

**ALASKA STRANDED GAS FISCAL CONTRACT**

**BETWEEN**

**THE STATE OF ALASKA**

**AND**

**BP EXPLORATION (ALASKA) INC.,**

**CONOCOPHILLIPS ALASKA, INC., and**

**EXXONMOBIL ALASKA PRODUCTION INC.**

**All terms included in the attached are DRAFT in nature.**

**The agreement to any one term is contingent upon the agreement to all other terms. All terms are subject to ultimate review and approval by all Parties.**

TABLE OF CONTENTS

PARTIES ..... 1  
RECITALS ..... 1  
PART A - DEFINITIONS AND DRAFTING CONVENTIONS ..... 7  
    ARTICLE 1 - DEFINITIONS .....7  
    ARTICLE 2 - DRAFTING CONVENTIONS .....66  
PART B - EFFECTIVE DATE AND TERM OF CONTRACT ..... 70  
    ARTICLE 3 - EFFECTIVE DATE AND TERM .....70  
PART C - PROJECT DESCRIPTION, PROJECT PLAN, ALASKA HIRE AND CONTENT,  
AND STATE OWNERSHIP ..... 71  
    ARTICLE 4 - QUALIFIED PROJECT DESCRIPTION .....71  
    ARTICLE 5 - WORK COMMITMENTS .....72  
    ARTICLE 6 - ALASKA HIRE AND CONTENT .....79  
    ARTICLE 7 - STATE OWNERSHIP .....83  
    ARTICLE 8 - REGULATION OF AND ACCESS TO PROJECT FACILITIES AND  
DISPOSAL SERVICES .....86  
    ARTICLE 9 - IN-STATE MARKETS .....95  
    ARTICLE 10 - CAPACITY MANAGEMENT .....97  
PART D - FISCAL TERMS ..... 111  
    ARTICLE 11 - FISCAL STABILITY .....111  
    ARTICLE 12 - ROYALTY PAYMENTS .....122  
    ARTICLE 13 - TAX BEARING GAS PAYMENT .....128  
    ARTICLE 14 - PAYMENT IN LIEU OF PRODUCTION TAXES .....133  
    ARTICLE 15 – UPSTREAM FACILITIES PAYMENTS .....134  
    ARTICLE 16 - MIDSTREAM PAYMENT .....140  
    ARTICLE 17 – PAYMENT IN LIEU OF OIL PIPELINE AD VALOREM TAXES .....142  
    ARTICLE 18 - IMPACT PAYMENTS .....148  
    ARTICLE 19 - PAYMENT IN LIEU OF STATE CORPORATE INCOME TAX .....149  
    ARTICLE 20 – COST ALLOWANCES .....156  
    ARTICLE 21 - PAYMENTS TO POLITICAL SUBDIVISIONS .....159  
    ARTICLE 22 – PAYMENT OF FISCAL OBLIGATIONS .....160  
    ARTICLE 23 - POINT THOMSON .....175  
    ARTICLE 24 - MEASUREMENT .....178  
    ARTICLE 25 - AUDIT .....180  
PART E - DISPUTE RESOLUTION ..... 184  
    ARTICLE 26 - MANDATORY DISPUTE RESOLUTION .....184  
    ARTICLE 27 - JUDICIAL CHALLENGE AND ORDER .....185  
    ARTICLE 28 - ADMINISTRATIVE TERMINATION .....190  
PART F - COMMUNICATIONS ..... 194  
    ARTICLE 29 - CONFIDENTIALITY .....194  
    ARTICLE 30 - CONTRACT ADMINISTRATION AND NOTICE .....198  
PART G - RELATIONSHIP OF THE PARTIES ..... 209  
    ARTICLE 31 - ASSIGNMENT, ADDITION AND WITHDRAWAL .....209  
    ARTICLE 32 - NO JOINT MARKETING .....214  
    ARTICLE 33 - NO THIRD PARTY BENEFICIARIES .....214

ARTICLE 34 - NO AGENCY.....215  
PART H - RISK ALLOCATION PROVISIONS..... 216  
ARTICLE 35 - FORCE MAJEURE.....216  
ARTICLE 36 - INFLATION ADJUSTMENT AND INTEREST .....218  
PART I - REMEDIES..... 222  
ARTICLE 37 - LIABILITY AND LIMITATION ON DAMAGES .....222  
PART J - INTERPRETATION AND PARTS OF THIS CONTRACT..... 224  
ARTICLE 38 - INTERPRETATION PROVISIONS .....224  
ARTICLE 39 - PARTS OF THIS CONTRACT .....225  
PART K - REPRESENTATIONS AND WARRANTIES ..... 227  
ARTICLE 40 - REPRESENTATIONS AND WARRANTIES .....227  
ARTICLE 41 - RELATIONSHIP TO LAW AND OTHER AGREEMENTS .....227  
ACKNOWLEDGEMENT ..... 229  
CONDITIONAL AND NON-BINDING EXECUTION..... 229  
FINAL AND BINDING EXECUTION ..... 231  
APPENDIX I ..... 234  
EXHIBIT A ACCOUNTING PROCEDURES .....235  
EXHIBIT B AUDIT PROCEDURES .....256  
EXHIBIT C MANDATORY DISPUTE RESOLUTION PROCEDURES .....264  
EXHIBIT D LIST OF PROPERTIES .....288  
EXHIBIT E ALASKA HIRE AND CONTENT .....304  
EXHIBIT F EXAMPLE CALCULATIONS .....306  
EXHIBIT G AMOUNTS PAYABLE TO POLITICAL SUBDIVISIONS AND STATE .....354  
EXHIBIT P METHOD TO DETERMINE THE PPT PILT PAYMENT .....359  
EXHIBIT Q VENTURE TYPES BY PRODUCER.....393  
EXHIBIT R PROCEDURE TO IMPLEMENT METHOD TO DETERMINE THE PPT PILT  
PAYMENT .....394  
EXHIBIT X VALUATION OF PPT OIL AND PPT GAS.....406  
EXHIBIT Y STATE ADMINISTRATIVE PROCEDURES FOR PPT PILT PAYMENTS .433  
EXHIBIT Z DEPRECIATION AND RETURN ON INVESTED CAPITAL FOR MARINE  
VESSELS AND IMPROVEMENTS .....447  
ATTACHMENT 1 UNIFORM UPSTREAM FISCAL CONTRACT ACT.....449  
ATTACHMENT 2 PROCEDURES FOR REPORTING PAYMENTS IN LIEU OF SCIT ..455

**PARTIES**

This Alaska Stranded Gas Fiscal Contract is entered into between the State of Alaska, on the one part, and BP Exploration (Alaska) Inc., ConocoPhillips Alaska, Inc., and ExxonMobil Alaska Production Inc., on the other part.

**RECITALS**

1. The *Legislature* enacted the *SGDA* for the purposes of encouraging new investment to develop stranded *Gas*, providing fiscal terms that are tailored to the particular economic conditions of the *Project*, establishing those fiscal terms with as much certainty as the Alaska Constitution allows and maximizing the benefits to the people of *Alaska* of the development of stranded *Gas*.

2. *BP*, *CP* and *EM* submitted an application, including a proposed project plan, for development of a fiscal contract under the *SGDA*. On January 23, 2004, the *Commissioner*:

- (a) determined that the proposed *Project* is a qualified project under the *SGDA*;
- (b) determined that *BP*, *CP* and *EM* are qualified sponsors under the *SGDA*; and
- (c) with the concurrence of the *DNR Commissioner*, approved the application and the proposed project plan.

On May 10, 2006, *BP*, *CP* and *EM* submitted a *Project Summary* to the *Commissioner*. The *Project* will be one of the largest private enterprise projects in North American history and may include:

- (i) *Gas Transmission Pipelines*;
- (ii) a *GTP*;
- (iii) the *Mainline*;
- (iv) the *Non-Alaska Project*; or
- (v) an *NGL Plant* located in *Alaska*, *Canada*, or the *Lower 48*.

3. The *State* has found that it is in the public interest to facilitate construction of a *Gas* pipeline to transport *Gas* from the *ANS* to markets in North America. The *Participants* and the *State* are committed to this *Contract* in order to facilitate the construction of a *Gas* pipeline from the *ANS*.

4. The *Participants* and the *Commissioner* have agreed upon mutually acceptable terms and conditions under which the *State* and the *Participants* are willing to enter into this *Contract*.

5. The *Commissioner* has reviewed appropriate information to evaluate and enter into this *Contract* and has determined that:

- (a) the procedural requirements under the *SGDA* for developing and negotiating this *Contract* have all been met;
- (b) the subject *Gas* is “stranded gas” under the *SGDA*; and
- (c) the terms of this *Contract* meet the requirements and advance the purposes of the *SGDA*, are in the long term fiscal interests of the *State* and balance the principles specified in the *SGDA* in developing contract terms that are practicable and consistent with the *State*’s long-term fiscal interests.

6. The *Commissioner* has found that the *Project* will substantially benefit the *State* and the people of *Alaska* by:

- (a) providing significant economic opportunities to the *State*;
- (b) encouraging new investments in *Alaska* to develop the *State's Gas* resources;
- (c) increasing economic opportunities for *Alaska Businesses*;
- (d) creating employment and training opportunities for *Alaska Residents*;
- (e) generating significant *State* revenues over the *Project's* life;
- (f) encouraging exploration and development of new sources of oil and gas within *Alaska*;
- (g) providing *Gas* transportation services; and
- (h) providing opportunities for delivery of *Gas* to domestic and industrial consumers within *Alaska*.

7. The *Parties* share the objectives of:

- (a) providing *Offtake Points*, as described in this *Contract* that could accommodate in-state *Gas* consumption; and
- (b) developing tariffs that could accommodate in-state service on just and reasonable rates, terms and conditions approved by *FERC*.

8. The *Commissioner* has determined that this *Contract* furthers the stated purpose of the *SGDA* of encouraging new investment to develop stranded *Gas* by:

- (a) authorizing establishment of fiscal terms;

- (b) allowing the fiscal terms to be tailored to the particular economic conditions of the *Project*;
  - (c) establishing the fiscal terms in advance with as much certainty as the Alaska Constitution allows; and
  - (d) maximizing the benefit to the people of *Alaska* of the development of stranded *Gas*.
9. A primary goal of the Governor is that Alaskans who want a job on the *Alaska Project* have an opportunity to obtain one. The *Commissioner* has determined that this *Contract* furthers that goal by providing that each *Midstream Entity*:
- (a) employ *Alaska* residents and contract with *Alaska Businesses* to work on construction and operation of the *Alaska Project* to the extent these residents and businesses are available, competitively priced and qualified;
  - (b) advertise for available positions in newspapers and other publications throughout *Alaska*;
  - (c) use *Alaska Job Service Organizations* located throughout *Alaska* in order to notify *Alaska* residents of work opportunities available on the *Alaska Project*;
  - (d) work with the *State* to plan training opportunities for *Alaska* residents; and
  - (e) incorporate substantially similar obligations in agreements with *Contractors*.
10. This *Contract* provides for the *State* to take *Royalty Gas* in kind and *Gas* in lieu of receipt of certain tax payments thereby allowing the *State* to control the disposition of its *Gas* for the benefit of all Alaskans. This *Contract* also provides an opportunity for the *State* to take an

ownership interest in the *Project*, thereby creating an opportunity for the *State* to realize the benefits of direct participation in this critical infrastructure. In addition to the benefits to the *State*, the *State's* taking *Gas* and ownership in the *Project* will reduce *Project* risk, and improve alignment among the *Parties*.

**11.** Undeveloped *ANS Gas* resources, including *PTU*, together with the known *ANS Gas* resources underpin the *Project*. Specifically, *PTU Gas* resources are essential to anchor the *Project* and achieve the economies of scale consistent with delivering *ANS Gas* to Canadian or United States markets at a competitive cost of supply. The terms of this *Contract* are necessary for *PTU Owners* to commit their *Gas* resources in future *Open Seasons*.

**12.** Each *Producer* intends, directly or through an *Affiliate*, to acquire firm transportation capacity in an initial *Open Season* or other commercial arrangements to transport and treat its share of stranded *Gas* originating from *Properties*, subject to successful completion of *Project* planning, acceptable *Open Season* terms and conditions, and acceptable business conditions.

**13.** Because of the immense cost, scope and complexity of the *Project* and the associated risk, the risk must be reduced. Accordingly, consistent with the provisions of this *Contract*, the *Parties* intend to:

- (a) establish binding fiscal and other obligations of the *Project* and the *Participants* to the *State* and to *Political Subdivisions* for the *Term*; and
- (b) provide protections to the *Project* and the *Participants* during the *Term* to ensure the stability and durability of the negotiated terms and conditions.



14. The *Legislature* enacted the *SGDA* and certain amendments to and new *State Laws* to authorize the terms and execution of this *Contract* between the *State* and the *Participants*. By authorizing and executing this *Contract* the *State* finds that the *Project* and this *Contract* are in the public interest and that without this *Contract* a valuable resource might remain undeveloped. Accordingly, the *State* finds that this *Contract* is consistent with the Alaska Constitution and other *State Law* and the *State* intends to be bound by this *Contract* to the full extent allowed by the Alaska Constitution.

15. The *Parties* recognize that there is a relationship between the economic production of oil and gas. In recognition of this relationship and in furtherance of the *Project*, the *State* has determined that it is appropriate to provide economic stability and certainty with respect to oil taxes.

**PART A - DEFINITIONS AND DRAFTING CONVENTIONS**

**ARTICLE 1 - DEFINITIONS**

As used in this *Contract*:

“**2005 CPI Ratio**” has the meaning provided in Article 36.1(a).

“**2006 CPI Ratio**” has the meaning provided in Article 36.1(c)(i).

“**70% Ratio**” has the meaning provided in Article 36.1(c)(ii).

“**80% Ratio**” has the meaning provided in Article 36.1(b)(ii).

“**Abandonment Costs**” has the meaning provided in Exhibit R.2(c)(i)(A).

“**Actual Cost**” means for an *Oil Pipeline* as of the *Valuation Date*, all the actual costs incurred or accrued, regardless of the nature of the items of costs, excluding interest capitalized before or during the period of construction.

“**Actual Fixed Payable Tax Payment**” has the meaning provided under Article 11.4(c)(i).

“**Additional Associated State Gas**” has the meaning provided in Article 10.2(a).

“*Additional Claim*” has the meaning provided in Exhibit C.3(f).

“*Additional Gas Notice*” has the meaning provided in Article 10.2(b).

“*Additional Person*” has the meaning provided in Article 31.1(b).

“*Adjustments*” has the meaning provided in Exhibit R.2(d).

“*Administrative Suspension Notice*” has the meaning provided in Article 28.2(c).

“*Administrative Termination Notice*” has the meaning provided in Article 28.1.

“*Administrative Termination Period*” means the period beginning on the *Effective Date* and ending on the *Day* the *Participants* have spent a cumulative total of one hundred twenty-five million *Dollars* (\$125,000,000) from the capital accounts of one or more *Midstream Entities* formed to plan for, build or operate any part of the *Alaska Project*.

“*Administratively Impacted Participant*” has the meaning provided in Article 28.2(c).

“*Administrator*” has the meaning provided in Article 30.7(b).

“*AECO Price*” means the Alberta Energy Company monthly index of *Gas* price for a *Calendar Month*, expressed in *\$/MMBTU*, as reported by the Natural Gas Intelligence.

“*Affected Participant*” has the meaning provided in Article 28.1.

“*Affected Party*” means a *Party* affected by *Force Majeure*.

“*Affiliate*” means, with respect to a designated *Person*, any other *Person* that, directly or indirectly, *Controls*, is *Controlled* by, or is under common *Control* with the designated *Person*, where “*Control*” means the possession, directly or indirectly, of:

- (a) more than fifty percent (50%) of the voting rights in a *Person*; or
- (b) the power to direct or cause the direction of the management and policies of a *Person*, through ownership of voting shares, by contract, or otherwise.

“*Agreed Fixed Payable Tax Payment*” has the meaning provided under Article 11.4(c)(ii).

“*Alaska*” means the area within the boundaries of the State of Alaska.

“*Alaska Business*” means a firm or contractor that:

- (a) has held an *Alaska* business license for the preceding twelve (12) *Calendar Months*;

- (b) maintains, and has maintained for the preceding twelve (12) *Calendar Months*, a place of business in *Alaska* that competently and professionally deals in supplies, services, or construction of the nature required for the *Project*; and
- (c) is one of the following:
  - (i) a sole proprietorship of which the proprietor is an *Alaska* resident;
  - (ii) a partnership, and more than fifty percent (50%) of the partnership interest is held by *Alaska* residents;
  - (iii) a limited liability company, and more than fifty percent (50%) of the membership interest is held by *Alaska* residents;
  - (iv) a corporation that has been incorporated under *State Law* or is authorized to do business in *Alaska*; or
  - (v) a joint venture, and a majority of the venturers qualify as *Alaska Businesses* under this definition.

***“Alaska Job Service Organizations”*** means the offices maintained by the *State* and recommended by the State Department of Labor and Workforce Development whose functions are to aid the unemployed or underemployed in finding employment.

***“Alaska Project”*** means the portion of the *Project* located in *Alaska*.

***“Alaska Resident”*** means a *Person* who (a) receives a permanent fund dividend under AS 43.23; or (b) is registered to vote under AS 15 and qualifies for a resident fishing, hunting, or trapping license under AS 16.

“*Alaska to Alberta Project*” means the portion of the *Project* from the Alaska-Canada border to the *Alberta Hub*.

“*Alaska to Alberta Tariff*” means the transportation rates, treating fees, and other costs, fees or charges, including fuel and shrinkage, expressed in \$/MMBTU, applicable to the delivery of *Gas* from a *Delivery Point* to the *Alberta Hub*.

“*Alberta Hub*” means the system of pipelines in Alberta, Canada to which the *Alaska to Alberta Project* will connect and from which *Gas* can be transported to markets in Canada and the *Lower 48*.

“*Alberta to Lower 48 Project*” means the portion of the *Project* that involves the export of *Gas* from the *Alberta Hub* to the *Lower 48*.

“*Alcan Element*” means a *Gas Transmission Pipeline*, a *GTP*, the *Mainline*, or the *Alaska to Alberta Project*.

“*Alternative Exploration Credit*” has the meaning provided in Exhibit P.9(a).

“*Alternative Exploration Credit Certificate*” has the meaning provided in Exhibit P.9(f).

“**Amount Due**” means the *State Net Monetary Obligation* for a *Calendar Month*, together with any accrued *Interest*, as determined in Article 22.

“**Annual Barrels Tendered**” means:

- (a) the number of *Barrels of Unrefined Oil* tendered into an *Oil Pipeline* during a *Calendar Year*, if the total number of days during the *Calendar Year* when the pipeline was operating and transporting *Unrefined Oil* were not less than ninety percent (90%) of the total number of *Days* in that *Calendar Year*, where a day is any portion of a *Day*; or
- (b) the number of *Barrels of Unrefined Oil* tendered into an *Oil Pipeline* during that *Calendar Year*, divided by the percentage of the total number of days in that year when the pipeline was operating and transporting *Unrefined Oil*, if this percentage is less than ninety percent (90%) of the total number of *Days* in that *Calendar Year*, where a day is any portion of a *Day*.

“**ANS**” means the Alaska North Slope, which is the portion of *Alaska* north of sixty-eight degrees (68°) North latitude.

“**Arbitration**” means a dispute resolution proceeding under Exhibit C.3.

“**Asset**” has the meaning provided in Exhibit P.3(e)(iii)(A).

“**Assignee**” has the meaning provided in Article 31.1(a).

“*Associated State Gas*” means *State Gas* that is associated with *Producer Gas* of an individual *Producer*.

“*Audit Coordinator*” has the meaning provided in Exhibit B.4(c).

“*Audit Documents*” means the documents, accounts, books, records, or supporting information of a *Participant* or its *Affiliate* for all *Fiscal Obligations*; and, in addition, for a *Payment in Lieu of SCIT*, a pass through entity’s records that are accessible to that *Participant* and have a material effect on the *Payment in Lieu of SCIT*.

“*Audit Exception*” means an audit finding or claim by the *State* under Article 25 and Exhibit B.

“*Audit Notice*” has the meaning provided in Exhibit B.1.

“*Audit Period*” has the meaning provided in Article 25.2.

“*Audit Report*” has the meaning provided in Article 25.1.

“*Authorization Act*” means the *Law* by which the *Legislature* assents to the execution of this *Contract* by the Governor under the *SGDA*.

“*Available Royalty Gas*” means the *Volume* or *Quantity* of *Royalty Gas* delivered to a *Delivery Point* multiplied by seventy-five hundredths (0.75).



“*Average Annual Barrels Tendered*” has the meaning provided under Article 17.3.

“*Award*” has the meaning provided in Exhibit C.14(a).

“*Awarded Document*” has the meaning provided in Exhibit B.6(b)(iii).

“*Badami Unit*” means the oil and gas leases subject to the Badami Unit Agreement on January 1, 2005, or as later expanded or contracted.

“*Barrel*” means forty-two (42) U.S. gallons of a liquid measured at *Standard Conditions*.

“*Baseball Arbitration*” means an *Arbitration* in which the *Tribunal* may only make an *Award* by selecting one of the *Final Offers* instead of providing an *Award* based on the *Tribunal's* judgment of the merits of the *Dispute* under this *Contract* and the evidence presented.

“*BCF*” means billion *Cubic Feet*.

“*BCFD*” means one billion (1,000,000,000) *Cubic Feet per Day*.

“*BP*” means BP Exploration (Alaska) Inc.

“*BTU*” means a British Thermal Unit, which is the quantity of heat required to raise the temperature of one pound of water one degree (1°) Fahrenheit at a constant pressure of one (1) atmosphere.

“*Business Day*” means a *Day* of the week except for Saturday, Sunday, or a *Day* that is a legal holiday under United States, Canada or *State Law*.

“*Calendar Month*” means twenty-eight (28), twenty-nine (29), thirty (30) or thirty-one (31) consecutive *Days*, as the case may be, starting on the first *Day* of a calendar month.

“*Calendar Year*” means twelve (12) consecutive *Calendar Months* beginning at 12:00:01 A.M. *Alaska* time on the first *Day* of the month of January.

“*Capacity*” means the:

- (a) firm transportation capacity in an *Alcan Element* for *Gas*, including appropriate consideration for fuel and shrinkage, that is acquired through any *Open Season* or from an *Alcan Element* as a replacement shipper for a period of more than one (1) *Calendar Month* for those portions regulated by *FERC* or the appropriate Canadian regulatory agency; or
- (b) access rights under a commercial arrangement for those portions not regulated by *FERC* or the appropriate Canadian regulatory agency.

“*Capacity Notice*” means, for a *Producer* and a *Property*, a *Notice* under Article 10.1(b), or an amended *Capacity Notice* under Articles 10.1(b), 10.2(c), 10.3(g) or 10.6 provided by a *Producer Capacity Holder* to the *State Capacity Holder* that identifies the:

- (a) expected *Producer Gas* and *Associated State Gas*;
- (b) *State Capacity* for which *Capacity* was acquired by that *Producer Capacity Holder* for each *Alcan Element*;
- (c) *Producer Capacity* for which *Capacity* was acquired by that *Producer Capacity Holder* for each *Alcan Element*;
- (d) *In-State Capacity* identified by the *State Capacity Holder* under Article 10.1(a)(ii)(A);
- (e) *Producer Upstream Sales Gas*;
- (f) *State Upstream Sales Gas* identified by the *State Capacity Holder* under Article 10.1(a)(ii)(B);
- (g) duration, terms and conditions applicable to the acquired *Capacity*; and
- (h) *Gas* purchases made or *Excess Property Capacity* released under Article 10.3.

“*Capacity Range*” has the meaning provided in Article 10.3(a)(ii).

“*Capped Tax*” means any one of the following *Taxes*:

- (a) a sales or use tax on the purchase or use of goods or services;
- (b) a gravel severance or mining license tax; or
- (c) an excise tax, including a bed or motor fuel tax,

but excluding a *Restricted Tax*.

“*Carried-Forward Annual Loss*” has the meaning provided in Exhibit P.8(b).

“*Carried-Forward Annual Loss Credit*” has the meaning provided in Exhibit P.8(b).

“*Catastrophic PPT Oil Discharge*” means an oil discharge in excess of one hundred thousand (100,000) *Barrels*, or any other discharge which the Governor determines presents a grave and substantial threat to the economy or environment of *Alaska*.

“*Claimant*” has the meaning provided in Exhibit C.3(a).

“*Colville River Unit*” means the oil and gas leases subject to the Colville River Unit Agreement on January 1, 2005, or as later expanded or contracted.

“*Commencement of Commercial Operation*” means the end of the *Day* that is the in-service date of the *Mainline* designated in a filing under 18 C.F.R. 157.20(c)(2).

“*Commissioner*” means the commissioner of the *DOR*.

“*Confidential Information*” means information that is

- (a) reviewed by a *Party* in performing an audit under this *Contract*; or
- (b) marked “confidential” by a providing *Party* and submitted to a receiving *Party* under the terms or in furtherance of this *Contract*,

but does not include:

- (i) *Non-Confidential Information*; or
- (ii) *Project Information* except as provided in Article 29.6.

“*Contract*” means this fiscal contract between the *State* and the *Participants*.

“*Contract Payments*” has the meaning provided in Exhibit R.2(b)(iv).

“*Contractor*” means a *Person* who has an agreement directly with any *Participant* or its *Affiliates* to provide goods or services for the *Alaska Project*.

“*Contractor Fixed Payable ANS Property Tax*” means a property tax on property assessed under AS 29.45.080 or AS 43.56.060(c) on a taxable asset that is located within the *ANS* levied on a contractor or subcontractor.

“*Conventional Arbitration*” means an *Arbitration* in which the *Tribunal* makes its *Award* based on the *Tribunal's* judgment of the merits of the *Dispute* under this *Contract* and the evidence presented.

“*CP*” means ConocoPhillips Alaska, Inc.

“*CPI*” means the non-seasonally adjusted Consumer Price Index for All Urban Consumers that is identified by the Bureau of Labor Statistics as CPI-U, U.S. city average, all items and has a base period of 1982-1984 =100 for a particular *Calendar Month*.

“*CPR*” has the meaning provided in Exhibit C.5(c).

“*Cubic Foot*” means one (1) cubic foot of a fluid measured at *Standard Conditions*.

“*Day*” means twenty-four (24) consecutive hours beginning at 12:00:01 A.M. *Alaska time*.

“*Deficiency*” has the meaning provided in Article 37.3.

“*Delivery Point*” means a location where *Gas* is metered for custody transfer either into the first *Midstream Element* or into a pipeline for shipment off a *Property*.

“*Derivative Material*” means all notes, analyses, compilations, studies, summaries, or other material, however documented, containing or based, in whole or in part, on *Confidential Information*.

“*Diligence*” has the meaning provided in Article 5.1.

“*Direct State Midstream Payment*” has the meaning provided in Article 22.2(b)(iii).

“*Direct State Payment*” has the meaning provided in Article 22.1(a)(iii).

“*Dismantlement*” has the meaning provided in Exhibit R.2(c)(i)(A).

“*Disposal Property*” means a *Property* into which *Impurities* are handled or *Disposed*.

“*Dispose*” or “*Disposed*” means to dispose or inject other than by sale.

“*Disposition*” has the meaning provided in Article 12.4(b).

“*Dispute*” means a dispute, matter, controversy or claim between the *State* and a *Participant* arising out of or relating to any of this *Contract’s* Articles or Exhibits, including its interpretation, construction, performance, enforcement, privileges, rights or obligations.

“*Disputing Participant*” has the meaning provided in Article 5.5(c)(ii).

“*Dispute Procedures*” has the meaning provided in Exhibit C.1(a).

“*DNR*” means the Alaska Department of Natural Resources.

“*DNR Commissioner*” means the commissioner of the *DNR*.

“*Document*” has the meaning provided in Article 41.2.

“*Dollar*” and the sign “\$” mean United States dollars.

“*DOR*” means the Alaska Department of Revenue.

“*Duck Island Unit*” means the oil and gas leases subject to the Duck Island Unit Agreement on January 1, 2005, or as later expanded or contracted.

“*Effective Date*” has the meaning provided in Article 3.1.

“*Effective Rate*” means, for a *Producer Capacity Holder* or a *State Capacity Holder*, the

- (a) *Rate* for a *Facility* regulated by *FERC*;
- (b) *Rate* for a *Facility* regulated by the appropriate Canadian regulatory agency; or
- (c) *Rate* for a private commercial arrangement, if the *Facility* is not regulated by *FERC* or the appropriate Canadian regulatory agency.

“*EM*” means ExxonMobil Alaska Production Inc.

“*Excess Property Capacity*” means, for a *Producer*, a *Property* and an *Alcan Element*, the amount by which the sum of *State Takeaway Capability* plus the *Producer Takeaway Capability* exceeds the sum of *Forecast Associated State Gas* plus the *Forecast Producer Gas*.

“*Excess PPT Credit*” has the meaning provided in Exhibit P.6.



*“Excluded Costs”* has the meaning provided in Exhibit R.2(c).

*“Exemption Certificate”* has the meaning provided in Article 11.9.

*“Expansion Agreement”* has the meaning provided in Article 23.2(a).

*“Expansion Notice”* has the meaning provided in Article 8.7(a).

*“Expansion Shipper”* has the meaning provided in Article 8.7(a).

*“Extraction”* has the meaning provided in Article 11.1(a)(ii)(C)

*“Facility”* means equipment and improvements, together with the associated rights to locate the equipment and improvements on the land and to ingress to, and egress from, the land.

*“Federal Adjustment”* has the meaning provided in Article 25.3(a).

*“FERC”* means the Federal Energy Regulatory Commission of the United States Department of Energy.

*“Final Annual PPT PILT Payment”* has the meaning provided in Exhibit P.5(a)(ii).

“*Final Offer*” means an offer to resolve the *Dispute* submitted under Exhibit C.18(b).

“*Fiscal Obligations*” means the following obligations of each *Participant* to the *State*:

- (a) *Volumes* due to the *State* from individual *Producers* under Articles 12 and 13; and
- (b) monetary payments due and payable to the *State* by individual *Participants* under Articles 11, 12, 13, 14, 15, 16, 17, 18, 19, and 22.

“*Fiscal Stability Cap*” means the following *Dollar* amounts escalated under Article 36.1(a):

- (a) for any *Calendar Year* before *Commencement of Commercial Operations*:
  - (i) four million *Dollars* (\$4,000,000) for *BP*;
  - (ii) four million *Dollars* (\$4,000,000) for *CP*;
  - (iii) four million *Dollars* (\$4,000,000) for *EM*;
  - (iv) four million *Dollars* (\$4,000,000) for the *Mainline Entity*; and
  - (v) four million *Dollars* (\$4,000,000) for all other *Project Entities* combined;and
- (b) for the *Calendar Year* in which *Commencement of Commercial Operations* occurs and each *Calendar Year* thereafter:
  - (i) five million *Dollars* (\$5,000,000) for *BP*;
  - (ii) five million *Dollars* (\$5,000,000) for *CP*;
  - (iii) five million *Dollars* (\$5,000,000) for *EM*; and
  - (iv) five million *Dollars* (\$5,000,000) for all *Project Entities* combined.

“*Fixed Payable Tax*” means any one of the following *Taxes*:

- (a) a *Vessel Tax*;
- (b) a property tax on property assessed under AS 29.45, other than AS 29.45.080, that is or could be imposed on a taxable asset to the extent it is not used for the *Project* (Non-Project Real or Personal Property);
- (c) a property tax on property assessed under AS 29.45.080 and AS 43.56.060(c) that is or could be imposed on a taxable asset to the extent it is not used for the *Project* and located outside the *ANS* (Non-ANS Exploration Property);
- (d) a property tax on property assessed under AS 29.45.080 and AS 43.56.060(d) that is or could be imposed on a taxable asset to the extent it is not used for the *Project* and not located or intended to be located ultimately within the *ANS* (Non-ANS Production Property); or
- (e) a property tax on property assessed under AS 29.45.080 and AS 43.56.060(e) that is or could be imposed on a taxable asset to the extent it is not used for the *Project* (Non-Project Pipeline Property) or is not included under Article 17.2;

but excluding a *Restricted Tax*.

“*Fixed Payable Tax Increment*” has the meaning provided in Article 11.4(a).

“*Fixed Royalty*” means the portion of royalty, payable as a fixed royalty share or the minimum royalty in the case of a sliding scale royalty.

“*Force Majeure*” means a *Force Majeure Event* that causes the inability to perform an obligation, materially adversely affects the performance of an obligation, or materially adversely

affects the ability to satisfy the *Diligence* standard under Article 5.

“*Force Majeure Event*” means an event, whether foreseen or not, that is beyond the reasonable control of a *Party* and includes:

- (a) acts of God, epidemics, weather related conditions, including lightning, storms, hurricanes, floods, earthquakes or other natural disasters;
- (b) war, riot, civil disturbance, act of terror, or act of a public enemy;
- (c) federal, state, Canadian, or *Political Subdivision Law* or other written directive, with which a *Party* has diligently, as prudent under the circumstances, attempted to comply;
- (d) unreasonable delay or failure to act by a federal, state, Canadian, *Political Subdivision* or other governmental agency;
- (e) inability to secure required federal, state, Canadian, *Political Subdivision* or other governmental agency or aboriginal approvals, permits, or easements if the *Party* seeking relief has diligently sought, as prudent under the circumstances the approval, permit, or easement;
- (f) any judicial acts or restraints;
- (g) unavoidable accidents, equipment failure, breakage, fire, explosion, or other damage or malfunction; uncontrollable delays in transportation; or inability to obtain necessary material in the open market for delivery of those materials to the site of use; or
- (h) labor disputes and lockouts.

**“Forecast Associated State Gas”** means, for a *Producer*, a *Property* and an *Alcan Element*, the *Volume* or *Quantity* of *Associated State Gas* forecast by the *Property’s* operator for delivery in the following *Calendar Month*, without any consideration of the applicable *GBA* adjustments or reduction for *Gas Recoupment* under Article 22.1(d).

**“Forecast Producer Gas”** means, for a *Producer*, a *Property* and an *Alcan Element*, the *Volume* or *Quantity* of *Producer Gas* forecast by the *Property’s* operator for delivery in the following *Calendar Month*, without any consideration of the applicable *GBA* adjustments or increase for *Gas Recoupment* under Article 22.1(d).

**“Forecast Ratio”** means, for a *Producer*, a *Property* and an *Alcan Element*, a ratio:

- (a) the numerator of which is the *Forecast Associated State Gas*; and
- (b) the denominator of which is the sum of the *Forecast Associated State Gas* plus the *Forecast Producer Gas*.

**“Four Cent Surcharge”** has the meaning provided in Exhibit P.14(a).

**“Gas”** means a mixture of hydrocarbons and *Impurities* in the gaseous phase.

**“Gas Processing”** means:

- (a) processing a gaseous mixture of hydrocarbons:

- (i) by means of absorption, adsorption, externally applied refrigeration, artificial compression followed by adiabatic expansion using the Joule-Thomson effect, or another physical process that is not mechanical separation;
  - (ii) for the purpose of extracting and recovering liquid hydrocarbons; and
  - (iii) upstream of any *Gas Treatment* and upstream of the inlet of any gas pipeline system transporting *Gas* to a market; and
- (b) does not include *Gas Treatment*.

“*Gas Recoupmnt*” has the meaning provided in Article 22.1(d).

“*Gas Recoupmnt Volume*” has the meaning provided in Article 22.1(h).

“*Gas Transmission Pipeline*” means a pipeline *Facility* designed to transport *Gas* from *Upstream Facilities* to the *GTP* or *Mainline*.

“*Gas Treatment*” means:

- (a) conditioning *Gas* and removing from *Gas* non-hydrocarbon substances, for the purpose of rendering the *Gas* acceptable for tender and acceptance into a gas pipeline system; and
- (b) may include incidentally removing liquid hydrocarbons from the *Gas*.

“*GBA*” means a *Gas* balancing agreement.

**“Gross PPT Value at the Point of Production”** means:

- (a) for *PPT Oil*, the gross value, in *Dollars per Barrel*, of *PPT Oil* at the *Point of Production* for *PPT Oil*;
- (b) for *PPT Gas*, the gross value, in *Dollars per MCF*, of the *PPT Gas* at the *Point of Production* for *PPT Gas*.

**“GTP”** means a *Gas* treatment plant *Facility*, located on the *ANS*, designed to condition and compress *Gas* and remove certain *Impurities* before delivery into the *Mainline*.

**“GTP Entity”** has the meaning provided under Article 8.5(a).

**“Heating Value”** means the average gross number of *BTUs* evolved by the complete combustion, at constant pressure, of one (1) *Cubic Foot* of *Gas* with air, expressed in *MMBTU/MCF*.

**“Hydrocarbon Liquids”** means a hydrocarbon mixture in the liquid phase, including crude petroleum oil and liquid hydrocarbons recovered or extracted from *Gas*, but excluding *NGLs*.

**“Impact Payments”** has the meaning provided in Article 18.1.

**“Impacted Participant”** has the meaning provided in Article 5.5(c)(iii).

**“Impurity”** means a non-hydrocarbon substance contained in or removed from *Gas*, including

carbon dioxide, hydrogen sulfide, helium, mercury, water vapor, and, when removed from *Gas*, trace amounts of hydrocarbons.

**“Impurity Disposal Fee”** means the fee charged by *Working Interest* owners of a *Disposal Property* to *Dispose of Impurities* each time they are *Disposed*.

**“Included Costs”** has the meaning provided in Exhibit R.2(b)(i).

**“Incremental Royalty”** means the portion of royalty payable as a sliding scale royalty, supplemental royalty, or net profit share that is in addition to the *Fixed Royalty*.

**“Initial Impact Payment Date”** has the meaning provided in Article 18.1(a).

**“Inlet Point”** means:

- (a) for a *Gas Transmission Pipeline*, the connection at which *Gas* enters that *Gas Transmission Pipeline* from a *Property* or another *Gas Transmission Pipeline*;
- (b) for an *Oil Pipeline*, a connection at which *Unrefined Oil* enters that *Oil Pipeline* from a *Property* or another *Oil Pipeline*.

**“Inlet Point Contribution”** means:

- (a) for a *Gas Transmission Pipeline*, the *Volume of Gas*; and
- (b) for an *Oil Pipeline*, the *Barrels of Unrefined Oil*

measured at the meter at the *Inlet Point*, multiplied by the *Segment Length*.



**“In-State Capacity”** means the *Capacity* to transport or treat *In-State Gas*.

**“In-State Gas”** means the portion of *Associated State Gas* originating from the *Prudhoe Bay Unit* that the *State Capacity Holder* uses for delivery in *Alaska*.

**“Interest”** means the amount calculated using the rate and method defined in Article 36.2.

**“Joint Venture”** means:

- (a) for a *Venture* existing on the *Effective Date*, a *Venture* that is listed as a *Joint Venture* on Exhibit Q; or
- (b) for a *Venture* not classified as a *Joint Venture* on the *Effective Date*, a *Venture*:
  - (i) in which expenditures are made under an *Operating Agreement* found by the *DOR* to be consistent with the principles provided in Exhibit P.3(c)(ii); and
  - (ii) has a collective non-operated working interest of at least twenty percent (20%).

**“Joint Venture Costs”** has the meaning provided in Exhibit R.2(b)(ii).

**“Judicial Challenge”** has the meaning provided in Article 27.1.

**“Judicial Suspension Notice”** has the meaning provided in Article 27.1(b).

“*Judicially Impacted Participant*” has the meaning provided in Article 27.1(b).

“*Kuparuk River Unit*” means the oil and gas leases subject to the Kuparuk River Unit Agreement on January 1, 2005, or as later expanded or contracted.

“*Labor Department*” has the meaning provided in Article 6.3.

“*Law*” means a constitution, statute, ordinance, tariff, convention, treaty, regulation, rule, order, or court rule or decision.

“*Legislature*” means the legislature of the State of Alaska.

“*LIBOR*” has the meaning provided in Article 36.2.

“*Loss*” means any liability, loss, damages (including consequential, incidental, lost profits, special, or punitive damages), demand, claim, settlement payment, cost, expense (including any litigation expense), interest, award, judgment, diminution in value, fine, fee, and penalty, or other charge.

“*Lower 48*” means the lower forty-eight (48) contiguous states of the continental United States.

“*Mainline*” means the large diameter pipeline that is routed generally along the *TAPS* pipeline and the Alaska Canada Highway, compressor stations and related *Facilities*, including any

additions, improvements, expansions, extensions or renewals or replacements to the pipeline, compressor stations or related *Facilities*, designed to transport *Gas* from the *ANS* to *Offtake Points* and to connect with the *Non-Alaska Project*.

“*Mainline Entity*” means the *Project Entity* formed to own the *Mainline*.

“*MCF*” means one thousand (1,000) *Cubic Feet* of *Gas*.

“*Measurement*” has the meaning provided in Article 24.1(a).

“*Midstream Amount Due*” means the *State Net Midstream Monetary Obligation* for a *Calendar Month*, together with any accrued *Interest*, as determined in Article 22.2(d).

“*Midstream Element*” means a *Gas Transmission Pipeline*, a *GTP*, the *Mainline* or an *NGL Plant* if located in *Alaska*.

“*Midstream Entity*” means a *Project Entity* formed to own one or more of the *Midstream Elements*.

“*Midstream Entity Monetary Obligation*” has the meaning provided in Article 22.2(b)(i).

“*Midstream Entity Net Midstream Monetary Obligation*” has the meaning provided in Article 22.2(c).

“*Midstream Entity Transferee*” means a *Producer*, an *Affiliate* of a *Producer*, or a member or shareholder of a *Midstream Entity*.

“*Midstream Payment*” has the meaning provided in Article 16.1.

“*Midstream Statement*” has the meaning provided in Exhibit A.6.

“*Mill Rate Ratio*” means, for a *Political Subdivision*, a ratio:

- (a) the numerator of which is the lesser of:
  - (i) the prevailing mill rate for that *Political Subdivision*; or
  - (ii) twenty (20) mills; and
- (b) the denominator of which is twenty (20) mills.

“*Milne Point Unit*” means the oil and gas leases subject to the Milne Point Unit Agreement on January 1, 2005, or as later expanded or contracted.

“*Minor Imbalances*” has the meaning provided in Article 10.5.

“*MMBTU*” means one million (1,000,000) *BTUs*.

“*MMCF*” means one thousand (1,000) *MCF*.

“*MMCFD*” means *MMCF per Day*.

“*Monthly PPT PILT Payment*” has the meaning provided in Exhibit P.5(a)(i).

“*Multi-Participant Dispute*” means a *Dispute* as determined under Exhibit C.3(h).

“*NEB*” means the National Energy Board of Canada.

“*Net Midstream Monetary Obligation*” has the meaning provided in Article 22.2(b)(iv).

“*Net Monetary Obligation*” has the meaning provided in Article 22.1(a)(iv).

“*Net Production Value*” has the meaning provided in Exhibit P.3(a).

“*NGL Plant*” means a *Facility* located downstream of a *Delivery Point* designed to process and extract liquid hydrocarbons from *Gas*.

“*NGLs*” means the liquid hydrocarbons recovered or extracted from *Gas* at an *NGL Plant*.

“*Non-Alaska Project*” means, collectively, the *Alaska to Alberta Project* and the *Alberta to Lower 48 Project*.

“*Non-Confidential Information*” includes information that the receiving *Party* demonstrates:

- (a) was or becomes generally publicly available other than as a result of a disclosure by the receiving *Party* or any of its *Representatives* in violation of this *Contract*;
- (b) is in the lawful possession of the receiving *Party* or any of its *Representatives* before its disclosure to the receiving *Party*;
- (c) was or becomes available to the receiving *Party* or any of its *Representatives* on a non-confidential basis from a third party that is not bound by a similar duty of confidentiality; or
- (d) is *State* statistics and reports so classified as to prevent the disclosure of particular *Confidential Information*, including:
  - (i) *Volume of Royalty Gas* and *Tax Gas* by field; or
  - (ii) aggregate fiscal payments.

“*Nontransferable PPT Credit*” has the meaning provided in Exhibit P.10(a).

“*Northstar Unit*” means the oil and gas leases subject to the Northstar Unit Agreement on January 1, 2005, or as later expanded or contracted.

“*Notice*” means a notice, waiver, consent, request, demand, instruction, approval, or other communication given under this *Contract* as provided in Article 30.

“*Notice of Additional Property*” has the meaning provided in Article 31.4(c).

“*Notice of Arbitration*” has the meaning provided in Exhibit C.3(a).

“*Notice of Decision*” has the meaning provided in Article 29.6(a).

“*Notice of Dispute*” has the meaning provided in Exhibit C.2(a).

“*Notice of Force Majeure*” has the meaning provided in Article 35.2(a).

“*NPRA Transmission Line*” has the meaning provided in Article 7.2(c).

“*One Cent Surcharge*” has the meaning provided in Exhibit P.11(a).

“*Offtake Point*” means a connection location, consisting of necessary valves, flanges and fittings, where *Gas* flows out of a *Midstream Element*, except for a location where *Gas* flows from one *Midstream Element* into another *Midstream Element* or into the *Alaska to Alberta Project*.

“*Oil Pipeline*” means a pipeline in *Alaska* under construction, built or operated for the purpose of transporting *Unrefined Oil*, including:

- (a) a marine terminal or associated facilities used or committed for use in:
  - (i) loading or otherwise delivering into waterborne vessels for shipment, *Hydrocarbon Liquids* transported by a pipeline described in (b) of this definition,
- or

- (ii) temporarily storing *Hydrocarbon Liquids* until they can be loaded or otherwise delivered into waterborne vessels for shipment; and
- (b) pumps, pump stations, tanks, compressors, compressor stations or other facilities, fuel lines, equipment, vehicles or supplies used or committed for use in the operation, spill response, repair or maintenance of a pipeline, terminal or facilities associated with a pipeline or terminal described in (a) of this definition, and including waterborne vessels used in spill response for the Valdez Marine Terminal that were valued as part of *TAPS* as of October 1, 2005,

but excluding any pipelines and related facilities and equipment that are *Upstream Facilities*.

**“Oil Pipeline Ownership Interest”** means the percentage ownership share that a *Participant* holds in an *Oil Pipeline*, directly or indirectly, without regard to whether the entity owning the *Oil Pipeline* is an *Affiliate* of the *Participant*.

**“Open Season”** means a *FERC* pre-subscription or open season, or a corresponding process on a Canadian regulated pipeline that is conducted in accordance with the rules and regulations in effect, including the offering of a cost-of-service rate, if required.

**“Operating Agreement”** means an operating agreement or similar agreement that follows typical industry practices and standards in *Alaska* as to costs that an operator is allowed to bill a working interest owner that is not the operator, under *Unit* operating agreements or similar operating agreements that were in effect on or before December 1, 2005.



“*Operator Unrecovered Cost Rate*” has the meaning provided in Exhibit R.2(b)(v).

“*Order*” has the meaning provided in Article 27.1(b).

“*Ordinary and Necessary*” has the meaning given in 26 U.S.C. 162 (Internal Revenue Code), as amended, and regulations adopted under that section.

“*Other Tax*” means a *Tax* levied on a *Participant*, except a:

- (a) *Fixed Payable Tax*;
- (b) *Restricted Tax*;
- (c) *Reimbursable Property Tax*;
- (d) *Capped Tax*; or
- (e) *Targeted Tax*.

“*Outer Continental Shelf*” means the submerged lands, subsoil, and seabed, lying between the seaward extent of the *State’s* jurisdiction and the seaward extent of federal jurisdiction.

“*Outlet Point*” means:

- (a) for a *Gas Transmission Pipeline*, the connection at which *Gas* leaves a *Gas Transmission Pipeline* to a *GTP*, the *Mainline*, or another *Gas Transmission Pipeline*;  
and
- (b) for an *Oil Pipeline*, the connection at which *Unrefined Oil* leaves an *Oil Pipeline* to *TAPS* or another *Oil Pipeline*.

“*Participant*” means *BP*, *CP*, *EM*, *Assignees*, or any other *Person* added under Article 31, excluding the *State* and its *Affiliates*, except that the *State* or its *Affiliates* may hold an interest in a *Participant*.

“*Participant’s Interests*” has the meaning provided in Article 11.1(a)(ii).

“*Parties*” means the *State* and all *Participants*.

“*Parties to the Dispute*” means, collectively, the *Claimant*, *Respondent* and any *Participant* certified as a *Party* to a *Multi-Participant Dispute*.

“*Party*” means the *State* or each individual *Participant*.

“*Party to the Dispute*” means, individually, the *Claimant*, the *Respondent*, or any *Participant* certified as a *Party* to a *Multi-Participant Dispute*.

“*Payment Date*” means the last *Business Day* before the end of the *Calendar Month* in which an obligation is reported.

“*Payment in Lieu of SCIT*” has the meaning provided in Article 19.1.

“*Person*” means a natural person, trust, estate, government, partnership, joint venture, corporation, association, society, limited liability company, firm, or any other entity having an independent legal existence including the *State* or any *Political Subdivision*.

“*POD*” has the meaning provided in Article 23.2(c).

“*Point of Production*” means:

- (a) for *PPT Oil*, either:
  - (i) the automatic custody transfer meter or device through which the *PPT Oil* enters into the facilities of a common carrier pipeline or other transportation carrier in a condition of pipeline quality; or
  - (ii) in the absence of an automatic custody transfer meter or device, it means the mechanism or device to measure the quantity of *PPT Oil* that has been approved by *DOR* for that purpose, through which the *PPT Oil* is tendered and accepted in a condition of pipeline quality into the facilities of a common carrier pipeline or other transportation carrier into a field topping plant;
- (b) for *PPT Gas*, other than *PPT Gas* described in (c) below, that is

- (i) not subjected to or recovered by mechanical separation or *Gas Processing*, the first point where the *PPT Gas* is accurately metered;
  - (ii) subjected to or recovered by mechanical separation but not *Gas Processing*, the first point where the *PPT Gas* is accurately metered after completion of mechanical separation; or
  - (iii) subjected to or recovered by *Gas Processing*, the first point where the *PPT Gas* is accurately metered after completion of *Gas Processing*;
- (c) for *PPT Gas* run through an integrated *Gas Processing* and *Gas Treatment* facility that does not accurately meter the *PPT Gas* after the *Gas Processing* and before the *Gas Treatment*, the first point where *Gas Processing* is completed or where *Gas Treatment* begins, whichever is further upstream.

**“Political Subdivision”** means a municipality, borough, city or other local government unit of the State of Alaska existing on or after October 1, 2005, and granted the power under the *Alaska Constitution* to impose *Taxes*.

**“Political Subdivision Allocation”** means:

- (a) for the *Mainline*, the miles of pipeline to the nearest tenth (0.1) of a mile within a *Political Subdivision* multiplied by its *Mill Rate Ratio*;
- (b) for a *Gas Transmission Pipeline*, the miles of *Segment Length* for that *Gas Transmission Pipeline* within a *Political Subdivision* multiplied by its *Mill Rate Ratio*;
- (c) for an *Oil Pipeline* other than *TAPS*, the miles of pipeline for that *Oil Pipeline* within a *Political Subdivision* multiplied by its *Mill Rate Ratio*; and

(d) for *TAPS*, the *TAPS Investment* within that *Political Subdivision* multiplied by its *Mill Rate Ratio*.

**“Political Subdivision Ratio”** means a ratio as follows:

- (a) for the *Mainline Entity*,
  - (i) the numerator of which is the *Political Subdivision Allocation* for the *Mainline* for a *Political Subdivision*; and
  - (ii) the denominator of which is the total miles of pipeline for the *Mainline* within *Political Subdivisions* as incorporated on October 1, 2005, plus one-hundred eighty-six (186) miles;
- (b) for a *Project Entity* owning a *Gas Transmission Pipeline*,
  - (i) the numerator of which is the *Political Subdivision Allocation* for that *Gas Transmission Pipeline* for a *Political Subdivision*; and
  - (ii) the denominator of which is the total miles of *Segment Length* in *Alaska* for that *Gas Transmission Pipeline*;
- (c) for an *Oil Pipeline* other than *TAPS* in which a *Participant* or its *Affiliate* have an *Oil Pipeline Ownership Interest*,
  - (i) the numerator of which is the *Political Subdivision Allocation* for that *Oil Pipeline* for a *Political Subdivision*; and
  - (ii) the denominator of which is the total miles of pipeline in *Alaska* for that *Oil Pipeline*; and
- (d) for each *Participant* or its *Affiliate* having an *Oil Pipeline Ownership Interest* in *TAPS*,

- (i) the numerator of which is the *Political Subdivision Allocation* for that *Oil Pipeline* for a *Political Subdivision*; and
- (ii) the denominator of which is the total *TAPS Investment*.

“*Political Subdivision Tax*” has the meaning provided in Article 11.12(b).

“*PPT Credit*” has the meaning provided under Exhibit P.6.

“*PPT Education Credit*” has the meaning provided in Exhibit P.7(a).

“*PPT Gas*” means the *Volume of Gas* originating from a *Producer’s Property* and is received by a *Producer*, that is:

- (a) *Tax Bearing Gas* under Article 13.1(a)(ii) that is delivered to a *Delivery Point*, but not a *Midstream Element*, before the *Commencement of Commercial Operations*;
- (b) *Tax Bearing Gas* that is not delivered to the *Mainline* after the *Commencement of Commercial Operations* and the *State* has made the election under Article 13.1(b)(ii)(C);
- (c) *Gas* under Exhibit P.5(e) that is flared, released or allowed to escape in excess the amount authorized by the Alaska Oil and Gas Conservation Commission; or
- (d) *Gas* under Exhibit P.5(e) that is determined by the Alaska Oil and Gas Conservation Commission to be waste,

less any *Gas* associated with any royalty interest or *Gas* used in the operation of a *Property*, or other lease or unit, to explore, develop, produce, repressure, or in enhanced recovery activities.

“*PPT Lease Expenditures*” has the meaning provided in Exhibit R.2.

“*PPT Oil*” means:

- (a) any *Hydrocarbon Liquids* that originate from a *Property* that are received by a *Producer*,
- (b) but does not include any *Hydrocarbon Liquids* associated with any royalty interest or used in the operation of a *Property*, or other lease or unit, to explore, develop, produce, repressure, or in enhanced recovery activities, except for those *Hydrocarbon Liquids* determined by the Alaska Oil and Gas Conservation Commission to be waste.

“*PPT PILT Payment*” has the meaning provided under Exhibit P.2.

“*PPT Production*” means *PPT Gas* or *PPT Oil*.

“*Proceeding*” has the meaning provided in Article 26.2.

“*Producer*” means *BP*, *CP*, or *EM* and their respective *Assignees* under Article 31 in their capacity as a *Working Interest* owner of a *Property*.

“*Producer Capacity*” means *Capacity* to transport or treat *Producer Gas*.

“*Producer Capacity Holder*” means an *Affiliate* of a *Producer* that holds or will hold *Capacity* on behalf of that *Producer*.

“*Producer Gas*” means a *Producer’s* share of *Royalty Bearing Gas* and *Tax Bearing Gas*.

“*Producer Monetary Obligation*” has the meaning provided in Article 22.1(a)(i).

“*Producer Net Monetary Obligation*” has the meaning provided in Article 22.1(b).

“*Producer Portion*” has the meaning provided in Article 10.3(a)(ii).

“*Producer Put Capacity*” means for a *Producer*, a *Property* and an *Alcan Element*, the result obtained by multiplying:

- (a) the greater of:
  - (i) the *Forecast Ratio* minus the *Takeaway Ratio*; and
  - (ii) zero; by
- (b) the sum of the *State Takeaway Capability* plus the *Producer Takeaway Capability*.

“*Producer Statement*” has the meaning provided in Exhibit A.4.

“*Producer Takeaway Capability*” means, for a *Producer*, a *Property* and an *Alcan Element*, the sum of the *Volume* or *Quantity* of *Producer Capacity*, plus the *Producer Upstream Sales Gas*, as identified in the most recently amended *Capacity Notice*.



**“Producer Transferee”** means:

- (a) an *Affiliate* of a *Producer*;
- (b) a *Midstream Entity*; or
- (c) another *Producer* or its *Affiliate*,

but excluding a member of a *Midstream Entity*.

