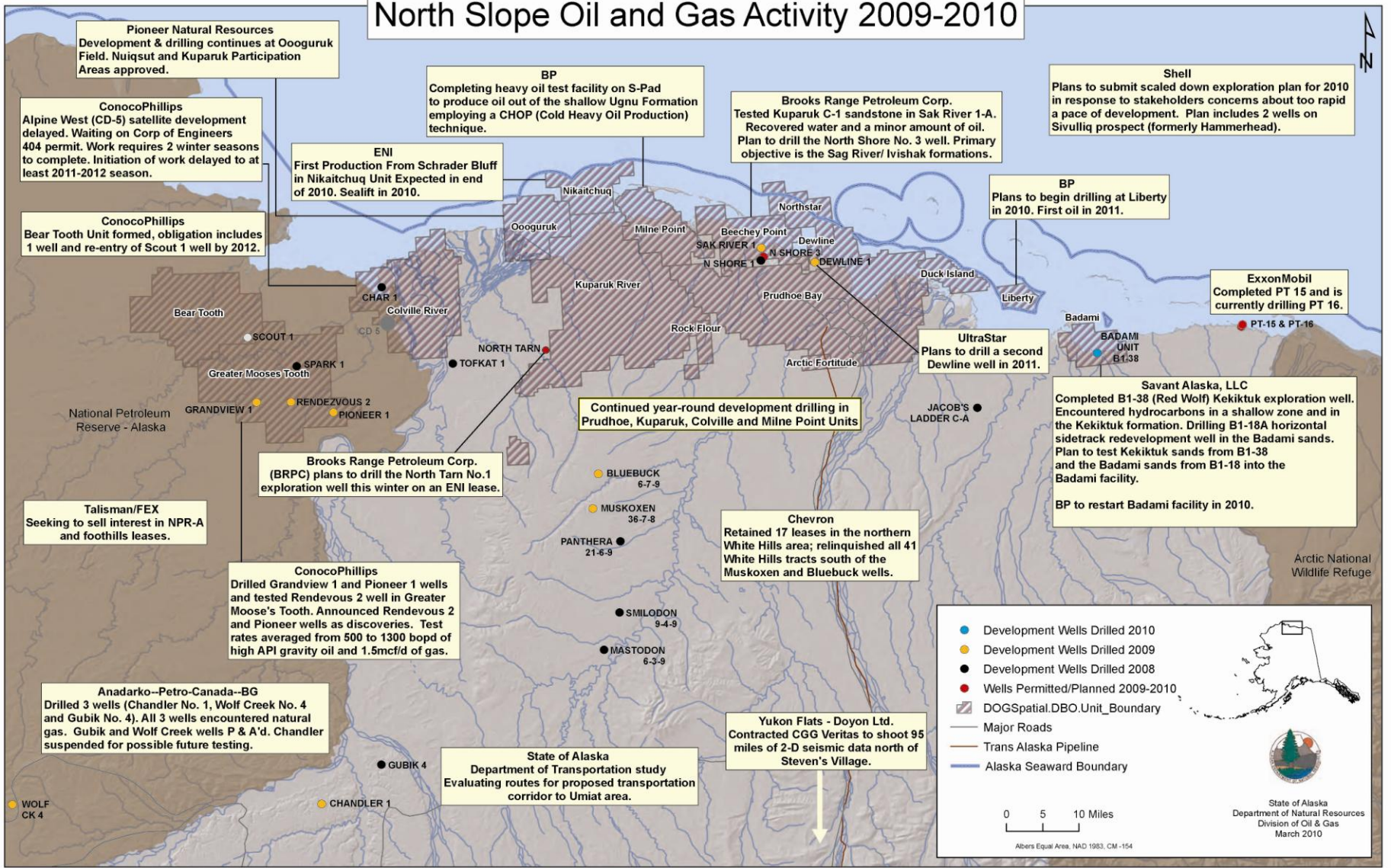
AOGCC Conservation Orders (or Pool Rules) establish drilling & production practices for one or more reservoirs.

Pool Rule boundaries are usually less restrictive than Participating Area boundaries.

