

DEPARTMENT OF
NATURAL RESOURCES

MAR 05 2020
COMMISSIONER'S OFFICE
ANCHORAGE



March 5, 2020

Corri Feige, Commissioner
Alaska Department of Natural Resources
550 W 7th Avenue, Suite 1400
Anchorage, AK 99501-3554

VIA HAND DELIVERY

Rex Rock Sr., President
Arctic Slope Regional Corporation
1230 Agvik St.
P.O. Box 129
Barrow, AK 99723-0129

VIA CERTIFIED MAIL

Re: Application to Extend the Term of the Pikka Unit Agreement

Dear Commissioner Feige and President Rock,

Oil Search (Alaska), LLC, as Unit Operator of the Pikka Unit ("PKU"), on behalf of itself and Working Interest Owner Repsol E&P USA Inc., ("Repsol") hereby submits application to the State of Alaska, Department of Natural Resources ("DNR") and Arctic Slope Regional Corporation ("ASRC") to extend the term of the Pikka Unit Agreement beyond June 1, 2020. OSA requests an extension of the unit term for five years, until June 1, 2025, pursuant to the provisions of Section 13.2(b) of the Pikka Unit Agreement and DNR regulation 11 AAC 83.336(a)(2).

Application for formation and the Initial Plan of Exploration ("POE") for the Pikka Unit was submitted to DNR and ASRC on February 5, 2014. The Pikka Unit Agreement was approved on June 18, 2015, with a retroactive effective date of June 1, 2015. Subsequent POEs were submitted and approved on the following dates:

- First (2016) POE submitted on September 30, 2015 and approved on November 5, 2015;
- Second (2017) POE submitted on October 4, 2016 and approved on October 27, 2016;
- Third (2018) POE submitted on September 29, 2017 and approved on November 6, 2017;
- Fourth (2019) POE submitted on September 28, 2018 and approved on October 29, 2018. On August 27, 2019, the Fourth (2019) POE period was extended until January 31, 2020.

The Unit Plan of Operations for the Nanushuk Project to support PKU development was submitted to DNR on July 15, 2019 and Unit Plan of Operations Modifications was submitted on September 23, 2019. DNR approved the Unit Plan of Operations on November 26, 2019.

On November 4, 2019 OSA submitted the PKU 2020 Plan of Development ("2020 POD") for the period February 1, 2020 through January 1, 2021. The 2020 POD was approved by DNR and ASRC on December 11, 2019 and January 13, 2020, respectively.

The Unit Plan of Operations and the 2020 POD describe in more detail ongoing activity to advance the development of the PKU and initiate production of hydrocarbons from the unit area.

OSA, along with predecessor Unit Operators Repsol and Armstrong Energy, LLC, have conducted significant reservoir evaluation consisting of seismic, geologic, and engineering studies; drilled

Oil Search Alaska, LLC

Anchorage mailing address
PO Box 240927
Anchorage, AK 99524-0927

Tel: +1 907 375 4600
Fax: +1 907 375 4630
www.oilsearch.com



exploration and appraisal wells; and are currently conducting civil works operations to construct the gravel infrastructure necessary for development of the Unit area.

Activities completed or in process in support of PKU exploration and development include:

- Acquired Tabasco North seismic data over the PKU area;
- Reprocessed, merged and analysed several sets of seismic data, including the Nigliq/Fiord, Tabasco North, Nanuq North, Nanuq Village, Nanuq Slant and Big Island;
- Drilled exploration and appraisal wells, including the Qugruk-1, Qugruk-3, Qugruk-301, Qugruk-5A, Qugruk-6, Qugruk-7, Qugruk-8, Qugruk-9, Qugruk-9A, Pikka B, Pikka B ST1, Pikka C, and Pikka C ST1 wells;
- Obtained a final Environmental Impact Statement Record of Decision and 404 permit for the project from the U.S. Army Corps of Engineers;
- Confirmed surface access and use arrangements with surface landowner Kuukpik Corporation; and
- Construction of gravel roads and pads for PKU infrastructure, including the ND-B drilling pad, Processing Facility pad (NPF), and Operations Center pad (NOP).

OSA and predecessor Unit Operators have conducted exploration operations in accordance with approved Unit Plans of Exploration. The PKU is being developed in accordance with an approved Unit Plan of Development, and the Working Interest Owners are diligently developing infrastructure, pursuing additional data analysis, and undertaking significant engineering and design activities to initiate production in paying quantities from the PKU leases.

Based upon consideration of pertinent requirements, including analysis of the criteria in 11 AAC 83.303(b), the above-referenced approvals by DNR have found previous Unit Plans of Exploration, the Unit Plan of Operation and the 2020 Plan of Development protect the public interest, promote conservation, prevent waste and protect the parties' interests. Similar considerations and analysis support extension of the unit term for the Pikka Unit Agreement as requested herein.

OSA requests that information provided on a confidential basis remain confidential to the extent permitted by law, regulation and the Pikka Unit Agreement.

If you have any questions or concerns, please call Tim Jones at 907-375-4624, or by email at tim.jones@oilsearch.com.

Sincerely,

A handwritten signature in black ink that reads 'Stephen Luna'.

Stephen Luna
Senior Vice President, Legal

Ecc: Teresa Imm, ASRC: timmm@asrc.com

Tom Stokes, Division of Oil and Gas: tom.stokes@alaska.gov

Kevin Pike, Division of Oil and Gas: kevin.pike@alaska.gov