**“Producer Upstream Sales Gas”** means the *Gas* from a *Property* sold upstream of an *Alcan Element*, including any associated fuel and shrinkage, by a *Producer* or its *Affiliate* to a non-*Affiliated Person*.

**“Project”** means the *Project* described in Article 4, as amended from time to time, and replacements or improvements to the *Project*.

**“Project Entity”** means a *Person* formed to own one or more of the *Midstream Elements* or a portion of the *Non-Alaska Project*.

**“Project Information”** means the following information:

- (a) updates to *Project Summaries* under Article 5; and
- (b) advertisements for available positions under Article 6.

**“Project Sanction”** means the first *Day* on which:

- (a) both *FERC* and *NEB* have issued certificates of public convenience and necessity;
- and

(b) the *Mainline Entity* has given *Notice* to the other *Parties* of its decision to proceed with construction of its portion of the *Project*.

“*Project Summary*” means the summary described in Article 5.4.

“*Property*” means an *ANS* lease or *Unit* described in Exhibit D or added to Exhibit D under Article 31.4.

“*Proration Factor*” means:

(a) for a *Political Subdivision* as incorporated on October 1, 2005, one hundred percent (100%); or

(b) for a *Political Subdivision* incorporated after October 1, 2005, or for annexations occurring after October 1, 2005, the lesser of one hundred percent (100%) or a ratio

(i) the numerator of which is the sum of:

(A) the *Political Subdivision Allocation* for all *Political Subdivisions* incorporated after October 1, 2005;

(B) the *Political Subdivision Allocation* for all annexations occurring after October 1, 2005;

(C) four hundred fifty (450) less the total *Political Subdivision Allocation* for the *Mainline* within all *Political Subdivisions*; and

(ii) the denominator of which is the sum of:

(A) the *Political Subdivision Allocation* for all *Political Subdivisions* incorporated after October 1, 2005; and

(B) the *Political Subdivision Allocation* for all annexations occurring after October 1, 2005.

**“Prudhoe Bay Unit”** means the oil and gas leases subject to the Prudhoe Bay Unit Agreement on January 1, 2005, or as later expanded or contracted.

**“PTU”** means the Point Thomson Unit, which consists of oil and gas leases subject to the *PTUA* on January 1, 2005, or as later expanded or contracted.

**“PTUA”** means the Point Thomson Unit Agreement.

**“PTU Gas”** means *Royalty Bearing Gas* originating from the *PTU*.

**“PTU Owners”** means the *PTU Working Interest* owners.

**“Purchase Range”** has the meaning provided in Article 10.3(a)(i).

**“Qualified Capital Expenditure”** means:

- (a) a *PPT Lease Expenditure* that is:
  - (i) incurred for geological or geophysical exploration; or
  - (ii) treated as a capitalized expenditure under 26 U.S.C. (Internal Revenue Code), as amended and regulations as adopted, regardless of elections made under 26 U.S.C. 263(c) (Internal Revenue Code), as amended, and either is treated as a

capitalized expenditure for federal income tax reporting purposes by the *Producer* incurring the expenditure or is eligible to be deducted as an expense under 26 U.S.C. 263(c) (Internal Revenue Code), as amended;

- (b) but excludes any expenditure to acquire an asset:
  - (i) if that expenditure was a *PPT Lease Expenditure* under Exhibit P.3(c) or would have been a *PPT Lease Expenditure* under Exhibit P.3(c) if it had been incurred on or after July 1, 2006; or
  - (ii) if that expenditure is for an asset that has previously been placed in service in *Alaska*;

an expenditure to acquire an asset is not excluded under (b) of this definition if no more than an immaterial portion of the asset meets a description under (b)(i) or (b)(ii) of this definition.

***“Qualified Capital Expenditure Credit”*** has the meaning provided in Exhibit P.8(a)(i).

***“Qualified Project Plan”*** means the “Proposed Project Plan” described in section 5 of the “Amended Application for Development of a Contract under AS 43.82, the Stranded Gas Development Act” submitted by *BP*, *CP* and *EM* on January 20, 2004, and approved by the *Commissioner* on January 23, 2004, as may be amended under Article 5.3.

***“Qualified Sponsor Group”*** means a group of *Persons* that either:

- (a) owns or intends to own an equity interest in the *Project*;
- (b) intends to commit *Gas* that it owns to the *Project*; or

- (c) holds the permits that the *State* determines are essential to construct and operate the *Project*; and which group of *Persons* also meets one or more of the following criteria:
- (i) owns a *Working Interest* in at least ten percent (10%) of the stranded *Gas* proposed to be developed by the *Project*;
  - (ii) has the right to purchase at least ten percent (10%) of the stranded *Gas* proposed to be developed by the *Project*;
  - (iii) has the right to acquire, control, or market at least ten percent (10%) of the stranded *Gas* proposed to be developed by the *Project*;
  - (iv) has a net worth equal to at least ten percent (10%) of the estimated cost of constructing the *Project*; or
  - (v) has an unused line of credit equal to at least fifteen percent (15%) of the estimated cost of constructing the *Project*.

“*Quantity*” means the number of *BTUs*, expressed in *MMBTU*, determined by multiplying a specified *Volume* of *Gas* by the *Heating Value* of that *Gas*.

“*Quasi-Joint Venture*” means:

- (a) for a *Venture* existing on the *Effective Date*, a *Venture* that is listed as a *Quasi-Joint Venture* on Exhibit Q; or
- (b) for a *Venture* not classified as a *Quasi-Joint Venture* on the *Effective Date*, a *Venture* in which expenditures are made under an *Operating Agreement* found by the *DOR* to be consistent with the principles provided in Exhibit P.3(c)(i).

***“Quasi-Joint Venture Costs”*** has the meaning provided in Exhibit R.2(b)(ii).

***“Rate”*** means any cost or expense paid to use or reserve *Capacity*, including demand charges, commodity charges, surcharges and any other type of charge assessed.

***“Ratio Notice”*** has the meaning provided in Article 10.4(a).

***“RCA”*** has the meaning provided in Article 8.3.

***“RCA Jurisdiction”*** has the meaning provided in Article 8.3.

***“Reimbursable Property Tax”*** means a *Tax* that is levied on a taxable asset leased for at least nine (9) consecutive months, owned, or intended to be owned by a *Participant* or its *Affiliates* and that is:

- (a) a property tax on property assessed under AS 29.45, other than AS 29.45.080, that is or could be imposed on a taxable asset to the extent the property is used for the *Project* (Project Real or Personal Property);
- (b) a property tax on property assessed under AS 29.45.080 and AS 43.56.060(c) that is or could be imposed on a taxable asset that is located within the *ANS*, paid directly by a *Participant* (ANS Exploration Property);
- (c) a property tax on property assessed under AS 29.45.080 and AS 43.56.060(d) that is or could be imposed on a taxable asset that is located outside the *ANS*, and intended to be located ultimately within the *ANS* (In-Transit ANS Production Property); or

(d) after *Commencement of Commercial Operations*, a property tax on property assessed under AS 29.45.080 and AS 43.56.060(e) that is or could be imposed on a taxable asset that is not located in a *Political Subdivision* in which the *Mainline* is located, to the extent the property is used ultimately for the *Project* (In-Transit Project Pipeline Property),

but excluding a *Restricted Tax*.

“*Reinstatement Date*” means the date of the initial delivery of *PTU Gas* into a *Midstream Element*, excluding deliveries of *PTU Gas* for line pack.

“*Report Date*” means the last *Business Day* of the *Calendar Month*.

“*Representative*” includes the Governor of Alaska or a *Party’s* director, officer, employee, agent, consultant, advisor, contractor, or outside counsel.

“*Requesting Participant*” means a *Participant* requesting certification that a *Dispute* under Exhibit C.3(h) is a *Multi-Participant Dispute*.

“*Resolution Meeting*” has the meaning provided in Exhibit C.2(c).

“*Resolution Period*” has the meaning provided in Exhibit B.12(a).

“*Respondent*” has the meaning provided in Exhibit C.3(a).

“*Response*” has the meaning provided in Exhibit C.3(c).

“*Response Fund*” means the response account in the Oil and Hazardous Substance Release and Response Fund established in AS 46.08.010 and which is maintained under AS 37.05.142 as those *Laws* read on the *Effective Date*.

“*Restricted Tax*” means a *Tax*:

- (a) levied on the items described in AS 43.55.017 or AS 43.56.020, as they read and were applied on October 1, 2005;
- (b) described in AS 43.56.030 or AS 29.45.810, as they read and were applied on October 1, 2005; or
- (c) that has been replaced by *Impact Payments* or by a payment in lieu of *Tax* under this *Contract*, including on or before *Commencement of Commercial Operations*, a property tax on property assessed under AS 29.45.080 and AS 43.56.060(e) that is or could be imposed on a taxable asset, to the extent the property is used ultimately for the *Project* (Pre-Startup Project Pipeline Property).

“*Resumption Date*” has the meaning provided in Article 23.4(b).

“*Royalty*” or “*Royalties*” means an interest in *Gas* production payable, either in kind or value, in favor of the *State* from a *Property*, whether payable as a *Fixed Royalty* or *Incremental Royalty*.



“*Royalty Bearing Gas*” means the *Quantity* or *Volume of Gas* originating from a *Producer’s Property* that is subject to a *Royalty*.

“*Royalty Gas*” means the *Quantity* or *Volume of Royalty Bearing Gas* that the *State* is required to take in kind as its *Fixed Royalty*.

“*Royalty Payments*” has the meaning provided in Article 12.1(a).

“*Sales Recoupment*” has the meaning provided in Article 22.1(d).

“*SCIT*” means any tax imposed on or measured by net income including any taxes imposed on or measured by an amount arrived at by deducting expenses from gross income, one or more forms of which expenses are not specifically or directly related to particular transactions, including the taxes imposed under AS 43.19 – 43.20.

“*SCIT Calendar Year*” means twelve (12) consecutive *Calendar Months* beginning on the first *Day* of the month of January or, if applicable for *Payment in Lieu of SCIT* under Article 19, Article 25, and Exhibit B, a fiscal tax year.

“*Seasonal Variability Capacity*” means additional capacity, beyond *Capacity*, available to holders of *Capacity* under an *Alcan Element’s* tariff.

“*Seasonal Variability Gas*” means the *Gas* that can be transported on an *Alcan Element* using *Seasonal Variability Capacity*.

“*Segment Length*” means the length of pipe for a *Gas Transmission Pipeline* or an *Oil Pipeline* between a particular *Inlet Point* and the *Outlet Point* measured to the nearest one-tenth (0.1) of one mile.

“*Senior Executive*” has the meaning provided in Exhibit C.2(c).

“*Settlement Agreement*” has the meaning provided in Article 11.4(a)(i)(B).

“*SGDA*” means the Stranded Gas Development Act, AS 43.82.010 - .990, as of the date the *Authorization Act* becomes *Law*.

“*Shippers*” has the meaning provided in Article 8.1(a)(ii).

“*Sole Venture*” means a *Venture*:

- (a) that is listed as a *Sole Venture* on Exhibit Q; or
- (b) other than a *Joint Venture* or a *Quasi-Joint Venture*.

“*Sole Venture Costs*” has the meaning provided in Exhibit R.2(b)(iii).

“*Standard Conditions*” means the standard pressure and temperature conditions used by the *Project Entity* or *Person* responsible for making a measurement, consistent with *Law*, or if no one is responsible, then a standard pressure condition of 14.65 pounds per square inch absolute and a standard temperature condition of sixty degrees (60°) Fahrenheit.

“*State*” means the *Alaska* government, but excluding its judiciary and any independent or quasi-judicial regulatory agency, such as the Regulatory Commission of Alaska or the Alaska Oil and Gas Conservation Commission.

“*State Capacity*” means the *Capacity* to transport or treat *State Export Gas*.

“*State Capacity Holder*” means a *State* entity that holds or will hold *Capacity* on behalf of the *State*.

“*State Capacity Share*” means, for a *Producer*, a *Property* and an *Alcan Element*, a ratio:

- (a) the numerator of which is the *State Capacity* as shown on a *Capacity Notice*; and
- (b) the denominator of which is the sum of that *Producer’s Capacity* plus the *State Capacity* shown on the *Capacity Notice*.

“*State Export Gas*” means *Associated State Gas*, less the *Volume* or *Quantity* of *In-State Gas* and *State Upstream Sales Gas*.

“*State Gas*” means *Royalty Gas* plus *Tax Gas*.

“*State Midstream Monetary Obligation*” has the meaning provided in Article 22.2(b)(ii).

“*State Monetary Obligation*” has the meaning provided in Article 22.1(a)(ii).

“*State Net Midstream Monetary Obligation*” has the meaning provided in Article 22.2(d).

“*State Net Monetary Obligation*” has the meaning provided in Article 22.1(c).

“*State Project Indebtedness*” means the entire amount of indebtedness incurred by the *State* or the *State* member in a *Midstream Entity* to finance its equity interest in the *Project* for the *Project* scope determined at *Project Sanction* provided:

- (a) the indebtedness is incurred no later than one (1) year after *Commencement of Commercial Operations*; and
- (b) a refinancing of the indebtedness described in (a) of this definition does not increase the then remaining principal amount or extend the term.

“*State Put Capacity*” means, for a *Producer*, a *Property* and an *Alcan Element*, the result obtained by multiplying:

- (a) the greater of
  - (i) the *Takeaway Ratio* minus the *Forecast Ratio*; and
  - (ii) zero; by

(b) the sum of the *State Takeaway Capability* plus the *Producer Takeaway Capability*.

“*State Shortage*” has the meaning provided in Article 10.2(a).

“*State Takeaway Capability*” means, for a *Producer*, a *Property* and an *Alcan Element*, the sum of the *Volume* or *Quantity* of *State Capacity* and *In-State Capacity*, plus the *State Upstream Sales Gas* as identified in the most recently amended *Capacity Notice*.

“*State Upstream Sales Gas*” means *Associated State Gas* sold upstream of an *Alcan Element*, including any associated fuel and shrinkage, by the *State* to either:

- (a) a *Producer Capacity Holder* under Article 10.2(a)(v)(A); or
- (b) a non-*Affiliated Person* before the end of an *Open Season* as provided on the *Capacity Notice* in Article 10.1(a)(ii)(B).

“*Statutory Interest*” has the meaning provided in Exhibit Y.8.

“*Structure*” has the meaning provided in Exhibit R.2(c)(i)(A).

“*Subcontractor*” means a *Person* who has an agreement directly with a *Contractor* or other *Subcontractor* to supply goods or services for the *Alaska Project*.

“*Superior Court*” has the meaning provided in Article 26.2.

“*Suspension Notice*” has the meaning provided in Article 5.5(c)(iii).

“*Suspension Period*” means the period of the *State’s* suspension of *PTU* obligations as described in Article 23.2.

“*Takeaway Ratio*” means, for a *Producer*, a *Property* and an *Alcan Element*, a ratio

- (a) the numerator of which is the *State Takeaway Capability*; and
- (b) the denominator of which is the sum of the *State Takeaway Capability* plus *Producer Takeaway Capability*.

“*TAPS*” means the Trans Alaska Pipeline System.

“*TAPS Investment*” means the investment amounts reported to the *Commissioner* under Exhibit G.2(d).

“*Targeted Tax*” means a *Tax* that would otherwise meet the definition of a *Capped Tax* except that it is enacted or changed after October 1, 2005 and results in or is expected to result in combined total payments by:

- (a) the *Participants* and *Affiliates* on their oil and gas related business activity in *Alaska*; and
- (b) contractors and subcontractors on their business activity related to the *Project* or *Properties*,

in excess of twenty percent (20%) of the total or expected total amount of the *Tax* in any *Calendar Year*.

**“Tax”** means:

- (a) a tax, levy, impost, fee, license, special assessment, charge, surtax, or surcharge;
- (b) a franchise, sales, use, excise, value-added, privilege, or transfer tax; or
- (c) any other government-created mandatory payment that is or could be imposed by the *State* or *Political Subdivisions* under any *Law*, or the people of *Alaska* under AS 15.45 or any other *Law*,

including:

- (i) an oil and gas production tax and surcharge under AS 43.55 or any other tax on the development, extraction, or production of natural resources or on reserves or resources in place except for any obligation to pay production tax on behalf of a private royalty owner;
- (ii) an oil and gas exploration, production and pipeline transportation property tax under AS 43.56;
- (iii) a *SCIT* or any other tax that is based on or measured by gross or net income;
- (iv) a municipal sales and use tax under AS 29.45.650 - 29.45.710 or any other sales and use tax;
- (v) a municipal property tax under AS 29.45.010 - 29.45.250 or 29.45.550 - 29.45.600 or any other ad valorem or property tax; or
- (vi) a municipal special assessment under AS 29.46 or any other special assessment;

but excluding:

- (A) civil or criminal fines or penalties generally applicable to *Persons in Alaska*; and
- (B) reasonable, customary, and non-discriminatory fees generally applicable to *Persons in Alaska* to reimburse the *State* or a *Political Subdivision* for its costs of providing specific goods or services to the public or commercial enterprises.

**“Tax Bearing Gas”** means the *Quantity* or *Volume* of *Gas* originating from a *Producer’s Property* that is delivered to a *Delivery Point* after subtracting:

- (a) *Royalty Gas*;
- (b) the *Quantity* or *Volume* of *Gas* equal to the royalty due on private and federal leases in *Alaska*; and
- (c) the *Quantity* or *Volume* of all *Gas* originating from federal leases in the *Outer Continental Shelf*.

**“Tax Bearing Gas Payment”** has the meaning provided in Article 13.1(a).

**“Tax Bearing Gas Percentage”** has the meaning provided in Article 13.3 and Article 13.4.

**“Tax Bearing Gas Price”** means the price determined in Article 13.5.

**“Tax Bearing Gas Value”** means the amount calculated in Article 13.3(a).

**“Tax Gas”** means the *Quantity* or *Volume* of *Tax Bearing Gas* that the *State* receives under Article 13.6.



“*Term*” has the meaning provided in Article 3.2.

“*Terminating Participant*” has the meaning provided in Article 27.3(b)(i).

“*Termination Notice*” has the meaning provided in Article 5.5(c).

“*Theoretical Royalty Volume*” has the meaning provided in Article 12.1(b)(iii).

“*Theoretical Tax Volume*” has the meaning provided in Article 13.1(b)(ii).

“*Third Party Volumes*” has the meaning provided in Article 15.7(b)(i).

“*Total Capped Taxes*” means the cumulative total amount of *Capped Taxes* imposed by the *State* and all *Political Subdivisions* in a *Calendar Year*.

“*Transaction Notice*” has the meaning provided in Article 10.3(b).

“*Transferable Unused Expenditure Credit Certificate*” has the meaning provided in Exhibit P.8(d).

“*Transitional Investment Expenditure*” has the meaning provided in Exhibit P.8(j)(i).

“*Transitional Investment Expenditure Credit*” has the meaning provided in Exhibit P.8(j)(ii).

“*Tribunal*” means the panel of arbitrators described in Exhibit C.5(a).

“*UCA*” has the meaning provided in Article 20.1.

“*Uniform Upstream Fiscal Contract Act*” has the meaning provided in Article 31.4(b)(iii).

“*Unit*” means a collection of leases subject to an approved *State*, federal, or joint *State* and federal unit agreement in which a *Producer* holds an interest.

“*Unitary Business*” has the meaning established under *Law* in the context of state income taxation of interstate or international businesses.

“*Unrefined Oil*” means *Hydrocarbon Liquids* delivered and metered into an *Oil Pipeline* at an *Inlet Point* that have not been previously delivered and metered into that *Oil Pipeline*.

“*Unused Expenditure Credit*” has the meaning provided in Exhibit P.8(d).

“*Upstream Facilities*” includes:

- (a) a *Facility* in *Alaska* used by a *Producer* upstream of a location where *Gas* or *Hydrocarbon Liquids* are metered for custody transfer either into the first *Midstream Element* or into a pipeline for shipment off a *Property* designed to develop, produce,

gather, process, handle or treat *Gas*, or *Hydrocarbon Liquids*, or by-products associated with that *Gas* or *Hydrocarbon Liquids*, or

(b) a pipeline built or operated for the purpose of transporting fuel, water, or other fluids to or from a *Unit* or lease,

but excludes an *Oil Pipeline* under Article 17.2.

**“Upstream Facilities Gas Payment”** has the meaning provided in Article 15.2.

**“Upstream Facilities Oil Payment”** has the meaning provided in Article 15.1.

**“Upstream Gas Production Ratio”** means, for a *Political Subdivision* and a *Property*, a ratio:

- (a) the numerator of which is the *Volume* originating from that *Property* within that *Political Subdivision*; and
- (b) the denominator of which is the *Volume* originating from that *Property* within all *Political Subdivisions*.

**“Upstream Oil Production Ratio”** means, for a *Political Subdivision* and a *Property*, a ratio:

- (a) the numerator of which is the *Barrels of Hydrocarbon Liquids* originating from that *Property* within that *Political Subdivision*; and
- (b) the denominator of which is the *Barrels of Hydrocarbon Liquids* originating from that *Property* within all *Political Subdivisions*.

**“Valuation Date”** means January 1 of a *Calendar Year*.

“*Venture*” means an enterprise or a business arrangement for the primary purpose of exploring for, developing, or producing oil or gas deposits within any *Property* in which a *Producer* has a working interest.

“*Vessel Tax*” means a property tax on property assessed under Valdez Municipal Code Section 3.12.020 and apportioned under City of Valdez Resolution 00-15 as applied to tankers or vessels under contract to the Ship Escort and Response Vessel System.

“*Volume*” means an amount of *Gas*, in *Cubic Feet*, expressed in *MCF*.

“*Withdrawing Participant*” means a *Participant* that withdraws under Article 31.5 or Article 31.6.

“*Working Interest*” means an ownership interest in a *Property* granted by a lease, operating agreement, fee title or otherwise under which the owner of the interest has the right to drill for, develop and produce oil and gas, and the obligation to pay, either in cash or out of production or otherwise, a portion of the expenses.

**ARTICLE 2 - DRAFTING CONVENTIONS**

The following drafting conventions are used in this *Contract*:

**2.1 Italicized and non-Italicized Words and Phrases.**

(a) If a word or phrase is intended to convey special meaning, it is defined, capitalized and italicized in this *Contract*. If the same word or phrase is intended to convey its common, ordinary meaning, it is not italicized. However, a reference to “oil and gas” refers to “*Hydrocarbon Liquids or Gas*”.

(b) If a word is used both as a defined term and an undefined term, the undefined term includes and is broader than the defined term. For example, the word “contractors” includes “*Contractors*”

**2.2 Gender.** Reference to any gender includes a reference to all other genders.

**2.3 Number of Days.** In computing any time period under this *Contract*, the *Day* of the act, event, default, or *Notice* is not included and the period begins to run on the next *Business Day*. The last *Day* of the period so computed is included, unless it is not a *Business Day*. In that event, the period runs until the end of the next *Day* that is a *Business Day*.

**2.4 The Word “Include.”** “Include” and “including” means respectively “include, without limitation”, and “including, without limitation,” unless provided otherwise in this *Contract*.

**2.5 The Word “May.”** The word “may” means “is authorized or permitted to in its sole discretion”, while “may not” means “is not authorized or permitted to.”

**2.6 References to Agencies or Officials.** A reference to a governmental department, division, agency, or official continues to apply regardless of any changes in name or title, and applies to the successor department, division, agency, or official to which the referenced responsibilities or functions may be transferred. Reference to a government official includes the official’s designee.

**2.7 Successor Publications.** Where this *Contract* references information or uses an information source that is no longer available, the *Parties* shall reference information or use an information source that is substantially similar.

**2.8 Cross References.** References to “Article,” “Exhibit,” or “Attachment” are references to articles, exhibits, or attachments of this *Contract* unless provided otherwise in this *Contract*.

**2.9 Rights or Obligations.**

(a) References to a right, privilege or obligation of a *Project Entity* that is not a *Party* should be construed as conferring the right or privilege on the *Participants* or their *Affiliates*, or imposing upon the *Parties* the obligation to perform or cause the *Project Entity* to perform, that obligation.

(b) References to a right, privilege, or obligation of a *Producer Capacity Holder* that is not a *Party* should be construed as conferring the right or privilege on the *Producer*

*Capacity Holder's Producer* or imposing upon the *Producer Capacity Holder's Producer* the obligation to perform, or cause the *Producer Capacity Holder* to perform, that obligation.

(c) References to a right, privilege, or obligation of a *State Capacity Holder* that is not a *Party* should be construed as conferring the right or privilege on the *State*, or imposing upon the *State* the obligation to perform, or cause the *State Capacity Holder* to perform that obligation.

## 2.10 Conjunctions.

(a) And. The word “and” can have two different connotations:

- (i) the several “and”: A and B, jointly or severally
- (ii) the joint “and”: A and B, jointly but not severally

In this *Contract*, “and” should be interpreted in the joint sense, uniting things as a whole group, not in the several sense.

(b) Or. The word “or” can have two different connotations:

- (i) the inclusive “or”: A or B, or both
- (ii) the exclusive “or”: A or B, but not both

In this *Contract*, “or” should be interpreted in the inclusive sense, not in the exclusive sense. If “or” is used in the exclusive sense, it is written as “either A or B” or other phrase indicating the exclusive connotation.

(c) The phrase “oil and gas” means “oil or gas”:

- (i) means “oil or gas”, notwithstanding Article 2.10(a) and (b); and

- (ii) includes *PPT Oil* and *PPT Gas* for purposes of Article 14 and Exhibits P, X, and Y .

**2.11 Singular and Plural.** Reference to the singular may include a reference to the plural and vice versa, as the case may be.



**PART B - EFFECTIVE DATE AND TERM OF CONTRACT****ARTICLE 3 - EFFECTIVE DATE AND TERM**

**3.1 Effective Date.** This *Contract* is effective on the date when executed by all of the *Parties* (“Effective Date”), consistent with the *Authorization Act*.

**3.2 Term.** The term of this *Contract* commences on the *Effective Date* and, except as provided under Articles 14, 17, and 19, remains in full force for thirty-five (35) years from the *Commencement of Commercial Operations* (“Term”). The *Term* is extended by the full period of a suspension permitted under Article 35 if the suspension lasts longer than thirty (30) *Days*. However, the *Term* may not exceed forty-five (45) years from the *Effective Date*.

**PART C - PROJECT DESCRIPTION, PROJECT PLAN, ALASKA HIRE AND  
CONTENT, AND STATE OWNERSHIP**

**ARTICLE 4 - QUALIFIED PROJECT DESCRIPTION**

**4.1 Project Overview.** The *Project* includes a pipeline and related facilities that would have an initial design capacity to treat and transport approximately four (4) *BCFD* of *Gas* from the *ANS* to North American markets, consistent with the *Qualified Project Plan*. Although specific design details are likely to change as the *Project* advances, the *Project* would consist primarily of the elements listed in Article 4.1(a) through (f):

- (a) Gas Transmission Pipelines. Gas transmission pipelines that would deliver *Gas* to the *GTP* or the *Mainline* from *Upstream Facilities*.
- (b) GTP. A gas treatment plant, located on the *ANS*, that would be designed to:
  - (i) remove certain *Impurities* as necessary and return them for injection or other disposition, including enhanced recovery; and
  - (ii) compress and chill the treated *Gas* to meet *Mainline* specifications.
- (c) Mainline. A large diameter gas pipeline located in *Alaska* that would transport *Gas* from the *GTP* on a route generally along the *TAPS* pipeline and the Alaska Canada Highway. It is likely to be designed to operate as a high-pressure pipeline. Compressor stations would be placed at regular intervals along the route to maintain pressure.
- (d) NGL Plant. Potentially, a processing plant that would recover *NGLs* for sale and condition the *Gas* to meet downstream market specifications. An *NGL Plant* may be a

newly constructed *Facility* or an existing *Facility*. An *NGL Plant* may be located in *Alaska*, *Canada* or the *Lower 48*.

(e) Alaska to Alberta Project. *Gas* transported through the *Mainline* that would flow across the *Alaska-Canada* border into a pipeline to *Alberta, Canada*. This pipeline would have compressor stations along its route to maintain pressure.

(f) Alberta to Lower 48 Project. Potentially, a new *Gas* pipeline, or expansion of existing pipeline systems that would be used to export *Gas* from *Alberta, Canada* to the *Lower 48*.

## ARTICLE 5 - WORK COMMITMENTS

**5.1 Performance Standard.** “*Diligence*” means advancing the *Project* as diligently as is prudent under the circumstances. Until *Project Sanction*, decisions by the *Participants* are subject to the *Diligence* standard described in Article 5.1, including decisions that impact *Project* schedule.

**5.2 Project Implementation.** The *Participants* shall begin *Project* planning not later than ninety (90) *Days* after the *Effective Date*. Thereafter, the *Participants* shall advance *Project* planning activities by *Diligence* and shall conclude these activities with a decision on whether to begin preparation of regulatory applications and planning for an *Open Season*. *Project* planning activities are described in the *Qualified Project Plan*. Subject to Article 5.1, the *Participants* shall continue to pursue implementation of the *Qualified Project Plan* until *Project Sanction*.

**5.3 Qualified Project Plan.** The *Mainline Entity* shall coordinate and update the *Qualified Project Plan* on behalf of all *Participants*. Beginning April 1, 2007, and each year thereafter until the *Commencement of Commercial Operations*, the *Mainline Entity* shall submit an amended *Qualified Project Plan* to the *State*. Specific details of the *Qualified Project Plan* are likely to change as the *Participants* complete additional studies. Accordingly, the *Mainline Entity* may amend the *Qualified Project Plan*.

**5.4 Project Summary.** An amended *Qualified Project Plan* must include a *Project Summary* that includes the following:

- (a) *Project* overview;
- (b) description of work accomplished;
- (c) estimated *Project* schedule and proposed development activities; and
- (d) description of expenditures and programs implemented under Article 6.4(a).

The *Project Summary* is *Project Information* and may be freely disclosed by the *State*.

**5.5 Termination.**

(a) Exclusive Remedy. The *State's* exclusive remedy if the *Participants* have not acted by *Diligence* is termination of this *Contract* and that remedy may only be exercised by the *State*:

- (i) before *Project Sanction*; and
- (ii) under Article 5.5(b).

(b) Burden of Proof. Before *Project Sanction*, the *State* may terminate this *Contract* by establishing by clear and convincing evidence that the *Participants* have not acted by *Diligence*, resulting in a material adverse impact to the *Project*. In deciding whether the *Participants* have not acted by *Diligence*, the *Tribunal* shall take into account the following:

(i) *Project* planning and other *Project* development activities may be adversely impacted by factors such as U.S. regulatory processes, construction costs, *Gas* prices, or other business considerations.

(ii) *Project* planning and other *Project* development activities may be adversely impacted by Canadian regulatory processes or Canadian aboriginal issues. If the *State* seeks to terminate this *Contract*, and delays or other *Project* impacts are related to Canadian regulatory processes or Canadian aboriginal issues, the *Tribunal* shall be instructed that in determining whether the *Participants* have not acted by *Diligence* that other major pipeline projects have experienced delays in Canada.

(iii) Errors in judgment in advancing the *Project* may not be used as evidence to support termination of this *Contract*.

(iv) A *Party* is not required to enter into a commercial arrangement or settle a dispute with another *Person*. The failure to take such action may not be used as evidence to support termination of this *Contract*.

(v) A *Participant's* suspension of its obligations under Article 5 or Articles 27, 28, or 35 may not be used as evidence to support termination of this *Contract*.

(vi) A presumption exists that this *Contract* continues.

(c) Termination Process. The *State* may initiate termination of this *Contract* by *Notice* (“Termination Notice”) to all *Participants*.

(i) Undisputed Notice. If all *Participants* consent to termination of this *Contract*, this *Contract* terminates on the sixtieth (60<sup>th</sup>) *Day* following the day the *Termination Notice* is issued. A *Participant’s* failure to consent constitutes a *Notice of Dispute* as of the sixtieth (60<sup>th</sup>) *Day* following the day the *Termination Notice* is issued.

(ii) Disputed Notice. If one or more *Participants* dispute the *Termination Notice* (“Disputing Participant”), the *Disputing Participant* shall provide *Notice* of the dispute to the *State* and the other *Participants* within sixty (60) *Days* of the *Disputing Participant’s* receipt of the *State’s Termination Notice*. The *Disputing Participant’s Notice* of the dispute constitutes a *Dispute* and will be resolved under Article 26, except that in a *Dispute* under Article 5:

(A) the *Parties* are not required to exhaust the amicable resolution process under Exhibit C.2;

(B) the *Tribunal* shall only decide whether the *State* has established by clear and convincing evidence that the *Participants* have not acted by *Diligence* and shall issue an *Award*, without any explanation, that finds either for the *State* or for the *Participants*; and

(C) the *Tribunal’s* decision may be made public.

Pending final resolution of the *Dispute*, this *Contract* remains in effect.

(iii) Suspension by Participants. If the *State* issues a *Termination Notice*, the *Mainline Entity* may suspend any of its obligations under this *Contract* by

providing the *State* with a *Notice* (“Suspension Notice”). Except as provided below, if the *Mainline Entity* issues a *Suspension Notice*, any other *Participant* may suspend any of its obligations under this *Contract* (“Impacted Participant”) by providing a *Suspension Notice* to the *State* and all *Participants*. The effective date and term of an *Impacted Participant’s Suspension Notice* is the same as the effective date and term of the *Mainline Entity Suspension Notice*. If the opportunity to cure under Article 5.5(c)(iv)(A) is pursued, the right to suspend provided in Article 5.5 may not be invoked until the end of the cure period. The *Mainline Entity* may issue a *Suspension Notice* before the entry of the final non-appealable resolution of the *Dispute*.

(A) The *Suspension Notice* remains in effect until either terminated by *Notice* to the *State* by the *Mainline Entity* or the date of the final non-appealable resolution of the *Dispute*.

(B) During any period in which a *Mainline Entity Suspension Notice* is in effect:

(1) except for the payments required by Articles 14, 15, 17 and 19, each *Mainline Entity* or *Impacted Participant* obligation identified in the *Suspension Notice* is suspended and no action is required by the *Mainline Entity* or the *Impacted Participants* regarding those obligations;

(2) each *Party* bears its own costs incurred in connection with any suspension under Article 5 except to the extent those costs are included in rates; and

- (3) no penalty or *Interest* accrues on amounts that would otherwise be payable by the *Mainline Entity* or *Impacted Participants* to the *State*.
- (C) Following termination of the *Mainline Entity Suspension Notice*:
- (1) if this *Contract* remains in effect, then the time for performance of each obligation identified in each *Suspension Notice* is extended by a number of *Days* equal to the number of *Days* that the *Mainline Entity Suspension Notice* was in effect; or
- (2) if this *Contract* terminates, then the *Mainline Entity* and the *Impacted Participants* are discharged from any further obligations, except as to any rights, privileges or obligations under this *Contract* that accrued before the earlier of the effective date of the *Mainline Entity Suspension Notice*, if there was one, or date of the final non-appealable resolution of the *Dispute*.
- (D) The *Mainline Entity* may amend its *Suspension Notice*. The amended *Suspension Notice* relates back to the original *Suspension Notice* and the effective date of the amended *Suspension Notice* is that of the original *Suspension Notice*. The provisions of Article 5.5(c)(iii) apply to any amended *Suspension Notice*.
- (iv) Opportunity to Cure.
- (A) Cure Upon Termination Notice. If the *State* issues a *Termination Notice*, the *Participants* shall have ninety (90) *Days* from the date of the



*Notice* to take any actions they deem appropriate to address matters identified in the *Notice*.

(B) Cure After Resolution. If the final non-appealable resolution is to terminate this *Contract*, then the rights, privileges and obligations of the *Participants* under this *Contract* terminate unless they commence to cure the *Termination Notice* within sixty (60) *Days* of the resolution of the *Dispute* and thereafter pursue the curing diligently to completion. The date for performance of any *Mainline Entity* and *Impacted Participant* obligations is extended by a period equal to the number of *Days* that the *Suspension Notice* was in effect. If the *State* contests the adequacy of the cure, a *Notice of Dispute* may be issued. *The Mainline Entity* and *Impacted Participants* will not have the right to cure following resolution of that *Dispute*.

**5.6 Rights and Obligations Upon Termination.** Each *Project Entity* agreement must provide the *State's Affiliate* the right to dissolve the *Project Entity* through the dissolution process in that *Project Entity's* agreement. The *State's Affiliate* may only exercise this right, if this *Contract* terminates under Article 5, before the completion of the initial *Open Season* for the *Mainline*. If this *Contract* terminates under Article 5 after the completion of the initial *Open Season* for the *Mainline*, the *State's Affiliate* may withdraw from each *Project Entity* under the provisions of that *Project Entity's* agreement.

**ARTICLE 6 - ALASKA HIRE AND CONTENT**

**6.1 Comply With Law.** Each *Midstream Entity* shall comply with all valid *Laws* relating to hiring of *Alaska* residents or contracting with *Alaska Businesses* to work on construction or operation of the *Alaska Project*. In making hiring or contracting decisions for construction or operation of the *Alaska Project*, each *Midstream Entity* shall not discriminate against *Alaska* residents or *Alaska Businesses*. If a *Participant* or its *Affiliate* makes hiring or contracting decisions for construction or operation of the *Alaska Project*, the *Participant* or its *Affiliate* is subject to the provisions of Article 6.1 and Articles 6.2, 6.3 and 6.5. Each *Midstream Entity* shall train its employees responsible for making hiring or contracting decisions for construction or operation of the *Alaska Project* on the requirements of Article 6.

**6.2 Alaska Hire.** Within the constraints of *Law*, each *Midstream Entity* shall employ *Alaska* residents and shall contract with *Alaska Businesses* to work on construction, fabrication, or operation of the *Alaska Project* to the extent *Alaska* residents or *Alaska Businesses*:

- (a) are available, ready, willing and able to accept employment at the time required and are located anywhere in *Alaska*, not just in the area of *Alaska* where the work is to be performed;
- (b) are competitively priced in that they offer goods or services required by a *Midstream Entity* at a total cost that is equal to or less than the total cost of equivalent goods or services offered by a non-*Alaska* resident or a non-*Alaska Business*; and

(c) possess the requisite resources, education, training, skills, certification and experience to satisfactorily perform the work necessary for a particular position or to perform a particular service.

**6.3 Recruitment.** In hiring its employees, each *Midstream Entity* shall advertise for available positions and use *Alaska Job Service Organizations* to notify *Alaska* residents of available positions on the *Alaska Project*, under the requirements of the *SGDA*. Each *Midstream Entity* shall provide the State of Alaska Department of Labor and Workforce Development (“Labor Department”) with a copy of each advertisement at the time each advertisement is made public. The *Labor Department* may publicly disseminate the information contained in each advertisement. A position is available if it is vacant and primarily or exclusively located in *Alaska*, and a *Midstream Entity* intends to fill it with personnel not already employed by a *Participant* or its *Affiliate*. A *Midstream Entity* is not required to advertise a position if it has been offered to a candidate. This exception for offered positions will be rarely used.

**6.4 Training and Development Programs.**

(a) The *State* and each *Midstream Entity* will have a number of training opportunities that may expand the skilled workforce in *Alaska*. Additionally, the Alaska Natural Gas Pipeline Act provides grants for an *Alaska* pipeline training program to recruit and train *Alaska* residents, including the design and construction of training facilities located in Fairbanks to support this training. Each *Midstream Entity* shall work with the *State*, including the *Labor Department*, to develop these or other publicly-funded programs that could increase employment opportunities for *Alaska* residents. In conjunction with the

*Project*, the *Mainline Entity* shall spend, or cause the *Participants* to spend, a combined total of five million *Dollars* (\$5,000,000) in funding those or other workforce training programs and activities in *Alaska*. The programs and activities could include:

- (i) informing students in *Alaska* school districts:
  - (A) about jobs that will be needed for the *Alaska Project* and how students can qualify for those jobs; and
  - (B) of available apprenticeship, mentoring, and internship opportunities to train or qualify for jobs;
- (ii) employing apprentices or interns;
- (iii) working with teachers in *Alaska* school districts in developing curricula for courses relevant to jobs on the *Alaska Project*;
- (iv) assisting the *Labor Department* in its efforts to upgrade technology applications and provide equipment for training centers and schools to keep training current and relevant for jobs on the *Alaska Project*;
- (v) supporting the *Labor Department* in developing training standards for jobs that will be needed for the *Alaska Project*; or
- (vi) providing on-the-job training for employees hired by a *Midstream Entity* for employment in *Alaska*.

Funding for these activities and programs will begin when the *Mainline Entity* files its initial *FERC* application. The *Project Summary* must describe the expenditures and programs implemented to date.

- (b) At the completion of *Project* planning activities, each *Midstream Entity* shall provide the commissioner of the *Labor Department* with a description of services, jobs

and skills required for construction and operation phases of the *Alaska Project*. Within thirty (30) *Days* after its submittal, each *Midstream Entity* shall meet with the commissioner of the *Labor Department* to discuss the description and, if necessary, to provide additional clarification.

**6.5 Reporting.** The *State* shall report *Alaska Resident* employment on the *Alaska Project*, consistent with the provisions of applicable *Law*. Each *Midstream Entity* shall facilitate this reporting by using the *State* electronic unemployment insurance compensation payroll reporting format existing on the *Effective Date*, as modified by the addition of a *Project* code to identify individuals who received *Alaska* earned wages as the result of being employed by the *Midstream Entity* during the reporting period.

**6.6 Contractors.** Each *Midstream Entity* shall include provisions substantially in the form of Exhibit E in any contract with a *Contractor* for the provision of goods or services in connection with the *Alaska Project*.

**6.7 Remedies.** Any failure to comply with, or breach of, Article 6 does not constitute a material breach justifying the termination of this *Contract*. From *Project Sanction* until *Commencement of Commercial Operations*, if a *Midstream Entity* persistently and intentionally fails to comply with Article 6, that entity and the *State* shall agree upon an appropriate remedy intended to ensure future compliance with Article 6. If the *State* and that entity are unable to agree, then the *Dispute* is subject to resolution under Article 26 and the *Tribunal* shall fashion a

remedy intended to ensure future compliance with Article 6. The remedy could include increased training and process improvements, but not payment of damages or penalties.

**6.8 Severability.** If a court invalidates any portion of Article 6, all other portions of Article 6 and the remainder of this *Contract* remain in effect.

## ARTICLE 7 - STATE OWNERSHIP

**7.1 State Ownership.** The *State*, directly or indirectly through *State*-owned entities, shall acquire and hold an ownership interest, or an option to take an ownership interest, in the *Project* as provided in Articles 7.2 and 7.3. The *Project Entity* agreements govern the terms of the *State's* ownership interest, including capital contributions, pre-formation expenditures, acquisition costs, and confidentiality.

### 7.2 Ownership and Option Percentages.

(a) GTP, Mainline, and Alaska to Alberta Project. The *State* shall own, directly or indirectly through *State*-owned entities, a twenty percent (20%) interest in a *GTP*, the *Mainline*, and the *Alaska to Alberta Project*.

(b) Existing Units. Because *Gas Transmission Pipelines* from *Units* existing on the *Effective Date* will be an integral part of the *Project*, the *State* shall own, directly or indirectly through *State*-owned entities, an interest in *Gas Transmission Pipelines* to transport *Gas* originating from the:

- (i) *Prudhoe Bay Unit*;
- (ii) *PTU*;
- (iii) *Kuparuk River Unit*;
- (iv) *Duck Island Unit*;
- (v) *Northstar Unit*;
- (vi) *Milne Point Unit*;
- (vii) *Colville River Unit*; or
- (viii) *Badami Unit*;

in a share commensurate with the expected throughput of *State Gas*, as estimated when that *Project Entity* is formed.

(c) NPRA Transmission Line. The *State* shall own, directly or indirectly through a *State-owned* entity, an interest in a *Gas Transmission Pipeline* to transport *Gas* originating from *Properties* west of the Kuparuk River boundary, including from the National Petroleum Reserve Alaska, to a *GTP* or the *Mainline* (“NPRA Transmission Line”) if that transmission line is sanctioned before the *Commencement of Commercial Operations*. If the *NPRA Transmission Line* is sanctioned after the *Commencement of Commercial Operations*, the *State* shall have an option to own an interest, directly or indirectly through a *State-owned* entity. The *State* or *State-owned* entity, shall exercise its ownership option in the *NPRA Transmission Line* by providing *Notice* ten (10) *Days* before the completion of the initial *Open Season* for that line. The *State* or *State-owned* entity shall pay its proportionate share of costs plus interest under the *Project Entity* agreement for that *Project Entity*. The *State* or *State-owned* entity shall be added as member under the provisions of that *Project Entity* agreement. The *State’s* direct or

indirect ownership interest in the *NPRA Transmission Line* must be commensurate with the expected throughput of *State Gas*, as estimated when the *Project Entity* is formed.

(d) NGL Plant in Alaska. If a *Participant* intends to locate an *NGL Plant* in *Alaska*, then the *State* shall own, directly or indirectly through a *State-owned* entity, a twenty percent (20%) interest in that plant.

(e) Alberta to Lower 48 Project. The *State* shall own, directly or indirectly through a *State-owned* entity, an interest in the *Alberta to Lower 48 Project*, if newly built or acquired by any *Person* in which *Affiliates* of all the *Producers* have an ownership interest, in a share commensurate with the expected throughput of *State Gas*, as estimated when that *Project Entity* is formed.

**7.3 State Ownership Commitment.** The *State* shall retain its direct or indirect ownership interests in each *Alcan Element* as provided in Article 7.2 at least until the *State Capacity Holder* executes a binding precedent agreement to reserve *Capacity* for all of its expected throughput of *State Gas* for each respective element, plant or project in the initial *Open Season*. The *State* shall retain any of its direct or indirect ownership interests in the *Alberta to Lower 48 Project* until the completion of that initial *Open Season*. If, however, it does not execute a binding precedent agreement to reserve *Capacity* for any *State Gas* in that initial *Open Season*, the *State* or *State-owned* entity, may withdraw from the *Alberta to Lower 48 Project* under the provisions of that *Project Entity* agreement.



**ARTICLE 8 - REGULATION OF AND ACCESS TO PROJECT FACILITIES AND  
DISPOSAL SERVICES**

**8.1 Regulation.** The *Parties* expect that:

(a) regulation of and access (including expansion) to the *Mainline*, the *Gas Transmission Pipelines* and the *GTP* for shipment of *Gas* will be governed and controlled exclusively by:

(i) the Natural Gas Act, the Alaska Natural Gas Pipeline Act of 2004, other applicable federal *Law*, and this *Contract*, or

(ii) if federal *Law* does not apply, by commercial agreements negotiated between a *Midstream Entity* and *Persons* that enter into a transportation or treating agreement (“Shippers”); and

(b) regulation of and access to the *Non-Alaska Project* for shipment of *Gas* will be governed and controlled exclusively by:

(i) applicable Canadian *Law* for the portion of the *Non-Alaska Project* located in Canada and this *Contract*;

(ii) federal *Law* for the portion of the *Non-Alaska Project* located in the *Lower 48* and this *Contract*; or

(iii) commercial agreements negotiated between the owners of *Non-Alaska Project Facilities* and *Shippers*.

The *Parties* shall not seek additional, different, or supplementary requirements for regulation of or access to the *Gas Transmission Pipelines*, *GTP*, *Mainline*, any *NGL Plant* or the *Non-Alaska Project*.

**8.2 Support of Regulation.** The *Participants* and the *State* shall seek and support the exclusivity of *FERC's* and *NEB's* jurisdiction as described in Article 8.1 in any agency or court proceeding. If *FERC* does not assert jurisdiction over a *Midstream Element* within fifteen (15) months after the *Mainline Entity* submits a complete application to *FERC* under Section 103 of the Alaska Natural Gas Pipeline Act, then the *Project Entity* owning the *Midstream Element* may either:

- (a) terminate its participation in this *Contract* by delivering *Notice* to the *State*; or
- (b) enter into a commercial arrangement to govern and control rates, terms, and conditions of access for use of the *Midstream Element*.

**8.3 State Regulatory Authority over the Project.** Consistent with Articles 8.1 and 8.2, the *Parties* expect the *Alaska Project* to be regulated by *FERC* or by commercial agreements. If *FERC* does not assert jurisdiction, no *Party* may seek or support the jurisdiction of the Regulatory Commission of Alaska (“*RCA*”) over any aspect of the *Project*, including *Project* activities, operations, *Facilities*, or other matters (“*RCA Jurisdiction*”). The *Parties* recognize that *RCA Jurisdiction* could cause *Loss* to the *Participants*. In the event of *Loss* or potential *Loss*, a *Participant* may provide *Notice* to the *State*, and the affected *Participants* and the *State* shall meet and discuss actions to prevent any *Loss*. These actions may include the *State*, with the cooperation of the *Participant*, pursuing judicial action or legislative relief, or taking other action. If the *RCA* asserts jurisdiction and takes actions inconsistent with principles of:

- (a) *FERC* policy for jurisdictional facilities; or
- (b) commercial agreements for non-jurisdictional facilities

that result in a *Loss* to a *Participant*, the *State* shall reimburse that *Participant* for the *Loss*, which reimbursement could include cost of cover or transportation, or other appropriate relief. A *Notice of Dispute* may not be issued until nine (9) months after the *Participant's Notice* to the *State* under Article 8.3.

**8.4 Regulatory Intervention.** This *Contract* does not affect the right of any *Party* to petition *FERC* or *NEB* to institute a proceeding, or to participate or intervene in a *FERC* or *NEB* proceeding, including a tariff proceeding.

**8.5 Impurities.**

(a) GTP Services. Subject to Article 8.5(d), a *Midstream Entity* that owns a *GTP* (“*GTP Entity*”) shall seek *FERC* approval to offer, or if a *GTP* is not regulated by *FERC*, shall offer, unbundled services to:

- (i) remove *Impurities*;
- (ii) dehydrate and compress *Impurities*; and
- (iii) *Dispose of Impurities.*

A *GTP Entity* may conduct disposal services through an agreement with the *Working Interest* owners of a *Disposal Property*.

(b) Rates.

- (i) If the *GTP* is not regulated by *FERC*, the rate charged by the *GTP Entity* for services under Article 8.5(a) must be just and reasonable and based on cost of service. If the *State* does not agree that the rate is just and reasonable and based on cost of service, it may issue a *Notice of Dispute*.

- (ii) If the *GTP* is regulated by *FERC*, the rate to *Dispose of Impurities* charged by the *GTP Entity* will be subject to *FERC* approval.
- (c) Disposal Services. After consulting with the *Producers*, the *GTP Entity* shall select one (1) or more *Properties* to evaluate for potential use as a *Disposal Property* in service to the *GTP*. It shall request the *Working Interest* owners of the selected *Properties* to conduct engineering studies to assess *Impurities* disposal options. If, after conducting those studies, the *Working Interest* owners of a *Property*:
  - (i) agree that performing the service to *Dispose of Impurities* is feasible and will have no unreasonable impacts on oil and gas operations;
  - (ii) approve a *Facility* design for that service; and
  - (iii) approve an *Impurity Disposal Fee* that compensates for the total:
    - (A) costs to handle and *Dispose of Impurities*; and
    - (B) full-cycle, direct, indirect, incremental and consequential costs reasonably estimated by the owners to be incurred over the life of operations of that *Property*, including engineering studies to assess the alternatives and *Facility* design to handle or *Dispose of Impurities*;then, each *Producer* or its *Affiliate* that holds a *Working Interest* in that *Property* shall vote its interest under the applicable operating or other agreement to approve an agreement with the *GTP Entity* to *Dispose of Impurities* in that *Property*.
- (d) Limitation on Offering Service. The *GTP Entity* is not required to offer a disposal service under Article 8.5(a)(iii) if:
  - (i) no *Working Interest* owners of any *Property* offer a service to the *GTP Entity* to *Dispose of Impurities* as provided in Article 8.5(c);

- (ii) the *Working Interest* owners of a *Property* that do agree to offer a service are unable to secure approvals necessary to provide that service;
  - (iii) the *GTP* is not regulated by *FERC* and a *Tribunal* disapproves the rates based on the *Impurity Disposal Fee* offered to that *GTP* by the *Working Interest* owners of the *Property*; or
  - (iv) the *GTP* is regulated by *FERC* and *FERC* does not approve the rates based on the *Impurity Disposal Fee* offered to that *GTP* by the *Working Interest* owners of the *Property*.
- (e) Working Interest Owner Services. If the *Working Interest* owners of a *Property* agree to return and *Dispose* of *Impurities* from a *GTP*, other than under a service offered by a *GTP Entity* under Article 8.5(a)(iii), then each *Participant* who is a *Working Interest* owner in that *Disposal Property* shall vote its interests to allow the *State* to return and *Dispose* of *Impurities* removed from *Associated State Gas* delivered to the *GTP* from that *Property*. The *Impurity Disposal Fee* and other terms offered to the *State* must be the same as those available to the *Working Interest* owners of that *Disposal Property*.
- (f) Third-Party Services. Each *Producer* or its *Affiliate* who enters into an agreement to *Dispose* of *Impurities* from a *Property*, other than under a service offered by a *GTP Entity* under Article 8.5(a)(iii), in a different *Property* shall include provisions in that agreement to allow the *State* the option to *Dispose* of its *Impurities* from *Associated State Gas* from that *Property* under the same *Impurity Disposal Fee* and other terms. If the *State* elects that option, then the *State* is bound by those terms, including any terms regarding whether the *Impurities* are treated as indigenous in the *Disposal Property*.

**8.6 Previously Used Assets.** Each *Participant* shall follow *FERC* policy regarding treatment of previously used assets for *FERC* ratemaking purposes.

**8.7 State-Initiated Expansion.**

(a) State Notice. Following *Commencement of Commercial Operations*, if a *Person*, including the *State*, seeking expansion *Capacity* on a *Midstream Element* is unsuccessful in securing *Capacity* from other *Shippers* or the *Project Entity* that owns the *Midstream Element*, or through a voluntary expansion by the *Project Entity* (“Expansion Shipper”), the *State* may provide *Notice* to the *Project Entity* to submit an application to *FERC* to expand the *Midstream Element*, identifying the basis for the expansion request, the name of the *Expansion Shipper*, the *Volumes* or *Quantities* to be treated or shipped by that *Expansion Shipper*, and any other anticipated *Volumes* or *Quantities* of which the *State* is aware (“Expansion Notice”). The *State* shall provide a copy of the *Expansion Notice* to each other *Participant*. Upon receiving the *Expansion Notice* from the *State*, the *Project Entity* shall post the contents of the *Expansion Notice* on its electronic bulletin board or alternative mechanism used for its communications to the shipping public and shall diligently prepare and file an application to *FERC* to expand the *Project Entity’s* *Midstream Element* if:

(i) the *State* has not exercised its option under Article 8.7 within the prior five (5) years, and the expansion:

(A) is for at least fifty thousand (50,000) *MCF* per *Day* in *Capacity* on a *Gas Transmission Pipeline* or one hundred twenty-five thousand (125,000) *MMBTU* per *Day* in *Capacity* on the *Mainline* or the *GTP*, for

all of the *Expansion Shippers* combined, excluding any *Producer's* or its *Affiliates' Volumes* or *Quantities*;

(B) does not require the *Project Entity* to construct or operate a lateral pipeline from the *Mainline* or *Gas Transmission Pipeline*;

(C) does not require the *Project Entity* to install one or more loops in excess of a total of one hundred (100) miles; and

(D) does not include a *Producer's* or its *Affiliates' Volumes* or *Quantities* for purposes of Article 8.7(a)(i)(A), but does include consideration of any *Producer's*, its *Affiliates'* or any other *Person's Volumes* or *Quantities* for purposes of designing an expansion under Article 8.7 and conducting an *Open Season* for that expansion;

(ii) each *Expansion Shipper*:

(A) meets the credit standards in the *Midstream Element's* tariff;

(B) pays in advance its proportionate share, as determined by the *Project Entity*, of all costs related to the filing of the application and to activities required to complete the application, including engineering studies and design and environmental reviews, which costs may be recoverable under Article 8.7(a)(iv)(A);

(C) obligates itself, subject to proration or displacement under the *Open Season* process, to submit in the *Open Season* a qualifying and responsive bid for *Capacity* in an amount equal to the *Volume* or *Quantity* identified in the *Expansion Notice* for that *Expansion Shipper*; and

(D) is not a *Producer* or its *Affiliate*;

- (iii) the *Open Season* results in the execution of negotiated rate agreements by all successful bidders for firm transportation service that are:
  - (A) consistent with the principles in Article 8.7(a)(iv); and
  - (B) at rates that do not exceed the cost-of-service rate on a present value basis proposed in the *Open Season* bid package; and
- (iv) the application can be and is filed consistent with the following principles:
  - (A) the rates for the expansion service must be designed to ensure the recovery, on an incremental or rolled-in basis (including a reasonable rate of return on the investment), of the cost associated with the expansion;
  - (B) the rates, terms and conditions for the expansion service must not require any existing *Shipper* on the *Project* to:
    - (1) pay a higher rate than it would have had to pay absent the expansion;
    - (2) be assessed a higher fuel retention percentage than would have been assessed absent the expansion; or
    - (3) otherwise subsidize the expansion;
  - (C) all new *Shippers* shall comply with, and the proposed expansion and the expansion of service must be undertaken and implemented based on, terms and conditions consistent with the tariff of the *Midstream Element* in effect as of the date of the expansion;
  - (D) the proposed expansion *Facilities* must not adversely affect the financial or economic viability of the *Midstream Element*;



- (E) adequate downstream facilities must exist or are expected to exist to deliver the proposed expansion *Gas* to market;
- (F) the proposed expansion *Facilities* must not adversely affect the overall operations of the *Midstream Element*;
- (G) the proposed expansion *Facilities* must not diminish the contract rights of existing *Shippers* to previously subscribed certificated capacity; and
- (H) all necessary environmental reviews must be completed.