Participating Areas

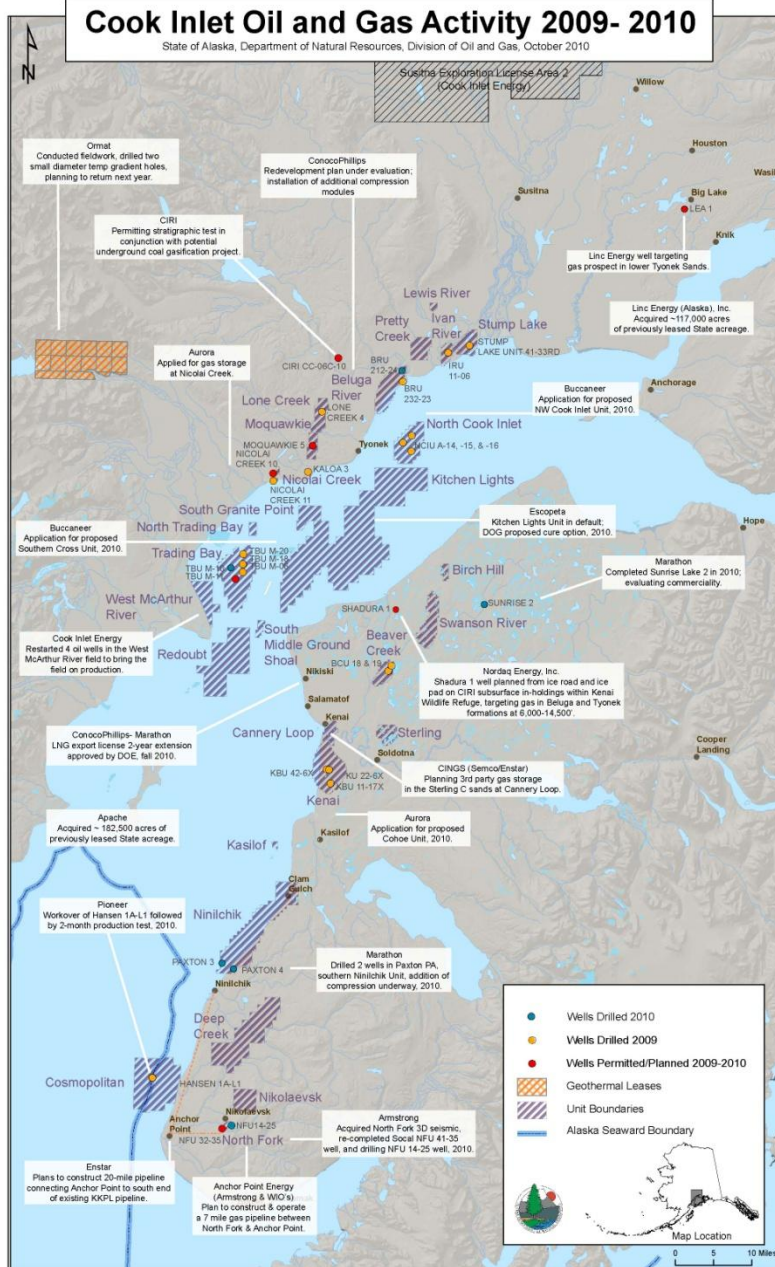
- Prudhoe Bay Unit & Kuparuk River Unit – Each lease is owned in the same percentages.
 - All PBU Participating Areas are owned: 36% ExxonMobil, 36% ConocoPhillips, 26% BP (Operator), 1% Chevron
 - All KRU Participating Areas are owned: 55% ConocoPhillips (Operator), 39% BP, 5% Unocal, 1% ExxonMobil
- Duck Island Unit – Each lease is owned by different companies in different percentages
 - Endicott Participating Area: 68% BP, 21% ExxonMobil, 10% Unocal, <1% NANA, Doyon & ConocoPhillips
 - Sag Delta North Participating Area: 98% BP, 2% NANA & Doyon
 - Eider Participating Area: 100% BP

North Slope Oil and Gas Activity 2009-2010



Cook Inlet Oil and Gas Activity 2009- 2010

State of Alaska, Department of Natural Resources, Division of Oil and Gas, October 2010



Legend

- Wells Drilled 2010
- Wells Drilled 2009
- Wells Permitted/Planned 2009-2010
- ▨ Geothermal Leases
- ▨ Unit Boundaries
- Alaska Seaward Boundary

Map Location