June 25, 2019

Director
Division of Oil and Gas
Alaska Department of Natural Resources
555 W. 7th Avenue Suite 1100
Anchorage, AK 99501

Re: Application for 12th Expansion of the Kuparuk River Unit

Dear Director:

Pursuant to the provisions of 11 AAC 83.356 and Sections 6.2, 6.3 and 9.1 of the Kuparuk River Unit Agreement ("KRUA"), ConocoPhillips Alaska Inc. ("CPAI"), as Unit Operator, and on behalf of the Working Interest Owners of the Kuparuk River Unit submits the attached application to the Department of Natural Resources to approve the 12th expansion of the Kuparuk River Unit.

If you have any questions or require additional information, please contact the Paul Wharton at (907) 263-4076.

Very truly yours,
ConocoPhillips Alaska, Inc.

John F. Schell, Jr.
Attorney-in-Fact

cc: Vincent Lelarge
    Rebecca Swensen
Application for the 12th Expansion of the Kuparuk River Unit

by ConocoPhillips Alaska, Inc. as Unit Operator,
on its behalf and on behalf of the other
Kuparuk River Unit Working Interest Owners ConocoPhillips Alaska II, Inc.,
Chevron U.S.A. Inc. and ExxonMobil Alaska Production Inc.

to the Alaska Department of Natural Resources,
Division of Oil and Gas
APPLICATION

Pursuant to the provisions of 11 AAC 83.356 and Sections 6.2, 6.3 and 9.1 of the Kuparuk River Unit Agreement (“KRUA”), ConocoPhillips Alaska, Inc. (“CPAI”), as Unit Operator, and on behalf of the Kuparuk River Unit Working Interest Owners, including CPAI, ConocoPhillips Alaska II, Inc. (“CPA 2”), Chevron U.S.A. Inc. (“Chevron”) and ExxonMobil Alaska Production Inc. (“Exxon”) (sometimes hereinafter referred to as “KRU WIOs”) applies to the Department of Natural Resources to approve the 12th expansion of the Kuparuk River Unit (“KRU”) to include the State of Alaska oil and gas leases shown on the attached Property Description and Plat (hereinafter sometimes referred to as the “Expansion Area”).

The Department of Natural Resources has approved applications to assign to ConocoPhillips Alaska, Inc. 100% of the working interest in the Expansion Area as shown on the Property Description.

Under this Application ConocoPhillips requests that the KRU be expanded to include the Expansion Area.

Attachments

The following Exhibits and Attachments are provided in support of this application for the 12th KRU Expansion:

Exhibits common to the entire Expansion Area:

- Exhibit A  Property Description
- Exhibit B  Plat of Expansion Area

Attachments:

- Attachment A  CONFIDENTIAL Statement in support of the KRU Expansion Area

Criteria for Unit Expansion

The requested expansion of the KRU meets the criteria of 11 AAC 83.303(a), because it will:

⇒ Promote the conservation of oil and gas by providing an efficient, integrated approach to development of the Torok Reservoir while reducing the environmental impact by utilizing existing production facilities; and
⇒ Promote the prevention of economic and physical waste by setting forth a development plan that allows maximization of physical and economic recovery as well as efficient use of existing facilities; and

⇒ Provide for the protection of the interests of all parties including the State of Alaska.

**Specific 11 AAC 83.303(b) Criteria**

11 AAC 83.303(b) requires that the Commissioner consider five specific criteria when evaluating the 11 AAC 83.303(a) criteria listed above.

1. **Environmental Costs and Benefits of Unitized Exploration and Development of the Expansion Area (11 AAC 83.303(b)(1)).**

   The development of the Expansion Area through existing KRU facilities will minimize the effects of the development upon the environment. By including these areas in the KRU, the tract owners will not have to build stand-alone processing facilities solely for the benefit of these areas. The KRU WIOs already have facility sharing agreements in place that will allow the sharing of KPA facilities with other participating areas within the KRU. Inclusion of the Expansion Area within the KRU will avoid the installation of new processing facilities that would increase the gravel footprint and increase air emissions from power generators and other rotating equipment.

2. **Geological and Engineering Characteristics of the Unit Expansion Area (11 AAC 83.303(b)(2)).**

   The geological and engineering characteristics of the Expansion Area are described in Attachment A (CONFIDENTIAL Statement Supporting the 12th Expansion of the KRU).