Article 8.7 is effective unless *FERC* determines that any of its provisions are contrary to *Law*. If *FERC* issues a certificate on a basis different than the expansion proposal filed by the *Project Entity*, then the *Project Entity* shall reject the certificate unless any such difference is minor or all the members of the *Project Entity* vote otherwise.

(b) Disputes.

- (i) If the *Midstream Entity* to whom the *Expansion Notice* is directed believes that the requirements of Article 8.7(a) have not been satisfied, it shall provide *Notice* to the *State* and the *State* may provide a *Notice of Dispute*.
- (ii) If the *Midstream Entity* to whom the *Expansion Notice* is directed believes that the requirements of Article 8.7(a) have been satisfied, then any other *Party* may provide a *Notice of Dispute* if it believes that the requirements of Article 8.7(a) have not been satisfied.
- (iii) The amicable resolution process under Exhibit C.2 does not apply to a *Dispute* under Article 8.7. The terms of Article 8.7 have been negotiated in

consideration of the *State's* agreement to limit its remedies and damages relating to Article 8. If a *Project Entity* breaches its obligations to submit an application in accordance with Article 8.7, the *State* may issue a *Notice of Dispute* and seek an *Award* of specific performance from the *Tribunal*. The *State's* right to seek specific performance is its exclusive remedy for any breach of Article 8.7.

**8.8 Seasonal Variability Capacity.** If a *Midstream Entity* offers any *Seasonal Variability Capacity*, such as authorized overrun service, that *Midstream Entity* shall make that capacity available ratably to firm shippers on a non-discriminatory basis.

## ARTICLE 9 - IN-STATE MARKETS

**9.1 In-State Needs and Offtake Points.** At least thirty (30) *Days* before filing its plan for the initial *Open Season* for transportation of *Gas* in the *Mainline*, the *Mainline Entity* shall:

- (a) complete or adopt a study of *Gas* consumption needs and prospective *Offtake Points* consistent with *FERC* requirements; and
- (b) consult with the *State* to agree upon the locations of *Offtake Points* along the *Mainline*.

The *Mainline Entity* shall support funding, if requested by the *State*, of up to four (4) *Offtake Points* to accommodate in-state consumption. The provision of these *Offtake Points* will provide the opportunity for *Persons*, including local distribution companies or the sponsor of a liquefied natural gas project, to obtain access to the *Project* during an *Open Season* consistent with federal

*Law.* The *Mainline Entity* shall provide other *Offtake Points* as may be required by *FERC* and federal *Law*.

**9.2 Open Season In-State Service.** During the initial *Open Season*, the *Mainline Entity* shall offer a mileage sensitive service to the *Offtake Points* designated under Article 9.1. If requested by a *Shipper* before a voluntary expansion *Open Season*, the *Mainline Entity* shall offer a mileage sensitive service to an *Offtake Point* designated under Article 9.1. The *Mainline Entity* shall propose tariff provisions that provide for segmented capacity consistent with *FERC* procedures, so that a *Shipper* may use its firm transportation service to *Offtake Points*, including those located in the Fairbanks North Star Borough and Delta Junction, provided these *Offtake Points* are upstream of the firm contracted service point.

**9.3 In-State Distribution Systems.** This *Contract* does not limit the right of, or impose an obligation upon, any *Party* to fund, install or maintain any *Facilities* downstream of any *Offtake Point*, including *Facilities* associated with the odorization, reduction of *Gas* pressure, or control of *Gas Heating Value* or *Gas* quality. Any *Facilities* downstream of the *Offtake Points* are separate from the *Mainline*. The *Mainline Entity* shall cooperate with the *Person* sponsoring *Facilities* that would interconnect with an *Offtake Point* in the planning and design of those *Facilities* consistent with principles of *FERC* policy.

**9.4 In-State Gas Sales Contracts.** Long-term firm transportation commitments by *Shippers* are essential to the *Project*. Any *Party* may supply *Gas* to *Alaska* purchasers, but no *Party* is required to sell *Gas* to an *Alaska* purchaser. Any *Party* may make changes or new arrangements

for deliveries in *Alaska* provided that those changes or new arrangements do not cause the stranding of capacity or the shifting of cost responsibility to the holders of pre-existing shipping commitments unless mutually agreed with any affected *Persons*. An existing *Shipper* transporting *Gas* out of *Alaska* may choose to make *Gas* deliveries in *Alaska*, so long as that *Shipper* continues to satisfy its shipping commitments outside of *Alaska*.

**9.5 NGL Study.** Before the commencement of the initial *Open Season*, the *Mainline Entity* shall conduct a feasibility study for *NGL* processing opportunities in *Alaska*, and summarize it in the *Project Summary*. Each individual owner of *Gas* will determine the processing of *NGLs* from its *Gas* based on its individual commercial decisions.

## ARTICLE 10 - CAPACITY MANAGEMENT

### 10.1 Open Season Capacity Acquisition.

(a) State Notice. The *State Capacity Holder* shall provide the same *Notice* to each *Producer Capacity Holder* at least thirty (30) *Days* before the end of an *Open Season* stating either:

- (i) that it intends to acquire *State Capacity* under Article 10.1(c); or
- (ii) that the *Producer Capacity Holder* should independently seek to acquire *State Capacity* on the *State Capacity Holder's* behalf under Article 10.1(b), and, if so,

- (A) the *Volume* or *Quantity* of *In-State Capacity* for each *Alcan Element* that the *State Capacity Holder* intends to acquire; and
  - (B) the *Volume* or *Quantity* and location of any *State Upstream Sales Gas*.
- (b) State Capacity Sought by Producer Capacity Holder. If the *State Capacity Holder* requests each *Producer Capacity Holder* to seek to acquire *State Capacity* under Article 10.1(a)(ii), then each *Producer Capacity Holder* shall acquire *State Capacity* on behalf of the *State*:
- (i) in proportion to *State Export Gas* attributable to the *Producer Gas* originating from that *Producer's Properties*;
  - (ii) for the same duration and under the same terms and conditions sought by the *Producer Capacity Holder* for its *Producer Capacity*;
  - (iii) on all necessary *Alcan Elements* including transportation into Canada; and
  - (iv) in the *State Capacity Holder's* name and at the *State Capacity Holder's* sole risk and sole cost,
- to the extent the *Producer Capacity Holder* is successful in acquiring *Capacity*. The *State Capacity Holder* shall provide the *Producer Capacity Holder* with the completed documents required for a bid submittal at least seven (7) *Days* before the end of the *Open Season*. Within ninety (90) *Days* after the acquisition of *State Capacity* under Article 10, each *Producer Capacity Holder* shall provide a *Capacity Notice* to the *State Capacity Holder*. That *Capacity Notice* must identify the *State Capacity* acquired for each *Property* for which *Capacity* was acquired by that *Producer Capacity Holder*, and the duration, terms and conditions applicable to that *Capacity*. If a *Producer Capacity*

*Holder* later acquires additional *Capacity* under Article 10, it shall provide the *State Capacity Holder* with an amended *Capacity Notice*.

(c) Direct Acquisition by State. If the *State Capacity Holder* provides *Notice* under Article 10.1(a)(i), the *State* shall acquire *State Capacity* to the *Alcan Elements* to meet its transportation or treating needs in any *Open Season* after the date of the *Notice*.

## 10.2 Insufficient State Capacity.

(a) Producer Capacity Holder Obligation to Satisfy State Shortage. If a *Producer* plans to deliver *State Export Gas*, excluding *Seasonal Variability Gas*, in excess of the amount of *State Capacity* identified in the current *Capacity Notice* (“Additional Associated State Gas”) for greater than a *Calendar Month*, its *Producer Capacity Holder* shall satisfy any need for *Capacity* required by the *State* to treat or transport *Additional Associated State Gas* from that *Property* (“State Shortage”) through any combination, at its option, of the following actions:

(i) re-designate *Producer Capacity* and corresponding *State Capacity* among *Properties* for an *Alcan Element* by amending the affected *Capacity Notices*, transferring the primary receipt points, and if necessary, completing a *Capacity* transaction as follows:

(A) if the *Property* to which *Capacity* is transferred has a *Forecast Ratio* greater than the *Property* from which that *Capacity* was transferred, the *Producer Capacity Holder* shall release and the *State Capacity Holder* shall acquire at the *Effective Rate*, subject to the regulatory posting rules,

an amount of *Capacity* necessary to make the *Takeaway Ratio* equal to the *Forecast Ratio* associated with each *Property*; or

(B) if the *Property* to which *Capacity* is transferred has a *Forecast Ratio* less than the *Property* from which that *Capacity* was transferred, the *State Capacity Holder* shall release and the *Producer Capacity Holder* shall acquire at the *Effective Rate*, subject to the regulatory posting rules, an amount of *Capacity* necessary to make the *Takeaway Ratio* equal to the *Forecast Ratio* associated with each *Property*;

(ii) release *Capacity* or other firm capacity which the *State Capacity Holder* shall acquire at the *Effective Rate*, subject to the regulatory posting rules;

(iii) acquire:

(A) *Capacity* or other firm capacity on its own behalf, and release a portion of that *Capacity* or other firm capacity to the *State Capacity Holder* under the same terms and conditions as that *Capacity* or other firm capacity was acquired, subject to the regulatory posting rules; or

(B) *Capacity*, other firm capacity, or other capacity on the *State Capacity Holder's* behalf in the *State Capacity Holder's* name, and at the *State Capacity Holder's* sole risk and sole cost, under the same terms and conditions as that *Capacity*, other firm capacity or other capacity was acquired, subject to regulatory posting rules, provided any other capacity is acquired proportionately for both the *State Capacity Holder* and the *Producer Capacity Holder*;

(iv) perform other action to satisfy the *State Shortage* as may be mutually agreed between the *Producer Capacity Holder* and *State Capacity Holder*; or

(v) only if the actions under Article 10.2(a)(i)-(iv) do not eliminate the *State Shortage*, the *Producer Capacity Holder* shall, at its option, through any combination:

(A) purchase a *Quantity* or *Volume* of *Additional Associated State Gas* from the *State Capacity Holder* sufficient to eliminate the *State Shortage* at the *AECO Price*, less the *Alaska to Alberta Tariff*; or

(B) coordinate with its *Producer* to reduce the amount of delivered *Gas*.

(b) Mechanism for Satisfying State Shortage. A *Producer Capacity Holder* affiliated with a *Producer* seeking to deliver *Additional Associated State Gas* under Article 10.2(a) shall provide *Notice* to the *State Capacity Holder* at least sixty (60) *Days* before the period for which deliveries are anticipated to begin, identifying the expected rate of *Additional Associated State Gas* deliveries (“*Additional Gas Notice*”). If the *State Capacity Holder* has insufficient *Capacity* to transport or treat any portion of the *Additional Associated State Gas*, the *State Capacity Holder* shall provide *Notice* to the *Producer Capacity Holder* within seven (7) *Days* after the *Additional Gas Notice* of its *State Shortage*. Upon receipt of that *Notice*, the *Producer Capacity Holder* shall satisfy any *State Shortage* as provided in Article 10.2(a).

(c) Amended Capacity Notice following Satisfaction of State Shortage. Within ninety (90) *Days* after satisfying the *State Shortage*, the *Producer Capacity Holder* shall issue



the *State Capacity Holder* an amended *Capacity Notice* that identifies and adjusts for any:

- (i) *Capacity* re-designated under Article 10.2(a)(i);
  - (ii) *Capacity* released and acquired under Article 10.2(a)(ii);
  - (iii) *Capacity* acquired under Article 10.2(a)(iii);
  - (iv) amount of *State Shortage* otherwise provided for under Article 10.2(a)(iv);
- and
- (v) amount of *State Shortage* equivalent to the *Quantity* or *Volume* of *Gas* purchased under Article 10.2(a)(v).

### 10.3 Excess State Capacity.

- (a) Producer Capacity Holder Obligation to Reduce Excess State Capacity.
  - (i) Sharing in Third Party Gas Purchases. If a *Producer Capacity Holder* seeks to purchase unaffiliated *Gas* for a duration of greater than a *Calendar Month* on the *ANS* to ship on *Producer Capacity Holder's Excess Property Capacity*, it shall offer the *State Capacity Holder* the opportunity to participate in the transaction by providing it with a range of target terms, conditions and pricing for that *Gas* ("Purchase Range").
  - (ii) Sharing in Capacity Release. If a *Producer Capacity Holder* seeks to release a portion of that *Producer Capacity Holder's Excess Property Capacity* for a duration of greater than a *Calendar Month* ("Producer Portion"), it shall offer the *State Capacity Holder* the opportunity to release a portion of the *State Capacity Holder's Excess Property Capacity* by providing the *State Capacity*

*Holder* with a range of terms, conditions and pricing for the *Producer Portion* to be posted or proposed for release on that *Alcan Element* (“Capacity Range”).

(b) Transaction Notice. The *Producer Capacity Holder* shall provide *Notice* to the *State Capacity Holder* of any transaction sought under Articles 10.3(a)(i) or 10.3(a)(ii) (“Transaction Notice”), which must include:

- (i) the transaction’s range of acceptable pricing, terms and conditions; and
- (ii) any other information that *Producer Capacity Holder* deems appropriate.

(c) State Capacity Holder Option to Participate in Transaction. Within three (3) *Business Days* of a *Producer Capacity Holder’s Transaction Notice*, the *State Capacity Holder* shall provide *Notice* to that *Producer Capacity Holder* that it either accepts or rejects the offered transaction. If the *State Capacity Holder*:

- (i) accepts the *Purchase Range*, and if the *Producer Capacity Holder* closes the transaction within the *Purchase Range*, the *Producer Capacity Holder* shall purchase the *State Capacity Holder’s State Capacity Share of Gas* in the *State’s* name, and at the *State’s* sole cost and expense; or
- (ii) accepts the *Capacity Range* and provides completed documents sufficient to support the execution of the release of the *Capacity*, the *Producer Capacity Holder* shall include the *State Capacity Holder’s State Capacity Share of the Producer Portion* for that *Alcan Element* in the *Capacity* to be posted or proposed for release.

If the *State Capacity Holder* does not respond to a *Transaction Notice* within three (3) *Business Days*, the *State Capacity Holder* is deemed to have accepted the offered

transaction. Any transaction with the *State Capacity Holder* must be on the same or substantially similar terms and conditions as obtained by the *Producer Capacity Holder*.

(d) Termination.

(i) If the *State Capacity Holder* rejects an offer under Article 10.3(c), that *Producer Capacity Holder's* obligations under Articles 10.1, 10.2, 10.3, and 10.4 terminate.

(ii) If the *State Capacity Holder* breaches its obligation to maintain confidentiality under Articles 10.3(f), the affected *Producer Capacity Holder* may terminate its obligations under Articles 10.1, 10.2, 10.3, and 10.4 by providing *Notice*. If the *State Capacity Holder* disputes the *Notice*, it may issue a *Notice of Dispute*. The *Dispute* shall be resolved under Article 26, except that *Parties* are not required to exhaust the amicable resolution process under Exhibit C.2. The affected *Parties* remain bound by the provisions of Articles 10.1, 10.2, and 10.4, but not Article 10.3, while the *Dispute* is pending. If the *Tribunal* finds that there was a breach that was material or persistent, the provisions of Articles 10.1, 10.2, 10.3, and 10.4 terminate with respect to that *Producer Capacity Holder*.

(e) No Dispute. Except in the case of fraud, the *State Capacity Holder* may not challenge the *Producer Capacity Holder's* purpose in entering into a *Gas* purchase or *Producer Capacity* release, or the terms or conditions of a *Gas* purchase or *Producer Capacity* release as a *Dispute* under Article 26, in any administrative proceeding or court of law.

(f) Confidentiality of Transaction Information. The following are deemed *Confidential Information* under Article 29.1:

- (i) any written or verbal communications or information between a *Producer Capacity Holder* and the *State Capacity Holder* regarding a potential transaction under Article 10.3;
- (ii) the *Transaction Notice* itself and information in it; or
- (iii) any written or verbal communications about the *Transaction Notice* itself, or information in it.

Despite the provisions of Article 29.3, the *State Capacity Holder* shall not disclose information and communications identified in Article 10 or *Derivative Materials* relating to them to any other *Representative* of the *State*.

- (g) Amended Capacity Notice. Within ten (10) *Days* after releasing *Excess Property Capacity*, the *Producer Capacity Holder* shall issue the *State Capacity Holder* an amended *Capacity Notice* that identifies and adjusts for any *Excess Property Capacity* released under Article 10.3.

**10.4 Put Capacity.** In addition to the rights, privileges and obligations under Article 10.3, each *Producer Capacity Holder* and the *State Capacity Holder* shall manage excess *State Capacity* under Article 10.4.

- (a) Notices. Beginning at the *Commencement of Commercial Operations* and each *Calendar Month* thereafter, each *Producer Capacity Holder* shall provide *Notice* (“*Ratio Notice*”) to the *State Capacity Holder* of the *Takeaway Ratio* and the *Forecast Ratio* for each *Alcan Element by Property*. Each *Producer Capacity Holder* shall provide the *Ratio Notice* within three (3) *Business Days* after it receives the *Forecast Producer Gas* and *Forecast Associated State Gas* from all *Property* operators.

- (b) State Obligation to Put Capacity. If, for a *Property*, the *Takeaway Ratio* is greater than the *Forecast Ratio* as shown on the current *Ratio Notice*, then each *Producer Capacity Holder*, whose *Producer Affiliate* has an interest in the *Property*, shall acquire from the *State Capacity Holder* and the *State Capacity Holder* shall release its *Producer's* proportional share of the *State Put Capacity* at the *Effective Rate*. If required, the *State Capacity Holder* shall post the pre-arranged release on the *Alcan Element* bulletin board within one (1) *Business Day* after receiving the *Ratio Notice*.
- (c) Producer Obligation to Put Capacity. If, for a *Property*, the *Takeaway Ratio* is less than the *Forecast Ratio* as shown on the current *Ratio Notice*, then the *State Capacity Holder* shall acquire and the *Producer Capacity Holder* shall release its *Producer's* *Producer Put Capacity* at the *Effective Rate*. If required, each *Producer Capacity Holder* shall post the pre-arranged release on the *Alcan Element* bulletin board within one (1) *Business Day* after issuing the *Ratio Notice* to the *State*.
- (d) Long-term and Permanent Puts. If a *Producer* re-designates *Capacity* from one *Property* to another for an *Alcan Element* under a long-term plan, such that the *Forecast Ratios* change resulting in a new obligation to put *Capacity* on a consistent basis, the *Parties* shall execute a release and acquisition of *Capacity* for a term commensurate with the long-term plan. The release and acquisition must be either at the *Effective Rate* or at a rate otherwise agreed by the *Parties*.
- (e) Conditions of Obligation.
- (i) No Obligation. If the *Takeaway Ratio* equals the *Forecast Ratio* for an *Alcan Element*, then no *Party* has any obligation, right or privilege under Articles 10.4(b) or 10.4(c) for that element.

- (ii) Agreed Suspension. The *State Capacity Holder* and any *Producer Capacity Holder* may mutually agree to suspend Article 10.4.
- (iii) Threshold Suspension. If the amount of *State Put Capacity* or the amount of *Producer Put Capacity* is less than ten thousand (10,000) *MMBTU per Day* or equivalent *Volume* for an *Alcan Element*, the obligations, rights and privileges in Articles 10.4(b) and 10.4(c) are suspended for that element.
- (iv) Third Party Purchase of Put Capacity. If a third party agrees to pay the *Effective Rate* or more for either *State Put Capacity* or *Producer Put Capacity* under any applicable posting or other bidding procedure, then the obligation to acquire *Capacity* under either Article 10.4(b) or Article 10.4(c) is satisfied for the amount of *Capacity* purchased by the third party, unless the *State Capacity Holder* or *Producer Capacity Holder* agrees to exceed that third party rate.
- (f) Example Calculations. An example calculation for the put *Capacity* method is shown in Exhibit F.

**10.5 Imbalances.** The provisions of Articles 10.2, 10.3, and 10.4 do not address minor and temporary field imbalances (“Minor Imbalances”). If a *Producer* has entered into a *GBA* for a *Property*, that *Producer* shall offer the *State Gas* balancing terms that are the same or substantially similar to those in the *GBA*. The *State* may manage its *Minor Imbalances* through the:

- (a) mechanisms provided under the *Gas* balancing terms;
- (b) release or acquisition of capacity, provided the transaction does not extend beyond a *Calendar Month*;

- (c) purchase or sale of *Gas*, provided the transaction does not extend beyond a *Calendar Month*;
- (d) *Alcan Element* balancing agreements; and
- (e) other commercial transactions that do not extend beyond a *Calendar Month*.

**10.6 Other Amended Capacity Notice.** The *Producer Capacity Holder* must submit to the *State* an amended *Capacity Notice* within ninety (90) *Days* after any change in *Producer Upstream Sales Gas* or other action that would change the current *Capacity Notice*.

**10.7 Information.** To the extent a *Producer Capacity Holder* receives, from either (a) an operator of a *Property* or (b) the *Producer Capacity Holder's Producer*, information related to expected deliveries of *State Gas* from each *Property* from which *Producer Gas* deliveries are to be made to the *Project*, the *Producer Capacity Holder* shall promptly provide that information by facsimile or other electronic transmission, or oral communication to the *State Capacity Holder*. In addition, to the extent a *Producer Capacity Holder's Producer* receives production forecast information from an operator of a *Property* related to expected deliveries of *Gas* that would materially impact its *Producer Capacity Holder's Capacity*, that *Producer Capacity Holder's Producer* shall promptly provide that information by facsimile or other electronic transmission, or oral communication to the *State Capacity Holder*.

**10.8 Term and Termination.** The provisions of Articles 10.1, 10.2, 10.3, and 10.4 are effective for the *Term*. A *Producer Capacity Holder's* obligations under Article 10.1, 10.2, 10.3, and 10.4 terminate if the:

(a) *FERC, NEB, U.S. Department of Justice* or a court finds that any provision of Articles 10.1, 10.2, 10.3, or 10.4 is contrary to *Law*. In the event of termination because a provision of Articles 10.1, 10.2, 10.3, or 10.4 is found to be contrary to a *Law*, the *Parties* will negotiate in good faith in an attempt to develop a mutually acceptable alternative provision that remedies the defect. The failure to reach agreement on alternative provisions to remedy the defect does not constitute a *Dispute* unless the *Producer Capacity Holder* or the *State Capacity* believes the other *Party* is not negotiating in good faith. Under a *Dispute* related to good faith negotiations, the *Tribunal* may neither impose an alternative provision on a *Party* nor make an *Award* of damages, but may order that *Party* to negotiate in good faith.

(b) *State Capacity Holder* gives *Notice* to the *Producer Capacity Holders* that it desires to terminate the provisions;

(c) *State Capacity Holder* acquires *State Capacity*:

(i) under Article 10.1(c);

(ii) from a *Person*, other than by acquisition under Article 10.5 or by acquisition from a *Producer Capacity Holder* under Article 10.2; or

(iii) under Article 10.1(b) or Article 10.2 and the *State Capacity Holder* transfers that acquired *State Capacity* to a *Person*, other than a transfer under Articles 10.3, 10.4, or 10.5;

(d) *State Capacity Holder* purchases *Gas* on the *ANS* from a *Person*, other than a purchase under Articles 10.3 or 10.5;

(e) *State Capacity Holder* sells *Gas* on the *ANS*, other than a sale:

(i) of *State Upstream Sales Gas* under Article 10.1(a)(ii)(B),



- (ii) for *Minor Imbalances* under Article 10.5, or
  - (iii) to a *Producer Capacity Holder* under Article 10.2; or
- (f) *State Capacity Holder* allocates the *Quantity of In-State Capacity* among the *Producer Capacity Holders* disproportionately to their respective affiliated *Producers'* *Working Interests* in the *Prudhoe Bay Unit*.

**10.9 Limitation on Remedies and Damages.** The *State* is not required to compensate any *Producer Capacity Holder* for facilitating the *State Capacity Holder's* acquisition of *State Capacity*. Accordingly, the terms of Article 10 have been negotiated in consideration of the *State's* agreement to limit its remedies and damages relating to Article 10.

(a) Damages. Except in the case of fraud, a *Producer* or *Producer Capacity Holder* is not liable to the *State* for any *Loss* arising out of or relating to a *Producer Capacity Holder's* performance or failure to perform any obligation under Article 10. In the case of fraud, a *Producer* or *Producer Capacity Holder* may be liable to the *State* for its *Loss*.

(b) Exclusive Remedy. If a *Producer* or *Producer Capacity Holder* breaches its obligations under Article 10 the *State* may issue a *Notice of Dispute* and seek an *Award* of specific performance from the *Tribunal*. Except as provided in Article 10.9(a), the *State's* right to seek specific performance is its exclusive remedy.

**10.10 Indemnification.** At all times after the *Effective Date*, the *State* shall indemnify, hold harmless, and defend each *Producer* and *Producer Capacity Holder* against any *Loss* arising out of or resulting from a *Producer Capacity Holder's* performance of or failure to perform an obligation under Article 10, except in the case of fraud.

**10.11 Comply with Law.** In performing under this *Contract*, the *Producer Capacity Holders* and *State Capacity Holder* shall comply with all applicable requirements of *FERC's* Standards of Conduct, 18 C.F.R. Part 358 (2005).

## **PART D - FISCAL TERMS**

### **ARTICLE 11 - FISCAL STABILITY**

#### **11.1 Fiscal Stability.**

- (a) Satisfaction of Participant Obligations.
  - (i) Royalty Obligations. By making the *Royalty* payments under Article 12, each *Producer* and its *Affiliates* satisfy their entire *Royalty* obligation on *Royalty Bearing Gas*.
  - (ii) Tax Obligations. By making the payments provided in Articles 11 through 19, the *Project*, the *Properties* and each *Participant* and its *Affiliates*, and their interests having nexus with *Alaska* (collectively, "Participant's Interests") are exempt from, and those payments are in lieu of, any *Tax* on their oil and gas related business activity in *Alaska*, except for any:
    - (A) *Capped Tax* under the *Fiscal Stability Cap*;
    - (B) *Fixed Payable Tax* under Article 11.4;
    - (C) oil and gas production tax or surcharge on the development, extraction or production of natural resources ("Extraction"), other than the

*Extraction from a Property;*

(D) oil production tax or surcharge on the *Extraction* of oil from a *Property* after the expiration of the *Term* for *PPT PILT Payments* under Article 3.2 and Article 14.2;

(E) property tax or ad valorem tax on an *Oil Pipeline* after the expiration of the *Term* for *Payments in Lieu of Oil Pipeline Ad Valorem Taxes* under Article 3.2 and Article 17.9; and

(F) *SCIT*, as provided under Article 19.9(b)(ii), if the one-time election under Article 19.9(a) has been made.

(b) Covenant. In consideration of the obligations of each *Participant* under this *Contract*, the *State* is exercising authority granted under Article IX, Sections 1 and 4 of the Alaska Constitution and *Law* to encourage new investment to develop *Alaska's Gas* resources by establishing fiscal terms for each *Participant's Interests* in advance with as much certainty as the *Law* allows. As such, the *Parties* do not intend that the *State* or *Political Subdivisions* surrender their taxing powers under the Alaska Constitution. The *Parties* recognize that in the future, the *State's* fiscal regime may change, including *Taxes* on oil and gas related business activity in general. However, recognizing the immense costs, scope and complexity of the *Project*, and the opportunities and benefits that accrue to the *State* through the *Participant's* performance of their obligations under the *Contract*, including:

- (i) work commitments under Article 5;
- (ii) monetary payments under Articles 11 through 19 and Article 22;

- (iii) the opportunity to serve in-state needs through access to *State Gas* under Articles 12 and 13, and through mileage-sensitive in-state service and *Offtake Point* provisions under Article 9;
- (iv) *Capacity* management provisions to facilitate transportation of *State Gas* under Article 10;
- (v) access to the *Project* for explorers and other third parties under Article 8;
- (vi) *State*-initiated expansion under Article 8;
- (vii) *State* ownership in the *Project* under Article 7;
- (viii) opportunities for training, *Alaska* hire and *Alaska* businesses under Article 6; and
- (ix) other *Participant's* obligations under the *Contract*,

the *State* covenants to provide fiscal certainty for each *Participant's Interests* on its oil and gas related business activity in *Alaska* for the *Term*. The *Parties* recognize that successful development of *Gas* resources requires additional investment in *Facilities* that will produce both *Gas* and oil. To make the long-term investments necessary to develop *Gas* resources requires confidence that investment in, and the economic production of, oil can continue in order to underpin economic *Gas* production. Therefore, changes in *Taxes* on a *Participant's Interests* on its oil and gas related business activity in *Alaska* may affect the stable fiscal regime that the *State* has promised under this *Contract*. Accordingly, as recognized in the Recitals and provided elsewhere in this *Contract* and consistent with Article IX, Sections 1 and 4 of the Alaska Constitution, the *State* is temporarily contracting away for the *Term* its power to impose any new *Taxes*, or change any existing *Taxes*, that apply to each *Participant's Interests* on its oil and gas related

business activity in *Alaska*, except for *Capped Taxes* under the *Fiscal Stability Cap*, and *Fixed Payable Taxes* under Article 11.4. Through the terms of this *Contract*, including exemptions, reimbursements and a *Participant's* right to recoup and offset payments, the *State* covenants to protect each *Participant's Interests* on its oil and gas related business activity in *Alaska*, thereby creating a binding and stable fiscal regime for the *Term*.

## 11.2 Taxes Levied by and Payable to the State.

(a) Paid and Not Subject to Reimbursement. Each *Participant* shall pay and is not exempt from any:

- (i) portion of *Total Capped Taxes* imposed by the *State* less than or equal to the amount of the *Fiscal Stability Cap*; or
- (ii) *Fixed Payable Tax* imposed by the *State*, except for a *Fixed Payable Tax Increment* under Article 11.4(a);
- (iii) oil and gas production tax or surcharge on *Extraction*, other than *Extraction* from a *Property*;
- (iv) oil production tax or surcharge on *Extraction* of oil from a *Property* after the expiration of the *Term* under Article 3.2 and Article 14.2;
- (v) property tax or ad valorem tax on an *Oil Pipeline* after the expiration of the *Term* under Article 3.2 and Article 17.9; and
- (vi) *SCIT*, as provided under Article 19.9(b)(ii), if the one-time election under Article 19.9(a) has been made.

(b) Exempt from any Payment Obligation. Each *Participant* is exempt from all *Taxes* levied by the *State* on their oil and gas related business activities in *Alaska*, except for

those *Taxes* identified in Article 11.2(a). A *Participant* may exercise its exemptions under Article 11.2(a) by withholding payment to the *State*. A *Participant* may also exercise its exemptions by paying the *Tax* and obtaining reimbursement from the *State* under Article 22.

### 11.3 Taxes Levied by and Payable to a Political Subdivision.

(a) Paid and Not Subject to Reimbursement. A *Participant* shall pay and is not exempt from any:

(i) portion of *Total Capped Taxes* less than or equal to the amount of the *Fiscal Stability Cap*; or

(ii) *Fixed Payable Tax*, except for a *Fixed Payable Tax Increment* under Article 11.4(a),

levied by a *Political Subdivision*.

(b) Exempt from any Payment Obligation. Each *Participant* is exempt from any:

(i) *Restricted Tax*; or

(ii) portion of the cumulative annual total of all *Other Taxes* on that *Participant's Interests* greater than the amount of ten million *Dollars* (\$10,000,000) inflated under Article 36.1(a),

levied by a *Political Subdivision* on their oil and gas related business activities in *Alaska*, except for those *Taxes* identified in Article 11.3(a). A *Participant* may exercise its exemptions under Article 11.3(b) by withholding payment to the *Political Subdivision* after *Notice* to the *State* or paying the *Tax* to the *Political Subdivision* and obtaining reimbursement from the *State* under Article 22.

(c) Exempt, but Paid and Subject to Reimbursement. Except as provided under Article 11.3(a) and (b), a *Participant* is exempt from any:

- (i) portion of *Total Capped Taxes* greater than the amount of the *Fiscal Stability Cap*;
- (ii) *Fixed Payable Tax Increment* under Article 11.4(a);
- (iii) *Reimbursable Property Tax*;
- (iv) *Targeted Tax*; or
- (v) portion of the cumulative annual total of all *Other Taxes*, for that *Participant's Interests* less than or equal to the amount of ten million *Dollars* (\$10,000,000) inflated under Article 36.1(a),

levied by a *Political Subdivision* on their oil and gas related business activities in *Alaska*. A *Participant* may exercise its exemptions under Article 11.3(c) only by paying the *Tax* to the *Political Subdivision* and obtaining reimbursement from the *State* under Article 22.

#### **11.4 Fixed Payable Tax Increments Subject to Reimbursement.**

- (a) Fixed Payable Tax Increment. If
- (i) a *Vessel Tax* for which a *Participant* or its *Affiliate* is directly or indirectly liable is changed in rate or application, including a change in valuation method, from the *Vessel Tax* as it read on October 1, 2005, as it is or may be modified and applied by:
    - (A) a final judicial decision resulting from or arising out of the case "Polar Tankers, Inc. v. City of Valdez, 3AN-00-9665 Civil" or "Crowley

Marine Services, Inc. v. City of Valdez, 3AN-04-13039” Civil”, or any other related judicial action; or

(B) that *Participant’s* or its *Affiliate’s* settlement agreement, including an agreement with the City of Valdez arising out of the cases in Article 11.4(a)(i)(A) (“Settlement Agreement”), which applies to this *Contract* for the term of the *Settlement Agreement*, and, if that *Participant* elects, which applies to this *Contract* for the *Term*,

unless the *Vessel Tax* becomes zero under Article 11.4(b), or

(ii) any other *Fixed Payable Tax* or a *Contractor Fixed Payable ANS Property Tax* is changed in rate or application, including a change in valuation method, after October 1, 2005 other than a change in mill rate under Article 11.4(d),

then that *Participant* shall calculate a *Fixed Payable Tax* increment (“Fixed Payable Tax Increment”) as provided under Article 11.4(c).

(b) Invalidation or Elimination of Vessel Tax. If a final judicial decision invalidates or a legislative action eliminates the *Vessel Tax*, then the amount of the *Vessel Tax* is zero, and the *Parties* are no longer obligated to pay any *Fixed Payable Tax Increment* associated with the *Vessel Tax*.

(c) Fixed Payable Tax Increment. Each *Participant* shall calculate a *Fixed Payable Tax Increment* as:

(i) the amount paid by that *Participant*, its *Affiliate*, or a contractor or subcontractor of that *Participant* or its *Affiliate* (“Actual Fixed Payable Tax Payment”), less



(ii) the amount that would have been paid by that *Participant*, its *Affiliate*, or a contractor or subcontractor of that *Participant* or its *Affiliate* under the applicable *Fixed Payable Tax* or *Contractor Fixed Payable ANS Property Tax* had the *Tax* not been changed, other than a change under Article 11.4(a)(i)(A) or (B), or Article 22.4(d) (“Agreed Fixed Payable Tax Payment”).

If the *Fixed Payable Tax Increment* is positive, that *Participant* may obtain reimbursement under Article 22. If the *Fixed Payable Tax Increment* is negative, that *Participant* shall pay the absolute value of the *Fixed Payable Tax Increment* under Article 22.

(d) Changes in Mill Rate. If the combined mill rate for the *State* and *Political Subdivision* does not exceed twenty (20) mills, a change in a mill rate does not create a *Fixed Payable Tax Increment*. If the combined mill rate exceeds twenty (20) mills, then the increment above twenty (20) mills is used in the calculation of a *Fixed Payable Tax Increment*.

**11.5 Non-Participant Reimbursable Tax.** Personal income and withholding tax, or *SCIT* paid by a contractor or subcontractor is not a *Participant* obligation. However, if one or both of these taxes

- (a) is not of general application;
- (b) unlawfully discriminates against the *Project*-related business activity of the *Participants*, or their *Affiliates*, *Contractors*, or *Subcontractors*; and
- (c) results in *Loss* to a *Participant*,

that *Participant* may obtain reimbursement from the *State* for the *Loss* under Article 22.

**11.6 Time Limitations.** A *Participant* may not initiate reimbursement under Article 22 of a payment in Article 11.2 or 11.3 after the end of the second (2<sup>nd</sup>) *Calendar Year* following the *Calendar Year* in which a *Participant* makes the payment, except as the result of an audit or resolution of a *Dispute*.

**11.7 Targeted Tax Audit.** For purposes of determining whether a *Tax* is a *Targeted Tax*, a *Participant* may request an audit of the relevant records of the *State* or a *Political Subdivision* by giving *Notice* to the *State*. The *Participant* shall propose a list of at least three (3) qualified third party auditors, and the *State* shall select the auditor from that list. The *State* shall cooperate with the affected *Participant* in designing the audit scope and plan. If the *Tax* is determined ultimately to be a *Targeted Tax*, the *State* shall pay the costs of the third party auditor. If the *Tax* is determined ultimately to not be a *Targeted Tax*, the *Participant* requesting the audit shall pay the costs of the third party auditor. The third party auditor may not reveal confidential taxpayer information.

**11.8 Affiliates.** Whenever a *Participant* is exempt from the payment of a *Tax*, a *Participant's* *Interests* are also exempt from the payment of that *Tax*. Whenever an *Affiliate* of a *Participant* pays a *Tax*, the *Participant* is deemed to have made the payment.

**11.9 Certification of Exemption.** The *Commissioner* shall provide a *Participant* or its *Affiliates* with a direct pay process, exemption certificate, or other documentation (“Exemption Certificate”) to facilitate an exemption from a *State Tax*. The *Commissioner* may issue an

*Exemption Certificate* on his own initiative or a *Participant* may request an *Exemption Certificate* by providing *Notice* to the *State*, together with documentation supporting the request. If the *Commissioner* fails to either grant or deny a request for an *Exemption Certificate* within thirty (30) *Days* after the *Notice*, the request is deemed granted and the *Commissioner* shall provide the *Exemption Certificate*. In resolving a *Dispute* regarding entitlement to an *Exemption Certificate*, the *Tribunal* shall give no deference to whether or not the *State* issued the *Exemption Certificate*.

#### **11.10 Non-Participant Taxes.**

(a) Taxes Related to the Project. *Contractors* and *Subcontractors* receive no *Tax* exemption under this *Contract*. However, they may use an *Exemption Certificate* obtained directly or through a *Participant* or provided to a *Participant*, *Contractor*, or *Subcontractor* under Article 11 to the extent the certificate is used on behalf of the *Participant* or its *Affiliate* in association with the *Project*. If a *Contractor* or *Subcontractor* pays a *Tax* relating to the *Project* and bills that *Tax* to a *Participant* or its *Affiliate*, that *Participant* or its *Affiliate* is deemed to have made the payment.

(b) Taxes Related to the Properties. A *Participant's* or its *Affiliate's* *contractors* and *subcontractors* receive no *Tax* exemption under this *Contract*. However, they may use an *Exemption Certificate* obtained directly or through a *Participant* or provided to a *Participant*, *contractor*, or *subcontractor* under Article 11 to the extent the certificate is used on behalf of the *Participant* or its *Affiliate* in association with the *Properties*. If a *Participant's* or its *Affiliate's* *contractor* or *subcontractor* pays a *Tax* relating to the *Properties* and bills that *Tax* to a *Participant* or its *Affiliate*, that *Participant* or its

*Affiliate* is deemed to have made the payment.

**11.11 Interest.** Amounts paid or reimbursed under Article 11 are subject to *Interest*. To calculate *Interest* under Article 11, *Taxes* paid in a *Calendar Month* are deemed paid on the fifteenth (15<sup>th</sup>) *Day* of that month.

**11.12 Disputes and Audits.**

(a) Disputes and Audits. An audit, dispute, matter, controversy or claim between a *Participant* and a *Political Subdivision* regarding taxability, valuation, or the amount of a *Tax* levied by that *Political Subdivision* is not governed by this *Contract*. Except for the items listed in Exhibit B.3(a)(iii) and (iv), all audits, disputes, matters, controversies or claims regarding *Taxes*, including the character of a *Tax* under this *Contract*, the right to an exemption, the right to reimbursement or to recoup or offset that *Tax*, or the amount eligible for reimbursement, recoupment or offset are matters of *Contract* interpretation and are subject to Articles 25 or 26.

(b) Defense of Political Subdivision Tax. If the *State* disagrees with the amount of a *Tax* levied on a *Participant* by a *Political Subdivision* or the amount of a *Contractor Fixed Payable ANS Property Tax* levied on a *Participant's* or its *Affiliate's* contractor or subcontractor ("Political Subdivision Tax"), the *State* shall provide *Notice* to the *Participant*. Upon receipt of the *Notice*, the *Participant* shall either defend against the *Political Subdivision Tax* or request that the *State* defend and indemnify the *Participant* under Article 21.3. If the *Participant* elects to defend, the *State* may seek to join in the defense and the *Participant* shall grant that authority if paying the *Tax* would result in a

reimbursement by the *State*. If the *State* defends against the *Political Subdivision Tax*, then:

- (i) the defense against the *Tax* under *Law* is at the *State's* expense; and
- (ii) the *Participant* shall cooperate with the *State* in that defense.

The amount ultimately paid by a *Participant*, including any amount paid by the *State* on behalf of that *Participant*, to a *Political Subdivision* for a *Political Subdivision Tax* is deemed final and correct under this *Contract* and is not subject to a *Dispute* between the *State* and the *Participant*.

(c) Tribunal Instructions. A *Tribunal* may not give any deference to any findings, decision, including a court decision, or position by or applicable to a *Political Subdivision*.

## ARTICLE 12 - ROYALTY PAYMENTS

### 12.1 Method of Royalty Payment.

(a) Before Commencement of Commercial Operations. Before *Commencement of Commercial Operations*, a *Producer* shall pay *Royalty* (“Royalty Payments”) as described in Article 12.1(a). For *Properties* included in Exhibit D, a *Producer* shall make its *Royalty Payment* as follows:

- (i) Fixed Royalties.

(A) Delivered to a Midstream Element. For all *Royalty Bearing Gas* that is delivered to a *Delivery Point* into a *Midstream Element*, the *State* shall receive its entire *Fixed Royalty* in kind if:

(1) a *Producer* in the producing *Property* is injecting *Royalty Bearing Gas* into another *Property*; and

(2) that *Producer* includes provisions in its *Gas* injection agreement that treat *Royalty Gas* in the same manner as that *Producer's Royalty Bearing Gas* is treated.

(B) Not Delivered to a Midstream Element. For all *Royalty Bearing Gas* that is delivered to a *Delivery Point* but not to a *Midstream Element*, the *State* shall receive its entire *Fixed Royalty* as provided in the applicable lease or other agreements in effect on October 1, 2005.

(ii) Incremental Royalties. For all *Royalty Bearing Gas* that is delivered to a *Delivery Point*, the *State* shall receive its entire *Incremental Royalty* as provided in either Article 12.2(b) or 12.2(c) as applicable.

(iii) Line Pack. For all *Royalty Bearing Gas* that is delivered by a *Producer* to the *Mainline*, the *GTP*, or a *Gas Transmission Pipeline* for line pack the *State* shall receive its entire *Fixed Royalty* in value calculated as follows:

(A) the actual proceeds received by that *Producer* from each transaction for the *Volume* of *Royalty Bearing Gas* delivered to one of the above *Midstream Elements* as line pack;

(B) multiplied by the *Fixed Royalty* share for the *Property* from which that *Gas* originated.

No *Party* may initiate a *Dispute* over the terms of a line pack transaction, if the transaction is consistent with *FERC* policy.

(b) After Commencement of Commercial Operations. After *Commencement of Commercial Operations*, a *Producer* shall make its *Royalty Payments* as described in Article 12.1(b).

(i) Fixed Royalty in Kind. For all *Royalty Bearing Gas* that is delivered to a *Delivery Point*, a *Producer* shall make its *Fixed Royalty* payment and the *State* shall receive its entire *Fixed Royalty* in kind at the *Delivery Point* into a *Midstream Element*.

(ii) Incremental Royalties. For all *Royalty Bearing Gas* that is delivered to a *Delivery Point*, the *State* shall receive its entire *Incremental Royalty* as provided in Article 12.2(b) or 12.2(c), as applicable.

(iii) Limit on Non-Project Gas. If the total *Volume* of *Royalty Bearing Gas* delivered into the *Mainline* by a *Producer* in each month for twelve (12) consecutive months, excluding any period of suspension permitted under Article 35, is less than ninety-five percent (95%) of the total *Volume* of *Royalty Bearing Gas* that was delivered by that *Producer* to all *Delivery Points* excluding the *Volume* of *Impurities*, fuel and losses associated with that *Gas* had all that *Gas* been delivered to the *Mainline* (“*Theoretical Royalty Volume*”), for each of those months, the *State* may make a one-time election under this Article. Within three (3) years after the *Commencement of Commercial Operations*, the *Parties* shall jointly develop a method for estimating *Theoretical Royalty Volume*. For the

*Royalty Gas* associated with that *Producer's Royalty Bearing Gas* that is not delivered to the *Mainline*, the *State* may:

- (A) continue to take *Royalty* in kind;
- (B) take *Royalty* under that applicable lease, *Unit*, or settlement agreement in effect on October 1, 2005; or
- (C) make other mutually agreeable arrangements with the *Producer*.

The election:

- (1) must be made by *Notice* to the *Producer*;
- (2) must specify an effective date for the election, which must be the first *Day* of a *Calendar Month* at least forty-five (45) *Days* after the effective date of the *Notice*; and
- (3) must specify those deliveries that are covered by the election.

## 12.2 State's Royalty Share.

- (a) Fixed Royalty Rate Properties. For all *Royalty Bearing Gas* under Article 12.1(b), the *State's Royalty* is the total *Volume of Royalty Bearing Gas* delivered to a *Delivery Point* multiplied by the applicable *Fixed Royalty* percentage. The applicable *Fixed Royalty* percentage for a *Property* is as specified in the applicable lease, *Unit*, or settlement agreement for that *Property*.
- (b) Incremental Royalties. For a *Property* with an *Incremental Royalty*, a *Producer* shall make its *Royalty Payment* to the *State* based on the method under the applicable lease, *Unit*, or settlement agreement, unless that *Producer* makes the election provided in Article 12.2(c) for sliding scale leases.



(c) Sliding Scale Leases. Upon *Notice* by a *Producer* that it intends to deliver *Royalty Bearing Gas* to a *Delivery Point* from a *Property* that is subject to a sliding scale *Royalty* the *Producer* may elect to satisfy its sliding scale obligation by converting to a *Fixed Royalty* percentage obligation for the *Term*. The conversion must be based on the average crude oil price for the most recent six (6) month period determined using the average of the daily high and low month prices for West Texas Intermediate crude oil at Cushing, Oklahoma as reported by Platt's "Oilgram Price Report" *Spot Crude Price Assessment*, or a comparable successor organization, or, if none, a mutually agreed published price for West Texas Intermediate crude oil. The conversion of the sliding scale *Royalty* to a *Fixed Royalty* percentage must be completed within three (3) months after the *Notice*, and becomes effective only if deliveries of *Royalty Bearing Gas* commence within three hundred sixty-five (365) *Days* after the *Notice*.

**12.3 One Payment and Example Calculations.** A *Producer's Royalty Bearing Gas* is subject to *Royalty* only once, except later reproduced *Impurities* are subject to *Royalty* if they are indigenous under Article 12.4(c)(ii). Example calculations for determination of *Royalty Payments* and conversion of sliding scale obligations to a *Fixed Royalty* under Article 12.2(c) are shown in Exhibit F.

**12.4 Title Transfer of Royalty Gas and Disposition of Gas and Impurities.**

(a) Title Transfer. For each *Property*, the *State* shall take delivery of its *Royalty Gas*, including any *Volume* attributable to *Impurities*, at the *Delivery Point* into the *Midstream Element* immediately downstream of that *Property*. The *State* shall take full ownership,

title, financial responsibility, and risk of loss for its *Royalty Gas* at the applicable *Delivery Point* in its then current composition, condition, or quality.

(b) Disposition of Gas. The *State* shall make necessary arrangements and pay for the transportation, tendering, treating, processing, marketing, sales, uses or dispositions (“Disposition”) of *Royalty Gas* as it is delivered. Upon delivery of *Gas* to a *Delivery Point*, the following principles apply in making any arrangements for the *Disposition* of a *Party’s Gas*:

- (i) All *Parties* have the same rights, privileges and obligations regarding their *Gas*;
- (ii) A *Party* may not unreasonably interfere with any other *Party’s Disposition* of *Gas*, nor require another *Party* to install special *Facilities* to handle *Gas*; and
- (iii) A *Party* may authorize a *Person* to act on its behalf regarding its rights, privileges and obligations under this Article 12. The *Party*, however, is directly liable to the other *Parties* for any defect or failure of performance by that *Person*.

(c) Disposition of Impurities.

- (i) Each *Party* is responsible for the removal, dehydration, compression and disposal of *Impurities* in its *Gas*.
- (ii) For purposes of determining the *State’s* obligation to a *Participant* or a *Participant’s* obligation to the *State* regarding title to *Impurities*, whether initially produced or subsequently reproduced, *Impurities* that are *Disposed* of in a *Disposal Property* are treated either:
  - (A) as indigenous to that *Disposal Property* for *Impurities* that originate from that *Disposal Property*; or

(B) in the same manner as the *Producers* who are *Working Interest* owners of the *Disposal Property* treat *Impurities* that do not originate from that *Disposal Property*.

## ARTICLE 13 - TAX BEARING GAS PAYMENT

### 13.1 Tax Bearing Gas Payment.

(a) Before Commencement of Commercial Operations. Before *Commencement of Commercial Operations*, a *Producer* shall make a payment to the *State* for each *Property* as described in Articles 13.1 through 13.8 (“Tax Bearing Gas Payment”):

(i) Delivered to a Midstream Element. For all *Tax Bearing Gas* that is delivered to a *Delivery Point* into a *Midstream Element*, consistent with the *State’s* election under Article 13.6, the *State* shall receive its entire *Tax Bearing Gas Payment* as *Tax Gas* in lieu of a cash payment if:

(A) a *Producer* in the producing *Property* is injecting *Tax Bearing Gas* into another *Property*; and

(B) that *Producer* includes provisions in its *Gas* injection agreement that treat *Tax Gas* in the same manner as that *Producer’s Tax Bearing Gas* is treated.

(ii) Not Delivered to a Midstream Element. For all *Tax Bearing Gas* that is delivered to a *Delivery Point*, but not to a *Midstream Element*, the *State* shall receive its *Tax Bearing Gas Payment* as provided under Article 14 and Exhibit P.

(iii) Line Pack. For all *Tax Bearing Gas* that is delivered by a *Producer* to the *Mainline*, the *GTP*, or a *Gas Transmission Pipeline* for line pack, the *State* shall receive its entire *Tax Bearing Gas Payment* calculated as follows:

(A) the actual proceeds received by that *Producer* from each transaction for the *Volume* of *Tax Bearing Gas* delivered to one of the above *Midstream Elements* as line pack;

(B) multiplied by the *Tax Bearing Gas Percentage* for the *Property* from which that *Gas* originated.

No *Party* may initiate a *Dispute* over the terms of a line pack transaction, if the transaction is consistent with *FERC* policy.

(b) After the Commencement of Commercial Operations. After *Commencement of Commercial Operations*, a *Producer* shall make its *Tax Bearing Gas Payments* as described in Article 13.1(b).

(i) Payment Method. For all *Tax Bearing Gas* that is delivered to a *Delivery Point*, a *Producer* shall make its *Tax Bearing Gas Payments* to the *State* as determined under Articles 13.1 through 13.8. Consistent with the *State's* election under Article 13.6, the *State* shall receive its entire *Tax Gas* at the *Delivery Point* into a *Midstream Element*.

(ii) Limit on Non-Project Gas. If the total *Volume* of *Tax Bearing Gas* delivered into the *Mainline* by a *Producer* in each month for twelve (12) consecutive months, excluding any period of suspension permitted under Article 35, is less than ninety-five percent (95%) of the total *Volume* of *Tax Bearing Gas* that was delivered by that *Producer* to all *Delivery Points* excluding the *Volume*

of *Impurities*, fuel and losses associated with that *Gas* had all that *Gas* been delivered to the *Mainline* (“Theoretical Tax Volume”), for each of those months, the *State* may make a one-time election under Article 13.1(b)(ii). Within three (3) years after the *Commencement of Commercial Operations*, the *Parties* shall jointly develop a method for estimating *Theoretical Tax Volume*. For the *Tax Gas* associated with that *Producer’s Tax Bearing Gas* that is not delivered to the *Mainline*, the *State* may:

- (A) continue to take *Tax Gas* in lieu of a cash payment;
- (B) take its *Tax Bearing Gas Payment* in value as calculated under Article 13.3;
- (C) treat *Tax Gas* as provided under Article 14 and Exhibit P; or
- (D) make other mutually agreeable arrangements with the *Producer*.

The election:

- (1) must be made by *Notice* to the *Producer*;
- (2) must specify an effective date for the election, which must be the first *Day* of a *Calendar Month* at least forty-five (45) *Days* after the effective date of the *Notice*; and
- (3) must specify those deliveries that are covered by the election.

**13.2 One Payment.** A *Producer’s Tax Bearing Gas* is subject to a *Tax Bearing Gas Payment* only once, except later reproduced *Impurities* are subject to a *Tax Bearing Gas Payment* if they are indigenous under Article 13.8.

**13.3 Calculation of Tax Bearing Gas Payment.** The *Tax Bearing Gas Payment* is a fixed percentage (“Tax Bearing Gas Percentage”) of the *Tax Bearing Gas Value* received by each *Producer* for its *Tax Bearing Gas* from a *Property* as determined below:

- (a) *Tax Bearing Gas Value* equals the *Volume (MCF)* of *Tax Bearing Gas* measured at a *Delivery Point* multiplied by the *Heating Value (MMBTU/MCF)* measured at that *Delivery Point*, with that product then multiplied by the *Tax Bearing Gas Price (\$/MMBTU)* applicable to that *Delivery Point*; and
- (b) *Tax Bearing Gas Payment* equals the *Tax Bearing Gas Value* determined in Article 13.3(a) multiplied by the applicable *Tax Bearing Gas Percentage*.

**13.4 Tax Bearing Gas Percentage.** For each *Property* listed in Exhibit D on the *Effective Date* or for a *Property* added to Exhibit D under Article 31.4, the *Tax Bearing Gas Percentage* used to determine the *Tax Bearing Gas Payment* in Article 13.3(b) is seven and twenty-five hundredths percent (7.25%).

**13.5 Determination of Tax Bearing Gas Price.** The *Tax Bearing Gas Price* is determined each *Calendar Month* for each *Property* and that price equals the *AECO Price* less the *Alaska to Alberta Tariff* applicable to *Tax Bearing Gas* from the *Property* (“Tax Bearing Gas Price”).

**13.6 Tax Bearing Gas Election.** By executing this *Contract*, the *State* elects to receive its *Tax Bearing Gas Payment* due under Article 13.1(a)(i) and 13.1(b)(i) as a share of each *Producer’s Tax Bearing Gas* in lieu of receiving a cash payment. The *State’s* share of *Tax Bearing Gas* (“Tax Gas”) equals a *Volume* determined by a ratio:

- (a) the numerator of which is the *Tax Bearing Gas Payment* divided by the applicable *Tax Bearing Gas Price*, and
- (b) the denominator of which is the *Heating Value* of the *Tax Gas* measured at the applicable *Delivery Point*.

Determination of *Tax Gas* will be performed each *Calendar Month*, by *Producer*, for each *Property*.

**13.7 Example Calculations.** Example calculations for determination of the *Tax Bearing Gas Payment*, *Tax Bearing Gas Value*, *Tax Bearing Gas Price* and *Tax Gas* under Article 13 are shown in Exhibit F.

**13.8 Title Transfer of Tax Gas and Disposition of Gas and Impurities.**

- (a) Title Transfer. For each *Property*, the *State* shall take delivery of its *Tax Gas*, including any *Volume* attributable to *Impurities*, at the *Delivery Point* into the *Midstream Element* immediately downstream of that *Property*. The *State* shall take full ownership, title, financial responsibility, and risk of loss for its *Tax Gas* at the applicable *Delivery Point* in its then current composition, condition, or quality.
- (b) Disposition of Gas. The *State* shall make necessary arrangements and pay for the *Disposition* of the *Tax Gas* as it is delivered. Upon delivery of *Tax Bearing Gas* to a *Delivery Point*, the principles provided in Article 12.4(b) for the *Disposition* of *Gas* by a *Party* apply with equal force to *Disposition* of *Tax Bearing Gas* by a *Party*.
- (c) Disposition of Impurities. The provisions in Article 12.4(c) apply with equal force to *Tax Bearing Gas*.

**ARTICLE 14 - PAYMENT IN LIEU OF PRODUCTION TAXES**

**14.1 Payment in Lieu of Production Taxes.** Each *Producer* shall report and make a payment to the *State*, or cause that report and payment to be made, on its *PPT Production* (“PPT PILT Payment”), as provided under Article 14, Exhibit A, Exhibit P, Exhibit Q, Exhibit R, Exhibit X, Exhibit Y, and Exhibit Z.

(a) Before Project Sanction. Before *Project Sanction*, and including the *Calendar Month* in which *Project Sanction* occurs, each *Producer* shall make, or cause to be made, its *PPT PILT Payment* directly to the *State* and a *Producer* may not include its *PPT PILT Payment* obligation as a *Producer Monetary Obligation* under Article 22.

(b) After Project Sanction. Commencing the first *Calendar Month* after *Project Sanction*, each *Producer* shall include its *PPT PILT Payment* as a *Producer Monetary Obligation* under Article 22.1(a)(i)(E).

**14.2 Term of PPT PILT Payment.** The provisions of this *Contract* for the *PPT PILT Payment* do not apply after December 31, 2036, unless the *State* and the *Participants* mutually agree to extend them.

**14.3 Example Calculation.** An example calculation for a *Producer’s PPT PILT Payment* is shown in Exhibit F.



**ARTICLE 15 – UPSTREAM FACILITIES PAYMENTS**

**15.1 Upstream Facilities Oil Payment.** Annually, each *Producer* shall make, or cause to be made, a payment (“Upstream Facilities Oil Payment”) on the *Producer’s* interests in each *Upstream Facility*. The *Upstream Facilities Oil Payment* equals a *Producer’s Barrels of Hydrocarbon Liquids*, including associated royalty *Barrels*, originating from a *Property* measured at the meter where the *Barrels* are first delivered into any common carrier *Oil Pipeline* for delivery to *TAPS* multiplied by:

- (a) \$0.4960 per *Barrel* for *Prudhoe Bay Unit*;
- (b) \$0.5000 per *Barrel* for *PTU*;
- (c) \$0.4820 per *Barrel* for *Kuparuk River Unit*;
- (d) \$0.5790 per *Barrel* for *Duck Island Unit*;
- (e) \$0.4570 per *Barrel* for *Northstar Unit*;
- (f) \$0.5790 per *Barrel* for *Milne Point Unit*;
- (g) \$0.4520 per *Barrel* for *Colville River Unit*;
- (h) \$0.5790 per *Barrel* for *Badami Unit*;
- (i) \$0.5000 per *Barrel* for a *Property* existing on January 1, 2005, but not included in the above *Properties* on January 1, 2005; and
- (j) \$0.5000 per *Barrel* for a *Property* added under Article 31.4.

**15.2 Upstream Facilities Gas Payment.** Annually, each *Producer* shall make, or cause to be made, a payment (“Upstream Facilities Gas Payment”) on the *Producer’s* interests in each

*Upstream Facility*. The *Upstream Facilities Gas Payment* equals the sum of the *Volume of Producer Gas, Associated State Gas*, plus other royalty *Gas* associated with that *Producer*, originating from a *Property*, measured at the meter at the *Delivery Point* multiplied by \$0.0210 per *MCF*.

### 15.3 Determination of Volumes.

(a) Upstream Facilities Oil Payment Barrels. The number of *Barrels of Hydrocarbon Liquids* to be used in the calculation of the *Upstream Facilities Oil Payment* is:

- (i) for any *Property* producing on the *Effective Date*,
  - (A) for any payment due in *Calendar Year* 2006 or 2007, the annual arithmetic average of the total *Barrels of Hydrocarbon Liquids* delivered into a common carrier *Oil Pipeline* for delivery to *TAPS* for the prior five (5) *Calendar Years*; and
  - (B) for any payment due after *Calendar Year* 2007, the annual arithmetic average of the total *Barrels of Hydrocarbon Liquids* delivered into a common carrier *Oil Pipeline* for delivery to *TAPS* for the prior three (3) *Calendar Years*;
- (ii) for a *Property* not producing as of the *Effective Date*:
  - (A) for each of the first five (5) years of production, the total *Barrels of Hydrocarbon Liquids* delivered into a common carrier *Oil Pipeline* for delivery to *TAPS* for the prior *Calendar Year*; and

(B) thereafter, the annual arithmetic average of the total *Barrels* of *Hydrocarbon Liquids* delivered into a common carrier *Oil Pipeline* for delivery to *TAPS* for the prior three (3) *Calendar Years*.

(b) Upstream Facilities Gas Payment Volume. The *Volume* of *Gas* to be used in the calculation of the *Upstream Facilities Gas Payment* is:

- (i) for each of the first five (5) years of production, the sum of the *Volume* of *Producer Gas*, *Associated State Gas*, plus other royalty *Gas* associated with that *Producer*, measured at the *Delivery Point* for the prior *Calendar Year*; and
- (ii) thereafter, the annual arithmetic average of the sum of the *Volume* of *Producer Gas*, *Associated State Gas*, plus other royalty *Gas* associated with that *Producer*, measured at the *Delivery Point* for the prior three (3) *Calendar Years*.

An example calculation of the *Upstream Facilities Oil Payment* and the *Upstream Facilities Gas Payment* is shown in Exhibit F.

**15.4 Ceased Production.** A *Property* is deemed to have ceased production of *Hydrocarbon Liquids* or *Gas* on December 31 of the *Calendar Year* before its first full *Calendar Year* without *Hydrocarbon Liquids* or *Gas* production, as applicable. For any *Property* that ceases production of *Hydrocarbon Liquids* or *Gas*, the final *Upstream Facilities Oil Payment* or *Upstream Facilities Gas Payment* for that *Property* is the payment that was reportable on or before the last *Business Day* of May of the *Calendar Year* following the deemed date of cessation. If that *Property* resumes production of *Hydrocarbon Liquids*, the *Producer* shall resume *Upstream Facilities Oil Payments* as if it were a *Property* not producing on the *Effective Date* under Article 15.3(a). If that *Property* resumes production of *Gas*, the *Producer* shall resume *Upstream*

*Facilities Gas Payments* as if it were a *Property* not producing on the *Effective Date* under Article 15.3(b).

**15.5 Annual Payment.** A *Producer* shall pay the *Upstream Facilities Oil Payment* and the *Upstream Facilities Gas Payment* annually under Article 22.1, Exhibit A and Exhibit G.

(a) Annual Payment for Oil Property Producing Before Effective Date. For any *Property* producing *Barrels of Hydrocarbon Liquids* as of the *Effective Date*:

(i) if the *Effective Date* occurs before the last *Business Day* in May, the first *Upstream Facilities Oil Payment* is reportable on or before the last *Business Day* of June following the *Effective Date*;

(ii) if the *Effective Date* occurs after the last *Business Day* in May but before the last *Business Day* in June, the first *Upstream Facilities Oil Payment* is reportable on or before the last *Business Day* of that June, and is payable as follows:

(A) the *Producer* shall initially report any property *Tax* due for that *Calendar Year* as provided under AS 43.56; and

(B) on or before the last *Business Day* of June, the *Producer* shall either:

(1) report an additional payment if the amount of the *Tax* paid under Article 15.5(a)(ii)(A) is less than the amount due under Article 15.1; or

- (2) include a reimbursement in the *Producer Statement* if the amount of the *Tax* paid under Article 15.5(a)(ii)(A) is greater than the amount that would have been paid under Article 15.1.
- (iii) if the *Effective Date* occurs after the last *Business Day* of June, then AS 43.56 as it applies to *Upstream Facilities* is considered a *Payable Tax* for that *Calendar Year* and the first *Upstream Facilities Oil Payment* is reportable on or before the last *Business Day* of June of the following *Calendar Year*.
- (b) Annual Payment for Oil Property Not Producing On Effective Date. For any *Property* that has not produced *Hydrocarbon Liquids* (other than *Hydrocarbon Liquids* produced during well tests) as of the *Effective Date*, the first *Upstream Facilities Oil Payment* is reportable on or before the last *Business Day* of June of the *Calendar Year* following the *Calendar Year* in which *Barrels of Hydrocarbon Liquids* from that *Property* are first delivered into a common carrier *Oil Pipeline* for delivery to *TAPS*.
- (c) Annual Payment for Gas. For any *Property*, the first *Upstream Facilities Gas Payment* is reportable on or before the last *Business Day* of June of the *Calendar Year* following the later of the *Calendar Year of Commencement of Commercial Operations* or the *Calendar Year* in which a *Volume of Gas* (other than *Gas* produced during well tests) from that *Property* is first delivered into a *Midstream Element*.

**15.6 Inflation Adjustment.** The *Upstream Facilities Oil Payment* rates specified in Article 15.1 are adjusted annually for inflation beginning in *Calendar Year* 2007 as provided in Article 36.1(c) and the adjusted rates are effective on January 1 of the applicable *Calendar Year*. The *Upstream Facilities Gas Payment* rate specified in Article 15.2 is adjusted annually for inflation

as provided in Article 36.1(b) and the adjusted rates are effective on January 1 of the applicable *Calendar Year*.

### 15.7 Third Parties.

(a) Non-Party Working Interest Owners in a Facility. This *Contract* exempts only a *Party* that holds a *Working Interest* in an *Upstream Facility* from any property tax payment on the *Upstream Facility* under applicable *Law*.

(b) Third Party Deliveries to a Facility.

(i) If a *Person* who is neither a *Party* nor a party to a *Uniform Upstream Fiscal Contract* delivers *Hydrocarbon Liquids* or *Gas* into an *Upstream Facility* in which they have no *Working Interest* (“Third Party Volumes”), each *Producer* who is a *Working Interest* owner of that *Upstream Facility* shall make *Upstream Facilities Oil Payments*, and *Upstream Facilities Gas Payments* in addition to those provided in Article 15, calculated as follows:

(A) multiply the applicable rates in Article 15.1 or 15.2 by the *Third Party Volumes* delivered from an *Upstream Facility*; and

(B) multiply the product in Article 15.7(b)(i)(A) by the *Producer’s Working Interest* ownership percentage in that *Upstream Facility*.

(ii) A *Producer* is not required to make the additional payments provided in Article 15.7(b)(i) if:

(A) the property *Tax Law* applicable to an *Upstream Facility* is changed to impose a *Tax* directly upon the owner of those *Third Party Volumes*; or

(B) an agreement regarding the processing of those *Third Party Volumes* was entered into before the *Effective Date*.

## ARTICLE 16 - MIDSTREAM PAYMENT

**16.1 Midstream Payment.** Each *Midstream Entity* shall make a payment (“Midstream Payment”) on each of its *Midstream Elements*. The *Midstream Payments* are determined as follows:

- (a) for the *Mainline*, \$0.0240 per *MMBTU* multiplied by the *Quantity* of *Gas* measured at the meter where the *Quantity* is delivered into the *Mainline*;
- (b) for the *GTP* constructed to condition and compress *Prudhoe Bay Unit Gas* and potentially other *Gas*, \$0.0100 per *MMBTU* multiplied by the *Quantity* of *Gas* measured at the meter where the *Quantity* is delivered into the *Mainline* from the *GTP*; and
- (c) for each *Gas Transmission Pipeline*, \$0.0003 per *MCF-mile* multiplied by the sum of each *Inlet Point Contribution* multiplied by the *Segment Length* for that portion of the pipeline associated with that *Inlet Point Contribution*.

**16.2 Determination of Midstream Payment Quantities and Volumes.** The *Quantity* or the *Volume*, as applicable, of *Gas* to be used in the calculation of the *Midstream Payment* for the applicable *Midstream Element* is:

- (a) for each *Calendar Year* when the first five (5) annual *Midstream Payments* are due for that *Midstream Element*, the total *Quantity* or total *Volume*, as applicable, of *Gas* delivered into that *Midstream Element* for the prior *Calendar Year*; and
- (b) for any *Calendar Year* thereafter, the annual arithmetic average of the total *Quantity* or the total *Volume*, as applicable, of *Gas* delivered into that *Midstream Element* for the prior three (3) *Calendar Years*.

An example calculation of the *Midstream Payment* is shown in Exhibit F.

**16.3 Ceased Operation.** If a *Midstream Element* ceases operation, the final *Midstream Payment* for that *Midstream Element* is due on or before the last *Business Day* of June of the *Calendar Year* following the date of cessation. If that *Midstream Element* resumes operation, *Midstream Payments* resume under Article 16.2(a) for the first five (5) years after resumption and thereafter under Article 16.2(b).

**16.4 Annual Payment.** Each *Project Entity* shall make its *Midstream Payment* annually under Article 22.2, Exhibit A and Exhibit G. The first *Midstream Payment* is due on or before the last *Business Day* of June of the *Calendar Year* following the *Calendar Year* in which *Gas* is first delivered into the *Mainline*, *GTP*, or *Gas Transmission Pipeline*, as applicable.

**16.5 Inflation Adjustment.** The \$ per *MMBTU* and the \$ per *MCF* per mile rates specified in Article 16.1 are adjusted annually for inflation as provided in Article 36.1(a) and the adjusted rates are effective on January 1 of the applicable *Calendar Year*.



**16.6 Additional Midstream Facilities.** The *Parties* shall agree on a *Midstream Payment* rate to be paid by a *Project Entity* that owns a *Midstream Element* that does not have a *Midstream Payment* already established under Article 16.1.

## ARTICLE 17 – PAYMENT IN LIEU OF OIL PIPELINE AD VALOREM TAXES

**17.1 Payment in Lieu of Oil Pipeline Ad Valorem Taxes.** Annually, each *Participant* shall make, or cause to be made, a payment (“Payment in Lieu of Oil Pipeline Ad Valorem Taxes”) to the *State* under Article 17 for each *Oil Pipeline* in which it holds an *Oil Pipeline Ownership Interest*.

**17.2 Payment Amount.** Each *Participant’s Payment in Lieu of Oil Pipeline Ad Valorem Taxes* is determined as follows:

(a) Before the In-Service Date for an Oil Pipeline. For an *Oil Pipeline* under construction or not yet having begun to transport *Unrefined Oil* as of the *Valuation Date*, each *Participant’s Payment in Lieu of Oil Pipeline Ad Valorem Taxes* is calculated as follows:

- (i) multiply the *Oil Pipeline Ownership Interest* for that *Oil Pipeline* by the *Actual Cost* as of the *Valuation Date*;
- (ii) multiply the result in Article 17.2(a)(i) by two percent (2%).

(b) After the In-Service Date for an Oil Pipeline. For an *Oil Pipeline* that has begun to transport *Unrefined Oil* as of the *Valuation Date*, each *Participant's Payment in Lieu of Oil Pipeline Ad Valorem Taxes* is calculated as follows:

(i) multiply the *Oil Pipeline Ownership Interest* for that *Oil Pipeline* by the *Average Annual Barrels Tendered* into that *Oil Pipeline* as determined under Article 17.3;

(ii) multiply the result in Article 17.2(b)(i) by whichever of the following rates is applicable to that *Oil Pipeline*:

(A) for the *Oil Pipeline* of Alpine Transportation Company or its successor, \$0.0409 per *Barrel*;

(B) for the *Oil Pipeline* of BP Transportation (Alaska), Inc. doing business as Badami Pipeline Company or its successor, \$0.0542 per *Barrel*;

(C) for the *Oil Pipeline* of Endicott Pipeline Company or its successor, \$0.0387 per *Barrel*;

(D) for the *Oil Pipeline* of Kuparuk Transportation Company or its successor, \$0.0133 per *Barrel*;

(E) for the *Oil Pipeline* of Milne Point Pipeline Company, LLC or its successor, \$0.0143 per *Barrel*;

(F) for the *Oil Pipeline* of BP Transportation (Alaska), Inc. doing business as Northstar Pipeline Company or its successor, \$0.0610 per *Barrel*;

(G) for the *Oil Pipeline* of Oliktok Pipeline Company or its successor, \$0.0164 per *Barrel*;

(H) for the *Oil Pipeline* known as *TAPS* or its successor, \$0.2040 per *Barrel* ; or

(I) for an *Oil Pipeline* located within the *ANS* and not included in Article 17.2(b)(ii)(A) through (H), \$0.0059 per *Barrel* per mile, multiplied by the *Segment Length* of that pipeline, located offshore, and \$0.0019 per *Barrel* per mile multiplied by the *Segment Length* of that pipeline located onshore.

**17.3 Determination of Oil Pipeline Volumes.** The number of *Barrels* of *Unrefined Oil* to be used in the calculation of the *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* (“Average Annual Barrels Tendered”) is, for an *Oil Pipeline* being valued on the *Valuation Date* for:

(a) the first *Calendar Year* after it begins transporting *Unrefined Oil*, the *Annual Barrels Tendered* into it in the previous *Calendar Year*;

(b) the second *Calendar Year* after it begins transporting *Unrefined Oil*, the sum of the *Annual Barrels Tendered* into it for the two (2) previous *Calendar Years*, divided by two (2); or

(c) the third *Calendar Year* after it begins transporting *Unrefined Oil*, and for each *Valuation Date* thereafter, the sum of the *Annual Barrels Tendered* into it for the three (3) most recent *Calendar Years*, divided by three (3).

**17.4 Ceased Operation.** If an *Oil Pipeline* ceases operation, the final *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* for that *Oil Pipeline* is the payment that was reportable on or before the *Report Date* in May of the *Calendar Year* of the date of cessation. If that *Oil Pipeline* resumes operation, each *Participant* with an *Oil Pipeline Ownership Interest* in that *Oil Pipeline* shall resume, or cause to be resumed, the *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* under Article 17.3.

**17.5 Notice of Actual Cost.** On or before February 15 of each *Calendar Year*, each *Participant* owning an interest in an *Oil Pipeline* under construction or not yet having begun to transport *Unrefined Oil* shall provide, or cause to be provided, a *Notice* of all the actual costs incurred or accrued in the construction of that *Oil Pipeline* as of the *Valuation Date*. On or before April 15 of each *Calendar Year*, the *Commissioner* shall provide to each *Participant* owning an interest in an *Oil Pipeline* under construction or not yet having begun to transport *Unrefined Oil*, a *Notice* of the *Actual Cost* under Article 17.2(a) of that *Oil Pipeline* as of the *Valuation Date*. That determination of *Actual Cost* is deemed correct until all *Disputes* noticed by any *Party* under Exhibit B.12 concerning that *Oil Pipeline* are final.

**17.6 Annual Payment.** Each *Participant* with an *Oil Pipeline Ownership Interest* shall make, or cause to be made, its *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* annually under Article 22.1, Exhibit A and Exhibit G. Except as provided under Article 17.6(a) and (b), the *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* is reportable on or before the *Report Date* in May of the *Calendar Year* in which the *Valuation Date* occurs.

(a) In Service as of the Effective Date. For any *Oil Pipeline* transporting *Unrefined Oil* as of the *Effective Date*:

(i) if the *Effective Date* occurs before the *Report Date* in May, the first *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* is reportable on or before the *Report Date* in June following the *Effective Date*;

(ii) if the *Effective Date* occurs after the *Report Date* in May but before the *Report Date* in June, the first *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* is reportable on or before the *Report Date* in June, and is payable as follows:

(A) that *Participant* shall initially pay any property *Tax* due for that *Calendar Year* as provided under AS 43.56; and

(B) on or before the last *Business Day* of the month following the *Effective Date*, that *Participant* shall report in the *Producer Statement* either:

(1) an additional amount due the *State* if the amount of the *Tax* paid under Article 17.5(a)(ii)(A) is less than the amount due under Article 17.1; or

(2) a reimbursement due the *Producer* if the amount of the *Tax* paid under Article 17.5(a)(ii)(A) is greater than the amount that would have been paid under Article 17.1;

(iii) if the *Effective Date* occurs after the *Report Date* of June, then AS 43.56 as it applies to *Oil Pipelines* governs, and the first *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* is reportable on or before the *Report Date* in May of the following *Calendar Year*.

(b) Not in Service as of the Effective Date. For any *Oil Pipeline* that has not transported *Unrefined Oil* as of the *Effective Date*, the first *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* is reportable on or before the *Report Date* of June of the *Calendar Year* following the *Calendar Year* during which construction is initiated on that *Oil Pipeline*.

**17.7 Inflation Adjustment.** The \$ per *Barrel* and the \$ per *Barrel* per mile rates specified in Article 17.3 are adjusted annually for inflation using the adjustment methodology described in Article 36.1(c) and the adjusted rates are effective on January 1 of the applicable *Calendar Year*.

**17.8 Oil Pipeline Ad Valorem Tax Billing and Reporting.** This *Contract* exempts only an *Oil Pipeline Ownership Interest* from any property tax payment on that interest under applicable *Law*. To the extent a *Participant* is operating an *Oil Pipeline* on behalf of a non-*Participant*, this *Contract* does not exempt that *Participant* from the reporting requirements under *Law*. Annually, the *State* shall bill the operator of each *Oil Pipeline* for ad valorem taxes due under applicable *Law*, for a non-*Participant's* ownership interests and *Payments in Lieu of Oil Pipeline Ad Valorem Taxes* due under this *Contract*.

**17.9 Term of Payment in Lieu of Oil Pipeline Ad Valorem Taxes.** The provisions of this *Contract* for *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* do not apply after December 31, 2035, unless the *State* and the *Participants* mutually agree to extend them.

**17.10 Example Calculation.** An example calculation of the *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* is shown in Exhibit F.

## ARTICLE 18 - IMPACT PAYMENTS

**18.1 Impact Payments.** The *Mainline Entity* shall make payments to the *State* to address economic and social impacts associated with the *Project* following *Project Sanction* (“Impact Payments”). The *Mainline Entity* shall make *Impact Payments* according to the following schedule:

- (a) \$8.9 million *Dollars* (\$8,900,000), payable at the end the *Calendar Year* immediately following *Project Sanction* (“Initial Impact Payment Date”);
- (b) \$16.6 million *Dollars* (\$16,600,000), payable one (1) year following the *Initial Impact Payment Date*;
- (c) \$27.7 million *Dollars* (\$27,700,000), payable two (2) years following the *Initial Impact Payment Date*;
- (d) \$27.7 million *Dollars* (\$27,700,000), payable three (3) years following the *Initial Impact Payment Date*;
- (e) \$26.0 million *Dollars* (\$26,000,000), payable four (4) years following the *Initial Impact Payment Date*; and
- (f) \$18.1 million *Dollars* (\$18,100,000), payable five (5) years following the *Initial Impact Payment Date*.

**18.2 Inflation Adjustment.** *Impact Payments* are adjusted annually for inflation as provided in Article 36.1(d).

**18.3 Suspension or Termination of Obligations.** Unless the *Mainline Entity* suspends its obligations under this *Contract*, or this *Contract* is terminated, the amount or timing of *Impact Payments* may not be changed. If the *Mainline Entity* suspends its obligations, the *Mainline Entity* may suspend making *Impact Payments* for the remainder of the suspension period beginning one (1) year after a *Judicial Suspension Notice* or a *Notice of Force Majeure*. If this *Contract* is terminated before the final *Impact Payment* is made, then the *Mainline Entity's* obligations to make unpaid *Impact Payments* is terminated.

## ARTICLE 19 - PAYMENT IN LIEU OF STATE CORPORATE INCOME TAX

**19.1 Payment In Lieu Of SCIT.** Each *Participant* and its *Alaska* nexus *Unitary Business Affiliates* shall submit consolidated returns and make payments ("Payments in Lieu of SCIT") to the *State* under Article 19, Article 22, Exhibit A and Attachment 2.

- (a) Incorporation of Text of State Laws. The text of Articles I, II, IV and XII of AS 43.19.010 (Multistate Tax Compact), AS 43.20, 15 AAC 19, and 15 AAC 20, as they read on October 1, 2005, is incorporated by reference into Article 19.1 as if set out here except for any provision relating to audit and the modifications set out in Article 19.1(b). The provisions of 15 AAC 19 and 15 AAC 20 are to be construed in a manner that is



consistent with the corresponding provisions in AS 43.19.010 and AS 43.20, as modified in Article 19.1(b), that they implement, interpret, make specific, or otherwise carry out.

(b) Modifications to Text of Incorporated State Laws. The text of *State Laws* incorporated under Article 19.1(a) is modified as follows:

(i) AS 43.20.072(d) and 15 AAC 20.500(a) are modified so that the payments under Articles 19.2, 19.3, and 19.4 are excluded from the numerator of the sales factor;

(ii) AS 43.20.072(c)(1) and (2) are modified so that the two-factor apportionment factors under them are applicable to a *Participant* and its *Affiliates* having oil and gas related business activity in *Alaska* only if they and any consolidated business of which they are a part do not engage anywhere in the world in the production or pipeline transportation of oil and gas;

(iii) 15 AAC 19.011 – 15 AAC 19.031 are modified to read the same as Reg. IV.1.1(a) – (c) of the Model Regulations (as updated January 2004) of the Multistate Tax Commission, and for this purpose the text of Reg. IV.1.1(a) – (c) of those Model Regulations is incorporated by reference into Article 19.1(b)(iii) as if it were set out here; and

(iv) AS 43.20.031(e) and 15 AAC 20.100(b) are amended such that the eighty percent (80%) voting and value test under Internal Revenue Code section 1504(a)(2) is replaced with a greater than fifty percent (50%) ownership test, thereby allowing all members engaged in a *Unitary Business* to join in a single consolidated return for their *Payment in Lieu of SCIT* for a *SCIT Calendar Year*.

(c) Judicial Interpretations. The judicial interpretation of a text that was rendered by the courts or by an administrative law judge under AS 43.05.405 - 43.05.499, in effect on October 1, 2005 applies with respect to each *State Law* whose text is incorporated by reference under Article 19.1(a).

(d) Applicable Federal Income Tax Law.

(i) The sections, which are in effect for the *SCIT Calendar Year*, of the Internal Revenue Code referred to in any *State Law* whose text is incorporated in Article 19.1(a), apply in determining the *Payments in Lieu of SCIT* for that *SCIT Calendar Year*, unless an exception or modification to that provision was enacted by the *Legislature*, or the Alaska Supreme Court in a final decision held such an exception or modification to have been made to that provision, on or before October 1, 2005.

(ii) The following federal actions that interpret or apply any provision of a section of the Internal Revenue Code adopted in Article 19.1(a), are applicable in interpreting or applying that provision for purposes of Article 19 for those *SCIT Calendar Years* to which the federal interpretation or application applies:

(A) decisions or orders by the following United States courts:

(1) the Supreme Court;

(2) any of the Court of Appeals;

(3) the Tax Court, the Court of Federal Claims, and any of the District Courts;

(B) regulations of the U.S. Department of Treasury;

(C) revenue rulings, revenue procedures, and any other publication issued by the Internal Revenue Service that is to be relied upon by the Internal Revenue Service, its personnel, and taxpayers; and

(D) if applicable, private letter rulings, technical advice memoranda, determination letters, and any other statement from the Internal Revenue Service that binds the *Participant* citing it, or that *Participant's Affiliate*.

In the event of inconsistent decisions between federal courts, the decision of the higher court controls. If the federal courts are of an equal level, the decision of the court that includes *Alaska* in its jurisdiction controls. If *Alaska* is not in any of the courts' jurisdictions, the *Tribunal* shall decide which decision controls.

(iii) Any federal *Law* that is inconsistent with the principles of worldwide combination and apportionment under *State Law* adopted by Article 19.1(a) does not apply to the extent of that inconsistency unless the *State Law* is held unconstitutional by a federal court.

(e) Time of Reporting, Payment, and Interest. Each *Participant* shall submit consolidated returns and make estimated *Payments in Lieu of SCIT* provided in AS 43.20.030(c) and IRC Section 6655, with the exception that the reporting dates for estimated payments are the last day rather than the fifteenth (15<sup>th</sup>) day of the fourth (4<sup>th</sup>), sixth (6<sup>th</sup>), ninth (9<sup>th</sup>), and twelfth (12<sup>th</sup>) months of the *SCIT Calendar Year*. The unpaid balance for the *Payment in Lieu of SCIT* for a *SCIT Calendar Year* is reportable by the end of the fourth (4<sup>th</sup>) month of the following *SCIT Calendar Year*. The consolidated return for *Payment in Lieu of SCIT* for a *SCIT Calendar Year* is reportable by the end of the fourth (4<sup>th</sup>) month of the following *SCIT Calendar Year* or the extended return date.

Any amount due when the *Payment in Lieu of SCIT* return is filed must be included in the *Producer Statement* or *Midstream Statement* in the *Calendar Month* in which the return is filed. Any interest due under Article 19 is as determined under Article 36.

(f) Audits. Audits related to *Payments in Lieu of SCIT* are subject to the terms of Article 25 and Exhibit B.

(g) No Penalties. Any penalty provided for in the text of any *State Law* incorporated by reference in Article 19.1(a), or provided for in any provision of the Internal Revenue Code that is applicable under Article 19.1(d) may not be claimed or asserted by the *State*.

**19.2 Tax Bearing Gas Payment Impact on Payment in Lieu of SCIT.** Irrespective of an individual *Producer's* internal reporting or treatment of the *Tax Bearing Gas Payment* or any *Quantity* or *Volume* of *Tax Gas* delivered to the *State* under Article 13, the transfer or payment by a *Producer* of the amount, *Quantity* or *Volume* to the *State* must not be included in the numerator of the sales factor in the calculation of the *Payments in Lieu of SCIT* otherwise payable under Article 19.

**19.3 Upstream Cost Allowance Impact on Payment in Lieu of SCIT.** The *UCA* paid to the *Producer* on *Royalty Gas* and *Tax Gas* under Article 20 must not be included in the numerator of the sales factor in the calculation of the *Payments in Lieu of SCIT*.

**19.4 Field Cost Allowance Impact on Payment in Lieu of SCIT.** The field cost allowance paid to the *Producer* under leases or other agreements in existence as of the *Effective Date* must

not be included in the numerator of the sales factor in the calculation of the *Payments in Lieu of SCIT*.

**19.5 Payment in Lieu of SCIT is a Tax on or Measured by Net Income.** The *Payment in Lieu of SCIT* under Article 19.1 is deemed a tax based on or measured by net income under AS 43.20.031(c) or AS 43.20.072(b)(1).

**19.6 Fundamental Changes to the Federal Income Tax System.** If the federal income tax system fundamentally changes so that it is no longer based on or measured by net income, then the *Parties* shall propose alternative methods for calculating *Payments in Lieu of SCIT* on the basis of net income. In the event of a *Dispute*, it is the *Parties'* intent that the alternative method will be based on or measured by net income, substantially similar, if possible, to the federal income tax system existing before that change but without creating a necessity for maintaining and auditing special books and records that are kept solely for the purpose of calculating *Payments in Lieu of SCIT*.

**19.7 Tax Periods Prior to the Effective Date.** The provisions of this *Contract for Payment in Lieu of SCIT* have no effect on tax obligations under AS 43.20 for *SCIT Calendar Years* before the *Effective Date* other than the *SCIT Calendar Year* in which the *Effective Date* occurs or a *Participant* otherwise becomes a *Party*.

**19.8 Effective Tax Year of Payment in Lieu of SCIT.** For the *SCIT Calendar Year* in which the *Effective Date* occurs or a *Participant* otherwise becomes a *Party*, whichever is later, any

estimated *SCIT* payments made by a *Participant* before the *Effective Date* or the date it otherwise becomes a *Party*, as the case may be, are treated as estimated *Payments in Lieu of SCIT* for that portion of the *Calendar Year* and no *SCIT* is due for that *SCIT Calendar Year*.

#### **19.9 Term of Payment in Lieu of SCIT Provisions.**

(a) Election. A *Participant* or the *State* may make a one-time election to limit the *Payment in Lieu of SCIT* provisions as provided under Article 19.9(b). A *Party* may make the election by providing *Notice* on or before February 1 of the *Calendar Year* before the *Calendar Year* in which the election is to be effective. That election is effective as follows:

- (i) January 1 of the thirtieth (30<sup>th</sup>) *Calendar Year* after the *Calendar Year* of the *Effective Date*; or
- (ii) if the election under Article 19.9(a)(i) is not made, January 1 of every fifth (5<sup>th</sup>) *Calendar Year* for the remainder of the *Term*, until an election is made.

(b) Modified Payment in Lieu of SCIT Provisions. The *Party* making the election shall provide, with the *Notice*, a proposed method that gives reasonable effect to both:

- (i) the obligation of a *Participant* to make a *Payment in Lieu of SCIT* on income that is earned by a *Participant* from business activity related to the *Project* or *Gas* production from a *Property*; and
- (ii) any obligation to pay *SCIT* on other income,

during the remainder of the *Term*.

(c) Disputes on Method. If the *State* and a *Participant* are unable to agree on a method, the *Tribunal* shall select one that satisfies the criteria under Article 19.9(b)(i) and

Article 19.9(b)(ii). Article 26 and Exhibit C apply to the initial selection of a method and its application.

**19.10 Presumptions and Interpretations.** Any presumption created or arising under the *Laws* adopted under Article 19.1 is also adopted as part of this *Contract*, except that the *State's* determination of a *Tax* under the *Laws* adopted under Article 19.1, its interpretation of a *Law*, or its immaterial allegation of a fact relevant to the determination of a *Tax*, is neither presumed correct nor entitled to deference.

**19.11 Example Calculation.** An example calculation for a *Participant's Payment in Lieu of SCIT* is shown in Exhibit F.

## ARTICLE 20 – COST ALLOWANCES

**20.1 Producer's Receipt of UCA.** As reimbursement of the *Producer's* upstream costs, including any direct and indirect costs for gathering, separating, cleaning, dehydrating, compressing and other field handling costs associated with production of *State Gas* upstream of a *Delivery Point*, including capital expenditures, operating expenses and overhead incurred by each *Producer*, the *State* shall make, or cause to be made an upstream cost allowance (“UCA”) payment, to each *Producer* of \$0.2240 per *MCF* on *State Gas*, including any *Volume* attributable to *Impurities* that are *Disposed* of in a *Disposal Property* and subsequently returned to the surface during *Gas* production operations, delivered by that *Producer* at a *Delivery Point* or

recouped under Article 22.2. The *State* shall not pay the *UCA* for any *Gas* not subject to an *Upstream Facilities Gas Payment* or for *Tax Gas* subject to Article 14 and Exhibit P.

**20.2 Existing Cost Allowances.** For *Properties* included in Exhibit D that have a cost allowance on royalty oil or other royalty *Hydrocarbon Liquid* production, the *State* shall pay to each *Producer* that cost allowance under the applicable lease or other agreements in effect on the *Effective Date* for that *Property*.

**20.3 Commitment Allowance.** Beginning in the *Calendar Year* following *Project Sanction*, the *State* shall make or cause to be made to each *Producer*, whose *Producer Capacity Holder* has obtained *Capacity* on the *GTP* or a *Gas Transmission Pipeline* listed in Articles 7.2(b) and 7.2(c) in the initial *Open Season* for any of those *Midstream Elements*, an allowance (“Commitment Allowance”) payment. The *Commitment Allowance* for each of those *Midstream Elements* is an amount calculated as follows:

- (a) the total capital expenditures for acquisition, construction, or installation that:
  - (i) would be recoverable in a rate base determined in conformance with *FERC* principles, but excluding an allowance for funds used during construction;
  - (ii) are incurred after the *Effective Date*;
  - (iii) are, for the first annual payment, the amount incurred from the *Effective Date* through December 31 of the *Calendar Year* of *Project Sanction*; or
  - (iv) are, for each subsequent annual payment through the first *Calendar Year* following *Commencement of Commercial Operations*, the amount incurred during that *Calendar Year*;



for that *Midstream Element*, multiplied by 0.35;

(b) the result in Article 20.3(a) multiplied by the difference between one (1) and the *State* ownership interest in that *Midstream Element*; and

(c) the result in Article 20.3(b) multiplied by a ratio, the numerator of which is the net present value of *Capacity* obtained in the initial *Open Season* by that *Producer Capacity Holder*, and the denominator of which is the net present value of *Capacity* obtained in the initial *Open Season* by all *Capacity* holders, other than the *State Capacity Holder*, for that *Midstream Element*; where the net present value of *Capacity* must be on the same basis used by that *Midstream Element* to allocate *Capacity* in the initial *Open Season* for that *Midstream Element*.

The *State* shall pay to each *Producer* any *Commitment Allowance* due for a *Calendar Year* on the *Payment Date* in June of the next *Calendar Year*.

#### **20.4 Monthly Payment.**

(a) The *UCA* payment is calculated and paid each *Calendar Month* under Article 22.1 and Exhibit A. The *State's* obligation to make the *UCA* payment commences upon delivery of *Gas* to a *Delivery Point*.

(b) The *Commitment Allowance* is calculated and paid under Article 22.1 and Exhibit A. The *State's* obligation to make the *Commitment Allowance* payment commences on the *Payment Date* in June of the *Calendar Year* following *Project Sanction*, and ends on the *Payment Date* in June of the second *Calendar Year* following *Commencement of Commercial Operations*.

Example calculations for the monthly *UCA* payment and the *Commitment Allowance* are shown in Exhibit F.

**20.5 Inflation Adjustment.** The \$ per *MCF* rate specified in Article 20.1 is adjusted annually for inflation as provided in Article 36.1(a) and the adjusted rate is effective on January 1 of the applicable *Calendar Year*.

## ARTICLE 21 - PAYMENTS TO POLITICAL SUBDIVISIONS

**21.1 Payments to Political Subdivisions.** A *Participant* shall make a portion of the payments due the *State* from that *Participant* under Articles 15, 16 and 17 payable to a *Political Subdivision*, with the remaining portion payable to the *State*, as provided in Exhibit G.

**21.2 New Political Subdivisions.** If a new *Political Subdivision* is formed after the *Effective Date*, the *State* may provide *Notice* to a *Participant* that a portion of the payments due the *State* from that *Participant* under Articles 15, 16 and 17 is to be made payable to that new *Political Subdivision* with the remaining portion payable to the *State* and the other *Political Subdivisions* as provided in Exhibit G. The *Fiscal Obligations* under this *Contract* do not change as a consequence of the addition of payments to a new *Political Subdivision*.

**21.3 Indemnification and Recourse.** The *State* shall indemnify, hold harmless, and defend each *Participant* against any *Loss* resulting from claims by a *Political Subdivision* related to that

*Participant's Fiscal Obligations.* A *Political Subdivision* has no right under this *Contract* to institute any administrative, judicial, or arbitration proceeding against any *Participant* regarding the performance of obligations under this *Contract*. A *Political Subdivision* has no third party beneficiary rights under this *Contract*. A *Political Subdivision's* exclusive recourse is against the *State*. The *State* shall support any *Participant's* effort to participate in any administrative, judicial, or arbitration proceeding regarding the allocation or distribution of any payments under this *Contract*.

**21.4 Example Calculation.** An example calculation for the amounts payable to *Political Subdivisions* is shown in Exhibit F.

## **ARTICLE 22 – PAYMENT OF FISCAL OBLIGATIONS**

### **22.1 Producer and State Payments.**

(a) Determination. For a *Calendar Month*, a *Producer* shall determine its or its *Affiliates'* monetary obligation to the *State* or the *State's* monetary obligation to the *Producer* or its *Affiliates*, as the case may be as follows:

(i) Producer Monetary Obligation. Sum the following payments due the *State* (collectively, "Producer Monetary Obligation"):

(A) Any monetary payment due under Article 11.2 (Payment in Lieu of State Imposed Taxes);

- (B) Any monetary payment due under Article 11.4 (Fixed Payable Tax Increment Payment);
  - (C) Any monetary payment due under Article 12 (Royalty Payment);
  - (D) Any monetary payment due under Article 13 (Tax Bearing Gas Payment);
  - (E) Any monetary payment due under Article 14, including Exhibit Y.4 and Exhibit Y.12 (PPT PILT Payment);
  - (F) Any monetary payment due under Article 15 (Upstream Facilities Oil Payment and Upstream Facilities Gas Payment);
  - (G) Any monetary payment due under Article 17 (Payment in Lieu of Oil Pipeline Ad Valorem Taxes);
  - (H) Any monetary payment due under Article 19 (Payment in Lieu of SCIT);
  - (I) Any monetary payment as part of an *Award* due the *State* from a *Producer* or its *Affiliates* under this *Contract* only, but not as part of an award due the *State* from a *Producer* or its *Affiliates* outside of this *Contract* (State Award); and
  - (J) Any reimbursement to the *State* under Article 22.3 (State Overpayment of State Monetary Obligation).
- (ii) State Monetary Obligation. Sum the following credits or payments due to the *Producer* or its *Affiliates* (collectively, “State Monetary Obligations”):
- (A) Any reimbursement under Article 11;

- (B) Any monetary payment due under Article 11.4 (Fixed Payable Tax Increment);
- (C) Any monetary payment due under Article 20 (Cost Allowances);
- (D) Any monetary payment due under Article 8.3, Article 10.10, Article 22.1(g)(ii) and (iii), or Article 21.3 (Indemnification Payment);
- (E) Any monetary payment as part of an *Award* due to a *Producer* or its *Affiliates* from the *State* under this *Contract* only, and not as a part of an award due to a *Producer* or its *Affiliates* from the *State* outside this *Contract* (Producer Award);
- (F) Any carried over *Amount Due* due under Article 22.1(c)(i) (Carryover Underpayment);
- (G) Credit for any monetary payments received by a *Producer* from a customer of a *State Gas* sales contract under Article 22.1(g)(i) (Sales Recoupment);
- (H) Any assigned monetary value associated with a *Volume of Gas Recoupment* received by a *Producer* under Article 22.1(j) (Gas Recoupment);
- (I) Any transfer of an *Amount Due* to a *Producer* under Article 22.2(d)(iii) (Transfer Reimbursement);
- (J) Credit for any monetary *Political Subdivision* payments made by the *Producer* to a *Political Subdivision* to fulfill an obligation to the *State* under Article 21 and Exhibit G; and

- (K) Any reimbursement to the *Producer* or its *Affiliates* under Article 22.3 (Producer Overpayment of Fiscal Obligations).
- (iii) Direct Payment of State Obligation. For any *State Monetary Obligation* in Article 22.1(a)(ii), the *State* may pay that *State Monetary Obligation*, or cause it to be paid, to the *Producer* consistent with Exhibit A (“Direct State Payment”). If a *Direct State Payment* does not satisfy the full amount of the *State Monetary Obligation*, the *Producer* is entitled to recoup, offset or transfer the remaining balance as provided in Article 22.1(c).
- (iv) Net Monetary Obligation. Subtract the *State Monetary Obligation* from the sum of *Producer Monetary Obligation* plus *Direct State Payments* (“Net Monetary Obligation”).
- (b) Producer Payment to State. If the *Net Monetary Obligation* is greater than zero (“Producer Net Monetary Obligation”), then the *Producer* shall pay the *Producer Net Monetary Obligation* to the *State* by the *Payment Date*.
- (c) State Payment to Producer. If the *Net Monetary Obligation* is less than zero (“State Net Monetary Obligation”), then the *State* owes the *Producer* the absolute value of the *State Net Monetary Obligation*. The *Producer* shall invoice the *State* for the *State Net Monetary Obligation*, and the *State* may pay the *State Net Monetary Obligation* to the *Producer* by the tenth *Business Day* after the *Payment Date* consistent with Exhibit A. If the *State* does not pay the full amount of the *State Net Monetary Obligation* by the tenth *Business Day* after the *Payment Date*, the *Producer* is entitled to apply *Interest* to the *State Net Monetary Obligation* and do any, or any combination, of the following:

- (i) carry the *Amount Due* forward and recoup or offset it in the next *Calendar Month* by including it in Article 22.1(a)(ii)(F);
- (ii) offset or recoup the *Amount Due* as provided under Article 22.1(d);
- (iii) transfer the right to recoup or offset the *Amount Due* to a *Producer Transferee* who may exercise that right by including the *Amount Due* in Article 22.1(a)(ii)(I) or Article 22.2(b)(ii)(F), as applicable;
- (iv) provide *Notice* to the *State* of any expectation that its *Producer Monetary Obligation* for the coming three (3) *Calendar Months* will not be sufficient to allow the *Amount Due* to be recouped or offset, in which event the *State* shall notify the *Legislature* of the *Amount Due* so that an appropriation may be made for payment if no appropriation exists that authorizes payment; or
- (v) provide *Notice* to the *State* to recoup or offset the *Amount Due* as provided under Article 22.1(d) if there has been *Amount Due* for three (3) or more consecutive *Calendar Months*.

A *Producer Transferee* is also entitled to apply *Interest* to any unpaid amount if the *State* does not pay the full amount of any *State Net Monetary Obligation* that is transferred to that *Producer Transferee*.

(d) Recoupment or Offset of Amount Due. Subject to the limitations in Article 22.1(f), a *Producer* may recoup or offset an *Amount Due* by receiving payments under a *State Gas* sales contract (“Sales Recoupment”) as provided under Article 22.1(g)(i) or by reducing the *Volume* that the *Producer* would otherwise deliver to the *State* at a *Delivery Point* as further provided in Article 22.1(f) and Article 22.1(g) (“Gas Recoupment”). A *Producer* may exercise a right of *Sales Recoupment* or *Gas Recoupment* only if:

- (i) one (1) *Calendar Month* has elapsed after the *Producer* provided *Notice* under Article 22.1(c)(v); and
  - (ii) an *Amount Due* remains.
- (e) Sales or Gas Recoupment. A *Producer* may exercise *Sales Recoupment* or *Gas Recoupment* on *Tax Gas* and *Available Royalty Gas*. The *Sales Recoupment* and *Gas Recoupment* rights may be exercised:
- (i) subject to the requirements of Article 22.1(d) and (g), a *Producer* may exercise *Sales Recoupment* to receive up to fifty percent (50%) of any payments under *State Gas* sales contracts for *Tax Gas* and *Available Royalty Gas*; or
  - (ii) subject to the requirements of Article 22.1(d) and (g), a *Producer* may exercise *Gas Recoupment* to reduce up to fifty percent (50%) of the *Volume* or *Quantity* of *Tax Gas* and *Available Royalty Gas* that the *Producer* would otherwise deliver to the *State* at a *Delivery Point*.
- (f) Limits to Sales or Gas Recoupment. A *Producer's* right to *Sales Recoupment* or *Gas Recoupment* greater than the *Quantity* or *Volume* of *Tax Gas* and *Available Royalty Gas* under Article 22.1(e)(i) and (ii), is subordinate to any liens, security interests, or rights to repayment granted by:
- (i) the *State*, if and to the extent that:
    - (A) it has incurred indebtedness for borrowed money to make a firm transportation commitment to meet the credit standards established in the initial *Open Season* (including the funding of reserves necessary to establish its creditworthiness); and



- (B) it has demonstrated that it could not have met the firm transportation commitment and credit standards required in the *Open Season* without incurring that indebtedness; or
- (ii) the *State Capacity Holder*, if and to the extent that:
  - (A) it is an entity other than the *State*;
  - (B) it has incurred indebtedness for borrowed money either to make a firm transportation commitment to meet the credit standards established in the initial *Open Season* or to otherwise finance the creation and start-up of the *State Capacity Holder*, including the funding of reserves necessary to establish its creditworthiness; and
  - (C) the *State* has demonstrated that it could not have met the firm transportation commitment and credit standards required had the *State*, rather than the separate entity, made the firm transportation commitment.

The subordination described in Article 22.1(f) remains in effect until the aggregate amount of net proceeds from sales of *Gas* that is subject to the subordination provisions of Article 22.1(f) is equal to or greater than the amount of the indebtedness identified in Article 22.1(f)(i) and Article 22.1(f)(ii).

- (g) Recoupment Sequence. If the *Producer* elects to recoup or offset and the conditions under Article 22.1(d) have been met, then, subject to Article 22.1(f), the *Producer* shall recoup or offset in the following order:

- (i) effective with the first *Calendar Month* following the *Producer's Notice* under Article 22.1(c)(v), the *Producer* is entitled to *Sales Recoupment* and the *State* shall direct its customers to pay a part or all of the proceeds under a *State*

*Gas* sales contract to the *Producer* for the period necessary to recoup or offset the *Amount Due*;

(ii) if the *Producer* does not receive payment in full of the *Amount Due* under Article 22.1(g)(i) by the end of the first Calendar Month following the *Producer's* *Notice* under Article 22.1(c)(v), then the *Producer* may reduce the *Volume* of *Tax Gas* that it would otherwise deliver to the *State* at the *Delivery Point*, in which case the *Producer* shall:

(A) acquire from the *State*, at the *Effective Rate*, that *Capacity* to which the *State* is committed to transport the *Gas Recoupment Volume* determined under Article 22.1(h), in which case the *State* shall indemnify, hold harmless, and defend the *Producer* against any *Loss* arising out of or resulting from the *Producer's* performance under Article 22.1(g)(ii)(A), except in the case of gross negligence, willful misconduct, or fraud; and may

(B) acquire an assignment of part or all of *State Gas* sales contracts sufficient to sell a *Gas Recoupment Volume* as determined under Article 22.1(h), in which case the *State* shall indemnify, hold harmless, and defend the *Producer* against any *Loss* arising out of or resulting from the *Producer's* performance under Article 22.1(g)(ii)(B), except in the case of gross negligence, willful misconduct, or fraud; and

(iii) if the *Producer* does not fully recoup or offset the *Amount Due* under Article 22.1(g)(ii), then, to preserve the *Volume* of *Royalty Gas* dedicated to the Permanent Fund of Alaska under the Alaska Constitution, the *Producer* may

reduce up to the full *Volume* or *Quantity of Available Royalty Gas* that it would otherwise deliver to the *State*, in which case the *Producer* shall:

(A) acquire from the *State*, at the *Effective Rate*, that *Capacity* to which the *State* is committed to transport the *Gas Recoupment Volume* determined under Article 22.1(h), in which case the *State* shall indemnify, hold harmless, and defend the *Producer* against any *Loss* arising out of or resulting from the *Producer's* performance under Article 22.1(g)(iii)(A), except in the case of gross negligence, willful misconduct, or fraud; and may

(B) acquire an assignment of part or all of *State Gas* sales contracts sufficient to sell a *Gas Recoupment Volume* as determined under Article 22.1(h), in which case the *State* shall indemnify, hold harmless, and defend the *Producer* against any *Loss* arising out of or resulting from the *Producer's* performance under Article 22.1(g)(iii)(B), except in the case of gross negligence, willful misconduct, or fraud.

(h) Determination of Gas Recoupment Volume. For purposes of *Gas Recoupment*, the amount of the *Volume* for receiving payment under the *State Gas* sales contract or reduction at a *Delivery Point* ("Gas Recoupment Volume") is determined as follows:

(i) divide the *Amount Due* by the difference between:

(A) either the *AECO Price* for the prior *Calendar Month*, or, if the *Producer* is receiving payments under Article 22.1(g)(i) or if the *Producer* elects to take assignment of part or all of a pre-existing *State* contract

under Article 22.1(g)(ii) or 22.1(g)(iii), the *Gas* price at the point where title passes to the customer under the *State Gas* sales contract; and

(B) either the cost of service rate for the transportation, treating, fuel and other costs, fees, or charges expressed in  $\$/MMBTU$ , applicable to the delivery of *Gas* from the *Delivery Point* to the destination, or if the *Producer* acquires *Capacity* from the *State* under Article 22.1(g)(ii) or 22.1(g)(iii), the *Effective Rate* for the *Capacity* that was acquired;

(ii) divide the results in Article 22.1(h)(i) by the *Heating Value* for *Gas* at that *Delivery Point* for the prior *Calendar Month*.

(i) Determination of Gas Recoupment Value. For purposes of *Gas Recoupment*, the value assigned for the *Volume* in Article 22.1(d) recouped or offset in each *Calendar Month* is determined as follows:

(i) if the *Amount Due* is satisfied under Article 22.1(g)(i), the actual amount paid to the *Producer* under Article 22.1(g)(i);

(ii) if the *Amount Due* is satisfied under Article 22.1(g)(ii) or 22.1(g)(iii) and the *Producer* does not acquire an assignment of any part of a *State Gas* sales contract, the product of:

(A) the difference between the *AECO Price* and either the *Alaska to Alberta Tariff* or, if the *Producer* elects to acquire *Capacity* from the *State* under Article 22.1(g)(ii)(A) or 22.1(g)(iii)(A), the *Effective Rate* for the *Capacity* that was acquired ; and

(B) the actual *Gas Recoupment Volume* sold by the *Producer* under a *Producer Gas* sales contract under Article 22.1(g)(ii) or 22.1(g)(iii); or

(iii) if the *Amount Due* is satisfied under Article 22.1(g)(ii) or 22.1(g)(iii) and the *Producer* acquires assignment of any part of a *State Gas* sales contract, the product of:

- (A) the difference between the *Gas* price at the point where title passes to the customer under the *State Gas* sales contract assigned to the *Producer* and either the *Alaska to Alberta Tariff* or, if the *Producer* elects to acquire *Capacity* from the *State* under Article 22.1(g)(ii)(A) or 22.1(g)(iii)(A), the *Effective Rate* for the *Capacity* that was acquired, and
- (B) the actual *Gas Recoupment Volume* sold by the *Producer* under a *State Gas* sales contract under Article 22.1(g)(ii) or 22.1(g)(iii);

(j) Notice. Before commencing or before ceasing *Gas Recoupment*, a *Producer* shall provide timely operational *Notice* to the *State*, and the *State* shall cooperate with the *Producer* by providing appropriate information to effect the *Gas Recoupment*.

(k) Example Calculation. An example calculation of the *Gas Recoupment Volume* and value is provided in Exhibit F.

## 22.2 Midstream Entity and State Payments.

(a) Impact Payment Obligation. The *Mainline Entity* shall make *Impact Payments* under Article 18 and those payments are not subject to recoupment or offset under Article 22.

(b) Determination. For a *Calendar Month*, a *Midstream Entity* shall determine its monetary obligation to the *State* or the *State's* monetary obligation to a *Midstream Entity*, as the case may, be as follows:

(i) Midstream Entity Monetary Obligation. Sum the following payments (collectively, “Midstream Entity Monetary Obligation”):

(A) Any monetary payment due under Article 11.2 (Payment in Lieu of State Imposed Taxes);

(B) Any monetary payment due under Article 11.4 (Fixed Payable Tax Increment Payment);

(C) Any monetary payment due under Article 16 (Midstream Payment);

(D) Any monetary payment due under Article 19 (Payment in Lieu of SCIT);

(E) Any monetary payment as part of an *Award* due to the *State* from a *Midstream Entity* under this *Contract* only, but not as part of an award due to the *State* from a *Midstream Entity* outside this *Contract* (State Midstream Award); and

(F) Any reimbursement to the *State* under Article 22.3 (State Overpayment of State Midstream Monetary Obligation).