3. **Prior Exploration Activities in the KRU Expansion Area (11 AAC 83.303(b)(3)) and 11 AAC 83.303 (c)(4).**

   Prior exploration and development activities in the Expansion Area include in 2013 recompletion of a Kuparuk slant well (35-19) to test the Torok reservoir potential within the KRU, in 2015-2016 drilling of two horizontal development wells targeting the Torok within KRU (35-613 inj / 35-620 prod) in addition to a vertical core well (Moraine 1), recently in 2018 drilling of two additional horizontal development wells targeting the Torok (35-612 inj / 35-611 prod).

4. **Plans for Exploration and Development of the KRU Expansion Area (11 AAC 83.303(b)(4)) and 11 AAC 83.303 (c)(4).**
Exploration and appraisal plans for the Expansion Area can be found in Attachment A, Section 2.

5. Economic Costs and Benefits to the State (11 AAC 83.303(b)(5)) and 11 AAC 83.303 (c)(4).

A primary goal of unitization is the protection of all parties having an economic interest in one or more common hydrocarbon accumulations. The expansion of the KRU to include the expansion acreage extends these benefits and protections to leases considered likely to be capable of contributing to production from the Kuparuk and West Sak Reservoirs.

The reserves discovered thus far in the Expansion Area are not large enough to support the costs of full processing facilities. Even if stand-alone development were economic, there would be economic waste due to the existence of duplicate facilities and services that could be provided by the KRU. Moreover, development timing will be accelerated under unit expansion as compared to a hypothetical standalone development scenario. The stand-alone scenario would require additional seasons of drilling to prove up enough reserves to move ahead, and project execution would be delayed due to longer lead time for facilities and permits. Finally, sharing operating infrastructure will result in maximum field operating life and reserve recoveries for all reservoirs due to economies of scale in production operations.

The State’s economic interest is protected by maximizing the physical recovery of hydrocarbons from the Expansion Area. Maximizing hydrocarbon recovery in turn assures that the production-based revenue to the State is also maximized. Accelerated development of the Expansion Acreage will contribute to the economic well being of the State by expediting receipt of the State revenues through early development and production of the area. Unitized operations within the Expansion Area will also minimize impacts to the area’s cultural, biological, and environmental resources.

Upon inclusion of the Expansion Area lands within the KRU CPAI (and other KRU working interest owners to the extent such lands are assigned to them) will be responsible for all abandonment obligations under the leases for the existing Nuna 1 pad easement (ADL 419883), the Nuna road easement (ADL 419884), Nuna pipelines easement (ADL 419885), and Nuna well bore easement (ADL 419266) consistent with its abandonment obligations as to all other KRU infrastructure.

**Term and Effective Date**

CPAI requests that the effective date for this Unit Expansion be June 1, 2019.
The Expansion Area will be subject to the Kuparuk River Unit Operating Agreement, which is on file with the Division.

Certain portions of this application contain confidential information, and CPAI requests material designated "Confidential" be protected under AS 35.035(a)(8)(C) and 11 AAC 82.810 and applicable law. Concurrent with this filing, CPAI has made payment of the required fee specified in 11 AAC 05.010 for expansions of unit areas. This payment has been made through the Financial Services Section.
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Segment 1

UPPER INTERVAL

Upper Interval (i.e. the interval from the surface down to the stratigraphic equivalent of 8,373' (Driller's total depth +100') which is equivalent to 8,402' (Wireline Logger's total depth + 100') below the Kelly Bushing as shown on the Dual Laterolog Run #3 log dated April 5, 1992, in the ARCO-Kalubik #1 well located in Sec. 11, T.13 N., R. 7 E., U.M. known in the DNR computer records as "Segment 1" of the Lease.)

Sec 22: Protracted, All
Sec 23: Protracted, All
Sec 24: Protracted, All
Sec 25: Protracted, All
Sec 26: Protracted, All
Sec 27: Protracted, All
Sec 28: Protracted, All
Sec 29: Protracted, All
Sec 30: Protracted, All
Sec 31: Protracted, All
Sec 32: Protracted, All
Sec 33: Protracted, All
Sec 34: Protracted, All
Sec 35: Protracted, All
Sec 36: Protracted, All

SAVE AND EXCEPT THE NUIQSUT INTERVAL, BEING

THE INTERVAL BETWEEN THE MEASURED DEPTHS OF 6,354' AND 6,472' ON THE DUAL LATERALOG/MICRO LATERALOG RECORDED IN THE KALUBIK NO. 1 EXPLORATION WELL, WITHIN:

T13N, R7E, UMIAT MERIDIAN, ALASKA

SECTION 22: PROTRACTED, N/2, N/2 SE/4, SE/4 SE/4, NW/4 SW/4
SECTION 23: PROTRACTED, ALL
SECTION 24: PROTRACTED, W/2 E/2, W/2
SECTION 25: PROTRACTED, NW/4 NW/4
SECTION 26: PROTRACTED, NE/4, E/2 NW/4, NW/4 NW/4