(ii) State Midstream Monetary Obligation. Sum the following credits or payments due to a *Midstream Entity* (collectively, “State Midstream Monetary Obligation”):

(A) Any reimbursement under Article 11;

(B) Any monetary payment due under Article 11.4 (Fixed Payable Tax Increment Payment);

- (C) Any monetary payment due under Article 8.3 or Article 21.3 (Indemnification Payment);
  - (D) Any monetary payment as part of an *Award* due to the *Midstream Entity* from the *State* under this *Contract* only, but not as part of an award due to the *Midstream Entity* from the *State* outside this *Contract* (Midstream Entity Award);
  - (E) Any carried over *Midstream Amount Due* due under Article 22.2(d)(i) (Carryover Underpayment);
  - (F) Any transfer of an *Amount Due* to a *Midstream Entity* under Article 22.1(c)(iii) (Transfer Reimbursement);
  - (G) Credit for any monetary *Political Subdivision* payments made by the *Midstream Entity* to a *Political Subdivision* to fulfill an obligation to the *State* under Article 21 and Exhibit G; and
  - (H) Any reimbursement to the *Midstream Entity* under Article 22.3 (Midstream Entity Overpayment of Fiscal Obligations).
- (iii) Direct Payment of State Obligations. For any *State Midstream Monetary Obligation* in Article 22.2(b)(ii), the *State* may pay that *State Midstream Monetary Obligation*, or cause it to be paid, to the *Midstream Entity* consistent with Exhibit A (“Direct State Midstream Payment”). If a *Direct State Midstream Payment* does not satisfy the full amount of the *State Monetary Obligation*, the *Midstream Entity* is entitled to recoup, offset, or transfer the remaining balance as provided in Article 22.2(d).

- (iv) Net Midstream Monetary Obligation. Subtract the *State Midstream Monetary Obligation* from the sum of the *Midstream Entity Monetary Obligation* plus the *Direct State Midstream Payments* (“Net Midstream Monetary Obligation”).
- (c) Midstream Entity Payment to State. If the *Net Midstream Monetary Obligation* is greater than zero (“Midstream Entity Net Midstream Monetary Obligation”), then the *Midstream Entity* shall pay the *Midstream Entity Net Midstream Monetary Obligation* to the *State* by the *Payment Date*.
- (d) State Payment to Midstream Entity. If the *Net Midstream Monetary Obligation* is less than zero (“State Net Midstream Monetary Obligation”), then the *State* owes the *Midstream Entity* the absolute value of the *State Net Midstream Monetary Obligation*. The *Midstream Entity* shall invoice the *State* for the *State Net Midstream Monetary Obligation*, and the *State* may pay the *State Net Midstream Monetary Obligation* by the tenth *Business Day* after the *Payment Date* consistent with Exhibit A. If the *State* does not pay the full amount of the *State Net Midstream Monetary Obligation* by the tenth *Business Day* after the *Payment Date*, the *Midstream Entity* is entitled to apply *Interest* to the *State Net Midstream Monetary Obligation* (“Midstream Amount Due”) and do any, or any combination, of the following:
- (i) carry the *Midstream Amount Due* forward and recoup or offset it in the next *Calendar Month* by including it in Article 22.2(b)(ii)(E);
  - (ii) recoup or offset the *Midstream Amount Due*, if not incorporated in its rate, against distributions due to the *State* member of the *Midstream Entity*, provided that this right to recoup or offset is subordinate to:



- (A) the payment of all amounts then currently due and payable (including principal, interest, fees, debt service reserve funding, and indemnity obligations) under the terms of the *State Project Indebtedness*; and
- (B) any security interest or lien granted to a lender to secure the *State Project Indebtedness*; or
- (iii) transfer the right to recoup or offset to a *Midstream Entity Transferee*, who may exercise that right by including the *Amount Due* in Article 22.1(a)(ii)(I) or Article 22.2(b)(ii)(F), as applicable. The *Midstream Entity* may not transfer an amount that either is in excess of the *State Net Midstream Monetary Obligation* or has been incorporated in its rate. If the *Midstream Entity* expects that its *Midstream Entity Monetary Obligation* for the coming three (3) *Calendar Months* will not be sufficient to allow the *State Net Midstream Monetary Obligation* to be recouped or offset, the *Midstream Entity* may provide *Notice* to the *State* of its expectation and if no appropriation exists that authorizes payment, the *State* shall notify the *Legislature* of the outstanding obligation so that an appropriation may be made for payment.

For purposes of the Internal Revenue Code, the offset or recoupment of a *Midstream Amount Due* by a *Midstream Entity* against the distributions due the *State* member is deemed to be a distribution from that *Midstream Entity* to the *State* member. A *Midstream Entity Transferee* is also entitled to apply *Interest* if the *State* does not pay the full amount of any *State Net Midstream Monetary Obligation* that is transferred to that *Midstream Entity Transferee*.

**22.3 Overpayment.** If a *Participant* or its *Affiliate* makes a payment under this *Contract* in excess of its *Fiscal Obligation*, that *Participant* may include that payment in the *State Monetary Obligation*, or *State Midstream Monetary Obligation*, as applicable. The *State* shall reimburse that *Participant* for those overpayments except as provided in Article 11. If the *State* makes a payment under this *Contract* in excess of its obligations under this *Contract*, the *Participant* may include that payment in either the *Producer Monetary Obligation* or *Midstream Entity Monetary Obligation*, as applicable. The *Participant* shall reimburse the *State* for those overpayments.

**22.4 Reporting and Payment Procedures.** The *Parties* shall provide reports, provide invoices, make payments and maintain books and records relating to those reports, invoices and payments under Article 22 and Exhibit A.

## ARTICLE 23 - POINT THOMSON

### 23.1 PTU Owner Obligations.

(a) Open Season Commitment. Each *Producer* shall commit its share of no less than five hundred million cubic feet per *Day* (500 *MMCF/D*) of *PTU Gas* to the *Project*, as provided in Article 23.1(b), by either entering into:

- (i) a binding precedent agreement in the initial *Open Season* for the *Mainline*,
- or

- (ii) a sale of *Gas* to a non-*Affiliated Person* before the initial *Open Season* for the *Mainline*.
- (b) Each *Producer's* share of *PTU Gas* under Article 23.1(a), under ownership as of the *Effective Date* is as follows:
  - (i) for *BP*, one hundred twenty-eight million cubic feet per *Day* (128 *MMCF/D*);
  - (ii) for *CP*, twenty million cubic feet per *Day* (20 *MMCF/D*); and
  - (iii) for *EM*, one hundred forty-eight million cubic feet per *Day* (148 *MMCF/D*).
- (c) Alaska Oil and Gas Conservation Commission Conservation Orders. The *Producers* shall apply to the Alaska Oil and Gas Conservation Commission within six (6) months of the *Effective Date* for issuance of pool rules to authorize the field *Gas* offtake rate for *PTU Gas*.

**23.2 Temporary Suspension by State of Certain PTU Obligations.** Subject to Article 23.3, from the *Effective Date* until the *Reinstatement Date* (“Suspension Period”), the *DNR* shall not:

- (a) enforce the provisions of the “Agreement Resolving All Pending Point Thomson Unit Expansion/Contraction Matters and Proceedings” dated July 31, 2001, or the “Findings and Decision of the Director, Division of Oil and Gas” on the “Point Thomson Unit Application for the Second Expansion and Third Contraction of the Unit Area” dated May 24, 2002 (collectively, the “Expansion Agreement”);
- (b) terminate the *PTU* or any *Property* within the *PTU*;

- (c) enforce any obligation that the *PTU Owners* prepare, and obtain approval from the *DNR* of a plan of development (“*POD*”); or
- (d) alter or modify the rate of development or operations for the *PTU*.

### **23.3 Termination of PTU Suspension.**

- (a) Upon thirty (30) *Days Notice*, the *State* may terminate the *Suspension Period* before the *Reinstatement Date* if:
  - (i) the *PTU Owners* or the *PTU* operator fail to pay annual *PTU* lease rentals consistent with the applicable leases, after receiving *Notice* and opportunity to cure the failure of at least thirty (30) *Days*;
  - (ii) the *Producers* fail to satisfy their obligations under Article 23.1;
  - (iii) this *Contract* is terminated under Article 5.5; or
  - (iv) this *Contract* otherwise terminates.
- (b) If the *State* terminates the *Suspension Period* under Article 23.3(a), then to retain the expansion leases as described in the *Expansion Agreement*:
  - (i) the *PTU Owners* shall begin development drilling in the *PTU* within one (1) year after the effective date of the termination of the *Suspension Period*;
  - (ii) the *PTU Owners* shall drill seven (7) development wells in the *PTU* within three (3) years after the effective date of the termination of the *Suspension Period*;and
  - (ii) the *PTU Owners* shall submit a *POD* under the *PTUA*, the *PTU* leases and *Law*, subject to Article 23.4.

(c) If the *Suspension Period* has not terminated before the *Reinstatement Date*, then on the *Reinstatement Date*:

- (i) the *PTU Owners* are excused from any outstanding obligations under the *Expansion Agreement*; and
- (ii) the *Suspension Period* automatically terminates and the *PTU Owners* shall submit a *POD* under the *PTUA*, the *PTU* leases, and *Law*, subject to Article 23.4.

**23.4 Obligation to Submit the POD.** Before or on the first to occur of:

- (a) the *Reinstatement Date*; or
- (b) termination of the *Suspension Period*,

(collectively, the “Resumption Date”), the *PTU Owners* shall submit a *POD* under the *PTUA*, the *PTU* leases, and *Law* except:

- (i) the *PTU Owners* may submit the *POD* within nine (9) months of the *Resumption Date*, and
- (ii) during that nine (9) month period the *State* shall not terminate the *PTUA* or any *Property* within the *PTU*.

## ARTICLE 24 - MEASUREMENT

### 24.1 Measurements.

- (a) Generally. A measurement or allocation (“Measurement”) used by the *Producers* to account among themselves must be the same as the *Measurement* used to account

between the *Participants* and the *State*.

(b) Volumes. For monetary payments or deliveries of *Gas* based on a *Volume*, a *Party* shall use the *Measurements* provided by the *Project Entity* owning the *Midstream Element* or other *Person* responsible for making those *Measurements*.

(c) Quantities. For monetary payments or deliveries of *Gas* based on *Quantity*, a *Party* shall use *Measurements* provided by the *Project Entity* owning the *Midstream Element* or other *Person* responsible for making those *Measurements*.

(d) Composition of Gas. *Gas* delivered to the *State* at each *Delivery Point* must be of the same composition as *Gas* delivered to the *Producers* at that *Delivery Point*.

(e) Barrels of Hydrocarbon Liquids. For payments based on *Barrels of Hydrocarbon Liquids*, a *Party* shall use *Measurements* provided by the *Person* responsible for making those *Measurements*.

(f) Composition of Hydrocarbon Liquids. *Hydrocarbon Liquids* delivered to the *State* at each delivery point must be of the same composition as *Hydrocarbon Liquids* delivered to the *Producers* at that delivery point.

(g) Alternative Arrangements. The affected *Parties* may create procedures or other agreements to ensure that *Measurements* of *Volumes*, *Quantities*, compositions of *Gas*, and *Barrels of Hydrocarbon Liquids* are accurately and consistently undertaken.

**24.2 Adjustments.** If a *Producer's Royalty Gas* or *Tax Gas* obligations must be adjusted because of a change in a *Measurement*, that adjustment must be made prospectively in proportion to that *Producer's* share of *Royalty Bearing Gas* or *Tax Bearing Gas*, without any monetary compensation. If two (2) or more *Producers* make a monetary adjustment or payment

among themselves as a result of a *Measurement* adjustment, a proportionate monetary adjustment or payment must be made between the affected *Producers* and the *State*.

## ARTICLE 25 - AUDIT

**25.1 General Audit Scope and Procedures.** The scope of an audit is limited to the *Audit Documents* necessary to verify satisfaction of a *Participant's Fiscal Obligations*. The *State* shall complete each audit and issue a final written audit report ("Audit Report") containing all *Audit Exceptions* related to the applicable *Calendar Year, SCIT Calendar Year, Calendar Years, or SCIT Calendar Years* audited, and information sufficient to support each *Audit Exception*. Article 25 and Exhibit B provide the exclusive scope, procedures and rights for audits by the *State* under this *Contract*.

**25.2 Audit Period.** The *State* shall complete all audits and issue a final written audit report within the time period specified in Article 25.2 ("Audit Period"). The *Audit Period* is:

- (a) three (3) years from the return due date, the extended return date, or the date the initial return or amended return was filed, whichever occurs last, for an audit under Article 19;
- (b) three (3) years after the end of the *Calendar Year* in which the report being audited was filed, for an audit under Articles 12, 13, 14, 15, 16, 17, and 20, and associated *Measurements* under Article 24;
- (c) two (2) years after the end of the *Calendar Year* in which the report or invoice being audited was filed for all other Articles; or

(d) for those items under Articles 25.2(b) and 25.2(c) amended by subsequent returns, reports, or invoices, the amended *Audit Period* is two (2) years from the *Day* the amended return, report, or invoice is filed.

**25.3 Additional Provisions Regarding Audits of Payment in Lieu of SCIT.** Any audit of *Payment in Lieu of SCIT* the *State* conducts shall be under Article 25 and Exhibit B, supplemented as follows:

(a) Federal Adjustments. If an adjustment is made to a reported federal income tax by either the federal government or a *Participant* (“Federal Adjustment”) and that adjustment becomes final and modifies the amount the *Participant* should have paid as its *Payment in Lieu of SCIT* for a prior *SCIT Calendar Year*, then the *Participant* shall recalculate and file an amended consolidated return for the applicable *SCIT Calendar Year*. The consolidated return must:

- (i) be filed within sixty (60) *Days* after all *Federal Adjustments* for that *Calendar Year* become final;
- (ii) report the changes created by the *Federal Adjustments*; and
- (iii) include revenue agent’s reports, or the equivalent federal forms, issued to that *Participant* or any member of its *Unitary Business* documenting the federal changes that have become final.

(b) Amended Payment in Lieu of SCIT. A *Federal Adjustment* becomes final when either the *Participant* or the federal government has exhausted its rights of appeal under federal *Law*. The *Participant* shall ensure that the *Audit Documents* necessary to support the changes to the calculation of any amended *Payment in Lieu of SCIT* are maintained



and made available to the *State* upon request after any *Federal Adjustment* becomes final. The *State* may audit that amended consolidated report for only those items that were changed or affected by the *Federal Adjustment*.

(c) IRS Tax Information. If the Internal Revenue Service indicates that it will no longer provide information because it believes that the *State* is no longer enforcing a *Tax*, the *Parties* agree to cooperate in creating an alternative procedure for providing and verifying *Audit Documents* on a timely basis.

(d) No State Audit of Federal Items. The following are subject to audit by the Internal Revenue Service and not subject to audit, absent a showing of good cause, by the *State*:

- (i) the amount of items of income and expense that are recognized in the determination of ordinary income for federal income tax purposes, whether business or non-business in nature under the text of AS 43.19.010;
- (ii) the amount of items of expenditure or contribution that give rise to a federal income tax credit that is adopted for *State* purposes under the text of AS 43.20 without change to the amount or kind of expense that is allowable for the corresponding *State* credit, apart from limiting the percentage of the federal expense that is so allowed;
- (iii) the amount of any other item, reported on the federal income tax return (including materials filed with it) by a *Participant* or the federal consolidated group of which the *Participant* is a part, that is not subject to modification, limitation, or disallowance, in whole or in part, under the text of any *State Law*

incorporated by reference in Article 19.2(b) for purposes of determining the amount of the *Participant's* taxable income under those *Laws*.

(e) No State Audit of Foreign Counterparts to Non-Auditable Federal Items. Under 15 AAC 20.300(f), a *Participant* or its *Affiliate* may elect to report financial statement income as the “federal taxable income” (as the term is defined or used for purposes of AS 43.20.072 and 15 AAC 20.300) for the foreign corporations within its consolidated business that are not part of its federal consolidated group and are not “controlled foreign corporations” (as the latter term is defined for federal purposes). Absent a showing of good cause, the *State* may not audit the amount of any item of financial statement income so reported, or the amount of any item in the determination of that income, that corresponds to or is the counterpart of any item or items described in Article 25.3(b)(i), (ii), or (iii).

(f) State Audits. Despite any provision relating to audit in the text of AS 43.20, the audit of *Payment in Lieu of SCIT* is governed by Article 25.

**25.4 Additional Provisions Regarding Audits of Article 14.** The *State* may conduct audits for Article 14 under Exhibit B as supplemented by Exhibit P and Exhibit Y.

**PART E - DISPUTE RESOLUTION****ARTICLE 26 - MANDATORY DISPUTE RESOLUTION**

**26.1 Agreement to Mandatory Dispute Resolution.** Each *Dispute* is to be exclusively and finally resolved by the amicable resolution and arbitration procedures specified under Exhibit C, except for a *Dispute* to judicially enforce or vacate any *Award*, order, or judgment rendered under Exhibit C.

**26.2 Forum and Jurisdiction.** The *Parties* waive any defense based on immunity under Article 26 and Exhibit C. An *Award* rendered under Exhibit C is final and may be entered and enforced in any Superior Court in *Alaska* (“Superior Court”) and thereafter, the judgment entered in *Alaska* may be entered and enforced in any state court in the United States having jurisdiction. If a *Party* to the *Dispute* commences an action in *Superior Court* seeking entry and enforcement of an *Award* (“*Proceeding*”) and the *Superior Court* does not enter a final judgment in that *Proceeding* within three hundred sixty-five (365) *Days* from the commencement of that *Proceeding*, the *Award* may be entered and enforced in any state court in the United States having jurisdiction. For such purposes, the *Parties* consent to be sued in those courts in their own name, and in the name of their officials in their official capacities.

**26.3 Governing Law.** Except as provided in Exhibit C.10(a), the *Laws* of the State of Alaska, without giving effect to its conflict of *Laws* principles, govern any *Dispute* submitted to arbitration or a court.

**26.4 Survival.** Article 26 and Exhibit C survive the termination of this *Contract* or a withdrawal by any *Withdrawing Participant* under Article 31.

**26.5 Payment of a Monetary Award.** To the extent an *Award* is not recouped under Article 22, a *Party* may enforce that *Award* under Article 26.2.

## ARTICLE 27 - JUDICIAL CHALLENGE AND ORDER

**27.1 Judicial Challenge.** The *State* shall not initiate any action or proceeding challenging the constitutionality, validity, legality or enforceability of any part of the *SGDA*, the *Authorization Act*, or this *Contract* (collectively “Judicial Challenge”). In the event of a *Judicial Challenge*, the *Parties* have the following rights, privileges and obligations:

(a) Defense Against Judicial Challenges. The *Parties* shall defend against any *Judicial Challenge* and shall support the constitutionality, validity, legality, or enforceability of each part of the *SGDA*, the *Authorization Act*, and this *Contract*. Each *Party* shall support the right of each other *Party* to intervene in the defense against any *Judicial Challenge*.

(b) Participant Suspension. Subject to Article 27.2, if a *Judicial Challenge* occurs before the *Commencement of Commercial Operations*, the *Mainline Entity* may suspend any of its obligations under this *Contract* by providing the *State* with a *Notice* (“Judicial Suspension Notice”). The *Mainline Entity* may issue a *Judicial Suspension Notice* before

the entry of the final non-appealable judicial order (“Order”) resolving all matters raised in the *Judicial Challenge*. Except as provided below, if the *Mainline Entity* issues a *Judicial Suspension Notice*, any other *Participant* (“Judicially Impacted Participant”) may suspend any of its obligations under this *Contract* by providing a *Judicial Suspension Notice* to the *State* and all *Participants*. The effective date and term of a *Judicially Impacted Participant’s Judicial Suspension Notice* is the same as the effective date and term of the *Mainline Entity Judicial Suspension Notice*.

(i) The *Judicial Suspension Notice* remains in effect until terminated by the earlier of *Notice* to the *State* by the *Mainline Entity* or ninety (90) *Days* after the date of entry of the *Order*.

(ii) During any period in which a *Mainline Entity Judicial Suspension Notice* is in effect:

(A) except for the payments required by Articles 14, 15, 17 and 19, each *Mainline Entity* or *Judicially Impacted Participant* obligation identified in the *Judicial Suspension Notice* is suspended and no action is required by the *Mainline Entity* or *Judicially Impacted Participants* regarding those obligations;

(B) each *Party* bears its own costs incurred in connection with any suspension under Article 27; and

(C) no penalty or *Interest* accrues on amounts that would otherwise be payable by the *Mainline Entity* or *Judicially Impacted Participants* to the *State*.

(iii) Following termination of the *Mainline Entity Judicial Suspension Notice*, the time for performance of all obligations identified in each *Judicial Suspension Notice* is extended by the number of *Days* equal to the number of *Days* that the *Mainline Entity Judicial Suspension Notice* was in effect.

(iv) The *Mainline Entity* may amend its *Judicial Suspension Notice*. The amended *Judicial Suspension Notice* relates back to the original *Judicial Suspension Notice* and the effective date of the amended *Judicial Suspension Notice* is that of the original *Judicial Suspension Notice*. The provisions of Article 27.1(b)(i) through (b)(iii) apply to any amended *Judicial Suspension Notice*.

## 27.2 Limits on Suspension and State Option.

(a) Limits on Suspension. The *Mainline Entity* and *Judicially Impacted Participants* may not exercise rights under Article 27.1(b) until the earlier of:

- (i) fifteen (15) months from the *Effective Date*;
- (ii) the conclusion of *Project* planning, as described in Article 5.2; or
- (iii) a cumulative total of at least one hundred twenty million *Dollars* (\$120,000,000) to advance *Project* planning has been spent by *Project Entities*.

(b) State Option. If the *Mainline Entity* desires to suspend its obligations as provided in Article 27.1(b), but the *Participants* have not completed *Project* planning as described in Article 5.2, then the *Mainline Entity* shall provide *Notice* to the *State* and all other *Participants* of its intent to suspend. By giving *Notice* to all *Participants* within fifteen

(15) *Days of the Mainline Entity Notice* of intent to suspend, the *State* may exercise an option to fund, at its sole cost and expense, continued *Project* planning until:

- (i) *Project* planning is concluded, as described in Article 5.2; or
- (ii) the *State* has funded an additional forty-five million *Dollars* (\$45,000,000).

Thereafter, the *Mainline Entity* and *Judicially Impacted Participants* may suspend their obligations as provided in Article 27.1(b).

(c) Exercise of State Option. If the *State* exercises its Article 27.2(b) option, then it shall fund all capital contributions requested by any *Project Entity* up to forty-five million *Dollars* (\$45,000,000) to continue *Project* planning. If the *State* fails to fund any capital contributions, the *Mainline Entity* and *Judicially Impacted Participants* may suspend their obligations as provided in Article 27.1(b).

(d) State Reimbursement. After the *Order*, if this *Contract* remains in effect, the *State* shall be reimbursed through each *Project Entity* by adjusting capital contributions to bring the cumulative capital contributions of the *Project Entity* members into alignment with their respective sharing ratios as quickly as possible.

**27.3 Judicial Order.** Except as provided in Article 6.8,

- (a) if:
  - (i) any *Order* holds any part of the *SGDA*, the *Authorization Act*, or this *Contract* unconstitutional, invalid, illegal, or unenforceable; or

(ii) the *Order* leaves open for future decision any material issue regarding the constitutionality, validity, legality, or enforceability of the *SGDA*, the *Authorization Act*, or this *Contract*;

(b) then:

(i) any *Participant* may terminate its participation under this *Contract* by providing *Notice* to the *State* within sixty (60) *Days* of the date of the *Order* (“Terminating Participant”). The termination is effective upon the *State’s* receipt of the *Notice*. If all *Participants* do not terminate their participation under this *Contract*, then this *Contract* remains in effect, as amended, by the remaining *Parties* as a result of the *Order*; and

(ii) a *Terminating Participant* under Article 27.3 is discharged from any further obligations, except as to any rights, privileges or obligations under this *Contract* that accrued before the earlier of the:

- (A) effective date of the *Judicial Suspension Notice*, if applicable, or
- (B) date of entry of the *Order*.



**ARTICLE 28 - ADMINISTRATIVE TERMINATION**

**28.1 Administrative Termination.** During the *Administrative Termination Period*, the *Commissioner* may initiate administrative termination of one or more *Participant's* rights, privileges and obligations ("Affected Participant") under this *Contract* by giving *Notice* to all *Participants* ("Administrative Termination Notice") if the *Commissioner* believes that:

- (a) the *Participants* have ceased to meet the requirements of a *Qualified Sponsor Group*; or
- (b) the *Affected Participant* intentionally or fraudulently misrepresented, in whole or in part, material facts or circumstances upon which this *Contract* was made.

**28.2 Process Following Notice.**

- (a) Opportunity to Cure. The *Commissioner* shall allow the *Affected Participant* seventy-five (75) *Days* from the date of the *Administrative Termination Notice* to cure the alleged deficiency and breach.
- (b) Disputed Notice. If the *Affected Participant* disputes the *Administrative Termination Notice*, it shall provide a *Notice of Dispute* to the *State* within seventy-five (75) *Days* of the *Affected Participant's* receipt of the *State's Notice*. The *Dispute* will be resolved under Article 26. Pending final resolution of the *Dispute*, this *Contract* remains in effect.
- (c) Suspension by Participants. If the *Commissioner* issues an *Administrative Termination Notice* seeking to terminate the rights of all *Participants*, the *Mainline Entity* may suspend any of its obligations under this *Contract* by providing the *State* with a

*Notice* (“Administrative Suspension Notice”). The *Mainline Entity* may issue an *Administrative Suspension Notice* before the entry of the final non-appealable resolution of the *Dispute*. Except as provided below, if the *Mainline Entity* issues an *Administrative Suspension Notice*, any other *Participant* may suspend any of its obligations under this *Contract* by providing an *Administrative Suspension Notice* to the *State* and all *Participants* (“Administratively Impacted Participant”). The effective date and term of an *Administratively Impacted Participant’s Administrative Suspension Notice* is the same as the effective date and term of the *Mainline Entity Administrative Suspension Notice*.

(i) The *Administrative Suspension Notice* remains in effect until either terminated by *Notice* to the *State* by the *Mainline Entity* or seventy-five (75) *Days* after the date of the final non-appealable resolution of the *Dispute*.

(ii) During any period in which an *Administrative Suspension Notice* is in effect:

(A) except for the payments required by Articles 14, 15, 17 and 19, each *Mainline Entity* or *Administratively Impacted Participant* obligation identified in the *Administrative Suspension Notice* is suspended and no action is required by the *Mainline Entity* or *Administratively Impacted Participants* regarding those obligations;

(B) each *Party* bears its own costs incurred in connection with any suspension under Article 28; and

(C) no penalties or *Interest* accrues on amounts that would otherwise be payable by the *Mainline Entity* or *Administratively Impacted Participants* to the *State*.

(iii) Following termination of the *Mainline Entity Administrative Suspension Notice*:

(A) if the final non-appealable resolution of the *Dispute* determines that the condition described in Article 28.1 has not occurred, then the time for performance of all obligations identified in each *Administrative Suspension Notice* is extended by a number of *Days* equal to the number of *Days* that the *Mainline Entity Administrative Suspension Notice* was in effect; or,

(B) if the final non-appealable resolution of the *Dispute* determines that the condition described in Article 28.1 occurred, then the *Affected Participant's* rights, privileges and obligations under this *Contract* terminates.

(iv) The *Mainline Entity* may amend its *Administrative Suspension Notice*. The amended *Administrative Suspension Notice* relates back to the original *Administrative Suspension Notice* and the effective date of the amended *Administrative Suspension Notice* is that of the original *Administrative Suspension Notice*. The provisions of Article 28.2(c)(i) through (c)(iii) apply to any amended *Administrative Suspension Notice*.

**28.3 No Termination After Administrative Termination Period.** After the end of the *Administrative Termination Period* and *Notice* by the *Participants* to the *State* of that end, the *State* is not entitled to terminate this *Contract* under Article 28.

**28.4 Effect of Termination.** If an *Affected Participant's* rights, privileges and obligations are terminated, this *Contract* continues in effect among the other *Parties*. The *Affected Participant* is discharged from any further obligations, except as to any rights, privileges or obligations under this *Contract* that accrued before the earlier of the:

- (a) effective date of the *Mainline Entity Administrative Suspension Notice*, if applicable; or
- (b) effective date of the termination of the *Affected Participant's* rights, privileges and obligations.

**PART F - COMMUNICATIONS****ARTICLE 29 - CONFIDENTIALITY****29.1 Obligation to Maintain Confidentiality.**

(a) Except as provided in Articles 29.1(b) and 29.4(b), the *Parties* shall keep *Confidential Information* and *Derivative Material* confidential. A receiving *Party* shall not disclose any *Confidential Information* or *Derivative Material* to any *Person*, except:

- (i) with the providing *Party's* prior written consent; or
- (ii) as otherwise provided in this *Contract*.

(b) If a document contains both *Non-Confidential Information* and *Confidential Information* or *Derivative Material*, a *Party* who redacts *Confidential Information* or *Derivative Material* from the document is not required to maintain the redacted document as confidential.

**29.2 Use of Information.** A receiving *Party* may use *Confidential Information* or *Derivative Material* solely to implement or enforce or fulfill its rights, privileges or obligations under this *Contract*, except that the *State* may disclose, subject to Article 29.3, *Confidential Information* or *Derivative Material* to members, permanent employees, agents, and contractors of the *Legislature*. A receiving *Party* shall promptly notify the providing *Party* of any unauthorized use or disclosure of *Confidential Information* or *Derivative Material* and shall assist the providing *Party* in remedying each unauthorized use or disclosure. Neither the receiving *Party's*

assistance nor the providing *Party's* acceptance of the assistance waives any breach of Article 29.

**29.3 Permitted Disclosures.** A receiving *Party* may disclose *Confidential Information* or *Derivative Material* only to its *Representatives* and to members, permanent employees, agents, and contractors of the *Legislature* who:

- (a) require the *Confidential Information* or *Derivative Material* for the permitted use specified in Article 29.2;
- (b) are informed in writing by that *Party* of the confidential nature of the *Confidential Information* or *Derivative Material*; and
- (c) agree in writing to be bound by the obligations of Article 29.

**29.4 Return, Destruction and Release of Confidential Information.**

(a) Contract Termination. Upon the termination of this *Contract*, each *Party* and its *Representatives* shall promptly:

- (i) return to the providing *Party* all *Confidential Information*;
- (ii) erase or destroy all *Derivative Material*, including any on electronic devices; and
- (iii) provide *Notice* to the providing *Party* that it has taken the actions required under Article 29.4(a)(i) and (a)(ii);

unless subject to an ongoing *Dispute*, *Audit Exception*, or otherwise obligated by *Law* to retain the *Confidential Information*.

- (b) Right to Release. *Confidential Information* becomes *Non-Confidential* after a period of ten (10) years from the date provided to a receiving *Party* unless:
- (i) it is required to be kept confidential under *State Law*; or
  - (ii) a *Party* has given *Notice* that continued confidentiality is necessary to protect its proprietary information or competitive position.
- (c) Request. Upon request by *Notice* from a providing *Party*, a receiving *Party* shall return, erase or destroy *Confidential Information* and *Derivative Material*, unless subject to an ongoing *Dispute*, *Audit Exception*, or otherwise obligated by *Law* to retain the *Confidential Information*.

## 29.5 Compelled Disclosures.

- (a) Notification, Consultation and Protective Orders. If a receiving *Party* or its *Representative* is requested, becomes legally compelled, or is required by a court or governmental body to disclose any *Confidential Information* or *Derivative Material*, the *Party* shall:
- (i) promptly provide *Notice* to the providing *Party*;
  - (ii) cooperate with the providing *Party* in obtaining an appropriate remedy to prevent the disclosure; and
  - (iii) if disclosure cannot be prevented, use reasonable efforts to obtain reliable assurance that any disclosed *Confidential Information* or *Derivative Materials* are kept confidential.
- (b) Right to Disclose. After complying with Article 29.5(a), the receiving *Party* or its *Representative* may furnish only that portion of the *Confidential Information* or

*Derivative Materials* that it or its *Representative* is legally compelled or otherwise required to disclose.

## **29.6 Confidentiality of Project Information.**

(a) Request for Confidentiality. A *Participant* may request confidential treatment of *Project Information* that the *Participant* provides to the *State* by identifying the information and the reasons supporting the request for confidential treatment. The *State* shall keep the information confidential until the *State* determines whether the requirements of Article 29.6(b) are met. If the *State* has not made a determination within fourteen (14) *Days* after receiving a request for confidential treatment, the request is considered granted and the information must be treated as *Confidential Information*. If the *State* determines that the information does not meet the requirements of Article 29.6(b), the *State* shall provide *Notice* to the *Participant* of the *State's* decision that includes the reasons for denying the request ("Notice of Decision") and shall maintain the confidentiality of the *Project Information* for fourteen (14) *Days* after the effective date of the *Notice of Decision*. If the *Participant* does not provide a *Notice of Dispute* to the *State* within fourteen (14) *Days* of its receipt of the *Notice of Decision*, the *State* may treat the information as public information. If the *Participant* gives a *Notice of Dispute* to the *State* within fourteen (14) *Days* of receipt of the *State's* *Notice of Decision*, the *State* shall maintain the confidentiality of the *Project Information* until the *Dispute* is finally resolved under Exhibit C.



(b) Determination of Confidentiality. If requested by the providing *Participant*, *Project Information* provided to the *State* must be treated as *Confidential Information* if, upon an adequate showing by the *Participant*, the *Project Information*:

- (i) is a trade secret or other proprietary research, development, or commercial information that the *Participant* treats as confidential;
- (ii) affects the *Participant's* competitive position; or
- (iii) has commercial value that may be significantly diminished by public disclosure as those terms have been construed in the *Alaska* or federal courts.

**29.7 Notice Requirement.** If a *Party* requests *Confidential Information* from another *Party*, it shall provide *Notice* to all other *Parties* of its request.

## ARTICLE 30 - CONTRACT ADMINISTRATION AND NOTICE

**30.1 Method of Notice.** Each *Party* delivering any *Notice* under this *Contract* shall:

- (a) give the *Notice* in writing; and
- (b) use one of the following methods of delivery:
  - (i) personal delivery;
  - (ii) United States mail, certified or registered, postage prepaid, return receipt requested;
  - (iii) established overnight courier delivery service; or
  - (iv) facsimile, which provides written confirmation of complete transmission.

Oral communication or email does not constitute *Notice* under this *Contract*.

**30.2 Notice to the State.** Each *Participant* giving any *Notice* to the *State* under this *Contract* shall deliver the *Notice* to the *State* at the following addresses:

State Administrator

Notices in person or by private courier:

[To be provided]

Notices by mail:

[To be provided]

Notices by facsimile:

[To be provided]

With copies to:

- (a) Alaska Department of Revenue

Notices in person or by private courier:

Commissioner of Revenue

Alaska Department of Revenue

Attention: Gas Contract Notices

State Office Building, 11<sup>th</sup> Floor

333 Willoughby Avenue

Juneau, Alaska 99811

Notices by mail:

Commissioner of Revenue

Alaska Department of Revenue

Attention: Gas Contract Notices

P.O. Box 110400

Juneau, Alaska 99811-0400

Notices by facsimile:

Commissioner of Revenue

Alaska Department of Revenue

Attention: Gas Contract Notices

(907) 465-2389

- (b) Alaska Department of Natural Resources

Notices in person or by private courier:

Commissioner of Natural Resources

Alaska Department of Natural Resources

Attention: Gas Contract Notices

5<sup>th</sup> Floor, 400 Willoughby Avenue

Juneau, Alaska 99801

Notices by mail:

Commissioner of Natural Resources

Alaska Department of Natural Resources

Attention: Gas Contract Notices

5<sup>th</sup> Floor, 400 Willoughby Avenue

Juneau, Alaska 99801

Notices by facsimile:

Commissioner of Natural Resources

Alaska Department of Natural Resources

Attention: Gas Contract Notices

(907) 465-3886

(c) Alaska Attorney General

Notices in person or by private courier:

Alaska Attorney General

Attention: Gas Contract Notices

123 4<sup>th</sup> Street, 4<sup>th</sup> Floor

Juneau, Alaska 99811

Notices by mail:

Alaska Attorney General

Attention: Gas Contract Notices

P.O. Box 110300

Juneau, Alaska 99811

Notices by facsimile:

Alaska Attorney General

Attention: Gas Contract Notices

(907) 465-2705

Each *Participant* giving any *Notice* to the *State* of a wire-transfer to the *State* shall deliver the *Notice* to the *State* at one of the addresses specified in Article 30.2 and to the Treasury Division by facsimile at the following address:

Treasury Division, State of Alaska

Attention: Deputy Commissioner

Facsimile: (907) 465-2389

**30.3 Notice to the Participants.** Each *Party* giving any *Notice* to a *Participant* under this *Contract* shall deliver the *Notice* to the *Participant* at the following addresses:

(a) *BP.*

Notices in person or by private courier:

BP Exploration (Alaska) Inc.

Attention: Associate General Tax Counsel

900 East Benson Blvd.

Anchorage, Alaska 99508

Notices by mail:

BP Exploration (Alaska) Inc.

Attention: Associate General Tax Counsel

P.O. Box 196612

Anchorage, Alaska 99519-6612

Notices by facsimile:

BP Exploration (Alaska) Inc.

Attention: Associate General Tax Counsel

(907) 564-4094

(b) *CP.*

Notices in person or by private courier:

ConocoPhillips Alaska, Inc.

Attention: Vice President and Chief Counsel

700 G Street

Anchorage, Alaska 99501

Notices by mail:

ConocoPhillips Alaska, Inc.

Attention: Vice President and Chief Counsel

P.O. Box 100360

Anchorage, Alaska 99510 - 0360

Notices by facsimile:

ConocoPhillips Alaska, Inc.

Attention: Vice President and Chief Counsel

(907) 263 - 4438

(c) *EM.*

Notices in person or by private courier:

ExxonMobil Alaska Production Inc.

Attention: Vice President

3301 C Street, Suite 400

Anchorage, Alaska 99503

Notices by mail:

ExxonMobil Alaska Production Inc.

Attention: Vice President

P.O. Box 196601

Anchorage, Alaska 99519 - 6601



Notices by facsimile:

ExxonMobil Alaska Production, Inc.

Attention: Vice President

(907) 564 - 3789

**30.4 Notice of New Addressee.** Any *Assignee* or *Additional Person* shall give the *State* and all *Participants* a *Notice* containing the name and address of the *Person* designated by the *Assignee* or *Additional Person* for purposes of receiving *Notices* under this *Contract*. Thereafter, the *Assignee* or *Additional Person* is entitled to receive *Notices* as provided in this *Contract*.

**30.5 Effective Date of Notice.** A *Notice* is effective only if the *Party* delivering the *Notice* has complied with Articles 30.1 through 30.4 and if the addressee has received the *Notice*. A *Notice* is deemed received as follows:

- (a) if a *Notice* is delivered under Article 30.1(b)(i) through (b)(iii), upon receipt as indicated by the date on the signed receipt;
- (b) if a *Notice* is sent by facsimile, upon receipt by the *Party* giving *Notice* of an acknowledgement or transmission report generated by the machine from which the facsimile was sent, that the *Notice* was sent to the addressee's facsimile in its entirety;
- (c) if more than one *Participant* is subject to a *Notice*, upon receipt by the last *Participant* subject to the *Notice*;
- (d) if the addressee rejects or otherwise refuses to accept the *Notice*, or if the *Notice* cannot be delivered because of a change in address for which no *Notice* was given, upon the rejection, refusal, or inability to deliver; and

(e) despite the other clauses of Article 30.5, if any *Notice* is received after 5:00 P.M. on a *Business Day* where the addressee is located, or on a day that is not a *Business Day* where the addressee is located, then the *Notice* is deemed received at 9:00 A.M. on the next *Business Day* where the addressee is located.

**30.6 Change of Address or Designee.** The *State* and any *Participant* may change its address or designee for receiving *Notices* by providing *Notice* to the other *Parties*. The change is effective upon receipt as provided in Article 30.5.

**30.7 Authorized Persons.**

(a) Authorized Participant. The only *Person* authorized to take an action, make a demand, issue a *Notice*, seek enforcement of a term, or request information on a *Participant's* behalf is the *Person* designated in Article 30.3 to receive *Notices*.

(b) Authorized State Administrator. Within forty-five (45) *Days* of the *Effective Date* of this *Contract*, the office of the Governor shall issue and thereafter maintain for the *Term* an administrative order designating a *Person* ("Administrator") to coordinate with *DOR*, *DNR* and other *State* agencies under this *Contract*. The administrative order must further provide that, for purposes of this *Contract*, the *Administrator* is:

- (i) the single source of contact for the *State* for issuing and receiving *Notices* or requesting information;
- (ii) responsible for resolving any conflicting *Notices* from *State Persons* and seeking enforcement of a term;
- (iii) the only *Person* authorized to issue a *Notice of Dispute*; and

(iv) responsible for coordination under Article 10 to ensure timely and non conflicting communications.

**PART G - RELATIONSHIP OF THE PARTIES****ARTICLE 31 - ASSIGNMENT, ADDITION AND WITHDRAWAL****31.1 Assignment and Addition of a Person.**

(a) Assignment. A *Producer* may assign its rights, privileges and obligations in a *Property* under this *Contract* to a qualified *Person* (“Assignee”) as provided in Article 31. A *Producer* may initiate an assignment by providing the other *Parties* a *Notice* that contains the following information:

- (i) identity of the *Assignee*;
- (ii) the rights, privileges and obligations that are assigned to the *Assignee*;
- and
- (iii) any other information the *Producer* deems appropriate.

The *DNR Commissioner* shall approve an assignment of an interest in a *Property* from a *Producer* to a *Person* other than a *Producer* or an *Affiliate* unless the *DNR Commissioner* makes a written finding that the transfer would adversely affect the interests of the *State*. The *DNR Commissioner* may request additional information reasonably necessary to make the finding. An assignment of an interest in a *Property* from a *Producer* to an *Affiliate* or to another *Producer* is effective upon *Notice*. Any other assignment is effective upon approval by the *DNR Commissioner*.

(b) Additional Person. A *Producer* shall add to this *Contract* any *Person* that owns a *Midstream Element* in which one or more *Producers* or their *Affiliates* have an interest

(“Additional Person”) by providing a *Notice* to the other *Parties* that contains the following information:

- (i) a brief description of the reason for adding the *Additional Person*;
- (ii) the identity of the *Additional Person*;
- (iii) the rights, privileges, and obligations that are assumed by the *Additional Person*; and
- (iv) any other information the *Producer* deems appropriate.

The rights, privileges and obligations of the *Additional Person* are subject to the conditions set out in Article 31.1(d). The addition of the *Additional Person* is effective upon *Notice*.

(c) Conditions Regarding Assignees.

- (i) Except for *Assignees* under Article 31.1(c)(ii), an *Assignee* that is not an *Affiliate* of the assignor is subject to the following conditions:
  - (A) any obligation to pay *SCIT* is modified only by the adjustments provided under Articles 19.3, 19.4, and 19.5; and
  - (B) the exemptions and covenants provided the *Contract* are limited to *Taxes*, other than *SCIT*, on that portion of the *Assignee's* oil and gas related business activity in *Alaska* that has been assigned to it.
- (ii) The conditions under Article 31.1(c)(i) do not apply to an *Assignee* that is:
  - (A) an *Affiliate* of the assignor; or
  - (B) another *Producer* or its *Affiliate*.

(d) Conditions Regarding Additional Person. For an *Additional Person*, the exemption and covenants provided in the *Contract* are limited to *Taxes*, other than *SCIT*, on that portion of the *Project* that has been assumed by the *Additional Person*.

### 31.2 Effect of Assignment, Addition, and Transfers.

(a) Rights, privileges and obligations of an Assignee or Additional Party. An *Assignee* and each *Additional Person* is deemed a *Participant* and, to the extent the rights, privileges and obligations are assigned or added, this *Contract* binds and benefits the *Assignee* and the *Additional Person*. A *Person* that owns an interest in a *Project Entity* is not a *Participant*, based on that ownership alone.

(b) Retained rights, privileges and obligations of the Producers and their Affiliates. Each *Producer* and its *Affiliates* retain all their rights, privileges and obligations under this *Contract* other than those assigned to an *Assignee* or assumed by an *Additional Person* under Article 31.1.

(c) Transfers.

(i) If the ownership of a *Producer*, or an *Affiliate* of a *Producer* that holds the ownership interests of all or substantially all of the *Properties* held by that *Producer* and its *Affiliates*, is transferred by sale of stock, merger, corporate reorganization, or similar transaction, that transfer is not subject to the limits in Article 31.1(c) or (d).

(ii) If a *Producer* and its *Affiliates* sell or otherwise dispose of all or substantially all of their *Alaska* oil and gas assets, that sale or disposition is not subject to the limits in Article 31.1(c) or (d).

**31.3 No Fee for Additional Persons.** No *Party* shall charge a *Person* a fee solely because the *Person* is becoming an *Additional Person* to this *Contract*.

**31.4 Acquisition.**

(a) Exhibit D Properties. If a *Producer* acquires or is assigned an interest in any *Property* listed on Exhibit D, the *Producer* may add its interest in that *Property* to Exhibit D.

(b) Leases not on Exhibit D. If a *Producer* acquires or is assigned an interest in an *ANS* lease not listed on Exhibit D, the *Producer* may add its interest in that lease as a *Property* to Exhibit D subject to the following limitations:

(i) if that lease was acquired in a *State* lease sale, that *Property* must be removed from Exhibit D if *Gas* from that *Property* is not delivered to the *Mainline* within fifteen (15) *Calendar Years* after the effective date of its addition to Exhibit D;

(ii) if that lease was acquired in a federal or private lease sale, that *Property* must be removed from Exhibit D if *Tax Gas* from that *Property* is not delivered to the *Mainline* within twenty (20) *Calendar Years* after the effective date of its addition to Exhibit D; and

(iii) a *Law* of general applicability providing for a uniform upstream fiscal contract is enacted substantially in the form of Attachment 1 (“Uniform Upstream Fiscal Contract Act”).

(c) Notice. To add an interest in an *ANS* oil and gas lease to Exhibit D, a *Producer* shall provide a *Notice* (“Notice of Additional Property”) to the *Commissioner*. That *Notice of Additional Property* must include the following information:

- (i) the date the additional *Property* was acquired and the effective date of its addition to Exhibit D;
- (ii) the *Producer’s Working Interest* share of the additional *Property*; and
- (iii) the other categories of information included in Exhibit D.

**31.5 Withdrawal Before Open Season.** Subject to Article 31.8, any *Participant* may withdraw from this *Contract* before the execution by the *State* of the binding precedent agreements associated with the initial *Open Season* to reserve transportation capacity.

**31.6 Withdrawal After Open Season.** Subject to Article 31.8, any *Participant* may withdraw from this *Contract* after the execution of the binding precedent agreements associated with the initial *Open Season* to reserve transportation capacity, provided that the *Withdrawing Participant* and its *Affiliates* have either assigned or otherwise relinquished and hold no interest, directly or indirectly, in any *Midstream Element* or in any *Property* before the *Participant’s Notice* of withdrawal.

**31.7 Notice and Effective Date.** A *Withdrawing Participant* shall provide sixty (60) *Days* prior *Notice* of withdrawal to the *State* and to the other *Participants*. The withdrawal is effective upon the expiration of the sixty (60) *Day* period.



**31.8 Consequences of Withdrawal.** Upon the effective date of the withdrawal under Article 31.5 or Article 31.6, a *Withdrawing Participant* has only those rights, privileges and obligations under this *Contract* that have accrued before the effective date of the withdrawal. After the effective date of the withdrawal, a *Withdrawing Participant* is entitled to a *Notice* from the *State* and from the remaining *Participants* of any *Dispute* that arises out of or relates to this *Contract* if the *Dispute* has the potential to affect the interests of the *Withdrawing Participant*.

**31.9 Continuing Effect.** After a *Participant's* withdrawal, this *Contract* continues in effect among the remaining *Parties*.

#### ARTICLE 32 - NO JOINT MARKETING

This *Contract* does not provide for the joint marketing by the *Parties* of *Gas*, *NGLs*, or other substances. This *Contract* does not limit the *State's* or any *Participant's* ability to market its own *Gas* to any *Person*, including *Persons* in *Alaska*, or establish any marketing arrangements for *Gas*.

#### ARTICLE 33 - NO THIRD PARTY BENEFICIARIES

This *Contract* does not confer any rights or remedies upon any *Person* other than the *Parties* or their *Affiliates*. This *Contract* does not create a private right of action for any *Person* other than

the *Parties* to start a *Dispute* resolution proceeding, judicial action, or regulatory proceeding.

**ARTICLE 34 - NO AGENCY**

No *Party* is an employee, agent, representative, or partner of any other *Party* under this *Contract*.

**PART H - RISK ALLOCATION PROVISIONS****ARTICLE 35 - FORCE MAJEURE****35.1 Suspension of Obligations.**

(a) Suspension. Subject to Article 35.2, an *Affected Party's* obligations are suspended during the continuance of a *Force Majeure*. If a *Force Majeure* adversely affects any *Hydrocarbon Liquids* or *Gas* flow, each *Affected Party's* rights, privileges, or obligations are reduced proportionately including:

- (i) payment of *Fiscal Obligations*;
- (ii) receipt of *Hydrocarbon Liquids* into an *Oil Pipeline* or *Gas* from a *Delivery Point* for delivery into any *Midstream Element*; and
- (iii) handling, treating, processing, conditioning, or transporting *Hydrocarbon Liquids* or *Gas*.

(b) Interest. No penalty or *Interest* accrues on amounts that would have otherwise been payable by the *Affected Party* but for the *Force Majeure*.

(c) Time Periods. Upon removal of or recovery from the *Force Majeure*, the time periods for completing those obligations are extended by the number of *Days* that the *Force Majeure* existed.

**35.2 Notices and Obligations of the Affected Party.**

(a) Notices and Information. If a *Force Majeure* occurs, an *Affected Party* shall provide prompt *Notice* to the other *Parties* ("Notice of Force Majeure"). The *Notice of*

*Force Majeure* must describe the *Force Majeure*, including its effective date and an estimate of the time required to remove or recover from it. Following the *Notice of Force Majeure*, the *Affected Party* shall keep the other *Parties* informed of significant developments. If an *Affected Party* fails to give prompt *Notice*, its obligations are suspended from the time the *Notice* is sent to the other *Parties*.

(b) Obligation to Act with Diligence to Alleviate Force Majeure.

(i) The *Affected Party* shall act to mitigate the *Force Majeure* with reasonable diligence to avoid delay or suspension of any work or acts to be performed under this *Contract*. This requirement to act with reasonable diligence does not require a *Party* to enter into an agreement, pay any sum to, or settle a dispute with a labor union or entity, or native or aboriginal group or entity; and

(ii) The *Affected Party* shall promptly provide *Notice* of the date when the *Force Majeure* has ended, specifying the duration and impact, including a summary of the relief sought by the *Affected Party*.

(c) Limits on Suspension. The *Affected Party* may not exercise suspension rights under Article 35.1 until the earlier of:

(i) fifteen (15) months from the *Effective Date*;

(ii) the conclusion of *Project* planning, as described in Article 5.2; or

(iii) a cumulative total of at least one hundred twenty million *Dollars* (\$120,000,000) to advance *Project* planning has been spent by *Project Entities*.

**35.3 Law Causing Force Majeure.** No *Law* or written directive of the *State*, *Political Subdivision*, or other governmental authority within *Alaska* that affects the *State's* performance

of its obligations under this *Contract* may be invoked by the *State* as a *Force Majeure*.

**35.4 Actions of a Party.** No *Party* may take any action with the intent of creating a *Force Majeure Event*.

**35.5 Disputed Notice of Force Majeure.** If a *Party* disputes a *Notice of Force Majeure* and the final non-appealable resolution of the *Dispute* is that the *Affected Party* was not entitled to suspend its obligations, then the *Affected Party* shall immediately resume performance of its obligations. The *Affected Party* shall immediately pay any suspended amounts and *Interest* that accrues on those amounts. In addition, the *Party* disputing the *Notice* is entitled to any appropriate damages under Article 37.

## ARTICLE 36 - INFLATION ADJUSTMENT AND INTEREST

### 36.1 Inflation Adjustment.

(a) Midstream Payment, UCA, and Fiscal Stability Cap. The rates provided in Articles 16, 20, and the *Fiscal Stability Cap* in Article 11, are adjusted annually for changes in the *CPI*. The adjusted value is determined by multiplying the rates in Articles 16, 20, and the *Fiscal Stability Cap* in Article 11 by a ratio, the numerator of which is the *CPI* for the *Calendar Year* for which the new rate is being determined and the denominator of which is the *CPI* for the *Calendar Year* 2005 (“2005 CPI Ratio”).

(b) Upstream Facilities Gas Payment. The rates provided in Article 15.2 are adjusted annually at eighty percent (80%) of the annual change in the *CPI*. The adjusted value is determined by:

- (i) calculating the *2005 CPI Ratio*;
- (ii) subtracting one (1) from the *2005 CPI Ratio*, multiplying the result by eighty percent (80%) and then adding one (1) to the product to obtain an adjusted ratio (“80% Ratio”); and
- (iii) multiplying the rate in Article 15.2 by the *80% Ratio*.

(c) Upstream Facilities Oil Payment and Payment in Lieu of Oil Pipeline Ad Valorem Taxes. The rates provided in Article 15.1 and 17.2 are adjusted annually starting with the payment in *Calendar Year 2007* at seventy percent (70%) of the annual change in the *CPI*. The adjusted value is determined by:

- (i) calculating a ratio, the numerator which is the *CPI* for the *Calendar Year* for which the new rate is being determined and the denominator of which is the *CPI* for the *Calendar Year 2006* (“2006 CPI Ratio”);
- (ii) subtracting one (1) from the *2006 CPI Ratio*, multiplying the result by seventy percent (70%) and then adding one (1) to the product to obtain an adjusted ratio (“70% Ratio”); and
- (iii) multiplying the rates in Article 15.1 and Article 17.2, respectively, by the *70% Ratio*.

(d) Impact Payments. Any payment under Article 18 that extends beyond nine (9) years from the *Effective Date* is subject to an inflation adjustment. The adjusted value is determined by multiplying the applicable amount in Article 18.1 by a ratio, the numerator

of which is the *CPI* for the *Calendar Year* for which the new rate is being determined and the denominator of which is the *CPI* for the *Calendar Year* nine (9) years from the end of the *Calendar Year* in which the *Effective Date* occurs.

(e) CPI and Successor Index. The *CPI* for a particular *Calendar Year* means the *CPI* for the month of December of the prior *Calendar Year*. The *CPI* for the *Calendar Year* 2005 is one hundred ninety and three tenths (190.3). The *CPI* for the *Calendar Year* 2006 is one hundred ninety-six and eight tenths (196.8). If the method to determine the *CPI* or its base is changed, the successor index or base must, to the extent practicable, be correlated with the previous index or base so that the amounts determined by the formulae later provided is not changed by the substitution of the successor index or base.

(f) Example Calculation. Example calculations for the use of the *CPI*, *2005 CPI Ratio*, *2006 CPI Ratio*, *70% Ratio*, and the *80% Ratio* in making inflation adjustments are contained in Exhibit F.

**36.2 Late Payments and Interest.** The same interest rate applies to both the *State* and the *Participants* under this *Contract*. Except for a *PPT PILT Payment*, that interest rate equals interest compounded monthly at the per annum rate for the one-month term at the London Interbank Offered Rate (“LIBOR”) for *Dollar* deposits plus two (2) percentage points (“Interest”). The applicable *LIBOR* is the one published in the “Wall Street Journal” (or, if not published there, the “Financial Times of London”) for the first *Business Day* immediately before the due date and thereafter for the first *Business Day* of each succeeding *Calendar Month*. If these publications are not available, the *LIBOR* rate used will be the rate per annum, compounded on a monthly basis, equal to the one-month term *LIBOR* for *Dollar* deposits as

published on the Reuters Screen LIBOR01 Page (i.e., the display designated as Page “LIBO” on the Reuters Monitor Money Rates Service or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered rates of major banks) at approximately 11:00 A.M. London time. *Interest* on any unpaid payment obligation under this *Contract* accrues from the first *Business Day* after the *Day* when that payment was due until the date of payment.



**PART I - REMEDIES****ARTICLE 37 - LIABILITY AND LIMITATION ON DAMAGES**

**37.1 Liability.** Each *Party* is liable for its own acts and omissions and any breach of its obligations under this *Contract*. Each *Participant's* liabilities and obligations are individual, not joint and several.

**37.2 Limitation on Damages and Remedies.** The *State* and the *Participants* have negotiated this *Contract* in consideration of their consent to limit recovery of certain *Loss*. Accordingly, in no event is any *Party* liable to any other *Party* for the following *Loss*, however caused, that arise out of or relate to this *Contract* or any breach of it:

- (a) any consequential or incidental damages, including lost profits; or
- (b) any special or punitive damages.

A *Party* shall neither claim nor, if awarded, collect any prohibited *Loss* from any other *Party* in any proceeding arising out of or relating to this *Contract* or any breach of it. Except for reformation to correct a minor clerical error, the *Tribunal* shall enforce, but may not amend, the terms of this *Contract*.

**37.3 Limits on Indemnification.** Subject to the limitations provided in Article 37.2, if there are insufficient amounts available to recoup or offset an amount due from the *State* for a *Loss* ("Deficiency"), a *Participant* may request the *State* pay the *Deficiency* through an appropriation of *State* funds. Upon *Notice* from the *Participant*, the *State* shall request an appropriation to pay the *Deficiency* and any *Interest* due on the *Deficiency*. Any payment is subject to the

appropriation of funds by the *Legislature*. The *Legislature's* failure to make such an appropriation does not create a *Dispute* and does not extinguish the underlying obligation for which the appropriation is sought. Pending appropriation by the *Legislature* and payment by the *State*, the *Participant* may continue to recoup or offset against the *Deficiency* until satisfied.

**37.4 Limit on Termination.** Except as provided in Articles 5 and 28, the *State* is not entitled to terminate this *Contract*.

**PART J - INTERPRETATION AND PARTS OF THIS CONTRACT****ARTICLE 38 - INTERPRETATION PROVISIONS**

**38.1 Integration.** This *Contract* constitutes the final agreement among the *Parties*. It is the entire and exclusive understanding of the *Parties* on the subject matters contained in this *Contract*. All prior draft agreements, notes, understandings and negotiations of the *Parties* on the subject matters provided for in this *Contract* are superseded by this *Contract*. The provisions of this *Contract* may be explained, supplemented, or qualified through evidence of a course of dealing between the *State* and the *Participants* after the *Effective Date*. The provisions of this *Contract* may not be explained, supplemented, or qualified through parol evidence.

**38.2 No Waiver.** A *Party* may consent to or waive any breach or default by another *Party* only by *Notice*. The *Notice* does not operate as a consent or waiver of any future default by the same *Party*.

**38.3 Presumptions and Construing Exemptions.** Except as provided in Article 19.10, no doctrine, rule, or principle of *Law*, tax *Law*, or equity that would create a presumption for or against, or deference to, the position of any *Party* applies in the interpretation of this *Contract*. Any tax doctrine under *State Law* that an exemption from *Taxes* must be strictly construed to limit an exemption from *Taxes* in a contract, including the doctrine that *Tax* exemptions must be construed *strictissimi juris* to limit the exemption, does not apply to the interpretation of this *Contract*.

**38.4 Construction Against the Drafter.** In entering into this *Contract*, no *Party* has relied upon any statement, representation, warranty, or agreement of any other *Party* except for those provided in this *Contract*. This *Contract* is the product of the *Parties'* joint efforts and it is not to be construed against any *Party* as drafter.

**38.5 Headings.** The headings throughout this *Contract* are for reference purposes only and do not affect its interpretation. Further, they do not indicate that all of the provisions of this *Contract* relating to any topic are to be found in any particular Part or Article.

**38.6 Retroactive Amendment of State Statutes and Regulations Incorporated by Reference.** If the text of a *State* statute or regulation as it reads as of a particular reference date is incorporated by reference as part of this *Contract*, any amendment of that statute or regulation made after the reference date that is retroactive to a date on or before the reference date is to be disregarded for purposes of determining the text that is incorporated by reference as part of this *Contract*.

## ARTICLE 39 - PARTS OF THIS CONTRACT

**39.1 Amendment.** The *Parties* may amend this *Contract* only by a written instrument signed by all affected *Parties*. The affected *Parties* shall provide *Notice* of the amendment to all *Parties*, including a copy of the written instrument.

**39.2 Counterparts.** The *Parties* may execute this *Contract* in multiple counterparts, each of which constitutes an original *Contract* and all of which, collectively, constitute only one agreement. The signatures of all *Parties* need not appear on the same counterpart. This *Contract* is not binding until all *Parties* have executed a counterpart.

**39.3 Exhibits and Attachments.** The Exhibits are part of this *Contract*. Except for Exhibit P, Exhibit R, Exhibit X, and Exhibit Y, if the body of this *Contract* conflicts with the Exhibits, the body of this *Contract* prevails. If a provision of Exhibit P, Exhibit R, Exhibit X or Exhibit Y conflicts with a provision of the *Contract*, the provision of the Exhibit prevails only to the extent of the conflict. Attachments are for reference purposes and are not part of this *Contract*.

**PART K - REPRESENTATIONS AND WARRANTIES****ARTICLE 40 - REPRESENTATIONS AND WARRANTIES**

**40.1 State's Representations and Warranties.** The *State* represents and warrants to the *Participants* that under the *Law* it has the requisite power and authority to execute and deliver this *Contract*.

**40.2 Participant's Representations and Warranties.** Each *Participant* represents and warrants to the *State* that it has the power and authority to execute and deliver this *Contract*.

**40.3 Authority.** Each *Party* represents and warrants that its signatory has been duly authorized by all necessary corporate, *State*, or other action to execute and deliver this *Contract*.

**40.4 Judicial Challenge.** Nothing in Article 40 makes a *Party* liable to any other *Party* if the Alaska Supreme Court determines that this *Contract* does not comply with *State Law*.

**ARTICLE 41 - RELATIONSHIP TO LAW AND OTHER AGREEMENTS**

**41.1 Sovereign Power and State Law.** With the enactment of amendments to the *SGDA* and other enabling legislation to allow the *State* to perform its obligations under the *Contract*, the *Parties* agree that this *Contract* is consistent with *State Law*. The *State's* equity participation in

any *Project Entity* does not restrict or otherwise limit the *State's* sovereign power to regulate the *Project* under applicable *Law*.

**41.2 Amendment for Conformance.** After the *Effective Date*, any right, privilege or obligation of a *Party* in a lease, other agreement, regulation, rule, order or decision (“*Document*”) is amended for the *Term* only to the extent necessary to conform to the provisions of this *Contract*. If there is a *Dispute* regarding whether this *Contract* and another *Document* create conflicting rights, privileges or obligations, the *Parties* shall attempt to resolve the *Dispute* in good faith by attempting to harmonize them, giving reasonable effect to both. If the *Parties* cannot harmonize them, this *Contract* controls.

**ACKNOWLEDGEMENT**

The *Parties* by their respective authorized *Representatives* conditionally execute this *Contract* as of the following dates to signify their mutual satisfaction with and support of the terms and conditions of this *Contract*. This *Contract* as written carefully balances the interests and concerns of all *Parties* expressed in the negotiation process. The *Parties* understand that this *Contract* will not be effective until the *Legislature* authorizes the Governor to execute this *Contract*, and the Governor and all other *Parties* subsequently execute this *Contract*.

**CONDITIONAL AND NON-BINDING EXECUTION**

The *Parties* by their respective authorized *Representatives* conditionally execute this *Contract* as of the following dates:

THE STATE OF ALASKA

By

By

Name:

Name:

Title: Commissioner of Revenue

Title: Commissioner of Natural  
Resources

Date:

Date:



APPROVED:

CONCURRENCE:

By

By

Name:

Name:

Title: Attorney General

Title: Commissioner of Labor and  
Workforce Development

Date:

Date:

THE PARTICIPANTS

BP Exploration (Alaska) Inc.

ConocoPhillips Alaska, Inc.

By

By

Name:

Name:

Title:

Title:

Date:

Date:

ExxonMobil Alaska Production Inc.

By

Name:

Title:

Date:

**FINAL AND BINDING EXECUTION**

Following the enactment of *Authorization Act*, the *Parties* by their authorized *Representatives* execute this final and binding *Contract* as of the following dates:

THE STATE OF ALASKA

APPROVED:

By

Name:

Title: Governor

Date:

CONCURRENCE:

By

Name:

Title: Attorney General

Date:

CONCURRENCE:

By

Name:

Title: Commissioner of Revenue

Date:

By

Name:

Title: Commissioner of Natural  
Resources

Date:

CONCURRENCE:

By

Name:

Title: Commissioner of Labor and  
Workforce Development

Date:

THE PARTICIPANTS

BP Exploration (Alaska) Inc.

By

Name:

Title:

Date:

ConocoPhillips Alaska, Inc.

By

Name:

Title:

Date:

ExxonMobil Alaska Production Inc.

By

Name:

Title:

Date:

**APPENDIX I**

**EXHIBITS AND ATTACHMENTS**

Exhibit A - Accounting Procedures

Exhibit B - Audit Procedures

Exhibit C - Mandatory Dispute Resolution Procedures

Exhibit D - List of Properties

Exhibit E - Alaska Hire and Content

Exhibit F - Example Calculations

Exhibit G - Amounts Payable to Political Subdivisions and State

Exhibit P – Method to Determine the PPT PILT Payment

Exhibit Q – Venture Types by Producer

Exhibit R – Procedure to Implement Method to Determine the PPT PILT Payment

Exhibit X – Valuation of PPT Oil

Exhibit Y – State Administrative Procedures for PPT PILT Payments

Exhibit Z – Depreciation and Return on Invested Capital for Marine Vessels and Improvements

Attachment 1 – Uniform Upstream Fiscal Contract Act

Attachment 2 – Procedures for Reporting Payment in Lieu of SCIT

## EXHIBIT A

## ACCOUNTING PROCEDURES

[NOTE: These procedures are in the process of development and may not accurately reflect current contract language. They are subject to further review and modification by the Parties.]

**A.1 Purpose.** Exhibit A establishes the method of determining charges, payments and monies due under this *Contract*. The *Parties* shall provide reports and invoices, make payments, and maintain books and records as provided in Exhibit A.

**A.2 Monthly Reporting of Royalty and Tax Gas Estimates.** Before the tenth (10<sup>th</sup>) *Day* of each *Calendar Month*, each *Producer* shall report, or cause to be reported, to the *State* for each *Property*, for the following *Calendar Month*:

- (a) Royalty Bearing Gas and Royalty Gas. That *Producer's* estimate of *Royalty Bearing Gas* and *Royalty Gas* deliveries to each *Delivery Point*.
- (b) Tax Bearing Gas and Tax Gas. That *Producer's* estimate of *Tax Bearing Gas* and *Tax Gas* deliveries to each *Delivery Point*, if the one-time *State* election under Article 13.6 is exercised.
- (c) Changes to Producer's Estimates. The *Producer's* estimate under Exhibits A.2(a) and (b) must include the amount and a description of any changes to the estimate of *State Gas* associated with:

- (i) prospective adjustments for prior *Calendar Months* under Exhibit A.3(c),
- (ii) prospective adjustments provided for under a *GBA* or other agreement between the *State* and that *Producer*;
- (iii) *Gas* recoupment or offset under Articles 22.1(g)(ii) or 22.1(g)(iii) as calculated under Article 22.1(h).

**A.3 Monthly Reporting of Actual Production.** Each *Producer* that delivers *Gas* to a *Delivery Point* or delivers *Hydrocarbon Liquids* into a common carrier *Oil Pipeline* for delivery into *TAPS* in a *Calendar Month* shall report, or cause to be reported, to the *State* the information provided in Exhibit A.3. The report must be transmitted to the *State* by the last *Business Day* before the twenty-first (21<sup>st</sup>) *Day* of the *Calendar Month* following the *Calendar Month* being reported. The report must contain the information described in Exhibit A.3(a) – (d) regarding those deliveries from each *Property* for the *Calendar Month* being reported, and, if applicable, adjustments to information reported for prior *Calendar Months*.

(a) Volume and Heating Value of Gas Reporting by Property. Each *Producer* shall report the total *Volume* and *Heating Value* of that *Producer's Gas* delivered to each *Delivery Point*, together with the *Volume* and *Heating Value* delivered from each *Property*, respectively, of:

- (i) *Working Interest Gas*;
- (ii) *Gas* where *Royalty* has been previously paid;
- (iii) *Gas* from either federal or private leases where *Royalty Gas* is not due, but *Tax Gas* is due on the *Producer's* net share after royalty;

- (iv) *Gas* from federal leases in the *Outer Continental Shelf* where neither *Royalty Gas* nor *Tax Gas* is due;
  - (v) *Gas* where either *State* production tax or *Tax Gas* has been previously paid; and
  - (vi) other *Gas* not included in Exhibits A.3(a)(i) through (v) with a description of the source of that *Gas*.
- (b) Gas Composition Reporting. Each *Producer* shall report composition of *Gas*, where available to the *Producer*, for each *Property*.
- (c) Royalty Gas and Tax Gas Reporting. Each *Producer* shall report total *Royalty Gas* and *Tax Gas* by *Property* delivered to the *State* from *Gas* reported in Exhibit A.3(a), with reconciliation where required to *Volumes* reported in Exhibit A.3(a). The determination of the *Tax Gas* due to the *State* must be performed as provided in Articles 13.3 and 13.4. For the calculation of the *Tax Bearing Gas Price* in Article 13.5, if the *AECO Price* is less than or equal to the *Alaska to Alberta Tariff*, the *Tax Bearing Gas Price* is one *Dollar* and twenty-five cents (\$1.25) per *MMBTU*. Any variance between the *Royalty Gas* or *Tax Gas* delivered to the *State* and the *Volume* or *Quantity* due to the *State* must be adjusted by prospective adjustments in the following *Calendar Month* without any monetary compensation, unless otherwise provided for under a *GBA* or other agreement between the *State* and the *Producer*.
- (d) Volume of Hydrocarbon Liquids Reporting. Each *Producer* shall report the amount, by *Property*, of that *Producer's Hydrocarbon Liquids*, in *Barrels*, delivered into a common carrier *Oil Pipeline* for delivery into *TAPS*.



**A.4 Producer Monthly Statement of Monetary Payments.** Each *Producer* shall transmit to the *State*, by the last *Business Day* of the *Calendar Month* following the *Calendar Month* being reported, a monthly statement (“*Producer Statement*”) that details its *Producer Monetary Obligation*, any *State Monetary Obligation* owed to that *Producer*, and any *Direct State Payments* made to that *Producer*. The *Producer* may transmit the statement by U.S. mail, personal delivery or facsimile. The *Producer Statement* must provide a summary of the *Net Monetary Obligation* calculation under Article 22.1, as well as supporting detail as described under Exhibit A.4(a) – (d).

(a) Producer Monetary Obligation. *Producer Monetary Obligation* reporting requirements include:

- (i) any monetary payment due the *State* and reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the *Tax* payments occur under Article 11.2;
- (ii) any monetary payment due the *State* and reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the obligation occurred under Article 11.4, with the supporting detail as described under Exhibit A.4A (Fixed Payable Tax Increment Payments);
- (iii) any monetary *Royalty Payment* reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the monetary *Royalty Payment* transaction occurred under Article 12 (Royalty Payments);
- (iv) any monetary *Tax Bearing Gas Payment* reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the monetary

*Tax Bearing Gas Payment* transaction occurred under Article 13 (Tax Bearing Gas Payments);

(v) any monetary payment reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the *PPT Oil and PPT Gas* occurred under Article 14 (Payments in Lieu of Production Taxes), with the supporting detail as provided in Exhibit A.7;

(vi) any monetary payment reportable by the last *Business Day* of May under Article 15 (Upstream Facilities Oil Payments), with the supporting detail as described under Exhibit A.4B;

(vii) any monetary payment reportable by the last *Business Day* of May under Article 15 (Upstream Facilities Gas Payment), with the supporting detail as described under Exhibit A.4C;

(viii) any monetary payment reportable the last *Business Day* of May under Article 17 (Payment in Lieu of Oil Pipeline Ad Valorem Taxes), with the supporting detail under Exhibit A.8;

(ix) any monetary payment reportable under Article 19 (Payment in Lieu of SCIT), with the supporting detail provided in Exhibit A.4D;

(x) any reimbursement due the *State* and reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the *State* overpayment occurred under Article 22.3 (State Overpayment of Fiscal Obligations); and

(xi) any unpaid monetary payment due the *State* under Article 26 and this *Contract* only and not any other award outside this *Contract* (State Award), with the *Dollar* amount and date of each *Award*.

(b) State Monetary Obligation. *State Monetary Obligation* reporting requirements include:

(i) any *Indemnification Payments* reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the action being indemnified occurred under Article 8.3, Article 10.10, Articles 22.1(g)(ii) and (iii), or Article 21.3, including the *Dollar* amount of each action being indemnified (Indemnification Payments);

(ii) any monetary payment reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the obligation to reimburse occurred under Article 11.2, 11.3, 11.5 or 11.7 (Capped Tax, Targeted Tax, Restricted Tax, Other Taxes or Non-Participant Tax Reimbursements);

(iii) any monetary payment due the *Producer* and reportable by the last *Business Day* of the *Calendar Month*, following the *Calendar Month* in which the obligation occurred under Article 11.4 (Fixed Payable Tax Increment Payments), with the supporting detail as described under Exhibit A.4E;

(iv) any monetary *UCA* payment reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which delivery of *State Gas* occurred under Article 20 (Cost Allowances), with the supporting detail as described under Exhibit A.4F;

- (v) reimbursement of any payments to *Political Subdivisions* made by the *Producers* to fulfill an obligation to the *State* reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which payment was made under Article 21 and Exhibit G (Political Subdivision Reimbursement), with the *Dollar* amount of each *Political Subdivision* payment to be reimbursed;
- (vi) any carried over *Amount Due* from the prior the *Calendar Month* under Article 22.1(c)(i) (Carryover Underpayment), with the *Dollar* amount carried over and the applied *Interest*;
- (vii) any monetary payment reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which a payment is received from a customer of a *State Gas* sales contract under Article 22.1(g)(i) (Sales Recoupment);
- (viii) any assigned monetary value reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which a *Volume of Gas Recoupment* was received by a *Producer* under Article 22.1(j) (Gas Recoupment);
- (ix) any transfer of an *Amount Due* a *Producer Transferee* under Article 22.2(c)(iii) (Transfer Reimbursement);
- (x) any reimbursement reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the *State* overpayment occurred under Article 22.3 (Producer Overpayment of Fiscal Obligations); and
- (xi) any unpaid monetary payment due a *Producer* or its *Affiliate* under Article 26 and under this *Contract* only and not any other award outside this *Contract* (Producer Award), with the *Dollar* amount and date of each *Award*.

(c) Direct State Payments. The *Producer Statement* must include any monetary payment made by the *State* to the *Producer* in the prior *Calendar Month* under Article 22.1(a)(iii).

(d) Net Monetary Obligation. As provided under Article 22.1(b), if the *Net Monetary Obligation* calculated in the *Producer Statement* is greater than zero, that statement provides the supporting detail for the accompanying *Producer* payment which is payable by the *Producer* by the *Payment Date*.. As provided under Article 22.1(c), if the *Net Monetary Obligation* calculated in the *Producer Statement* is less than zero, that statement serves as an invoice to the *State* which is payable by the *State* by the last *Business Day* before the tenth *Business Day* after the *Payment Date* of the next *Calendar Month*.

**A.4A Fixed Payable Tax Increment.** If the *Fixed Payable Tax Increment* is negative for a *Producer*, that *Producer* shall report the following information in support of the *Fixed Payable Tax Increment* amount:

- (a) the *Actual Fixed Payable Tax Payment*;
- (b) the *Agreed Fixed Payable Tax Payment*; and
- (c) the absolute value of the *Fixed Payable Tax Increment*.

**A.4B Upstream Facilities Oil Payment.** A *Producer* that has a *Working Interest* in a *Property* shall include the following information in support of the *Upstream Facilities Oil Payment* amount for each *Property*:

- (a) the total number of *Barrels* used in the calculation of *Upstream Facilities Oil*

*Payment*, including supporting documentation for the determination of the *Producer's Barrels*;

(b) the *\$/Barrel* rate applicable to the *Property* for which the *Upstream Facilities Oil Payment* is being made, including the calculation of the inflation adjustment under Article 36.1(c);

(c) the total *Upstream Oil Payment* to the *State*;

(d) the portion of the *Upstream Facilities Oil Payment* payable to each *Political Subdivision* under Exhibit G; and

(e) the portion of the *Upstream Facilities Oil Payment* associated with *Third Party Volumes* under Article 15.7.

**A.4C Upstream Facilities Gas Payment.** A *Producer* that has a *Working Interest* in a *Property* shall include the following information in support of the *Upstream Facilities Gas Payment* amount for each *Property*:

(a) the total *Volume* of *Producer Gas*, *Associated State Gas*, and other royalty *Gas* associated with that *Producer* used in the calculation of *Upstream Facilities Gas Payment*, including supporting documentation for the determination of the *Volume*;

(b) the *\$/MCF* rate, including the calculation of the inflation adjustment under Article 36.1(b);

(c) the total *Upstream Facilities Gas Payment* to the *State*;

(d) the portion of the *Upstream Facilities Gas Payment* payable to each *Political Subdivision* under Exhibit G; and

(e) the portion of the *Upstream Facilities Gas Payment* associated with *Third Party*

*Volumes* under Article 15.7.

**A.4D Payment in Lieu of SCIT.** A *Producer* shall report the following information in support of the *Payment in Lieu of SCIT* amount:

- (a) the amount of the estimated *Payment in Lieu of SCIT* for the current *SCIT Calendar Year*, reportable by the last *Day* of the fourth (4<sup>th</sup>), sixth (6<sup>th</sup>), ninth (9<sup>th</sup>), or twelfth (12<sup>th</sup>) *Calendar Months*;
- (b) the amount of any required adjustment to the *Payment in Lieu of SCIT* obligation for the prior *SCIT Calendar Year*, reportable by the last *Day* of the fourth (4<sup>th</sup>) *SCIT Calendar Month*; and
- (c) the amount of the final *Payment in Lieu of SCIT* for the prior *SCIT Calendar Year*, reportable by the last *Day* of the twelfth (12<sup>th</sup>) *Calendar Month*.

**A.4E Payment of Fixed Payable Tax Increment by the State.** If the *Fixed Payable Tax Increment* is positive for a *Producer*, that *Producer* shall report the following information in support of the *Fixed Payable Tax Increment* amount:

- (a) the *Actual Fixed Payable Tax Payment*;
- (b) the *Agreed Fixed Payable Tax Payment*; and
- (c) the absolute value of the *Fixed Payable Tax Increment*.

**A.4F Payment of Cost Allowances by the State.** For each *Property*, the *Producer* shall report:

- (a) the *Volume of Royalty Gas* delivered to the *State* at the *Delivery Point*;

- (b) the *Volume of Tax Gas* delivered to the *State* at the *Delivery Point*;
- (c) the *UCA* rate ( $\$/MCF$ ), including the calculation of the inflation adjustment under Article 36.1(a); and
- (d) the total *UCA* payment amount due for the applicable *Calendar Month*.

The *Volumes* reported in Exhibit A.4(b)(iv) must be based on the *Volumes* reported in Exhibit A.3, with explanation for any variances.

**A.5 Payment of Impact Payments by the Mainline Entity.** By the last *Business Day* of December of the *Calendar Year* for which any *Impact Payment* is due under Article 18 (*Impact Payment*), the *Mainline Entity* shall make the *Impact Payment* to the *State*. The *Mainline Entity* shall report the *Dollar* amount paid, including any inflation adjustment under Article 36.1(d).

**A.6 Midstream Entity Monthly Statement of Monetary Payments.** Each *Midstream Entity* shall transmit to the *State* by the last *Business Day* of the *Calendar Month* following the *Calendar Month* being reported, a monthly statement (“*Midstream Statement*”) that details its *Midstream Entity Monetary Obligation*, any *State Monetary Obligation* owed to that *Midstream Entity* and any *Direct State Midstream Payment* made to that *Midstream Entity*. The *Midstream Entity* may transmit the statement by U.S. mail, personal delivery or facsimile. The *Midstream Statement* must provide a summary of the *Net Midstream Monetary Obligation* calculation under Article 22.2, as well as supporting detail described under Exhibit A.6(a) through (d).

- (a) Midstream Entity Monetary Obligation. *Midstream Entity Monetary Obligation* reporting requirements include:



- (i) any monetary payment due the *State* and reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the *Tax* payments occur under Article 11.2;
  - (ii) any monetary payment due the *State* and reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the obligation occurred under Article 11.4 (Fixed Payable Tax Increment Payments), with the supporting detail as described under Exhibit A.6A;
  - (iii) any monetary payment reportable by the last *Business Day* of May under Article 16 (Midstream Payments), with the supporting detail as described under Exhibit A.6B;
  - (iv) any monetary payment reportable under Article 19 (Payment in Lieu of SCIT) , with the supporting detail as described under Exhibit A.6C;
  - (v) any reimbursement reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the *State* overpayment occurred under Article 22.3 (State Overpayment of Fiscal Obligations);
  - (vi) any unpaid monetary payment due the *State* under Article 26 and this *Contract* only and not any other award outside this *Contract* (State Midstream Award), including the *Dollar* amount and date of the *Award*.
- (b) State Midstream Monetary Obligation. *State Midstream Entity Monetary Obligation* reporting requirements include:
- (i) any monetary payment reportable by the last *Business Day* of the *Calendar Month*, following the *Calendar Month* in which the action being

indemnified occurred under Article 8.3 or Article 21.3 (Indemnification Payments), including the *Dollar* amount of each action being indemnified;

(ii) any monetary payment reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the obligation to reimburse occurred under Article 11.2, 11.3, 11.5 or 11.7 (Capped Tax, Targeted Tax, Restricted Tax, Other Taxes or Non-Participant Tax Reimbursements);

(iii) any monetary payment due the *Midstream Entity* and reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the obligation occurred under Article 11.4 (Fixed Payable Tax Increment Payment), with the supporting detail as described under Exhibit A.6D;

(iv) reimbursement of any payments to *Political Subdivisions* made by the *Midstream Entity* to fulfill an obligation to the *State* reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which payment was made under Article 21 and Exhibit G (Political Subdivision Reimbursement), including the *Dollar* amount of each *Political Subdivision* payment to be reimbursed;

(v) any transfer of an *Amount Due* to a *Midstream Entity* under Article 22.1(c)(iii) (Transfer Reimbursement);

(vi) any carried over *Midstream Amount Due* from the prior *Calendar Month* under Article 22.2(d)(i) (Carryover Underpayment);

(vii) any reimbursement due to the *Midstream Entity* reportable by the last *Business Day* of the *Calendar Month* following the *Calendar Month* in which the

*State* overpayment occurred under Article 22.3 (Midstream Entity Overpayment of Fiscal Obligations);

(viii) any unpaid monetary payment due the *Midstream Entity* under Article 26 and under this *Contract* only and not any other award outside this *Contract* (Midstream Entity Award), including the *Dollar* amount and date of each *Award*.

(c) Direct State Midstream Payments. The *Midstream Statement* must include a summary of any *State Midstream Monetary Obligation* monetary payment made directly by the *State* to the *Midstream Entity* under Article 22.4(b)(iii).

(d) Net Midstream Monetary Obligation. As provided under Article 22.2(c), if the *Net Midstream Monetary Obligation* calculated in the *Midstream Statement* is greater than zero, that statement provides the supporting detail for the accompanying payment which is payable by the *Midstream Entity* by the last *Business Day* before the twenty-first (21<sup>st</sup>) *Day* of the next *Calendar Month*. As provided under Article 22.2(d), if the *Net Midstream Monetary Obligation* calculated in the *Midstream Statement* is less than zero, that statement serves as an invoice to the *State* which is payable by the *State* by the last *Business Day* before the twenty-first (21<sup>st</sup>) *Day* of the next *Calendar Month*.

**A.6A Midstream Entity Fixed Payable Tax Increment.** If the *Fixed Payable Tax Increment* is negative for a *Midstream Entity*, that *Midstream Entity* shall report the following information in support of the *Fixed Payable Tax Increment* amount:

- (a) the *Actual Fixed Payable Tax Payment*;
- (b) the *Agreed Fixed Payable Tax Payment*; and
- (c) the absolute value of the *Fixed Payable Tax Increment*.

**A.6B Midstream Entity Payment.** A *Midstream Entity* shall report to the *State* the following information in support of the *Midstream Payment* amount paid for its *Midstream Element*:

- (a) the *Mainline Entity* shall report the total *Quantity* of *Gas* delivered into the *Mainline*, including any adjustments for prior *Calendar Months*;
- (b) a *Midstream Entity* owning a *GTP* shall each report the total *Quantity* of *Gas* delivered to the *Midstream Element* immediately downstream of that *GTP*, including any adjustments for prior *Calendar Months*;
- (c) a *Midstream Entity* owning a *Gas Transmission Pipeline* shall report:
  - (i) the total *Volume* of *Gas* delivered to the *Gas Transmission Pipeline* for each *Inlet Point Contribution*, including any adjustments for prior *Calendar Months*; and
  - (ii) the *Segment Length* of pipe associated with that *Inlet Point Contribution* for that *Gas Transmission Pipeline* measured to the nearest one-tenth (0.1) of one mile;
- (d) the total *Volume* or *Quantity* of *Gas* used in the calculation of *Midstream Payments*, including supporting documentation for the determination of the *Volume* or *Quantity*;
- (e) the unit rate applicable to the *Midstream Payment* amount being paid, including the calculation of the inflation adjustment under Article 36.1(a);
- (f) the total *Midstream Payment* amount payable to the *State*; and
- (g) the portion of the *Midstream Payment* amount payable to each *Political Subdivision* under Exhibit G.

**A.6C Midstream Entity Payment in Lieu of SCIT.** A *Midstream Entity* shall report the following information in support of the *Payment in Lieu of SCIT* amount:

- (a) The amount of the estimated *Payment in Lieu of SCIT* for the current *SCIT Calendar Year*, reportable by the last *Day* of the fourth (4<sup>th</sup>), sixth (6<sup>th</sup>), ninth (9<sup>th</sup>), or twelfth (12<sup>th</sup>) *Calendar Months*.
- (b) The amount of any required adjustment to the *Payment in Lieu of SCIT* obligation for the prior *Calendar Year*, reportable by the last *Day* of the fourth (4<sup>th</sup>) *Calendar Month*.
- (c) The amount of the final *Payment in Lieu of SCIT* for the prior *Calendar Year*, reportable by the last *Day* of the twelfth (12<sup>th</sup>) *Calendar Month*.

**A.6D Midstream Entity Fixed Payable Tax Increment.** If the *Fixed Payable Tax Increment* is positive for a *Midstream Entity*, that *Midstream Entity* shall report the following information in support of the *Fixed Payable Tax Increment* amount:

- (a) the *Actual Fixed Payable Tax Payment*;
- (b) the *Agreed Fixed Payable Tax Payment*;
- (c) the absolute value of the *Fixed Payable Tax Increment*.

**A.7 Filing of PPT PILT Payment Reports.** Each *Producer* shall provide the *State* with the following information under Exhibit P.21 regarding its *PPT PILT Payments*:

- (a) when making any *Monthly PPT PILT Payment* under Exhibit P.5, a report with the following information:

- (i) a description of each *Property* from which the *PPT Oil* and *PPT Gas* was produced, by name, legal description, lease number, or accounting codes assigned by *DOR*;
  - (ii) the names of the *Producer* and the *Person* making the *PPT PILT Payment*;
  - (iii) the gross *Barrels* of *PPT Oil* and the gross *Volume* of *PPT Gas* produced from each *Property* and, of those amounts, the portion of the gross amount received by that *Producer* that is subject to a *PPT PILT Payment*;
  - (iv) the *Gross Value at the Point of Production* of the *PPT Oil* and of the *PPT Gas* produced from each *Property* received by the *Producer*;
  - (v) the *Producer's PPT Lease Expenditures*, reported as for each category of *Included Costs* and *Excluded Costs* under Exhibit R.2;
  - (vi) the amounts claimed as a *PPT Credit*, reported for each category under Exhibit P.6;
  - (vii) the amount and calculation of any *Statutory Interest*; and
  - (viii) the amount of the *Monthly PPT PILT Payment*; and
- (b) when making any *Final Annual PPT PILT Payment* under Exhibit P.5, a report providing the following information for the subject *Calendar Year*:
- (i) the total amount of the *PPT PILT Payments* for the *Producer's PPT Oil and PPT Gas*, together with the amount and date of each of the *Producer's Monthly PPT PILT Payments*;
  - (ii) the gross *Barrels* of *PPT Oil* and the gross *Volume* of *PPT Gas* produced from each *Property* and, of those amounts, the portion of the gross amount received by that *Producer* that is subject to a *PPT PILT Payment*;

- (iii) the *Gross Value at the Point of Production* of the *Producer's PPT Oil* and *PPT Gas* from each *Property* received by the *Producer*;
  - (iv) the *Producer's PPT Lease Expenditures*, reported as an amount of each category of *Included Costs* and *Excluded Costs*;
  - (v) the *Net Production Value* of *PPT Oil* and *PPT Gas*;
  - (vi) the amounts claimed as a *PPT Credit* reported for each category under Exhibit P.6;
  - (vii) the amount and calculation of any *Statutory Interest*;
  - (viii) the amount of the *PPT PILT Payment* due; and
  - (ix) the amount of the *Final Annual PPT PILT Payment* or the amount of refund due to the *Producer*;
- (c) if requested by the *DOR*, the *Producer* shall provide information identifying the first purchaser and the price received for the *PPT Oil* and for the *PPT Gas*.

**A.8 Supporting Detail for the Payment in Lieu of Oil Pipeline Ad Valorem Taxes.** A *Participant* or its *Affiliate* having an *Oil Pipeline Ownership Interest* as of the first *Day* of that year, or a *Person* acting on behalf of the *Participant* or its *Affiliate* shall provide, or caused to be provided, the *State* with the following information in support of the *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* amount paid for each *Oil Pipeline*:

- (a) the name of the *Oil Pipeline*;
- (b) the name of the *Participant* or the *Affiliate*, whichever holds the ownership interest in the *Oil Pipeline*;

- (c) the percentage of the *Participant's* or the *Affiliate's* share in the ownership of the *Oil Pipeline*;
  - (d) a declaration of whether its ownership is directly in the pipeline or indirectly through ownership in a *Person* that is the sole owner of the pipeline and is not an *Affiliate* of the *Participant*, and if indirectly, the name of that *Person*; and
  - (e) a declaration as of the *Valuation Date* of whether the *Oil Pipeline* began to transport *Unrefined Oil*, or whether it was then under construction or was completed but had not yet begun to transport *Unrefined Oil*; and
    - (i) if the *Oil Pipeline* did begin to transport *Unrefined Oil* before the *Valuation Date*, a declaration of the *Annual Barrels Tendered* during the prior *Calendar Year* into the *Oil Pipeline* including supporting documentation for the determination of the *Annual Barrels Tendered*, and the current *Average Annual Barrels Tendered* for the *Oil Pipeline*; or
    - (ii) if the *Oil Pipeline* was under construction as of the *Valuation Date* or was completed but had not yet begun to transport *Unrefined Oil*, a declaration of the *Actual Cost* of the *Oil Pipeline* as of the *Valuation Date*.
  - (f) the *\$/Barrel* rate applicable to the *Property* for which the *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* is being made;
  - (g) the total *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* payable to the *State*;
- and
- (h) the portion of the *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* payable to each *Political Subdivision* under Exhibit G.



**A.9 Units of Measure and Rounding Conventions.** Numerical calculations must be rounded under the algorithm included in the most recent public release of the Microsoft Excel spreadsheet program. Financial and non-financial results must be reported as follows:

- (a) Monetary values (*Dollar* amount): input to calculations and results reported to the nearest whole *Dollar*;
- (b) Monetary rates (*Dollar* amount per unit): input to calculations and results reported to the number of significant figures specified for that rate in this *Contract*;
- (c) *Gas Volumes*: input to calculations and results reported to the nearest thousand *Cubic Feet*;
- (d) *Liquid Barrels*: input to calculations and results reported to the nearest tenth of a *Barrel* (or barrel of oil equivalent);
- (e) *Heating Value*: input to calculations and results reported to the nearest million *BTUs* per *MCF*;
- (f) Pipeline length: input to calculations and results reported to the nearest tenth (0.1) mile;
- (g) *Working Interest* percentages: input to calculations to seven (7) decimals and report results to six (6) decimals;
- (h) All other percentages: input to calculations, rounded and results reported to the nearest hundredth (0.01) of a percent;
- (i) All other values or rates not listed in Exhibit A.9(a) through (h): input to calculations and results reported to four (4) significant figures.

**A.10 Address for Reports and Payments.** A *Party* shall provide *Notice* to the applicable

other *Parties* of the *Party's* address for receipt of reports and payments provided under Exhibit A.

**EXHIBIT B****AUDIT PROCEDURES**

**B.1 Initiation of Audit and Audit Notice.** Subject to Exhibit B.4, the *Commissioner* or the *DNR Commissioner* may initiate an audit on behalf of the *State* relating to a *Participant's Fiscal Obligations*, by delivery of a *Notice* to the *Participant* from the *Administrator* (the "Audit Notice") at least sixty (60) *Days* before the date on which the *State* desires to commence the audit:

- (a) identifying the *Calendar Year* or *SCIT Calendar Year* to be audited;
- (b) identifying the *Fiscal Obligation* to be audited; and
- (c) making a preliminary written request for *Audit Documents* to be made available at the commencement of the audit.

**B.2 Audit Scope and Amendments.** The scope of an audit is as generally provided under Article 25.2 and as further detailed under Article 25 and Exhibit B. To the extent that a report, invoice, or return is amended, the audit scope for that amendment is limited to those items in the *Audit Documents* changed or affected by the amendment.

**B.3 Conduct of Certain Audits under Law.**

(a) The audit procedures in Article 25 and Exhibit B apply to an audit of a *Participant's Fiscal Obligations* except the *State* shall conduct audits under *Law* of books and records with respect to the rights, privileges, and obligations concerning:

(i) *Royalty Bearing Gas* delivered to a *Delivery Point* but not to a *Midstream Element* before the *Commencement of Commercial Operations* under Article 12.1(a)(i)(B);

(ii) *Royalty Bearing Gas* that is not delivered to a *Midstream Element* under Article 12.1(b)(iii), if the *State* has made a one-time election under Article 12.1(b)(iii)(B);

(iii) *Tax Bearing Gas* delivered to a *Delivery Point* but not to a *Midstream Element* before the *Commencement of Commercial Operations* under Article 13.2(a)(ii); or

(iv) *Tax Bearing Gas* that is not delivered to a *Midstream Element* under Article 13.2(b)(iii), if the *State* has made a one-time election under Article 13.2(b)(iii)(B).

(b) Audits regarding taxability, valuation, or the amount of a *Tax* levied by a *Political Subdivision* are addressed in Article 11.12(a).

#### **B.4 Audit Coordination.**

(a) Calendar Year Audit. An audit must cover a full *SCIT Calendar Year* for an audit for *Payment in Lieu of SCIT*, and a full *Calendar Year* for all other audits, unless the affected *Parties* agree to an audit of multiple full *SCIT Calendar Years* or *Calendar Years*.

- (b) Frequency of Audits. For each *Participant*, the *State* may conduct one audit for each of the following in any *Calendar Year*:
- (i) satisfaction of *Fiscal Obligations* under Articles 12, 13, 14, 15, 16, 17 and 20, and associated *Measurements* under Article 24; or
  - (ii) satisfaction of *Fiscal Obligations* under Article 19, except that:
    - (A) if a *SCIT Calendar Year* is not concurrent with a *Calendar Year*, then a second audit may occur limited to *Payment in Lieu of SCIT* for that *SCIT Calendar Year*;
    - (B) if an amended *Payment in Lieu of SCIT* return has been filed as specified in Article 25.3, then a second audit may occur limited to those items which were changed in that amended return;
  - (iii) satisfaction of all other *Fiscal Obligations*; or
  - (iv) amended items under Article 25.2(d) for the *Calendar Year* affected by that amendment.

If the *State* has accepted *Measurement* information for a *Calendar Year* as part of any audit, the *State* must rely on that *Measurement* information for all other audits for that *Calendar Year*.

- (c) Audit Coordination. Upon request by the *State*, the *Participant* shall identify and make available a single point of contact for an audit (“Audit Coordinator”).
- (i) The *Audit Coordinator* shall facilitate *State* site inspections to:
    - (A) confirm cessation of production under Articles 15.4 and 16.3;

(B) witness proving or testing of a *Participant's* measurement equipment under Article 24 but only if that measurement equipment is utilized by that *Participant* to establish a *Fiscal Obligation*; or

(ii) The *Audit Coordinator* shall be available or may make a knowledgeable person available to address *Audit Document* issues.

**B.5 Document Coordination.** The *Participant* being audited shall make *Audit Documents* available to the *State* at the location where the *Audit Documents* are maintained or at another mutually-agreed location. The *Participant* being audited shall respond to a request for *Audit Documents* within sixty (60) *Days*.

**B.6 Failure to Provide Audit Documents.**

(a) Audit Document Disputes. If the *State* believes that a *Participant* has failed to provide the *Audit Documents* necessary to complete an audit, the *State* may issue a *Notice of Dispute*. If the *Tribunal* issues an *Award* in favor of the *State* and orders the *Participant* to produce specific *Audit Documents*, the *Audit Period* for any item affected by the *Dispute* is tolled during the *Dispute* and until the *Audit Documents* have been delivered to the *State*. If the *Tribunal* issues an *Award* in favor of the *Participant*, the *Audit Period* concludes the later of:

- (i) the previously established expiration date for the *Audit Period*; or
- (ii) sixty (60) *Days* following the date of the *Award*.

All *Disputes* regarding a *Participant's* production of *Audit Documents* for an audit must be consolidated into a single proceeding for purposes of resolving the *Dispute* under Article 25 and Exhibit C.

(b) Subsequent Audit Document Disputes. In a *Dispute* under Exhibit B.6(a), if the *Tribunal* issues an *Award*:

(i) in favor of the *Participant* on all *Audit Document* issues, then the *State* may not initiate a subsequent *Dispute* regarding production of *Audit Documents* for that audit;

(ii) in favor of the *State* on all *Audit Document* issues, then the *State* may initiate a subsequent *Dispute* regarding production of *Audit Documents* for that audit;

(iii) in favor of the *State* on some *Audit Document* issues (“*Awarded Document*”) and a *Participant* on other *Audit Document* issues, then the *State* may initiate a subsequent *Dispute* regarding production of the *Awarded Documents* or other *Audit Documents*, if the need for other *Audit Documents* could not reasonably have been foreseen before production of the *Awarded Document*.

(c) Failure to Comply. If the *Tribunal* orders a *Participant* to deliver *Audit Documents* to the *State* and the *Participant* fails to comply with that *Award*, the *State* may:

(i) enforce the *Award*; or

(ii) issue an *Audit Report*.

If a *Participant* issues a *Notice of Dispute* relating to an *Audit Report* issued after that *Participant* failed to comply with an *Award* of the *Tribunal* to provide any *Audit Document*, the *Participant* may not, without the express permission of the *State* or an express finding by the *Tribunal* that the failure to comply was not willful, introduce that *Audit Document* in the *Dispute* resolution process.

**B.7 Retention of Documents.** For all closed *Audit Periods*, a *Participant* is not required to retain *Audit Documents* unless they are:

- (a) subject to an unresolved *Audit Exception*;
- (b) subject to audit as the result of an *Audit Period* extension;
- (c) relevant to an unresolved *Dispute*, and a *Notice of Dispute* has been received by the *Participant* subject to the audit;
- (d) necessary for an amended *Payment in Lieu of SCIT* as provided in Article 19 and Article 25; or
- (e) necessary to support the computation of a component of a *Participant's Fiscal Obligations* for a subsequent year beyond the current *Audit Period*, and the *State* has provided sufficient *Notice* to the *Participant* that those *Audit Documents* are relevant.

**B.8 Confidential Treatment of Audit Documents.** All *Audit Documents* and the information in those *Audit Documents* that are provided to or made available to the *State* or its audit representatives are confidential under this *Contract* and *State Law*.



**B.9 Presumption of Accuracy and Finality.** After the *Audit Period*, a *Participant's Audit Documents* are presumed to be accurate and final for that *Audit Period* unless:

- (a) the *Audit Document* is the subject of an *Audit Exception* which has not been resolved;
  - (b) the *Audit Document* is relevant to an issue that is still subject to audit as a result of an *Audit Period* extension;
  - (c) the *Audit Document* is relevant to a *Dispute*, and a *Notice of Dispute* has been received by the *Participant* subject to the audit;
  - (d) the *State* can establish by clear and convincing evidence that the *Audit Document* was created by the *Participant* with the intent to avoid payment of its *Fiscal Obligations*;
- or
- (e) the *Audit Document* is relevant to an amended *Payment in Lieu of SCIT*, which is still subject to audit.

**B.10 Conduct of Audit.** The *State* shall conduct audits in a manner that minimizes inconvenience to the affected *Participant*, including conducting audits simultaneously, when appropriate. The *State* shall bear all costs incurred by it or its audit representatives in conducting an audit, except as provided under Article 11.7.

**B.11 Audit Completion.** The *State* shall complete each audit or amended audit and issue a final written *Audit Report* to the audited *Participant* in accordance with the provisions of Article 25. The *Audit Period* may be extended only by written agreement of the *State* and the *Participant* subject to the audit. The *State* shall provide the *Participant* a copy of the written

*Audit Report* before the end of the *Audit Period*. The *Audit Report* may not be amended, modified, or supplemented after the end of the *Audit Period*, or amended *Audit Period*, if extended.

#### **B.12 Audit Exception Response and Resolution.**

(a) Audit Exception Amicable Resolution Process. The *Participant* subject to an audit shall respond in writing indicating whether it agrees with the *Audit Exceptions* within one hundred twenty (120) *Days* of receiving the *Audit Report*. If the *Participant* fails to respond in writing to an *Audit Exception* within one hundred and twenty (120) *Days*, the *Audit Exception* is deemed correct and conclusively established. The *State* and the *Participant* shall meet in an effort to resolve any *Audit Exception* not otherwise agreed or conclusively established. Unless otherwise agreed, the *State* and the *Participant* shall have one hundred eighty (180) *Days* from the date of the *Participant's* first written response with respect to any *Audit Exception* to resolve that *Audit Exception* ("Resolution Period").

(b) Audit Exception Disputes. If an *Audit Exception* is not resolved by the end of the *Resolution Period*, a *Party's* sole remedy is to provide a *Notice of Dispute* and that *Notice of Dispute* must be filed within one hundred and twenty (120) *Days* from the end of the *Resolution Period*. All *Disputes* related to *Audit Exceptions* in an *Audit Report* must be joined for resolution in a single proceeding under Article 25 and Exhibit C. The *Award* must address each *Audit Exception* individually.

**EXHIBIT C****MANDATORY DISPUTE RESOLUTION PROCEDURES****C.1 Overview.**

(a) Scope. Exhibit C sets forth mandatory *Dispute* resolution procedures (“*Dispute Procedures*”) that govern any *Dispute* within the scope of Article 26. These *Dispute Procedures* are subject to and incorporate the terms and conditions of this *Contract*, including Article 26, the definitions in Article 1, the drafting conventions in Article 2 and *Notice* under Article 30.

(b) Summary of Dispute Resolution Processes. These *Dispute Procedures* describe three processes for resolving a *Dispute*. First, Exhibit C.2 sets forth a mandatory amicable resolution process that must be followed before *Arbitration* is invoked. If the amicable resolution process does not yield a complete resolution of a *Dispute*, the *Arbitration* process provided in Exhibit C.3 may be invoked. However, in a *Dispute* under Article 5, Article 10.3(d)(ii), Article 8.7, Article 14, or Exhibit P the *Parties* are not required to exhaust the amicable resolution process in Exhibit C.2. In cases where the *Parties* are not required to exhaust the amicable resolution process in Exhibit C.2, a *Party’s Notice of Dispute* constitutes a *Notice of Arbitration*. The third process is a voluntary mediation process that may be invoked as provided in Exhibit C.4.

**C.2 Amicable Resolution Process.**

- (a) Notice. If the *State* has a *Dispute* with a *Participant* or a *Participant* has a *Dispute* with the *State*, then the *State* or the *Participant*, as the case may be, may provide a *Notice* to the other requesting amicable resolution of the *Dispute* (“*Notice of Dispute*”). The *Notice* must identify the nature of the *Dispute* in reasonable detail. A copy of the *Notice* must be provided to all *Parties*.
- (b) Response to Notice. A *Party* receiving a *Notice* under Exhibit C.2(a) shall, within fifteen (15) *Days* of the effective date of the *Notice*, respond in writing, setting forth its position.
- (c) Resolution Meeting. Within sixty (60) *Days* after the effective date of the *Notice* described in Exhibit C.2, a meeting to resolve the *Dispute* (“*Resolution Meeting*”) must be held at a mutually acceptable time and location. The *Party* issuing the *Notice* and the *Party* receiving the *Notice* shall be represented by their *Senior Executive*, and may be accompanied by an attorney. A “*Senior Executive*” is a person who has authority to settle the *Dispute*.
- (d) Conduct of Resolution Meeting. At the *Resolution Meeting*, the attending *Senior Executives* shall exchange relevant information and undertake a good faith effort to settle the *Dispute* amicably through negotiation.
- (e) Termination of Amicable Resolution Process. If a *Dispute* has not been resolved within one hundred twenty (120) *Days* after the effective date of the *Notice* described in Exhibit C.2, or if a *Resolution Meeting* has not occurred within sixty (60) *Days* after the effective date of that *Notice*, then the *Arbitration* process provided in Exhibit C.3 may be invoked.

(f) Confidentiality. All negotiations under this Exhibit C.2 are confidential and are to be treated as compromise and settlement negotiations for all purposes. *Notices* requesting amicable resolution of a *Dispute* and responses to those *Notices*, statements, offers, or information provided in the negotiations are not admissible as evidence in any later proceeding, unless the statement, offer, or information provided is otherwise discoverable and admissible.

### C.3 Mandatory Arbitration Process.

(a) Commencement of Arbitration. The *State* may commence an *Arbitration* against a *Participant* or a *Participant* may commence an *Arbitration* against the *State* by providing *Notice* of commencement of *Arbitration* (“Notice of Arbitration”) to the other, with a copy to each other *Participant*. A *Party* issuing a *Notice of Arbitration* is a “*Claimant*” and a *Party* to whom the *Notice* is addressed is a “*Respondent*”.

(b) The *Notice of Arbitration* must include:

- (i) The full name, description, and address of the *Claimant* and *Respondent*;
- (ii) A demand that the *Dispute* be referred to *Arbitration* under these *Dispute Procedures*;
- (iii) A statement verifying the satisfaction of the requirements of Exhibit C.2 by describing the unsuccessful efforts to amicably resolve the *Dispute*;
- (iv) A statement of the general nature of the *Claimant’s* claim;
- (v) A statement whether the *Dispute* is, or the *Claimant* wishes the *Dispute* to be, subject to *Baseball Arbitration* under Exhibit C.18;
- (vi) The relief or remedy sought; and

- (vii) If the *Dispute* is a *Multi-Participant Dispute*, a statement in bold print “This is a *Multi-Participant Dispute*”.
- (c) Within twenty (20) *Days* after the effective date of the *Notice of Arbitration*, the *Respondent* shall deliver a *Notice* to the *Claimant*, with a copy to each other *Party*, setting forth its response to the *Notice of Arbitration* (“*Response*”). Failure to deliver a *Response* does not delay the *Arbitration* and in that event all claims provided in the *Notice of Arbitration* are deemed denied by the *Respondent*.
- (d) The *Response* must include:
- (i) Any comment on matters contained in the *Notice of Arbitration* that the *Respondent* deems appropriate;
  - (ii) A statement of the general nature of the *Respondent’s* position;
  - (iii) A statement whether the *Dispute* is, or the *Respondent* wishes the *Dispute* to be, subject to *Baseball Arbitration* under Exhibit C.18;
  - (iv) If the *Response* includes a counterclaim, the items listed in Exhibit C.3(b);  
and
  - (v) If the *Response* contains a counterclaim that includes a *Multi-Participant Dispute*, a statement in bold print “This is a *Multi-Participant Dispute*”.
- (e) If a counterclaim is asserted within twenty (20) *Days* after the effective date of the *Response*, the *Claimant* shall deliver a reply to the counterclaim that addresses the items listed in Exhibit C.3(d)(i) and (ii), with a copy to each other *Party*. Failure to deliver a reply to a counterclaim does not delay the *Arbitration* and in that event all counterclaims provided in the *Response* are deemed denied by the *Claimant*.

(f) A *Claim* or counterclaim within the scope of Article 26 involving a common question of *Law* or fact with a pending claim or counterclaim (“Additional Claim”) may be added or amended before the establishment of the *Tribunal*. After establishment of the *Tribunal*, an *Additional Claim* may not be added or amended if it would create a *Multi-Participant Dispute*. Otherwise, after establishment of the *Tribunal*, an *Additional Claim* may be added or amended with the approval of the *Tribunal* for good cause shown. The requirements of the amicable resolution process described in Exhibit C.2 are waived for claims and counterclaims added or amended under Exhibit C.3(f). *Responses* or replies to amended claims or counterclaims must be delivered within twenty (20) *Days* after receipt of an amended claim or counterclaim.

(g) A *Dispute*, except a *Multi-Participant Dispute*, is between the *State*, on the one part, and a single *Participant*, on the other part. Except for a *Dispute* under Exhibit C.3(h)(i)(B), (D), or (F), the *State* may only issue a *Notice of Arbitration* to a single *Participant*. Before the establishment of a *Tribunal*, *Participants* who have *Disputes* with the *State* that are related by common questions of *Law* or fact may, by mutual agreement among those *Participants*, join together to assert a common position and jointly defend or prosecute their *Disputes* against the *State* in a single *Arbitration* proceeding. *Participants* that join their claims for resolution in a single *Arbitration* proceeding are to be treated as a single *Claimant* or a single *Respondent*, as the case may be.

(h) Multi-Participant Dispute.

(i) For purposes of Exhibit C, a *Multi-Participant Dispute* is a *Dispute* between the *State* and more than one *Participant*

- (A) in which *Participants* have joined together under Exhibit C.3(g);
- (B) in which any *Party* seeks to terminate the *Contract*;
- (C) that arises under Article 8.7 or Article 23;
- (D) in which the *State* seeks to administratively terminate the rights and obligations of a *Participant* under Article 28.1(a);
- (E) that relates to the *Confidentiality* of information to the extent that information is owned by a *Requesting Participant*;
- (F) that arises under Exhibit X.12, if the *Tribunal* decides that the overall facts and circumstances of the *Dispute* are best resolved as a *Multi-Participant Dispute*; or
- (G) in which a *Requesting Participant* overcomes a presumption in favor of allowing each *Participant* to resolve its *Dispute* with the *State* separately, by making a showing by clear and convincing evidence that:
  - (1) complete relief cannot be accorded between the *Claimant* and *Respondent* without the presence of the *Requesting Participant* in the *Arbitration*; or
  - (2) the *Requesting Participant*:
    - (a) has substantial interests in the *Dispute*; and
    - (b) is so situated that the resolution of the *Dispute* in its absence will, as a practical matter, materially adversely impair or impede its ability to protect those interests; and
    - (c) would not have an adequate remedy available through a separate *Arbitration*.



The potential for inconsistent results is not by itself sufficient to overcome a presumption against certification.