AND SAVE AND EXCEPT THE KUPARUK INTERVAL, BEING

THE INTERVAL BETWEEN THE MEASURED DEPTHS OF 6,083' AND 6,121' ON THE DUAL LATERALOG/MICRO LATERALOG RECORDED IN THE KALUBIK NO. 1 EXPLORATION WELL, WITHIN:

T13N, R7E, UMIAT MERIDIAN, ALASKA

SECTION 23: PROTRACTED, NE/4 NE/4
SECTION 24: PROTRACTED, E/2, E/2 SW/4, NW/4 SW/4, NW/4
SECTION 25: PROTRACTED, NE/4
ConocoPhillips Alaska, Inc.

100.00000%

T13N, R7E, UMIAT MERIDIAN

Segment A  LOWER INTERVAL  ConocoPhillips Alaska, Inc.

Lower Interval (i.e. the interval below the stratigraphic equivalent of 8,373' (Driller's total depth + 100') which is equivalent to 8,402' (Wireline Logger's total depth + 100') below the Kelly Bushing as shown on the Dual Laterolog Run #3 log dated April 5, 1992, in the ARCO-Kalubik #1 well located in Sec. 11, T.13 N., R. 7 E., U.M. known in the DNR computer records as "Segment A" of the Lease.)

Sec 22: Protracted, All
Sec 23: Protracted, All
Sec 24: Protracted, All
Sec 25: Protracted, All
Sec 26: Protracted, All
Sec 27: Protracted, All
Sec 28: Protracted, All
Sec 29: Protracted, All
Sec 30: Protracted, All
Sec 31: Protracted, All
Sec 32: Protracted, All
Sec 33: Protracted, All
Sec 34: Protracted, All
Sec 35: Protracted, All
Sec 36: Protracted, All
State of AK
ADL 393884

Segment 1
Upper Interval (i.e. the interval from the surface down to the stratigraphic equivalent of 8,373' (Driller's total depth +100') which is equivalent to 8,402' (Wireline Logger's total depth +100') below the Kelly Bushing as shown on the Dual Laterolog Run #3 log dated April 5, 1992, in the ARCO-Kalubik #1 well located in Sec. 11, T.13 N., R. 7 E., U.M. known in the DNR computer records as "Segment 1" of the Lease.)

Sec 19: Protracted, All
Sec 20: Protracted, All
Sec 21: Protracted, All
Sec 28: Protracted, All
Sec 29: Protracted, All
Sec 30: Protracted, All
Sec 31: Protracted, All, excluding that portion of USS 4326 within Section 31
Sec 32: Protracted, All, excluding that portion of USS 4326 within Section 32
Sec 33: Protracted, All

SAVE AND EXCEPT THE NUIQSUT INTERVAL, BEING

THE INTERVAL BETWEEN THE MEASURED DEPTHS OF 6,354' AND 6,472' ON THE DUAL LATERALOG/MICRO LATERALOG RECORDED IN THE KALUBIK NO. 1 EXPLORATION WELL, WITHIN:

T13N, R7E, UMIAT MERIDIAN, ALASKA
SECTION 20: PROTRACTED, N/2 SE/4, SE/4 SE/4
SECTION 21: PROTRACTED, ALL
SECTION 28: PROTRACTED, N/2 NW/4
SECTION 29: PROTRACTED, NE/4 NE/4

Segment A
Lower Interval (i.e. the interval below the stratigraphic equivalent of 8,373' (Driller's total depth +100') which is equivalent to 8,402' (Wireline Logger's total depth +100') below the Kelly Bushing as shown on the Dual Laterolog Run #3 log dated April 5, 1992, in the ARCO-Kalubik #1 well located in Sec. 11, T.13 N., R. 7 E., U.M. known in the DNR computer records as "Segment A" of the Lease.)

Sec 19: Protracted, All
Sec 20: Protracted, All
Sec 21: Protracted, All
Sec 28: Protracted, All
Sec 29: Protracted, All
Sec 30: Protracted, All
Sec 31: Protracted, All, excluding that portion of USS 4326 within Section 31
Sec 32: Protracted, All, excluding that portion of USS 4326 within Section 32
Sec 33: Protracted, All
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- Sec 4: Surveyed, Fractional, Portion of Lot 3 U.S. Survey 4326
- Sec 31: Surveyed, Fractional, Portion of Lots 1, U.S. Survey 4326
- Sec 32: Surveyed, Fractional, those portions of Lots 1, 2, 3 and 4, U.S. Survey 4326