(ii) Except as provided under Exhibit C.3(h)(i)(B), (D), or (F), only a *Participant* may request certification of a *Dispute* as a *Multi-Participant Dispute*. The *Requesting Participant* shall provide *Notice* that it is requesting certification of a *Dispute* as a *Multi-Participant Dispute* to all *Parties* within ten (10) *Days* after the effective date of the *Response* or of the assertion of a counterclaim, or amended or new claim or counterclaim. The *Notice* must state the basis for its claim that the *Dispute* is a *Multi-Participant Dispute*. If neither the *Claimant* nor the *Respondent* object to the *Notice* within ten (10) days after the effective date of the *Notice*, the *Dispute* must be certified as a *Multi-Participant Dispute* and the *Requesting Participant* becomes a *Party to the Dispute*.

(iii) After the *Tribunal* is selected, it shall promptly resolve a request for certification by a *Requesting Participant* and any other issue concerning rights of a *Party* to an *Arbitration* under Exhibit C.3(h). If the *Tribunal* grants the certification request, the *Requesting Participant* becomes a *Party to the Dispute*.

(i) If the *Arbitration* is a *Multi-Participant Dispute*, and at least one *Participant* has complied with the amicable resolution process described in Exhibit C.2, then the requirements of Exhibit C.2 are waived for the remaining *Participants*.

(j) A *Participant* may not make a claim against or seek relief from another *Participant* under Article 26 or these *Dispute Procedures*. In a *Multi-Participant Dispute*, however, with regard to a *Participant's* claim against the *State* or relief sought

by a *Participant* from the *State*, each *Participant* may take a position that may be different from or adversely affect the position of another *Participant*.

(k) *Arbitration* may not be used to re-arbitrate the merits of a *Dispute*.

**C.4 Representation.** Each *Party to the Dispute* may be represented or assisted by persons of their choice and shall communicate the name, address, and function of those persons in writing to each other and to the *Tribunal*.

**C.5 Selection of Arbitrators.**

(a) Unless otherwise agreed by the *Parties to the Dispute*, the *Tribunal* is comprised of three (3) arbitrators.

(b) The *Parties to the Dispute* shall attempt jointly to select the arbitrators within seventy-five (75) *Days* of the effective date of the *Notice of Arbitration*.

(c) If the *Parties to the Dispute* have not selected the three (3) arbitrators by agreement within seventy-five (75) *Days* of the effective date of the *Notice of Arbitration*, then a *Party to the Dispute* may request International Institute for Conflict Prevention & Resolution (“CPR”) in writing to proceed under Exhibit C.6(b) for selection of any remaining arbitrators. Once selected, the *Tribunal* shall appoint one arbitrator from among them to chair the *Tribunal*.

**C.6 Selection of Arbitrators by CPR.**

(a) A written request to *CPR* to proceed under Exhibit C.6(b) must include a copy of these *Dispute Procedures*, and each *Notice of Arbitration*, *Response*, reply, amendment, and other *Notice* served among the *Parties to the Dispute*. *Notices* requesting amicable resolution of a *Dispute* and responses to those *Notices* must not be provided to *CPR*.

(b) *CPR* shall proceed as follows:

(i) Promptly following receipt by *CPR* of a request under Exhibit C.5(c) moving it to proceed under Exhibit C.6(b), *CPR* shall convene the *Parties to the Dispute* in person or by telephone to attempt to select the arbitrator(s) by agreement.

(ii) If the procedure provided for in Exhibit C.6(b)(i) does not result in the selection of the required number of arbitrators within twenty (20) *Days* after a request under Exhibit C.5(c), *CPR* shall submit to the *Parties to the Dispute* a list, from the *CPR* Panels, of not less than five (5) candidates if one arbitrator remains to be selected, and of not less than seven (7) candidates if two (2) or three (3) arbitrators are to be selected. The list must include a brief statement of each candidate's qualifications. Each *Party to the Dispute* may strike one candidate from the list. The *Parties to the Dispute* shall number the remaining candidates in order of preference, note any objection to any candidate, and deliver the list so marked to *CPR*. If a *Party to the Dispute* fails without good cause to return the candidate list so marked within ten (10) *Days* after receipt, it is deemed to have assented to all the listed candidates. For each vacancy, *CPR* shall designate as arbitrator the nominee willing to serve for whom the *Parties to the Dispute* collectively have indicated the highest preference and who appears to meet the

standards provided in Exhibit C.7. If a tie between two (2) candidates results, *CPR* may designate either candidate. If this procedure for any reason fails to result in designation of the required number of arbitrators or if a *Party to the Dispute* fails to participate in this procedure, *CPR* shall appoint a person or persons whom it deems most qualified to fill any remaining vacancy.

### **C.7 Qualifications, Challenges and Replacement of Arbitrator(s)**

(a) Each arbitrator must be independent and impartial. The arbitrators must be knowledgeable, by professional or academic training, experience or ability, concerning the subject matter of the *Dispute* which they are to resolve. An arbitrator may not have been employed by the *State* or any *Political Subdivision*, or by a *Participant* or any of its *Affiliates*, for a period of ten (10) years preceding issuance of the *Notice of Arbitration*.

(b) By accepting appointment, each arbitrator is bound by these *Dispute Procedures* and any permitted amendments or modifications, and represents that he or she has the time available to devote to the expeditious process contemplated by these *Dispute Procedures* and meets the requirements provided in Exhibit C.7(a).

(c) At the time of appointment, each arbitrator shall disclose in writing to the *Tribunal* and the *Parties to the Dispute* any circumstances that might give rise to justifiable doubt regarding that arbitrator's independence or impartiality. These circumstances include bias, interest in the result of the *Arbitration*, or past or present relations with a *Party to the Dispute* or their respective counsel. Should such circumstances arise after an arbitrator's appointment, that arbitrator shall promptly disclose the circumstances to the *Tribunal* and the *Parties to the Dispute*.

- (d) No *Party to the Dispute* or anyone acting on its behalf shall have ex parte communications concerning any matter of substance relating to the *Arbitration* with any arbitrator or arbitrator candidate.
- (e) Any arbitrator may be challenged if circumstances exist or arise that give rise to justifiable doubt regarding that arbitrator's independence or impartiality or satisfaction of the requirements of Exhibit C.7(a).
- (f) A *Party to the Dispute* may challenge an arbitrator only by a *Notice to CPR*, with a copy to the *Tribunal* and the other *Parties to the Dispute* given no later than fifteen (15) *Days* after that *Party to the Dispute* (i) receives notification of the appointment of that arbitrator, or (ii) becomes aware of the circumstances specified in Exhibit C.7(e), whichever occurs last. The *Notice* must state the reasons for the challenge with specificity.
- (g) When an arbitrator has been challenged, the *Parties to the Dispute* may agree to the challenge and disqualify and remove the arbitrator, or the arbitrator may voluntarily withdraw. Neither of these actions implies acceptance of the validity of the challenge.
- (h) If neither agreed disqualification nor voluntary withdrawal occurs, the *CPR* shall decide the challenge, after providing each non-challenger and each member of the *Tribunal* with an opportunity to comment on the challenge.
- (i) In the event of death, resignation or successful challenge of an arbitrator, a substitute arbitrator must be selected in the manner he or she was originally selected.
- (j) In the event that an arbitrator fails to act or is by law or fact prevented from duly performing the functions of an arbitrator, the procedures provided in Exhibit C.7(i) apply to the selection of a replacement. If the *Parties to the Dispute* do not agree on whether

the arbitrator has failed to act or is prevented from performing the functions of an arbitrator, then *CPR* shall make that determination.

(k) If the chair of the *Tribunal* is replaced, the successor decides the extent to which hearings held previously are to be repeated. If any other arbitrator is replaced, the *Tribunal* may require that some or all prior hearings be repeated.

#### **C.8 Challenges to the Jurisdiction of the Tribunal.**

(a) The *Tribunal* has the power to hear and determine challenges to its jurisdiction, including objections with respect to the scope of Article 26 and this Exhibit C. A challenge, except challenges based on the *Award* itself, must be made not later than thirty (30) *Days* after the *Tribunal* is established, provided that if a claim or counterclaim is later added or amended a challenge may be made not later than the *Response* or reply to that added or amended claim or counterclaim.

(b) For purposes of *Disputes* under this *Contract*, the *Parties* waive any defense based upon sovereignty, including immunity to arbitration, and immunity to judicial proceedings to enforce or aid any arbitration with respect to judicial proceedings as provided in Article 26.2.

**C.9 General Provisions with Respect to the Conduct of the Arbitral Proceedings.**

(a) Subject to these *Dispute Procedures*, the *Tribunal* may conduct the *Arbitration* in the manner it deems appropriate. The chair shall organize arbitral conferences and hearings and arrangements with respect to the functioning of the *Tribunal*.

(b) The proceedings must be conducted in an expeditious manner. The *Tribunal* is empowered to impose time limits it considers reasonable on each phase of the proceeding, including the time allotted for case presentation and rebuttal. In setting time limits, the *Tribunal* should bear in mind its obligation to manage the proceeding firmly in order to complete proceedings as economically and expeditiously as possible.

(c) The *Tribunal* shall hold an initial pre-hearing conference for the planning and scheduling of the proceeding. The conference must be held promptly after the constitution of the *Tribunal*, unless the *Tribunal* believes that further submissions are appropriate before the conference. The objective of this conference is to discuss all elements of the *Arbitration* and to plan for its future conduct. Matters to be considered in the initial pre-hearing conference may include the following:

(i) Procedural matters (such as determinations relating to whether the *Arbitration* should proceed as a *Multi-Participant Dispute*; setting specific time limits for, or the manner of, any required discovery consistent with Exhibit C.11; issues relating to the conduct of the *Arbitration* as *Conventional Arbitration* or *Baseball Arbitration*; scheduling of conferences and hearings; scheduling of pre-hearing memoranda; need for and type of record of conferences and hearings, including the need for transcripts; amount of time allotted to the *Parties to the*

*Dispute* for case presentation and rebuttal; mode, manner and order for presenting proof; need for expert witnesses and how expert testimony should be presented; and necessity for any on-site inspection by the *Tribunal*);

- (ii) The early identification and narrowing of the issues in the *Arbitration*;
- (iii) The possibility of stipulations of fact and admissions as well as simplification of document authentication;
- (iv) The possibility of appointment of a neutral expert by the *Tribunal*; and
- (v) The possibility of settlement negotiations.

After the initial conference, further pre-hearing or other conferences may be held as the *Tribunal* deems appropriate.

(d) In order to define the issues to be heard and determined, the *Tribunal* may make pre-hearing orders and require a more detailed statement of claim or defense, and pre-hearing memoranda.

(e) The *Parties* shall agree upon the place of *Arbitration*. Absent agreement, the *Tribunal* shall determine the place of the *Arbitration*. Regardless of the place of the *Arbitration*, the *Award* is deemed made in *Alaska*. The *Tribunal* may schedule meetings and hold hearings telephonically or by other means or at locations mutually agreed by the *Parties to the Dispute* or, failing agreement, by the *Tribunal*.

(f) All *Notices*, documents, communications or information relating to an *Arbitration* submitted by a *Party to the Dispute* to *CPR* or the *Tribunal* must be served on each other *Party to the Dispute*.

## C.10 Applicable Law and Remedies



- (a) The United States Arbitration Act, 9 U.S.C. §§ 1-16 and not the State of Alaska Revised Uniform Arbitration Act, AS 09.43.300 – AS 09.43.595, governs the *Arbitration*. Otherwise, the *Tribunal* shall apply the substantive *Law of Alaska* and shall decide the *Dispute* in accordance with the terms of this *Contract*.
- (b) The *Tribunal* may grant any remedy or relief, including provisional relief and specific performance, that is within the scope of this *Contract* and permissible under the *Law* applicable to the *Dispute*. The *Tribunal* may not grant a remedy or relief precluded by this *Contract*.
- (c) The *Tribunal* may award pre-Award or post-Award *Interest* taking into consideration this *Contract* and *Law*.

#### C.11 Discovery.

- (a) The *Tribunal* may require and facilitate discovery it determines is appropriate in the circumstances, taking into account the needs of each *Party to the Dispute* and the desirability of making discovery expeditious and cost-effective. In requiring and facilitating discovery, the *Tribunal* shall make best efforts to limit and simplify discovery.
- (b) Except for a *Dispute* under Article 14 or Exhibit P, each *Party to the Dispute* is:
- (i) prohibited from the taking of depositions on written questions;
  - (ii) entitled to expert reports, other than consulting expert reports, prepared on behalf of a *Party to the Dispute*;
  - (iii) limited to three (3) requests for production of documents; and
  - (iv) limited to:

- (A) two (2) oral depositions for a *Dispute* involving less than five hundred thousand *Dollars* (\$500,000);
  - (B) three (3) oral depositions for a *Dispute* involving five hundred thousand *Dollars* (\$500,000) or more but less than one million *Dollars* (\$1,000,000);
  - (C) five (5) oral depositions for all *Disputes* not identified in Exhibit C.11(b)(iv)(A) and (B) unless, upon application and good cause shown, the *Tribunal* determines that a *Party to the Dispute* should each be allowed more than five (5) oral depositions;
  - (D) oral depositions of any expert witness; and
  - (E) in a *Multi-Participant Dispute*, each side to a *Dispute* is entitled to no less than two (2) oral depositions.
- (c) For a *Dispute* under Article 14 or Exhibit P, the *Tribunal* shall determine the scope and extent of discovery under the principles provided under Exhibit C.11(a).
- (d) In addition to the protections provided by Exhibit C.17, the *Tribunal* may issue orders to protect the confidentiality of proprietary information, trade secrets and other sensitive information disclosed in discovery.

## **C.12 Evidence and Hearings.**

- (a) The *Tribunal* shall determine the manner in which the *Parties to the Dispute* present their cases. Unless otherwise determined by the *Tribunal* or agreed by the *Parties to the Dispute*, the presentation will include the submission of a prehearing memorandum including the following elements:

- (i) statement of facts;
  - (ii) statement of each claim being asserted;
  - (iii) statement of the applicable law and authorities relied upon;
  - (iv) statement of the relief requested, including the basis for any damages claimed; and
  - (v) statement of the nature and manner of presentation of the evidence, including the name, capacity and subject of testimony of any witnesses to be called and an estimate of the time required for each witness's direct testimony.
- (b) If requested by a *Party to the Dispute* or if the *Tribunal* directs, a hearing must be held for the presentation of evidence and oral argument. Testimony may be presented in written or oral form as the *Tribunal* determines appropriate. The *Tribunal* is not required to apply the rules of evidence used in judicial proceedings. However, the *Tribunal* shall apply the lawyer-client privilege and the work product immunity. The *Tribunal* determines the applicability of any privilege or immunity and the admissibility, relevance, materiality and weight of the evidence offered.
- (c) The *Tribunal* may require the production of evidence in addition to that initially offered. It may also appoint neutral experts whose testimony must be subject to cross-examination and rebuttal.
- (d) The *Tribunal* determines the manner in which witnesses are to be examined and may exclude witnesses from hearings during the testimony of other witnesses.

**C.13 Interim Measures of Protection.** At the request of a *Party to the Dispute*, the *Tribunal* may grant interim relief that it deems necessary, including measures for the preservation of

assets, the conservation of goods, or the sale of perishable goods. The *Tribunal* may require appropriate security as a condition of ordering such measures.

#### C.14 Award.

(a) The decision of a majority of the arbitrators constitutes the decision of the *Tribunal* (“Award”). The *Tribunal* may make final, interim, interlocutory and partial *Awards*. With respect to any interim, interlocutory or partial *Award*, the *Tribunal* shall state in its *Award* whether or not it views the *Award* as final for purposes of judicial proceedings in connection with the *Award*.

(b) Each *Award* must be in writing and, except for an *Award* under *Baseball Arbitration*, must state the reasoning on which it rests unless the *Parties to the Dispute* agree otherwise. An *Award* under *Baseball Arbitration* must identify only which *Final Offer* is adopted by the *Tribunal* and must contain no further explanation. *Awards* must be dated and signed by at least a majority of the arbitrators.

(c) A member of the *Tribunal* who does not join in an *Award* may file a dissenting opinion. That opinion must not constitute part of the *Award*. A dissenting opinion in an *Award* under *Baseball Arbitration* must be limited to an identification of the *Final Offer* that the dissenting arbitrator believed was more meritorious.

(d) Executed copies of *Awards* and of any dissenting opinion must be delivered by the *Tribunal* to each *Party to the Dispute*.

(e) Within fifteen (15) *Days* after receipt of the *Award*, a *Party to the Dispute* may request the *Tribunal* to interpret the *Award*; correct any clerical, typographical or computation errors, or any errors of a similar nature in the *Award*; or make an additional

*Award* as to claims or counterclaims presented in the *Arbitration* but not determined in the *Award*. The *Tribunal* shall make any interpretation, correction or additional *Award* requested that it deems justified within thirty (30) *Days* after receipt of the request. Within fifteen (15) *Days* after delivery of the *Award* or, if a *Party to the Dispute* requests an interpretation, correction or additional *Award*, within thirty (30) *Days* after receipt of the request, the *Tribunal* may make corrections and additional *Awards* on its own initiative that it deems appropriate. All interpretations, corrections, and additional *Awards* must be in writing, and the provisions of Exhibit C.14 apply to them.

(f) The *Award* is final and binding on the *Parties to the Dispute* and must be carried out without delay. If an interpretation, correction or additional *Award* is requested, or a correction or additional *Award* is made by the *Tribunal* on its own initiative as provided in Exhibit C.14(e), the *Award* is final and binding on the *Parties to the Dispute* when the interpretation, correction or additional *Award* is made by the *Tribunal* or upon the expiration of the time periods provided in Exhibit C.14(e) for interpretation, correction or additional *Award*, whichever is earlier.

(g) The *Dispute* should in most circumstances be submitted to the *Tribunal* for decision within six (6) months after the initial pre-hearing conference required by Exhibit C.9(c). The final *Award* should in most circumstances be rendered within one (1) month thereafter. The *Parties to the Dispute* and the *Tribunal* shall use best efforts to comply with this schedule.

(h) Subject to Article 37.3, payment of monies provided in the *Award* must be made as provided under Article 22.

(i) An *Award* is binding only on the *Parties to the Dispute*. The *Award* is not

binding on a *Participant* that was not a *Party to the Dispute*. An *Award* may not be admitted into evidence, cited as precedent, or otherwise used by the *State* unless the *Participant* against whom the *Award* is to be used was a *Claimant* or *Respondent* in the *Arbitration* which gave rise to that *Award*.

**C.15 Failure to Comply with Exhibit C.11.** If a *Party to the Dispute* fails to comply with Exhibit C.11, or any order of the *Tribunal* under Exhibit C.11, in a manner deemed material by the *Tribunal*, the *Tribunal* shall fix a reasonable period of time for compliance and failing compliance may impose a remedy it deems just, including an *Award* on default. Before entering an *Award* on default, the *Tribunal* may require production of evidence and legal argument that the *Tribunal* deems appropriate. The *Tribunal* may receive the evidence and argument without the defaulting *Party's* presence or participation.

**C.16 Costs.**

(a) Each arbitrator must be compensated on a reasonable basis determined at the time of appointment for serving as an arbitrator and must be reimbursed for any reasonable travel and other expenses. If the *Parties to the Dispute* and an arbitrator are unable to agree upon reasonable compensation, then any *Party to the Dispute* or that arbitrator may, in writing, request that *CPR* establish the compensation for that arbitrator. Promptly following receipt by *CPR* of a request to establish compensation, *CPR* shall convene the *Parties to the Dispute* and the arbitrator in person or by telephone to attempt to establish that arbitrator's compensation by agreement. If the arbitrator's compensation

has not been established by agreement within five (5) *Days* after the request to *CPR*, then *CPR* shall establish that arbitrator's compensation.

(b) The *Tribunal* shall fix the costs of *Arbitration* in its *Award*. The costs of *Arbitration* include:

- (i) fees and expenses of members of the *Tribunal*;
- (ii) costs of expert advice and other assistance engaged by the *Tribunal*;
- (iii) charges and expenses of *CPR* with respect to the *Arbitration*;
- (iv) costs of a transcript; and
- (v) costs of meeting and hearing facilities.

The costs of *Arbitration* may be apportioned among each *Party to the Dispute* in the manner the *Tribunal* deems appropriate, taking into account the circumstances of the case, the conduct of each *Party to the Dispute* during the proceeding and the result of the *Arbitration*.

(c) Each *Party to the Dispute* is responsible for and shall bear its own attorney's and expert witness fees, its expenses and the expenses of its witnesses.

(d) The *Tribunal* may request that an appropriate amount be deposited as an advance for the costs referred to in Exhibit C.16(b), and, during the course of the proceeding, it may request supplementary deposits. The deposit requested by the *Tribunal* under Exhibit C.16(d) is paid in equal shares by each *Party* or each group of aligned *Parties to the Dispute*. These funds must be held and disbursed in the manner the *Tribunal* deems appropriate.

(e) If the requested deposits are not paid in full within twenty (20) *Days* after receipt of the request, the *Tribunal* shall inform the *Parties to the Dispute* in order that jointly or

severally they may make the requested payment. If the payment is not made within twenty (20) *Days* thereafter, the *Tribunal* may suspend or terminate the proceeding.

(f) After the proceeding is concluded, the *Tribunal* shall return any unexpended balance from deposits made under Exhibit C.16(d) as may be appropriate.

**C.17 Confidentiality.** Each *Party to the Dispute*, the arbitrators and *CPR* shall treat the proceedings, any related discovery, the decision and *Award* of the *Tribunal*, and other matters specified in Article 29 of this *Contract*, as confidential, except:

- (a) in connection with judicial proceedings ancillary to the *Arbitration*, such as a judicial challenge to, or enforcement of, an *Award*;
- (b) a *Tribunal's* decision in a *Dispute* relating to termination under Article 5; or
- (c) as provided under Article 29.

To the extent possible, any specific issues of confidentiality should be raised with and resolved by the *Tribunal*.

**C.18 Method of Arbitration.**

- (a) Method of Arbitration by Party.
  - (i) Each of the following *Disputes* must be arbitrated using *Baseball Arbitration* if the *Parties* to the *Arbitration* are only *BP* and the *State* or *EM* and the *State*:
    - (A) A *Dispute* over a numerical amount (such as actual damages or the specific amount of money owed, *Volumes* or *Heating Value*);
    - (B) A *Dispute* over whether a *Producer* may assign an interest in a



*Property* under Article 31; and

(C) A *Dispute* over the addition of an *Additional Person* under Article 31.

(ii) If *CP* is added as a *Party to a Dispute* under Exhibit C.3(h)(i) and the *Dispute* fits within the types of *Disputes* described in Exhibit C.18(a)(i), the *Dispute* must be arbitrated using *Baseball Arbitration*. All other *Disputes* must be arbitrated by *Conventional Arbitration* unless the *Parties to the Dispute* agree to arbitration using *Baseball Arbitration*.

(iii) Notwithstanding Exhibit C.18(a)(i) and C.18(a)(ii) any *Dispute* arising under Exhibit 14 and Exhibit P must be arbitrated under *Conventional Arbitration*.

(b) Final Offers. Unless otherwise ordered by the *Tribunal* or agreed by the *Parties to the Dispute*, in a *Dispute* that is arbitrated using *Baseball Arbitration*, the *Parties to the Dispute*, including a *Multi-Participant Dispute* that was initially an individual *Dispute* under Exhibit C.18(a), shall simultaneously exchange their *Final Offers* within seventy-five (75) *Days* after the selection of the *Tribunal*.

**C.19 Actions Against CPR or Arbitrator(s).** Neither *CPR* nor any arbitrator is liable to a *Party to the Dispute* for any act or omission in connection with any *Arbitration* conducted under Exhibit C.3.

**C.20 Waiver.** A *Party to the Dispute* knowing of a failure to comply with any provision of these *Dispute Procedures* or any direction of the *Tribunal*, and neglecting to state its objections promptly, waives any objection to the failure or direction.

**C.21 Settlement and Mediation.**

- (a) The *Tribunal* may suggest exploration of settlement, including through mediation, at any time the *Tribunal* deems appropriate.
- (b) Mediation requires the agreement of the *Parties to the Dispute*. The mediator must be a person other than a member of the *Tribunal* and the mediation must be conducted under the then existing *CPR* Mediation Procedure.
- (c) The *Tribunal* will not be informed of any settlement offers, statements, or other information provided during settlement negotiations or mediation.

**C.22 Amendment and Modification.** These *Dispute Procedures* may not be amended unless agreed in writing by all *Parties*. These *Dispute Procedures* may be modified for a particular *Dispute*, if agreed in writing by each *Party to the Dispute*. Modification for particular *Disputes* does not modify the *Dispute Procedures* for other *Disputes*.

**Exhibit D**  
**List of Properties**  
 Effective September 15, 2005

UNIT	AGENCY		NOTIFICATION LESSEE		OTHER WIO		OTHER WIO		OTHER WIO		EXPIRATION	ACRES	ROYALTY	NET	
	LEASE NO	LESSOR	NAME	WI	NAME	WI	NAME	WI	NAME	WI				PROFIT	SLIDING
N/A	AA081727	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11379.00	12.500		
N/A	AA081728	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11355.00	12.500		
N/A	AA081729	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11332.00	12.500		
N/A	AA081730	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	8954.00	12.500		
N/A	AA081731	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11427.00	12.500		
N/A	AA081732	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11451.00	12.500		
N/A	AA081733	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	8315.00	12.500		
N/A	AA081734	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11427.00	12.500		
N/A	AA081735	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5486.00	16.670		
N/A	AA081736	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5744.00	16.670		
N/A	AA081737	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5624.00	16.670		
N/A	AA081738	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5756.00	16.670		
N/A	AA081739	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5756.00	16.670		
N/A	AA081742	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	6950.00	16.670		
N/A	AA081743	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5756.00	16.670		
N/A	AA081744	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5624.00	16.670		
N/A	AA081745	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5756.00	16.670		
N/A	AA081746	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5648.00	16.670		
N/A	AA081747	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5624.00	16.670		
N/A	AA081748	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5624.00	16.670		
N/A	AA081749	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5756.00	16.670		
N/A	AA081750	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	7675.00	16.670		
N/A	AA081751	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	7462.00	16.670		
N/A	AA081752	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5756.00	16.670		
N/A	AA081753	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5756.00	16.670		
N/A	AA081754	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5600.00	16.670		
N/A	AA081755	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5600.00	16.670		
N/A	AA081756	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5600.00	16.670		
N/A	AA081757	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			7/31/2009	5756.00	16.670		
N/A	AA081758	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5576.00	16.670		
N/A	AA081759	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5744.00	16.670		
N/A	AA081760	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5756.00	16.670		
N/A	AA081761	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5719.00	16.670		
N/A	AA081762	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5756.00	16.670		
N/A	AA081763	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5744.00	16.670		
N/A	AA081764	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5756.00	16.670		
N/A	AA081765	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5719.00	16.670		
N/A	AA081766	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5576.00	16.670		
N/A	AA081767	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	4285.00	16.670		
N/A	AA081768	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5070.00	16.670		
N/A	AA081769	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	8053.00	16.670		
N/A	AA081770	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5756.00	16.670		
N/A	AA081771	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5579.00	16.670		
N/A	AA081772	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5756.00	16.670		
N/A	AA081773	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5579.00	16.670		
N/A	AA081774	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	6402.00	16.670		
N/A	AA081775	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	6411.00	16.670		
N/A	AA081776	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5756.00	16.670		
N/A	AA081777	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	4988.00	16.670		
N/A	AA081778	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5757.00	16.670		
N/A	AA081779	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5721.00	16.670		
N/A	AA081780	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5756.00	16.670		
N/A	AA081781	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5720.00	16.670		



UNIT	AGENCY		NOTIFICATION LESSEE		OTHER W/O		OTHER W/O		OTHER W/O		EXPIRATION	ACRES	ROYALTY	NET	
	LEASE NO	LESSOR	NAME	WI	NAME	WI	NAME	WI	NAME	WI				PROFIT	SLIDING
N/A	AA081841	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5576.00	16.670		
N/A	AA081842	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5744.00	16.670		
N/A	AA081843	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5719.00	16.670		
N/A	AA081844	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5756.00	16.670		
N/A	AA081845	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5756.00	16.670		
N/A	AA081846	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	10232.00	16.670		
N/A	AA081847	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11335.00	12.500		
N/A	AA081848	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11402.00	12.500		
N/A	AA081849	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11377.00	12.500		
N/A	AA081850	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11402.00	12.500		
N/A	AA081851	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	8314.00	12.500		
N/A	AA081852	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11353.00	12.500		
N/A	AA081853	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	10313.00	12.500		
N/A	AA081854	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5117.00	12.500		
N/A	AA081855	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	11332.00	12.500		
N/A	AA081856	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			8/31/2009	5756.00	16.670		
N/A	AA081857	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5648.00	16.670		
N/A	AA081858	BLM	CPAI	78.0000000	APC	22.0000000					8/31/2009	5721.00	16.670		
N/A	AA084123	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	5696.00	16.670		
N/A	AA084124	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	5672.00	16.670		
N/A	AA084125	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	5648.00	16.670		
N/A	AA084126	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	5756.00	16.670		
N/A	AA084127	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	5648.00	16.670		
N/A	AA084128	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	5756.00	16.670		
N/A	AA084129	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	5756.00	16.670		
N/A	AA084130	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	5648.00	16.670		
N/A	AA084131	BLM	CPAI	78.0000000	APC	22.0000000					9/30/2012	5576.00	16.670		
N/A	AA084132	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	4238.00	16.670		
N/A	AA084133	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	4591.00	16.670		
N/A	AA084134	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	5578.00	16.670		
N/A	AA084135	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	5756.00	16.670		
N/A	AA084136	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	5756.00	16.670		
N/A	AA084137	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	5760.00	16.670		
N/A	AA084138	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	8142.00	16.670		
N/A	AA084139	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	5756.00	16.670		
N/A	AA084140	BLM	CPAI	78.0000000	APC	22.0000000					9/30/2012	240.00	16.670		
N/A	AA084142	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	11453.00	12.500		
N/A	AA084143	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	11453.00	12.500		
N/A	AA084144	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	11428.00	12.500		
N/A	AA084145	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	11453.00	12.500		
N/A	AA084147	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	11453.00	12.500		
N/A	AA084149	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	11429.00	12.500		
N/A	AA084150	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	11429.00	12.500		
N/A	AA084157	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	11358.00	12.500		
N/A	AA084158	BLM	CPAI	60.0000000	APC	40.0000000					9/30/2012	11335.00	12.500		
N/A	AA084160	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	11476.00	12.500		
N/A	AA084168	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	11451.00	12.500		
N/A	AA084169	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	11427.00	12.500		
N/A	AA084175	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	11403.00	12.500		
N/A	AA084180	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	11499.00	12.500		
N/A	AA084181	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	11474.00	12.500		
N/A	AA084182	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			9/30/2012	12546.00	12.500		
N/A	AA085457	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			09/30/2014	11368.00	12.500		
N/A	AA085458	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			09/30/2014	11347.00	12.500		
N/A	AA085459	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			09/30/2014	11368.00	12.500		
N/A	AA085460	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			09/30/2014	11348.00	12.500		
N/A	AA085461	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			09/30/2014	11368.00	12.500		
N/A	AA085462	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			09/30/2014	11348.00	12.500		
N/A	AA085463	BLM	CPAI	50.0000000	APC	30.0000000	PIONEER NR	20.0000000			09/30/2014	11368.00	12.500		









UNIT	AGENCY		NOTIFICATION LESSEE		OTHER W/O		OTHER W/O		OTHER W/O		EXPIRATION	ACRES	ROYALTY	NET PROFIT	SLIDING
	LEASE NO	LESSOR	NAME	WI	NAME	WI	NAME	WI	NAME	WI					
KUPARUK RIVER	ADL028243	ALASKA CPAI		55.4023670	BPXA		39.2822330	UNOCAL		4.9506000	EM AK (2)	0.3648000	3/27/1984	2480.00	12.500
KUPARUK RIVER	ADL028244	ALASKA BPXA		18.5146830	CPAI		26.1699170	EM AK		50.3648000	UNION	4.9506000	03/27/1984	1920.00	12.500
PRUDHOE BAY	ADL028244	ALASKA BPXA		26.3553560	EM AK		35.3956510	CPAI		36.0693950	UNOCAL, et al	2.1795680	03/27/1984	640.00	12.500
N/A	ADL028245	ALASKA EM AK		50.0000000	CPAI		50.0000000						03/27/1984	640.00	12.500
PRUDHOE BAY	ADL028245	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	1920.00	12.500
N/A	ADL028246	ALASKA EM AK		50.0000000	CPAI		50.0000000						03/27/1984	1920.00	12.500
PRUDHOE BAY	ADL028246	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	640.00	12.500
KUPARUK RIVER	ADL028248	ALASKA BPXA		37.0247200	EM AK		5.8000000	CPAI		52.2246800	UNION	4.9506000	03/27/1984	(1851.00)	12.500
KUPARUK RIVER	ADL028248	ALASKA CPAI		55.4023670	BPXA		39.2822330	UNOCAL		4.9506000	EXXON MOBIL	0.3648000	3/27/1984	1851.00	12.500
N/A	ADL028249	ALASKA CPAI		50.0000000	PIONEER NR		50.0000000						10/1/1993	2560.00	12.500
PRUDHOE BAY	ADL028255	ALASKA CPAI		36.0693850	BPXA		26.3553560	CHEVRON et al		1.1797680	EXXON MOBIL	36.3954910	9/30/2002	960.00	12.500
N/A	ADL028256	ALASKA BPXA		50.0000000	CPAI		25.0000000	XOM		25.0000000			09/30/2002	560.00	12.500
N/A	ADL028256	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	09/30/2002	80.00	12.500
PRUDHOE BAY	ADL028256	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	09/30/2002	1920.00	12.500
PRUDHOE BAY	ADL028257	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	09/30/2002	2560.00	12.500
PRUDHOE BAY	ADL028258	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	09/30/2002	2560.00	12.500
PRUDHOE BAY	ADL028259	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	09/30/2002	2459.00	12.500
PRUDHOE BAY	ADL028260	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028261	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028262	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2480.00	12.500
PRUDHOE BAY	ADL028263	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028264	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028265	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028275	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	1280.00	12.500
PRUDHOE BAY	ADL028276	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	640.00	12.500
N/A	ADL028277	ALASKA BPXA		100.0000000									03/27/1984	320.00	12.500
PRUDHOE BAY	ADL028277	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2240.00	12.500
PRUDHOE BAY	ADL028278	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028279	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2459.00	12.500
PRUDHOE BAY	ADL028280	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028281	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028282	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2469.00	12.500
PRUDHOE BAY	ADL028283	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2480.00	12.500
PRUDHOE BAY	ADL028284	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028285	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028286	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028287	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028288	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2491.00	12.500
PRUDHOE BAY	ADL028289	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2501.00	12.500
N/A	ADL028290	ALASKA CPCO		50.0000000	EM AK		50.0000000						03/27/1984	1280.00	12.500
PRUDHOE BAY	ADL028290	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	1280.00	12.500
N/A	ADL028297	ALASKA CPAI		50.0000000	EM AK		50.0000000						09/30/2002	560.00	12.500
PRUDHOE BAY	ADL028297	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	09/30/2002	2000.00	12.500
PRUDHOE BAY	ADL028298	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	09/30/2002	312.00	12.500
N/A	ADL028299	ALASKA CPAI		50.0000000	EM AK		50.0000000						09/30/2002	146.00	12.500
PRUDHOE BAY	ADL028299	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	09/30/2002	2313.00	12.500
PRUDHOE BAY	ADL028300	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	09/30/2002	2560.00	12.500
PRUDHOE BAY	ADL028301	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	09/30/2002	2560.00	12.500
PRUDHOE BAY	ADL028302	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028303	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028304	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2469.00	12.500
PRUDHOE BAY	ADL028305	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2480.00	12.500
PRUDHOE BAY	ADL028306	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028307	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028308	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028309	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028310	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2491.00	12.500
PRUDHOE BAY	ADL028311	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500
PRUDHOE BAY	ADL028312	ALASKA BPXA		26.3553560	EM AK		36.3954910	CPAI		36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500

UNIT	AGENCY		NOTIFICATION LESSEE		OTHER W/O		OTHER W/O		OTHER W/O		EXPIRATION	ACRES	ROYALTY	NET	
	LEASE NO	LESSOR	NAME	WI	NAME	WI	NAME	WI	NAME	WI				PROFIT	SLIDING
PRUDHOE BAY	ADL028313	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2501.00	12.500		
PRUDHOE BAY	ADL028314	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028315	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028316	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	1920.00	12.500		
N/A	ADL028316	ALASKA	BPXA	27.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	3/27/1984	640.00	12.500		
PRUDHOE BAY	ADL028320	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028321	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2480.00	12.500		
PRUDHOE BAY	ADL028322	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028323	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028324	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028325	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028326	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2491.00	12.500		
PRUDHOE BAY	ADL028327	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028328	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028329	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2501.00	12.500		
PRUDHOE BAY	ADL028330	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2512.00	12.500		
PRUDHOE BAY	ADL028331	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028332	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028333	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028334	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028335	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2523.00	12.500		
PRUDHOE BAY	ADL028337	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL028338	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2469.00	12.500		
PRUDHOE BAY	ADL028339	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2480.00	12.500		
N/A	ADL028340	ALASKA	BPXA	100.0000000							03/27/1984	640.00	12.500		
PRUDHOE BAY	ADL028340	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	1920.00	12.500		
PRUDHOE BAY	ADL028342	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	1280.00	12.500		
PRUDHOE BAY	ADL028343	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2491.00	12.500		
N/A	ADL028344	ALASKA	CPAI	50.0000000	EM AK	50.0000000					03/27/1984	1920.00	12.500		
PRUDHOE BAY	ADL028344	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	640.00	12.500		
PRUDHOE BAY	ADL028345	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2501.00	12.500		
PRUDHOE BAY	ADL028346	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2512.00	12.500		
N/A	ADL028349	ALASKA	BPXA	100.0000000							03/27/1984	640.00	12.500		
PRUDHOE BAY	ADL028349	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	1883.00	12.500		
PT THOMSON *	ADL028380	ALASKA	EM OIL	50.0000000	BPXA	50.0000000					03/27/1984	640.00	12.500		
PT THOMSON *	ADL028380	ALASKA	EM OIL	54.0464100	BPXA	29.9997220	EMAP	12.6742800	CHEVRON. et al	3.2795880	03/27/1984	633.00	12.500		
PT THOMSON *	ADL028380	ALASKA	EM OIL	33.3333334	BPXA	51.9999998	CHEVRON	14.6666667			03/27/1984	1271.00	12.500		
PT THOMSON *	ADL028381	ALASKA	EM OIL	50.0000000	BPXA	28.0000000	CHEVRON	22.0000000			03/27/1984	2560.00	12.500		
PT THOMSON *	ADL028382	ALASKA	EM OIL	50.0000000	BPXA	28.0000000	CHEVRON	22.0000000			03/27/1984	2560.00	12.500		
PT THOMSON *	ADL028383	ALASKA	EM OIL	50.0000000	BPXA	28.0000000	CHEVRON	22.0000000			03/27/1984	2560.00	12.500		
PT THOMSON *	ADL028384	ALASKA	EM OIL	54.0464100	BPXA	29.9997220	EM	12.6742800	CHEVRON. et al	3.2795880	03/27/1984	1760.00	12.500		
PT THOMSON *	ADL028385	ALASKA	EM OIL	54.0464100	BPXA	29.9997220	EM	12.6742800	CHEVRON. et al	3.2795880	03/27/1984	637.00	12.500		
PRUDHOE BAY	ADL034622	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	12/08/2002	2560.00	12.500		
N/A	ADL034624	ALASKA	EM AK	50.0000000	CPAI	50.0000000					12/08/2002	440.00	12.500		
PRUDHOE BAY	ADL034624	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	12/08/2002	2120.00	12.500		
PRUDHOE BAY	ADL034625	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/31/1977	2560.00	12.500		
PRUDHOE BAY	ADL034626	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/31/1977	2560.00	12.500		
N/A	ADL034627	ALASKA	EM AK	50.0000000	CPAI	50.0000000					03/31/1977	960.00	12.500		
PRUDHOE BAY	ADL034627	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/31/1977	1488.00	12.500		
PRUDHOE BAY	ADL034628	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/04/1996	2459.00	12.500		
PRUDHOE BAY	ADL034629	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/04/1996	2560.00	12.500		
PRUDHOE BAY	ADL034630	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/04/1996	2560.00	12.500		
PRUDHOE BAY	ADL034631	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2560.00	12.500		
PRUDHOE BAY	ADL034632	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/31/1977	2469.00	12.500		
DUCK ISLAND	ADL034633	ALASKA	BPXA	100.0000000							03/31/1977	2560.00	12.500		
DUCK ISLAND	ADL034634	ALASKA	BPXA	100.0000000							03/31/1977	1040.00	12.500		
PRUDHOE BAY	ADL034634	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/31/1977	1520.00	12.500		
PRUDHOE BAY	ADL034635	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	03/27/1984	2459.00	12.500		
DUCK ISLAND	ADL034636	ALASKA	BPXA	100.0000000							03/27/1984	2560.00	12.500		

UNIT	AGENCY	LESSOR	NOTIFICATION LESSEE		OTHER WIO		OTHER WIO		OTHER WIO		EXPIRATION	ACRES	ROYALTY	NET	
			LEASE NO	NAME	WI	NAME	WI	NAME	WI	NAME				WI	PROFIT
MILNE POINT	ADL047433	ALASKA	BPXA	100.0000000							10/30/1979	2560.00	20.000		
MILNE POINT	ADL047434	ALASKA	BPXA	100.0000000							10/30/1979	2560.00	20.000		
MILNE POINT	ADL047437	ALASKA	BPXA	100.0000000							10/30/1979	2560.00	20.000		
MILNE POINT	ADL047438	ALASKA	BPXA	100.0000000							10/30/1979	2544.00	20.000		
PRUDHOE BAY	ADL047446	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	2448.00	12.500		
PRUDHOE BAY	ADL047447	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	2560.00	12.500		
N/A	ADL047448	ALASKA	BPXA		EM AK	66.6666667	CPAI	33.3333333			09/30/1979	1280.00	12.500		
PRUDHOE BAY	ADL047448	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	1280.00	12.500		
KUPARUK RIVER	ADL047449	ALASKA	BPXA	39.2822330	CPAI	55.4023670	UNOCAL, et al	5.0592000	EM AK		0.3648000	09/30/1979	591.00	12.500	
KUPARUK RIVER	ADL047449	ALASKA	BPXA	37.0247200	EM AK	5.8000000	CPAI	52.2246800	UNION	4.9506000	03/27/1984	591	12.500		
PRUDHOE BAY	ADL047449	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	1868.00	12.500		
PRUDHOE BAY	ADL047450	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	2469.00	12.500		
PRUDHOE BAY	ADL047451	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	2560.00	12.500		
PRUDHOE BAY	ADL047452	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	2560.00	12.500		
PRUDHOE BAY	ADL047453	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	2491.00	12.500		
N/A	ADL047454	ALASKA	BPXA		EM AK	33.3333333	CPAI	33.3333333	CHEVRON	33.3333333	09/30/1979	640.00	12.500		
PRUDHOE BAY	ADL047454	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	1920.00	12.500		
N/A	ADL047466	ALASKA	CPAI	50.0000000	EM AK	50.0000000					09/30/1979	2560.00	12.500		
N/A	ADL047468	ALASKA	EM AK	50.0000000	CHEVRON	50.0000000					09/30/1979	2437.00	12.500		
N/A	ADL047469	ALASKA	EM AK	50.0000000	CPCO	25.0000000	CHEVRON	25.0000000			09/30/1979	320.00	12.500		
N/A	ADL047469	ALASKA	EM AK	50.0000000	CPCO	50.0000000					09/30/1979	903.00	12.500		
PRUDHOE BAY	ADL047469	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	1225.00	12.500		
PRUDHOE BAY	ADL047471	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	2560.00	12.500		
PRUDHOE BAY	ADL047472	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	2560.00	12.500		
PRUDHOE BAY	ADL047475	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	2512.00	12.500		
N/A	ADL047476	ALASKA	BPXA		EM AK	50.0000000	CPAI	50.0000000			09/30/1979	640.00	12.500		
PRUDHOE BAY	ADL047476	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	1920.00	12.500		
DUCK ISLAND	ADL047502	ALASKA	UNOCAL	25.0000000	EM AK	50.0000000	BPXA	25.0000000			09/30/1979	2469.00	12.500		
DUCK ISLAND	ADL047503	ALASKA	EM AK (1)	50.0000000	UNOCAL	25.0000000	BPXA	25.0000000			09/30/1979	2560.00	12.500		
DUCK ISLAND	ADL047504	ALASKA	EM AK (1)	100.0000000							09/30/1979	2560.00	12.500		
DUCK ISLAND	ADL047505	ALASKA	EM AK (1)	100.0000000							09/30/1979	2560.00	12.500		
DUCK ISLAND	ADL047506	ALASKA	UNOCAL	50.0000000	BPXA	50.0000000					09/30/1979	2480.00	12.500		
N/A	ADL047527	ALASKA	EM	50.0000000	CPAI	50.0000000					09/30/1979	640.00	12.500		
N/A	ADL047527	ALASKA	EM	50.0000000	CPAI	30.0000000	SWEPI	17.0000000	MURPHY	3.0000000	09/30/1979	1883.00	12.500		
PT THOMSON *	ADL047556	ALASKA	EM	100.0000000							09/30/1979	2560.00	12.500		
PT THOMSON *	ADL047557	ALASKA	EM OIL	50.0000000	BPXA	50.0000000					09/30/1979	2523.00	12.500		
PT THOMSON *	ADL047558	ALASKA	EM OIL	50.0000000	BPXA	50.0000000					09/30/1979	1280.00	12.500		
PT THOMSON *	ADL047558	ALASKA	EM OIL	50.0000000	BPXA	25.0000000	EMC	25.0000000			09/30/1979	1280.00	12.500		
PT THOMSON *	ADL047559	ALASKA	EM	100.0000000							09/30/1979	2560.00	12.500		
PT THOMSON *	ADL047560	ALASKA	EM	50.0000000	CPAI	20.1951200	LEEDE ED, et al	29.8048800			03/31/1980	640.00	12.500		
PT THOMSON *	ADL047561	ALASKA	EM	75.0000000	BPXA	14.0000000	CHEVRON	11.0000000			09/30/1979	2560.00	12.500		
PT THOMSON *	ADL047562	ALASKA	DEVON	10.0000000	EM	71.5315773	EM OIL	9.5000000	FOREST, et al	8.9684227	09/30/1979	2560.00	12.500		
PT THOMSON *	ADL047563	ALASKA	EM OIL	25.0000000	EM	50.0000000	BPXA	25.0000000			09/30/1979	2523.00	12.500		
PT THOMSON *	ADL047564	ALASKA	EM OIL	25.0000000	EM	50.0000000	BPXA	25.0000000			09/30/1979	2560.00	12.500		
PT THOMSON *	ADL047566	ALASKA	EM OIL	25.0000000	EM	50.0000000	BPXA	25.0000000			09/30/1979	2533.00	12.500		
PT THOMSON *	ADL047567	ALASKA	DEVON	10.0000000	EM	71.5315773	EM OIL	9.5000000	FOREST, et al	8.9684227	09/30/1979	2560.00	12.500		
PT THOMSON *	ADL047568	ALASKA	CHEVRON	44.0000000	BPXA	56.0000000					09/30/1979	1280.00	12.500		
PT THOMSON *	ADL047568	ALASKA	CHEVRON	22.0000000	BPXA	28.0000000	EM	50.0000000			09/30/1979	1280.00	12.500		
PT THOMSON *	ADL047569	ALASKA	CHEVRON	22.0000000	EM	50.0000000	BPXA	28.0000000			09/30/1979	1905.00	12.500		
PT THOMSON *	ADL047569	ALASKA	CHEVRON	7.3333333	EM	50.0000000	BPXA	25.9999995	EM OIL	16.6666667	09/30/1979	628.00	12.500		
PT THOMSON *	ADL047570	ALASKA	CHEVRON	22.0000000	EM	50.0000000	BPXA	28.0000000			09/30/1979	2560.00	12.500		
PT THOMSON *	ADL047571	ALASKA	CHEVRON	44.0000000	BPXA	56.0000000					09/30/1979	2560.00	12.500		
PT THOMSON *	ADL047572	ALASKA	CHEVRON	17.6000000	BPXA	52.4000000	EM OIL	30.0000000			09/30/1979	1280.00	12.500		
PT THOMSON *	ADL047572	ALASKA	CHEVRON	44.0000000	BPXA	56.0000000					09/30/1979	1253.00	12.500		
PT THOMSON *	ADL047573	ALASKA	EM OIL	50.0000000	BPXA	50.0000000					09/30/1979	2544.00	12.500		
PT THOMSON *	ADL050983	ALASKA	EM	66.6700000	BPXA	33.3300000					03/31/1980	640.00	12.500		
PT THOMSON *	ADL051667	ALASKA	EM OIL	16.6670000	BPXA	25.9997400	EM	50.0000000	CHEVRON	7.3332600	03/31/1980	1243.00	12.500		
N/A	ADL065406	ALASKA	CPAI	100.0000000		0.0000000					08/10/2000	2472.59	12.500		
PRUDHOE BAY	ADL080595	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	09/30/1979	1280.00	12.500		

UNIT	AGENCY LEASE NO	LESSOR	NOTIFICATION LESSEE		OTHER W/O		OTHER W/O		OTHER W/O		EXPIRATION	ACRES	ROYALTY	NET	
			NAME	WI	NAME	WI	NAME	WI	NAME	WI				PROFIT	SLIDING
NORTHSTAR	ADL312798	ALASKA	BPXA	100.0000000							01/31/1990	4392.82	20.000	0	28.000
NORTHSTAR	ADL312799	ALASKA	BPXA	100.0000000							01/31/1990	4472.37	20.000	0	28.000
NORTHSTAR	ADL312808	ALASKA	BPXA	100.0000000							01/31/1990	3432.92	20.000	0	28.000
NORTHSTAR	ADL312809	ALASKA	BPXA	100.0000000							01/31/1990	5301.38	20.000	0	28.000
DUCK ISLAND	ADL312828	ALASKA	BPXA	98.0000000	NANA	1.5000000	DOYON	0.5000000			01/31/1990	4299.74	20.000	80.000	0
DUCK ISLAND	ADL312834	ALASKA	EM AK (1)	33.3333400	CPAI	33.3333300	UNOCAL	33.3333300			01/31/1990	3580.64	20.000	49.000	0
PT THOMSON *	ADL312862	ALASKA	EM	100.0000000							01/31/1990	5648.68	20.000	0	65.000
PT THOMSON *	ADL312866	ALASKA	EM	100.0000000							01/31/1990	4935.47	20.000	52.000	0
MILNE POINT	ADL315848	ALASKA	BPXA	100.0000000							01/29/2001	1280.00	12.500		
PT THOMSON *	ADL343109	ALASKA	EM	50.0000000	BPXA	28.0000000	CHEVRON	22.0000000			07/31/1992	1970.16	12.500	40.000	0
PT THOMSON *	ADL343110	ALASKA	BPXA	50.0000000	EM OIL	50.0000000					07/31/1992	1920.00	12.500	40.000	0
PT THOMSON *	ADL343111	ALASKA	BPXA	56.0000000	CHEVRON	44.0000000					07/31/1992	2400.00	12.500	40.000	0
PT THOMSON *	ADL343112	ALASKA	CHEVRON	44.0000000	BPXA	56.0000000					07/31/1992	3446.00	12.500	40.000	0
MILNE POINT	ADL355016	ALASKA	BPXA	100.0000000							07/31/1993	5071.00	12.500	40.000	0
MILNE POINT	ADL355017	ALASKA	BPXA	100.0000000							07/31/1993	4480.00	12.500	40.000	0
MILNE POINT	ADL355018	ALASKA	BPXA	100.0000000							07/31/1993	5083.00	12.500	30.000	0
MILNE POINT	ADL355021	ALASKA	BPXA	100.0000000							07/31/1993	5120.00	12.500	30.000	0
KUPARUK RIVER	ADL355023	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	5/31/1993	3255.00	12.500	30.000	0
KUPARUK RIVER	ADL355024	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	5/31/1993	1800.00	12.500	30.000	0
KUPARUK RIVER	ADL355024	ALASKA	CPAI	0.1086000	KERR MC	54.7396300	ARMSTRONG A	44.7869700	EXXON MOBIL	0.3648000	5/31/1993	3780.00	12.500	30.000	0
KUPARUK RIVER	ADL355030	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	6/30/1993	4480.00	12.500	30.000	0
KUPARUK RIVER	ADL355032	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	6/30/1993	5108.00	12.500	30.000	0
COLVILLE RIVER	ADL364470	ALASKA	CPAI	78.0000000	APC	22.0000000					7/31/1994	3180.00	12.500	30.000	0
COLVILLE RIVER	ADL364471	ALASKA	CPAI	78.0000000	APC	22.0000000					7/31/1994	5759.00	12.500	30.000	0
COLVILLE RIVER	ADL364472	ALASKA	CPAI	78.0000000	APC	22.0000000					7/31/1994	4480.00	12.500	30.000	0
N/A	ADL364477	ALASKA	CPAI	78.0000000	APC	22.0000000					7/31/1994	3840.00	12.500	30.000	0
N/A	ADL364478	ALASKA	CPAI	78.0000000	APC	22.0000000					7/31/1994	3840.00	12.500	30.000	0
KUPARUK RIVER	ADL365501	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	11/30/1995	640.00	16.667		
BADAMI	ADL365533	ALASKA	BPXA	100.0000000							11/30/1995	5120.00	16.667		
BADAMI	ADL365535	ALASKA	BPXA	100.0000000							11/30/1995	3840.00	16.667		
PRUDHOE BAY	ADL365548	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	11/30/1995	3601.10	16.667		
BADAMI	ADL367004	ALASKA	BPXA	100.0000000							04/30/1996	3840.00	12.500		
BADAMI	ADL367005	ALASKA	BPXA	100.0000000							04/30/1996	3840.00	12.500		
BADAMI	ADL367006	ALASKA	BPXA	100.0000000							04/30/1996	5035.00	12.500		
BADAMI	ADL367010	ALASKA	BPXA	100.0000000							04/30/1996	3840.00	12.500		
BADAMI	ADL367011	ALASKA	BPXA	100.0000000							04/30/1996	2533.00	12.500		
N/A	ADL371024	ALASKA	CPCO	100.0000000							08/31/1997	2560.00	16.667		
COLVILLE RIVER	ADL372095	ALASKA	CPAI	78.0000000	APC	22.0000000					3/31/1998	2560.00	12.500		
COLVILLE RIVER	ADL372096	ALASKA	CPAI	78.0000000	APC	22.0000000					3/31/1998	640.00	12.500		
COLVILLE RIVER	ADL372097	ALASKA	CPAI	78.0000000	APC	22.0000000					3/31/1998	1239.00	12.500		
COLVILLE RIVER	ADL372103	ALASKA	CPAI	78.0000000	APC	22.0000000					3/31/1998	2560.00	12.500		
COLVILLE RIVER	ADL372104	ALASKA	CPAI	78.0000000	APC	22.0000000					3/31/1998	2560.00	12.500		
COLVILLE RIVER	ADL372105	ALASKA	CPAI	78.0000000	APC	22.0000000					3/31/1998	2437.00	12.500		
COLVILLE RIVER	ADL372106	ALASKA	CPAI	78.0000000	APC	22.0000000					3/31/1998	1920.00	12.500		
COLVILLE RIVER	ADL372107	ALASKA	CPAI	78.0000000	APC	22.0000000					3/31/1998	2560.00	12.500		
COLVILLE RIVER	ADL372108	ALASKA	CPAI	78.0000000	APC	22.0000000					3/31/1998	1280.00	12.500		
PT THOMSON *	ADL372256	ALASKA	EM	100.0000000							11/30/1998	1412.00	20.000		
KUPARUK RIVER	ADL373112	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	11/30/1998	5583.00	12.500		
KUPARUK RIVER	ADL373301	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	2/28/1999	677.15	12.500		
PT THOMSON *	ADL375064	ALASKA	CHEVRON	44.0000000	BPXA	56.0000000					03/31/2001	1062.00	16.667		
KUPARUK RIVER	ADL375074	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	3/31/2001	2560.00	12.500		
KUPARUK RIVER	ADL375075	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	3/31/2001	2533.00	12.500		
BADAMI	ADL375093	ALASKA	BPXA	100.0000000							03/31/2001	1280.00	12.500		
BADAMI	ADL375094	ALASKA	BPXA	100.0000000							03/31/2001	2544.00	12.500		
KUPARUK RIVER	ADL375108	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	3/31/2001	2523.00	12.500		
MILNE POINT	ADL375132	ALASKA	BPXA	100.0000000							03/31/2001	2560.00	12.500		
MILNE POINT	ADL375133	ALASKA	BPXA	100.0000000							03/31/2001	2560.00	12.500		
BADAMI	ADL377011	ALASKA	BPXA	100.0000000							07/31/2001	5529.92	16.667		
PT THOMSON *	ADL377015	ALASKA	BPXA	56.0000000	CHEVRON	44.0000000					07/31/2001	3554.30	20.000		

UNIT	AGENCY		NOTIFICATION LESSEE		OTHER W/O		OTHER W/O		OTHER W/O		EXPIRATION	ACRES	ROYALTY	NET	
	LEASE NO	LESSOR	NAME	WI	NAME	WI	NAME	WI	NAME	WI				PROFIT	SLIDING
PT THOMSON *	ADL377016	ALASKA	CPAI	50.0000000	BPXA	50.0000000					07/31/2001	2779.16	20.000		
PT THOMSON *	ADL377017	ALASKA	EM	66.6667000	BPXA	18.6666480	CHEVRON	14.6666520			07/31/2001	5696.18	20.000		
PT THOMSON *	ADL377020	ALASKA	EM	66.6667000	BPXA	18.6666480	CHEVRON	14.6666520			07/31/2001	1909.74	20.000		
COLVILLE RIVER	ADL380043	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	1280.00	16.670		
COLVILLE RIVER	ADL380044	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	1249.00	16.670		
KUPARUK RIVER	ADL380051	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	2560.00	12.500		
KUPARUK RIVER	ADL380052	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	2560.00	12.500		
KUPARUK RIVER	ADL380053	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	2560.00	12.500		
KUPARUK RIVER	ADL380054	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	2560.00	12.500		
KUPARUK RIVER	ADL380058	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	1280.00	12.500		
KUPARUK RIVER	ADL380062	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	615.00	12.500		
COLVILLE RIVER	ADL380075	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	4396.59	16.670		
COLVILLE RIVER	ADL380077	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	2148.81	16.670		
COLVILLE RIVER	ADL380078	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	1920.00	16.670		
COLVILLE RIVER	ADL380079	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	640.00	16.670		
COLVILLE RIVER	ADL380081	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	2560.00	16.670		
COLVILLE RIVER	ADL380082	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	640.00	16.670		
COLVILLE RIVER	ADL380092	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	1516.00	16.670		
COLVILLE RIVER	ADL380093	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	1426.64	16.670		
COLVILLE RIVER	ADL380095	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	498.00	16.670		
COLVILLE RIVER	ADL380096	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	640.00	16.670		
KUPARUK RIVER	ADL380106	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	2437.00	12.500		
KUPARUK RIVER	ADL380107	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	2448.00	12.500		
MILNE POINT	ADL380109	ALASKA	BPXA	100.0000000							01/31/2003	2560.00	12.500		
MILNE POINT	ADL380110	ALASKA	BPXA	100.0000000							01/31/2003	2437.00	12.500		
PT THOMSON *	ADL382101	ALASKA	CHEVRON	44.0000000	BPXA	56.0000000					06/30/2003	1280.00	12.500		
COLVILLE RIVER	ADL384209	ALASKA	CPAI	78.0000000	APC	22.0000000					10/31/2003	640.00	16.670		
COLVILLE RIVER	ADL384210	ALASKA	CPAI	78.0000000	APC	22.0000000					10/31/2003	1280.00	16.670		
COLVILLE RIVER	ADL384211	ALASKA	CPAI	78.0000000	APC	22.0000000					10/31/2003	2485.00	16.670		
COLVILLE RIVER	ADL384214	ALASKA	CPAI	78.0000000	APC	22.0000000					10/31/2003	1920.00	16.670		
COLVILLE RIVER	ADL384215	ALASKA	CPAI	78.0000000	APC	22.0000000					10/31/2003	597.00	16.670		
KUPARUK RIVER	ADL385172	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	1280.00	12.500		
KUPARUK RIVER	ADL385175	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	1280.00	12.500		
COLVILLE RIVER	ADL387207	ALASKA	CPAI	78.0000000	APC	22.0000000					9/30/2003	1269.00	16.670	0	33.33333
COLVILLE RIVER	ADL387208	ALASKA	CPAI	78.0000000	APC	22.0000000					9/30/2003	1145.67	16.670	0	33.33333
COLVILLE RIVER	ADL387209	ALASKA	CPAI	78.0000000	APC	22.0000000					9/30/2003	639.93	16.670	0	33.33333
COLVILLE RIVER	ADL387211	ALASKA	CPAI	78.0000000	APC	22.0000000					9/30/2003	1039.78	16.670		
COLVILLE RIVER	ADL387212	ALASKA	CPAI	78.0000000	APC	22.0000000					9/30/2003	1251.03	16.670	0	33.33333
MILNE POINT	ADL388235	ALASKA	BPXA	100.0000000							05/31/1993	1920.00	12.500	30.000	0.00
PT THOMSON *	ADL388425	ALASKA	BPXA	56.0000000	CHEVRON	44.0000000					12/31/2004	1162.08	20.000		
PT THOMSON *	ADL388426	ALASKA	BPXA	56.0000000	CHEVRON	44.0000000					12/31/2004	821.74	20.000		
COLVILLE RIVER	ADL388463	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	2916.50	16.670		
COLVILLE RIVER	ADL388464	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	1798.41	16.670		
COLVILLE RIVER	ADL388465	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	1157.00	16.670		
COLVILLE RIVER	ADL388466	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	1752.07	16.670		
COLVILLE RIVER	ADL388502	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	640.00	16.670		
COLVILLE RIVER	ADL388503	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	1280.00	16.670		
COLVILLE RIVER	ADL388504	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	640.00	16.670		
COLVILLE RIVER	ADL388525	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	384.00	16.670		
COLVILLE RIVER	ADL388527	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	572.00	16.670		
COLVILLE RIVER	ADL388528	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	420.00	16.670		
COLVILLE RIVER	ADL388529	ALASKA	CPAI	78.0000000	APC	22.0000000					12/31/2004	362.00	16.670		
COLVILLE RIVER	ADL388901	ALASKA	CPAI	78.0000000	APC	22.0000000					11/11/2000	1038.55	12.500		
COLVILLE RIVER	ADL388902	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	1667.43	16.670		
COLVILLE RIVER	ADL388903	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	1247.00	16.670		
COLVILLE RIVER	ADL388904	ALASKA	CPAI	78.0000000	APC	22.0000000					1/31/2003	653.00	16.670		
COLVILLE RIVER	ADL388905	ALASKA	CPAI	78.0000000	APC	22.0000000					9/30/2003	286.63	16.670	0	33.33333
COLVILLE RIVER	ADL388906	ALASKA	CPAI	78.0000000	APC	22.0000000					9/30/2003	24.74	16.670		
N/A	ADL389057	ALASKA	CPAI	58.4649000	BPXA	41.5351000					10/31/2009	5760.00	12.500		

UNIT	AGENCY	LESSOR	NOTIFICATION LESSEE		OTHER W/O		OTHER W/O		OTHER W/O		EXPIRATION	ACRES	ROYALTY	NET	
			NAME	WI	NAME	WI	NAME	WI	NAME	WI				PROFIT	SLIDING
KUPARUK RIVER	ADL389058	ALASKA CPAI		55.5070500	BPXA	39.4337500	UNOCAL	4.9506000	CHEVRON	0.1086000	10/31/2005	5607.00	12.500		
KUPARUK RIVER	ADL389059	ALASKA CPAI		55.6156500	BPXA	39.4337500	UNOCAL	4.9506000			10/31/2005	5760.00	12.500		
N/A	ADL389059	ALASKA CPAI		55.6156500	BPXA	39.4337500	UNOCAL	4.9506000			10/31/2005	5760.00	12.500		
N/A	ADL389081	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	1540.38	12.500		
N/A	ADL389082	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	2560.00	12.500		
N/A	ADL389083	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	1391.22	12.500		
N/A	ADL389084	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	2560.00	12.500		
N/A	ADL389085	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	2560.00	12.500		
N/A	ADL389086	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	2544.00	12.500		
N/A	ADL389087	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	2555.00	12.500		
NE STORMS	ADL389096	ALASKA CPAI		50.0000000	PIONEER NR	50.0000000					10/31/2005	2560.00	12.500		
NE STORMS	ADL389097	ALASKA CPAI		50.0000000	PIONEER NR	50.0000000					10/31/2005	2533.00	12.500		
N/A	ADL389106	ALASKA CPAI		75.0000000	MURPHY	25.0000000					10/31/2005	2560.00	12.500		
N/A	ADL389112	ALASKA CPAI		75.0000000	MURPHY	25.0000000					10/31/2005	2544.00	12.500		
COLVILLE RIVER	ADL389113	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	640.00	12.500		
N/A	ADL389113	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	640.00	12.500		
COLVILLE RIVER	ADL389114	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	363.06	12.500		
N/A	ADL389114	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	363.06	12.500		
COLVILLE RIVER	ADL389115	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	640.00	12.500		
N/A	ADL389115	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	640.00	12.500		
COLVILLE RIVER	ADL389116	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	537.13	12.500		
N/A	ADL389116	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	537.13	12.500		
N/A	ADL389129	ALASKA CPAI		100.0000000							10/31/2005	2560.00	12.500		
N/A	ADL389130	ALASKA CPAI		100.0000000							10/31/2005	2560.00	12.500		
N/A	ADL389131	ALASKA CPAI		100.0000000							10/31/2005	2560.00	12.500		
KUPARUK RIVER	ADL389132	ALASKA CPAI		55.4023670	ASRC	35.3540100	UNOCAL	8.8788230	EM AK	0.3648000	11/30/2005	1280.00	12.500		
N/A	ADL389132	ALASKA CPAI		55.4023670	ASRC	35.3540100	UNOCAL	8.8788230	EXXON MOBIL	0.3648000	11/30/2005	1280.00	12.500		
KUPARUK RIVER	ADL389133	ALASKA CPAI		55.4023670	ASRC	35.3540100	UNOCAL	8.8788230	EM AK	0.3648000	11/30/2005	2469.00	12.500		
N/A	ADL389133	ALASKA CPAI		55.4023670	ASRC	35.3540100	UNOCAL	8.8788230	EXXON MOBIL	0.3648000	11/30/2005	2469.00	12.500		
N/A	ADL389134	ALASKA CPAI		94.4271440	UNOCAL	4.9506000	EXXON MOBIL AF	0.6222560			11/30/2005	640.00	12.500		
N/A	ADL389135	ALASKA CPAI		94.4271440	UNOCAL	4.9506000	EXXON MOBIL AF	0.6222560			11/30/2005	1239.00	12.500		
N/A	ADL389136	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	1920.00	12.500		
N/A	ADL389137	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	2560.00	12.500		
N/A	ADL389138	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2005	2560.00	12.500		
N/A	ADL389139	ALASKA CPAI		78.0000000	APC	22.0000000					9/30/2005	2560.00	12.500		
N/A	ADL389160	ALASKA CPAI		100.0000000							06/30/2006	5630.00	12.500		
N/A	ADL389161	ALASKA CPAI		70.0000000	AVCG	30.0000000					6/30/2006	5583.00	12.500		
N/A	ADL389166	ALASKA CPAI		78.0000000	APC	22.0000000					06/30/2006	2560.00	12.500		
N/A	ADL389167	ALASKA CPAI		78.0000000	APC	22.0000000					06/30/2006	1485.60	12.500		
N/A	ADL389168	ALASKA CPAI		78.0000000	APC	22.0000000					06/30/2006	2560.00	12.500		
N/A	ADL389169	ALASKA CPAI		78.0000000	APC	22.0000000					06/30/2006	2560.00	12.500		
N/A	ADL389170	ALASKA CPAI		78.0000000	APC	22.0000000					06/30/2006	2560.00	12.500		
N/A	ADL389562	ALASKA CPAI		100.0000000							11/30/2008	5760.00	12.500		
N/A	ADL389563	ALASKA CPAI		100.0000000							11/30/2008	5725.00	12.500		
N/A	ADL389665	ALASKA CPAI		78.0000000	APC	22.0000000					11/30/2008	5760.00	16.670		
N/A	ADL389666	ALASKA CPAI		78.0000000	APC	22.0000000					11/30/2008	5583.00	16.670		
N/A	ADL389669	ALASKA CPAI		100.0000000							11/30/2008	5583.00	16.667		
N/A	ADL389686	ALASKA CPAI		91.2395480	UNOCAL	8.1592120	EXXON MOBIL AF	0.6012400			11/30/2008	2560.00	12.500		
N/A	ADL389688	ALASKA CPAI		91.2395480	UNOCAL	8.1592120	EXXON MOBIL AF	0.6012400			11/30/2008	2560.00	12.500		
N/A	ADL389689	ALASKA CPAI		91.2395480	UNOCAL	8.1592120	EXXON MOBIL AF	0.6012400			11/30/2008	2560.00	12.500		
N/A	ADL389690	ALASKA CPAI		91.2395480	UNOCAL	8.1592120	EXXON MOBIL AF	0.6012400			11/30/2008	2533.00	12.500		
N/A	ADL389691	ALASKA CPAI		91.2395480	UNOCAL	8.1592120	EXXON MOBIL AF	0.6012400			11/30/2008	2560.00	12.500		
N/A	ADL389696	ALASKA PIONEER NR		50.0000000	CPAI	50.0000000					11/30/2008	2560.00	12.500		
N/A	ADL389697	ALASKA CPAI		91.2395480	UNOCAL	8.1592120	EXXON MOBIL AF	0.6012400			11/30/2008	2533.00	12.500		
N/A	ADL389698	ALASKA CPAI		91.2395480	UNOCAL	8.1592120	EXXON MOBIL AF	0.6012400			11/30/2008	2544.00	12.500		
N/A	ADL389699	ALASKA PIONEER NR		50.0000000	CPAI	50.0000000					11/30/2008	2560.00	12.500		
PT THOMSON *	ADL389716	ALASKA EM		100.0000000							05/31/2008	1473.92	16.667		
COLVILLE RIVER	ADL389725	ALASKA CPAI		78.0000000	APC	22.0000000					10/31/2003	1249.00	16.670		
COLVILLE RIVER	ADL389726	ALASKA CPAI		78.0000000	APC	22.0000000					12/31/2004	138.00	16.670		

UNIT	AGENCY		NOTIFICATION LESSEE		OTHER W/O		OTHER W/O		OTHER W/O		EXPIRATION	ACRES	ROYALTY	NET	
	LEASE NO	LESSOR	NAME	WI	NAME	WI	NAME	WI	NAME	WI				PROFIT	SLIDING
PT THOMSON *	ADL389727	ALASKA	BPXA	56.0000000	CHEVRON	44.0000000					07/31/2001	2143.39	20.000		
PT THOMSON *	ADL389728	ALASKA	CPAI	50.0000000	BPXA	50.0000000					07/31/2001	2952.62	20.000		
N/A	ADL389729	ALASKA	EM	100.0000000							05/31/2008	3426.78	16.667		
PT THOMSON *	ADL389730	ALASKA	EM	66.6667000	BPXA	18.6666480	CHEVRON	14.6666520			07/31/2001	3684.31	20.000		
N/A	ADL389782	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389783	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5704.00	12.500		
N/A	ADL389784	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389788	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389791	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389792	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5726.00	12.500		
N/A	ADL389793	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5749.00	12.500		
N/A	ADL389794	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389795	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389796	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5726.00	12.500		
N/A	ADL389797	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5749.00	12.500		
N/A	ADL389798	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389799	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5726.00	12.500		
N/A	ADL389830	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389831	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5595.56	12.500		
N/A	ADL389834	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389835	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5596.00	12.500		
N/A	ADL389837	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	1920.00	12.500		
N/A	ADL389840	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	3747.48	12.500		
N/A	ADL389883	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5704.00	12.500		
N/A	ADL389884	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389885	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5704.00	12.500		
N/A	ADL389886	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389887	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5726.00	12.500		
N/A	ADL389890	ALASKA	CPAI	50.0000000	CHEVRON	50.0000000					06/30/2012	5760.00	12.500		
N/A	ADL389945	ALASKA	CPAI	100.0000000							08/31/2009	1706.07	16.667		
N/A	ADL389946	ALASKA	CPAI	100.0000000							08/31/2009	2014.39	16.667		
N/A	ADL389962	ALASKA	CPAI	78.0000000	APC	22.0000000					8/31/2009	1268.00	16.670		
N/A	ADL389963	ALASKA	CPAI	78.0000000	APC	22.0000000					8/31/2009	1280.00	16.670		
N/A	ADL389964	ALASKA	CPAI	78.0000000	APC	22.0000000					8/31/2009	2560.00	16.670		
N/A	ADL389990	ALASKA	CPAI	42.0000000	APC	22.0000000	CHEVRON	30.0000000	ENCANA	6.0000000	8/31/2009	5587.00	12.500		
N/A	ADL390037	ALASKA	CPAI	70.0000000	AVCG	30.0000000					8/31/2009	2560.00	16.670		
N/A	ADL390038	ALASKA	CPAI	70.0000000	AVCG	30.0000000					8/31/2009	2560.00	16.670		
N/A	ADL390039	ALASKA	CPAI	94.6846000	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000			8/31/2009	2544.00	16.670		
N/A	ADL390040	ALASKA	CPAI	55.4023670	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000	BPXA	39.2822330	12/31/2008	2555.00	16.670		
N/A	ADL390042	ALASKA	CPAI	55.4023670	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000	BPXA	39.2822330	8/31/2009	2560.00	16.670		
N/A	ADL390043	ALASKA	CPAI	55.4023670	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000	BPXA	39.2822330	8/31/2009	2533.00	16.670		
N/A	ADL390046	ALASKA	CPAI	55.4023670	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000	BPXA	39.2822330	8/31/2009	2544.00	16.670		
N/A	ADL390053	ALASKA	CPAI	78.0000000	APC	22.0000000					8/31/2009	1280.00	16.670		
N/A	ADL390054	ALASKA	CPAI	94.6846000	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000			8/31/2009	2501.00	16.670		
N/A	ADL390056	ALASKA	CPAI	94.6846000	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000			8/31/2009	2560.00	16.670		
KUPARUK RIVER	ADL390057	ALASKA	CPAI	55.4023670	ASRC	35.3540100	UNOCAL	8.8788230	EM AK	0.3648000	08/31/2009	1280.00	16.670		
N/A	ADL390058	ALASKA	CPAI	94.6846000	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000			8/31/2009	1920.00	16.670		
N/A	ADL390059	ALASKA	CPAI	94.6846000	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000			8/31/2009	1920.00	16.670		
N/A	ADL390060	ALASKA	CPAI	94.6846000	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000			8/31/2009	1241.00	16.670		
N/A	ADL390061	ALASKA	CPAI	94.6846000	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000			8/31/2009	1920.00	16.670		
N/A	ADL390062	ALASKA	CPAI	94.6846000	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000			8/31/2009	2491.00	16.670		
N/A	ADL390065	ALASKA	CPAI	100.0000000		0.0000000					8/31/2009	2560.00	16.670		
N/A	ADL390067	ALASKA	CPAI	36.0693850	BPXA	26.3553560	EXXON MOBIL AF	36.3954910	CHEVRON	1.1600000	8/31/2009	2560.00	16.670		
N/A	ADL390068	ALASKA	CPAI	78.0000000	APC	22.0000000					8/31/2009	640.00	16.670		
N/A	ADL390069	ALASKA	CPAI	78.0000000	APC	22.0000000					8/31/2009	1280.00	16.670		
N/A	ADL390070	ALASKA	CPAI	78.0000000	APC	22.0000000					8/31/2009	2544.00	16.670		
N/A	ADL390071	ALASKA	CPAI	78.0000000	APC	22.0000000					8/31/2009	1280.00	16.670		
N/A	ADL390072	ALASKA	CPAI	78.0000000	APC	22.0000000					8/31/2009	2555.00	16.670		
PRUDHOE BAY	ADL390080	ALASKA	BPXA	26.3553560	EM AK	36.3954910	CPAI	36.0693850	CHEVRON. et al	1.1797680	10/31/2004	160.00	12.500		

UNIT	AGENCY		NOTIFICATION LESSEE		OTHER W/O		OTHER W/O		OTHER W/O		EXPIRATION	ACRES	ROYALTY	NET	
	LEASE NO	LESSOR	NAME	WI	NAME	WI	NAME	WI	NAME	WI				PROFIT	SLIDING
PT THOMSON *	ADL390310	ALASKA CPAI	CHEVRON	5.0000000	CHEVRON	25.3990000	EXXON MOBIL	37.2750000	BPXA	32.3260000	3/31/2010	16.00	20.00		
N/A	ADL390311	ALASKA CPAI	CHEVRON	5.0000000	CHEVRON	25.3990000	EXXON MOBIL	37.2750000	BPXA	32.3260000	3/31/2010	165.00	20.00		
N/A	ADL390312	ALASKA CPAI	CHEVRON	5.0000000	CHEVRON	25.3990000	EXXON MOBIL	37.2750000	BPXA	32.3260000	3/31/2010	1280.00	20.00		
N/A	ADL390313	ALASKA CPAI	CHEVRON	5.0000000	CHEVRON	25.3990000	EXXON MOBIL	37.2750000	BPXA	32.3260000	3/31/2010	464.00	20.00		
N/A	ADL390314	ALASKA BPXA	CPAI	26.6700000	CPAI	36.5000000	EM AK	36.8300000			03/31/2010	2266.86	16.667		
N/A	ADL390323	ALASKA CPAI	APC	60.0000000	APC	40.0000000					03/31/2010	1931.40	16.667		
N/A	ADL390324	ALASKA CPAI	APC	60.0000000	APC	40.0000000					03/31/2010	2445.84	16.667		
N/A	ADL390335	ALASKA CPAI	UNOCAL	94.6846000	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000			5/31/2010	2560.00	16.670		
N/A	ADL390336	ALASKA CPAI	UNOCAL	94.6846000	UNOCAL	4.9506000	EXXON MOBIL AF	0.3648000			5/31/2010	2555.00	16.670		
N/A	ADL390337	ALASKA CPAI	APC	78.0000000	APC	22.0000000					5/31/2010	1018.21	16.670	0	33.33333
N/A	ADL390338	ALASKA CPAI	APC	78.0000000	APC	22.0000000					5/31/2010	615.86	16.670	0	33.33333
N/A	ADL390339	ALASKA CPAI	APC	78.0000000	APC	22.0000000					5/31/2010	5.53	16.670	0	33.33333
N/A	ADL390340	ALASKA CPAI	APC	78.0000000	APC	22.0000000					5/31/2010	917.81	16.670	0	33.33333
N/A	ADL390341	ALASKA CPAI	APC	78.0000000	APC	22.0000000					5/31/2010	306.46	16.670	0	33.33333
COLVILLE RIVER	ADL390344	ALASKA CPAI	APC	78.0000000	APC	22.0000000					1/31/2005	839.00	16.670		
COLVILLE RIVER	ADL390345	ALASKA CPAI	APC	78.0000000	APC	22.0000000					1/31/2005	448.00	16.670		
N/A	ADL390346	ALASKA CPAI	APC	78.0000000	APC	22.0000000					12/31/2006	614.00	16.670		
N/A	ADL390347	ALASKA CPAI	APC	77.6200000	APC	22.0000000	PETRO-HUNT	0.3800000			10/31/2005	225.00	16.670		
COLVILLE RIVER	ADL390348	ALASKA CPAI	APC	78.0000000	APC	22.0000000					1/31/2005	192.00	16.670		
N/A	ADL390349	ALASKA CPAI	PAAI	56.0000000	APC	22.0000000	APC	22.0000000			12/31/2004	598.00	16.667		
COLVILLE RIVER	ADL390350	ALASKA CPAI	APC	78.0000000	APC	22.0000000					12/31/2004	441.00	16.670		
N/A	ADL390351	ALASKA CPAI	APC	56.0000000	APC	22.0000000	PAAI	22.0000000			12/31/2004	1123.00	16.667		
N/A	ADL390420	ALASKA CPAI	BPXA	36.5000000	BPXA	26.6700000	EXXON MOBIL	36.8300000			4/30/2011	1319.44	16.670		
N/A	ADL390437	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	5760.00	16.670		
N/A	ADL390438	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	5583.00	16.670		
N/A	ADL390439	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	5607.00	16.670		
N/A	ADL390440	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	5760.00	16.670		
N/A	ADL390441	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	5583.00	16.670		
N/A	ADL390442	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	5583.00	16.670		
N/A	ADL390443	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	5760.00	16.670		
N/A	ADL390459	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390460	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390461	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390462	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390463	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390464	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390465	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2533.00	16.670		
N/A	ADL390466	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390467	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390468	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2544.00	16.670		
N/A	ADL390469	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390470	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390471	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2555.00	16.670		
NE STORMS	ADL390472	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390473	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390474	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390475	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2544.00	16.670		
N/A	ADL390476	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390477	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390478	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2555.00	16.670		
N/A	ADL390484	ALASKA CPAI	UNOCAL	95.0494000	UNOCAL	4.9506000					4/30/2011	2560.00	16.670		
N/A	ADL390485	ALASKA CPAI	UNOCAL	95.0494000	UNOCAL	4.9506000					4/30/2011	2560.00	16.670		
N/A	ADL390486	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390487	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390488	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390489	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2501.00	16.670		
N/A	ADL390490	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390491	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390492	ALASKA PIONEER NR	CPAI	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		



UNIT	AGENCY		NOTIFICATION LESSEE		OTHER WIO		OTHER WIO		OTHER WIO		EXPIRATION	ACRES	ROYALTY	NET	
	LEASE NO	LESSOR	NAME	WI	NAME	WI	NAME	WI	NAME	WI				PROFIT	SLIDING
N/A	ADL390493	ALASKA	PIONEER NR	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390494	ALASKA	PIONEER NR	50.0000000	CPAI	50.0000000					4/30/2011	2523.00	16.670		
N/A	ADL390495	ALASKA	PIONEER NR	50.0000000	CPAI	50.0000000					4/30/2011	2512.00	16.670		
N/A	ADL390496	ALASKA	PIONEER NR	50.0000000	CPAI	50.0000000					4/30/2011	2560.00	16.670		
N/A	ADL390497	ALASKA	PIONEER NR	50.0000000	CPAI	50.0000000					4/30/2011	2523.00	16.670		
N/A	ADL390503	ALASKA	CPAI	95.0494000	UNOCAL	4.9506000					4/30/2011	2480.00	16.670		
N/A	ADL390506	ALASKA	CPAI	95.0494000	UNOCAL	4.9506000					4/30/2011	2448.00	16.670		
N/A	ADL390661	ALASKA	PIONEER NR	50.0000000	CPAI	50.0000000					7/31/2012	5760.00	16.670		
N/A	ADL390667	ALASKA	PIONEER NR	50.0000000	CPAI	50.0000000					07/31/2012	2533.00	16.667		
N/A	ADL390668	ALASKA	PIONEER NR	50.0000000	CPAI	50.0000000					07/31/2012	2544.00	16.667		
N/A	ADL390689	ALASKA	PIONEER NR	50.0000000	CPAI	50.0000000					7/31/2012	2512.00	16.660		
KUPARUK RIVER	ADL390705	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	1221.00	12.500		
KUPARUK RIVER	ADL390706	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	1897.00	12.500		
KUPARUK RIVER	ADL390707	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	1280.00	12.500		
KUPARUK RIVER	ADL390708	ALASKA	CPAI	55.4023670	BPXA	39.2822330	UNOCAL	4.9506000	EXXON MOBIL	0.3648000	1/31/2003	1280.00	12.500		
N/A	ASRC_ANWR	ASRC	CHEVRON	50.0000000	BPXA	50.0000000					confid	0.00			
COLVILLE RIVER	ASRC-NPR1	ASRC	CPAI	78.0000000	APC	22.0000000					8/31/2005	14245.44	10.250		
COLVILLE RIVER	ASRC-NPR2	ASRC	CPAI	78.0000000	APC	22.0000000					08/31/2005	8838.21	15.000		
N/A	ASRC-NPR3	ASRC	CPAI	78.0000000	APC	22.0000000					3/31/2011	4433.00	16.670		
N/A	ASRC-NPR4	ASRC	CPAI	78.0000000	APC	22.0000000					3/31/2011	15912.00	16.670		
NORTHSTAR	Y00179	MMS	BPXA	100.0000000							11/05/2002	2251.99			
NORTHSTAR	Y00181	MMS	BPXA	90.0000000	MURPHY AK	10.0000000					11/05/2002	5242.65			
LIBERTY	Y01585	MMS	BPXA	100.0000000							11/30/2004	5522.28	12.500		
N/A	Y01635	MMS	CPAI	78.0000000	APC	22.0000000					12/31/2006	5693.30	12.500		
N/A	Y01636	MMS	CPAI	78.0000000	APC	22.0000000					12/31/2006	5693.30	12.500		
N/A	Y01637	MMS	CPAI	78.0000000	APC	22.0000000					12/31/2006	5693.30	12.500		
N/A	Y01638	MMS	CPAI	78.0000000	APC	22.0000000					12/31/2006	5576.75	12.500		
N/A	Y01639	MMS	CPAI	78.0000000	APC	22.0000000					12/31/2006	5693.30	12.500		
	Y01640	MMS	CPAI	78.0000000	APC	22.0000000					12/31/2006	5693.30	12.500		
N/A	Y01641	MMS	CPAI	100.0000000							12/31/2006	1068.59	12.500		
N/A	Y01642	MMS	CPAI	100.0000000							12/31/2006	5310.88	12.500		
NORTHSTAR	Y01645	MMS	BPXA	100.0000000							11/30/2006	2929.64	12.500		
LIBERTY	Y01650	MMS	BPXA	100.0000000							11/30/2004	5307.81	12.500		
N/A	Y01651	MMS	BPXA	100.0000000							09/30/2006	3.00	12.500		
N/A	Y01661	MMS	CPAI	100.0000000							10/31/2006	3745.00	12.500		
N/A	Y01667	MMS	CPCO	100.0000000							10/31/2008	3517.51	12.500		
N/A	Y01668	MMS	CPCO	100.0000000							10/31/2008	3306.13	12.500		
N/A	Y01669	MMS	CPCO	100.0000000							10/31/2008	2316.97	12.500		
N/A	Y01670	MMS	CPCO	100.0000000							10/31/2008	2122.13	12.500		
N/A	Y01671	MMS	CPCO	100.0000000							10/31/2008	4559.88	12.500		
N/A	Y01672	MMS	CPCO	100.0000000							10/31/2008	3691.90	12.500		
N/A	Y01674	MMS	CPCO	100.0000000							10/31/2008	950.00	12.500		
N/A	Y01675	MMS	CPCO	100.0000000							10/31/2008	5635.29	12.500		
N/A	Y01676	MMS	CPCO	100.0000000							10/31/2008	2536.31	12.500		
N/A	Y01678	MMS	CPAI	50.0000000	CHEVRON	50.0000000					10/31/2008	267.00	12.500		
N/A	Y01679	MMS	CPAI	50.0000000	CHEVRON	50.0000000					10/31/2008	5517.53	12.500		
N/A	Y01680	MMS	CPCO	100.0000000							10/31/2008	4428.49	12.500		
N/A	Y01681	MMS	CPCO	100.0000000							10/31/2008	4710.00	12.500		
N/A	Y01682	MMS	CPCO	100.0000000							10/31/2008	5050.20	12.500		
N/A	Y01683	MMS	CPCO	100.0000000							10/31/2008	156.00	12.500		
N/A	Y1706	MMS	CPAI	100.0000000							11/30/2013	4890.28	12.500		
N/A	Y1707	MMS	CPAI	100.0000000							11/30/2013	4647.20	12.500		
N/A	Y1708	MMS	CPAI	100.0000000							11/30/2013	5523.41	12.500		
N/A	Y1710	MMS	CPAI	100.0000000							11/30/2013	5693.30	12.500		
N/A	Y1730	MMS	CPAI	100.0000000							11/30/2013	5693.30	12.500		
N/A	Y1731	MMS	CPAI	100.0000000							11/30/2013	487.00	12.500		
N/A	Y1732	MMS	CPAI	100.0000000							11/30/2013	5693.30	12.500		
N/A	Y1733	MMS	CPAI	100.0000000								5693.30	12.500		
N/A	Y1734	MMS	CPAI	100.0000000								5693.30	12.500		

UNIT	AGENCY		NOTIFICATION LESSEE		OTHER WIO		OTHER WIO		OTHER WIO		EXPIRATION	ACRES	ROYALTY	NET	
	LEASE NO	LESSOR	NAME	WI	NAME	WI	NAME	WI	NAME	WI				PROFIT	SLIDING
N/A	Y1735	MMS	CPAI	100.0000000								5693.30	12.500		
N/A	Y1736	MMS	CPAI	100.0000000								5693.30	12.500		
N/A	Y1737	MMS	CPAI	100.0000000								5693.30	12.500		
N/A	Y1738	MMS	CPAI	100.0000000								5693.30	12.500		
N/A	Y1739	MMS	CPAI	100.0000000								5693.30	12.500		
N/A	Y1740	MMS	CPAI	100.0000000								5693.30	12.500		
N/A	Y1741	MMS	CPAI	100.0000000								5693.30	12.500		
N/A	Y1797	MMS	CPAI	100.0000000								5693.30	12.500		
N/A	Y1798	MMS	CPAI	100.0000000								2175.79	12.500		
N/A	Y1801	MMS	CPAI	100.0000000								4996.47	12.500		
N/A	Y1802	MMS	CPAI	100.0000000								2158.01	12.500		

NOTE: Acreage shown in parentheses denotes a second subsurface horizon within one lease.

\* Effective August 31, 2000, all interests in this lease held by ExxonMobil Corporation, BP Exploration (Alaska) Inc., Chevron U.S.A. Inc., or ConocoPhillips Alaska, Inc. were aligned by the agreement titled Phillips Joinder Agreement Point Thomson Alignment Agreement. Under that agreement, the parties have equitable title in the aligned interest in the lease in the following percentages: 32.326% for BP, 25.399% for Chevron U.S.A., Inc., 37.275% for ExxonMobil Corporation, and 5.00% for ConocoPhillips Alaska, Inc.

LEGEND	
APC	ANADARKO PETROLEUM COMPANY
BPXA	BP EXPLORATION (ALASKA) INC.
CHEVRON	CHEVRON U.S.A. INC.
CPAI	CONOCOPHILLIPS ALASKA, INC.
CPCO	CONOCOPHILLIPS COMPANY
DEVON	DEVON ENERGY PRODUCTION COMPANY, L.P.
DOYON	DOYON LIMITED
EM	EXXON MOBIL CORPORATION
EM AK	EXXONMOBIL ALASKA PRODUCTION INC.
EM OIL	EXXONMOBIL OIL CORPORATION
ENCANA	ENCANA OIL AND GAS (USA) INC.
FOREST	FOREST OIL CORPORATION
KERR M	KERR MCGEE
LEEDE, ED	EDWARD H. LEEDE
MURPHY	MURPHY EXPLORATION (ALASKA), INC.
MURPHY AK	MURPHY EXPLORATION (ALASKA), INC.
NANA	NANA REGIONAL CORPORATION INC.
PETRO-HUNT	PETRO-HUNT L. L. C.
UNOCAL	UNION OIL COMPANY OF CALIFORNIA
ALASKA	State of Alaska, Department of Natural Resources, Division of Oil and Gas
ASRC	Artic Slope Regional Corporation
BLM	Bureau of Land Management
MMS	Minerals Management Service
(1) Lessee of Record is EXXONMOBIL CORPORATION	
(2) Lessee of Record is EXXONMOBIL OIL CORPORATION	
(3) Lessee of Record is BP EXPLORATION (ALASKA) INC.	

NOTE: Where a lease has been divided into segments by DNR all segments are shown. If part in unit/part outside each part shown on applicable appendix.

## EXHIBIT E

## ALASKA HIRE AND CONTENT

**E.1 Comply With Law.** [*Contractor Name*] shall comply with all valid *Laws* relating to hiring of *Alaska* residents or contracting with *Alaska Businesses* to work on construction or operation of the *Alaska Project*. In making hiring or contracting decisions for construction or operation of the *Alaska Project*, [*Contractor Name*] shall not discriminate against *Alaska* residents or *Alaska Businesses*.

**E.2 Alaska Hire.** Within the constraints of *Law*, [*Contractor Name*] shall employ *Alaska* residents and shall contract with *Alaska Businesses* to work on construction, fabrication, or operation of the *Alaska Project* to the extent *Alaska* residents or *Alaska Businesses*:

- (a) are available, ready, willing and able to accept employment at the time required and are located anywhere in *Alaska*, not just in the area of *Alaska* where the work is to be performed;
- (b) are competitively priced in that they offer goods or services required by a *Midstream Entity* at a total cost that is equal to or less than the total cost of equivalent goods or services offered by a non-*Alaska* resident or a non-*Alaska Business*; and
- (c) possess the requisite resources, education, training, skills, certification and experience to satisfactorily perform the work necessary for a particular position or to perform a particular service.

**E.3 Recruitment.** In hiring its employees, [*Contractor Name*] shall advertise for available positions and use *Alaska Job Service Organizations* to notify *Alaska* residents of available positions on the *Alaska Project*, under the requirements of the *SGDA*. [*Contractor Name*] shall provide the *State* of Alaska Department of Labor and Workforce Development (“Labor Department”) with a copy of each advertisement at the time each advertisement is made public. The *Labor Department* may publicly disseminate that information. A position is available if: (a) it is vacant and located primarily or exclusively in *Alaska*; (b) it has not been offered; and (c) [*Contractor Name*] intends to fill it with personnel not already employed by [*Contractor Name*] or its *Affiliate*.

**E.4 Reporting.** The *State* shall report *Alaska Resident* employment on the *Alaska Project*, consistent with the provisions of applicable *Law*. [*Contractor Name*] shall facilitate this reporting by using the *State* electronic unemployment insurance compensation payroll reporting format existing on the *Effective Date*, as modified by the addition of a *Project* code to identify individuals who received *Alaska* earned wages as the result of being employed by the *Midstream Entity* during the reporting period.

**E.5 Contractors.** [*Contractor Name*] shall include provisions substantially in the form of this Exhibit in any contract with a contractor for the provision of goods or services in connection with the *Alaska Project*.

**EXHIBIT F**  
**EXAMPLE CALCULATIONS**

■

[NOTE: These calculations are in the process of development and may not accurately reflect current contract language. They are subject to further review and modification by the Parties.]

**INDEX TO EXAMPLE CALCULATIONS**

- F.1 Article 10 – Open Season Capacity Acquisition**
- F.2 Article 10 – Put Capacity Method - Producer Put Capacity**
- F.3 Article 10 – Put Capacity Method - State Put Capacity**
- F.4 Article 12 – Fixed Royalty Payments - State as Royalty Owner**
- F.5 Article 12 – Fixed Royalty Payment - Multiple Royalty Owners**
- F.6 Article 13 – Tax Bearing Gas Payment, Value, Price and Tax Gas**
- F.7 Article 13.6 – State’s Share of Tax Bearing Gas**
- F.8 Article 14 – Final Annual PPT PILT Payment**
- F.9 Article 15 – Annual Upstream Facilities Oil Payment**
- F.10 Article 15 – Annual Upstream Facilities Gas Payment**
- F.11 Article 16 – Annual Midstream Payment**
- F.12 Article 17 – Payment in Lieu of Oil Pipeline Ad Valorem Taxes**
- F.13 Article 19 – Payment in Lieu of State Corporate Income Tax**

**F.14 Article 20 – Upstream Cost Allowance (UCA)**

**F.15 Article 21 and Exhibit G – Payments to Political Subdivisions**

**F.16 Article 22.1 – Determination of Gas Recoupment Volume**

**F.17 Article 37 – Annual Inflation Adjustment (Rates in Articles 11, 16 and 20)**

**F.18 Article 37 – Annual Inflation Adjustment (Upstream Facilities Payments)**

**F.19 Article 37 – Annual Inflation Adjustment (Impact Payments)**

## EXAMPLE CALCULATIONS

**NOTE:** All calculations below are provided for example purposes only. For convenience and simplification purposes, the values shown and the results reported for the calculations performed below may not conform with the units of measure and rounding conventions under Article A.9.

For the purposes of Exhibit F, “*Total Transport Fee*” has the same meaning as “*Alaska to Alberta Tariff*”.

**F.1 Article 10.1 – Open Season Capacity Acquisition.** The following is an example calculation for determining the amount of *State Capacity* to be sought by a *Producer Capacity Holder* on behalf of the *State*, in proportion to *State Gas* attributable to the *Producer Gas* originating from that *Producer’s Properties*.

Assumptions:

- (1) *State's fixed Royalty* percentage under Article 9.2 for *Property X*: 12.50%
- (2) *State’s Tax Gas* percentage under Article 10.4 for *Property X*: 7.25%
- (3) *Producer A’s Working Interest* = 25%
- (4) Gross expected offtake of all *Royalty Bearing Gas* and *Tax Bearing Gas* from *Property X*: 1,000,000 MCFD

Required:

- I. Determine the *State Capacity*, to be sought by *Producer Capacity Holder A*, attributable to *Producer A's Gas* originating from *Property X*.
- II. Determine the volume of *State Gas* associated with *Producer A's Gas* expected to originate from *Property X*, to be sought in an *Open Season*.

Solution:

- I. Calculation of *State Capacity* to be sought by *Producer Capacity Holder A*, attributable to *Producer A's Gas* originating from *Property X*:

*Producer A's Royalty Bearing Gas and Tax Bearing Gas* expected to originate from *Property X* = Gross expected offtake of all *Royalty Bearing Gas and Tax Bearing Gas* \* *Producer A's Working Interest in Property X*

$$= 1,000,000 \text{ MCFD} * 0.25$$

$$= 250,000 \text{ MCFD}$$

- II. Calculation of *State Gas* associated with *Producer A's Gas* expected to originate from *Property X*, to be sought in an *Open Season*:

*State Gas* = *Producer A's Royalty Bearing Gas and Tax Bearing Gas* expected to originate from *Property X* \* *Royalty percentage*) + *Producer A's Royalty Bearing Gas and Tax Bearing Gas* expected to originate from *Property X* \* (*Tax Gas percentage* \* (1 – *Royalty percentage*))

$$= (250,000 \text{ MCFD} * 0.1250) + 250,000 \text{ MCFD} * (0.0725 * (1 - 0.1250))$$

$$= 47,109 \text{ MCFD}$$



**F.2 Article 10 – Put Capacity Method – Producer Put Capacity.** The following is an example calculation for determination of the *Forecast Ratio*, *Takeaway Ratio*, and *Producer Put Capacity*, as provided under Article 10.4.

Assumptions:

- (1) *State Takeaway Capability* for *Property A* for *Alcan Element M* as identified in the most recently amended *Capacity Notice* ( $STC_{AM}$ ): 150 MMCFD.
- (2) *Producer Takeaway Capability* for *Property A* for *Alcan Element M* as identified in the most recently amended *Capacity Notice* ( $PTC_{AM}$ ): 900 MMCFD.
- (3) *Forecast Producer Gas* for *Property A* for *Alcan Element M* in *Calendar Month X* ( $FPG_{AM}$ ): 1000 MMCFD.
- (4) *Forecast Associated State Gas* for *Property A* for *Alcan Element M* in *Calendar Month X* ( $FASG_{AM}$ ): 135 MMCFD.

Required:

- I. Determine the *Forecast Ratio* for *Property A* for *Alcan Element M* in *Calendar Month X* ( $FR_{AM}$ ).
- II. Determine the *Takeaway Ratio* for *Property A* for *Alcan Element M* in *Calendar Month X* ( $TR_{AM}$ ).
- III. Determine the *Producer Put Capacity* for *Property A* for *Alcan Element M* in *Calendar Month X* ( $PPC_{AM}$ ).

Solution:

- I. Calculation of the *Forecast Ratio* for *Property A* for *Alcan Element M* in *Calendar Month X*:

$$FR_{AM} = \frac{FASG_{AM}}{(FASG_{AM} + FPG_{AM})}$$

$$\begin{aligned}
 &= \frac{135 \text{ MMCFD}}{(135 \text{ MMCFD} + 1,000 \text{ MMCFD})} \\
 &= 0.1189
 \end{aligned}$$

II. Calculation of the *Takeaway Ratio* for *Property A* for *Alcan Element M* in *Calendar Month X*:

$$\begin{aligned}
 \text{TR}_{\text{AM}} &= \frac{\text{STC}_{\text{AM}}}{(\text{STC}_{\text{AM}} + \text{PTC}_{\text{AM}})} \\
 &= \frac{150 \text{ MMCFD}}{(150 \text{ MMCFD} + 900 \text{ MMCFD})} \\
 &= 0.1429
 \end{aligned}$$

III. Calculation of *Producer Put Capacity* for *Property A* for *Alcan Element M* in *Calendar Month X*:

$$\begin{aligned}
 \text{PPC}_{\text{AM}} &= [\text{greater of } (\text{FR}_{\text{AM}} - \text{TR}_{\text{AM}}) \text{ or (zero)}] \times (\text{STC}_{\text{AM}} + \text{PTC}_{\text{AM}}) \\
 &= [\text{greater of } (0.1189 - 0.1429) \text{ or } 0] \times (150 \text{ MMCFD} + 900 \\
 &\quad \text{MMCFD}) \\
 &= 0 \times (150 \text{ MMCFD} + 900 \text{ MMCFD}) \\
 &= 0 \text{ MMCFD}
 \end{aligned}$$

**F.3 Article 10 – Put Capacity Method – State Put Capacity.** The following is an example calculation for determination *State Put Capacity*, as provided under Article 10.4.

Assumptions:

The example calculation assumptions and results from Exhibit F.2.

Required:

Determine the *State Put Capacity* for *Property A* for *Alcan Element M* in *Calendar Month X* ( $SPC_{AM}$ ).

Solution:

Calculation of *State Put Capacity* for *Property A* for *Alcan Element M* in *Calendar Month X*:

$$\begin{aligned} SPC_{AM} &= [\text{greater of } (TR_{AM} - FR_{AM}) \text{ or } (\text{zero})] \times (STC_{AM} + PTC_{AM}) \\ &= [\text{greater of } (0.1429 - 0.1189) \text{ or } 0] \times (150 \text{ MMCFD} + 900 \\ &\quad \text{MMCFD}) \\ &= 25.2 \text{ MMCFD} \end{aligned}$$

**F.4 Article 12 – Fixed Royalty Payments - State as Royalty Owner.** The following is an example calculation for determination of the *Volume of Royalty Gas*, payable as a *Fixed Royalty*, to be delivered to the *State* at *Delivery Point A* by a specific *Producer* where the only *Royalty* owner is the *State* as provided under Article 12.2(a).

Assumptions:

- (1) *State's Fixed Royalty* percentage under Article 12.2(a) for *Property A*: 12.50%
- (2) *Producer A's share of Royalty Bearing Gas* originating from *Property A* and delivered to *Delivery Point A*: 1,000,000 MCF

Required:

Determine the *Volume of Royalty Gas* to be delivered to the *State* by *Producer A* from *Property A*.

Solution:

Calculation of the *Volume of Royalty Gas* to be delivered to the *State* by *Producer A* from *Property A*:

*Volume of Royalty Gas* to be delivered to the *State* by *Producer A* from *Property A* =  
*Producer A's share of Royalty Bearing Gas* originating from *Property A* × *State's Fixed Royalty percentage*

$$= 1,000,000 \text{ MCF} \times 0.1250$$

$$= 125,000 \text{ MCF}$$

**F.5 Article 12 - Fixed Royalty Payment - Multiple Royalty Owners.** The following is an example calculation for determination of the *Volume of Royalty Gas* to be delivered to the *State* at *Delivery Point B* by a specific *Producer* where the *Property* has both *State* and non-*State* royalty owners as provided under Article 12.2(a).

Assumptions:

- (1) *State's Fixed Royalty percentage* under Article 12.2(a) for *Property B*: 12.50%
- (2) Allocation of *Property B Royalty* to the *State* (versus non-*State*): 50.123456%
- (3) *Producer B's share of royalty bearing Gas* originating from *Property B* and delivered to *Delivery Point B*: 1,000,000 *MCF*

Required:

Determine the *Volume of Royalty Gas* to be delivered to the *State* by *Producer B* from *Property B*.

Solution:

Calculation of the *Volume of Royalty Gas* to be delivered to the *State* by *Producer B* from *Property B*:

*Volume of Royalty Gas to be delivered to the State by Producer B from Property B =*  
*Producer B's share of royalty bearing Gas originating from Property B × State's*  
*allocated share of Royalty in Property B × State's Fixed Royalty percentage*

$$= 1,000,000 \text{ MCF} \times 0.50123456 \times 0.125$$

$$= 64,654 \text{ MCF}$$

**F.6 Article 13 - Tax Bearing Gas Payment, Value, Price and Tax Gas.** The following is an example calculation for the determination of *Tax Bearing Gas*, *Tax Bearing Gas Payment*, *Tax Bearing Gas Value* and *Tax Bearing Gas Price*, as provided under Articles 13.3 through 13.8.

Assumptions:

- (1) *Tax Bearing Gas* percentage under Article 13.4: 7.25%
- (2) *Gas* delivered from *Property A* to *Delivery Point A* into a *Midstream Element* for *Calendar Month X*: 30,000,000 *MCF* (NOTE: Assume all *Gas* originating from *Property A* is *Gas* delivered by *Producers*)
- (3) Total royalty percentage for *Property A* from both *State* and non-*State* leases: 12.50%
- (4) *Producer A's Volume* delivered from *Property A* to *Delivery Point A*: 10,000,000 *MCF*
- (5) *AECO Price* for *Prior Calendar Month* (*AECO*): \$4.00/*MMBTU*
- (6) *Total Transport Fee* ("*TTF*"):

NOTE: The determination of the *Total Transport Fee* is highly dependent on the configuration and tariff of each *Midstream Element* and the *Non-Alaska Project*. Fuel

and shrinkage, as well as the basis for rates, must be considered when calculating the *Total Transport Fee*.

- (a) *Property A has a Gas Transmission Pipeline*
- (b) *The GTP rates are based on inlet MCF of Gas*
- (c) *The Mainline rates are based on inlet MMBTU of Gas*
- (d) *Alaska to Alberta Project rates are based on inlet MMBTU of Gas*
- (e) *All fuel and shrinkage is provided in kind by the Shippers*
- (f) *Gas Transmission Pipeline fuel ( $F_t$ ): 0.30%*
- (g) *GTP fuel and shrinkage ( $F_p$ ): 15.00%*
- (h) *Mainline fuel ( $F_a$ ): 2.00%*
- (i) *Alaska to Alberta Project fuel ( $F_c$ ): 2.50%*
- (j) *Gas Transmission Pipeline rate ( $R_t$ ): \$0.20/MCF*
- (k) *GTP rate ( $R_p$ ): \$0.35/MCF*
- (l) *Mainline rate ( $R_a$ ): \$0.60/MMBTU*
- (m) *Alaska to Alberta Project rate ( $R_c$ ): \$0.70/MMBTU*
- (n) *Heating Value of Gas at Delivery Point A: 1.115 MMBTU/MCF*

Required:

- I. Determine the total *Volume of Tax Bearing Gas* originating from *Property A* and delivered into *Delivery Point A* for *Calendar Month X*.
- II. Determine the *Tax Bearing Gas Price* for *Tax Bearing Gas* originating from *Property A* for *Calendar Month X*. (Note: Because *Tax Bearing Gas Price* is the price at the *Delivery Point*, the *AECO Price* must be calculated to reflect the price at *Delivery Point A* rather than at the *Alberta Hub*.)

- A. Determine the factor for adjusting the *Volume* transported from *Delivery Point A* to the *Alberta Hub* for fuel consumed and other losses incurred (“*VAF*”).

$$VAF = [(1 - F_t) \times (1 - F_p) \times (1 - F_a) \times (1 - F_c)]$$

- B. Determine the *Quantity* delivered to the *Alberta Hub*.

$$Quantity = Volume \text{ at } Delivery \text{ Point } A \times Heating \text{ Value at } Delivery \text{ Point } A \times VAF$$

- C. Determine the value of the *Quantity* if the entire amount were sold at the *Alberta Hub*.

$$Alberta \text{ Hub value} = Quantity \times AECO \text{ Price.}$$

- D. Determine the netback price at *Delivery Point A* (*DPP*).

$$DPP = Alberta \text{ Hub value} / Quantity \text{ at } Delivery \text{ Point } A,$$

$$\text{Where } Quantity \text{ at } Delivery \text{ Point } A = Volume \text{ at } Delivery \text{ Point } A \times Heating \text{ Value at } Delivery \text{ Point } A.$$

- E. Determine the *Total Transport Fee (TTF)* for *Gas* originating from *Property A* for *Calendar Month X*, where *TTF* means:

$$TTF = R_t / Heating \text{ Value at } Delivery \text{ Point } A + [R_p \times (1 - F_t)] / Heating \text{ Value at } Delivery \text{ Point } A + [R_a \times (1 - F_t) \times (1 - F_p)] + [R_c \times (1 - F_t) \times (1 - F_p) \times (1 - F_a)]$$

- F. Determine the *Tax Bearing Gas Price*:

$$Tax \text{ Bearing Gas Price} = DPP - TTF$$

- III. Determine the *Tax Bearing Gas Value* for *Tax Bearing Gas* originating from *Property A* for *Calendar Month X*.

- IV. Determine the total *Tax Bearing Gas Payment* due to the *State* for *Tax Bearing Gas* originating from *Property A* for *Calendar Month X*.
- V. Determine *Producer A's* share of the total *Tax Bearing Gas Payment* due the *State* for *Calendar Month X*.

Solution:

- I. Calculation of the total *Volume of Tax Bearing Gas* for *Gas* originating from *Property A* and delivered into *Delivery Point A* for *Calendar Month X*:

$$\begin{aligned} \text{Tax Bearing Gas} &= \text{Gas originating from Property A and delivered to a Delivery Point} \times (1 - \text{royalty percentage for Property A}) \\ &= 30,000,000 \text{ MCF} \times (1 - 0.1250) \\ &= 26,250,000 \text{ MCF} \end{aligned}$$

- II. Calculation of the *Tax Bearing Gas Price* at *Delivery Point A* for *Gas* originating from *Property A* for *Calendar Month X*:

- A. Determination of the factor to adjust the *Volume* delivered to the *Alberta Hub*:

$$\begin{aligned} VAF &= [(1 - F_t) \times (1 - F_p) \times (1 - F_a) \times (1 - F_c)] \\ &= [(1 - 0.003) \times (1 - 0.150) \times (1 - 0.020) \times (1 - 0.025)] \\ &= 0.8097385 \end{aligned}$$

- B. Determination of the *Quantity* at the *Alberta Hub*:

$$\begin{aligned} \text{Quantity} &= \text{Volume at Delivery Point A} \times \text{Heating Value at Delivery Point A} \times VAF \\ &= 26,250,000 \text{ MCF} \times 1.115 \text{ MMBTU/MCF} \times 0.8097385 \\ &= 23,700,033 \text{ MMBTU} \end{aligned}$$



- C. Determination of the value of the *Quantity*:

$$\begin{aligned} \text{Alberta Hub value} &= \text{Quantity} \times \text{AECO Price} \\ &= 23,700,033 \text{ MMBTU} \times \$4.00/\text{MMBTU} \\ &= \$94,800,132 \end{aligned}$$

- D. Determination of the netback price at *Delivery Point A (DPP)*:

$$\begin{aligned} \text{DPP} &= \text{Alberta Hub value} / \text{Quantity at Delivery Point A, where: Quantity} \\ &\text{at Delivery Point A} = \text{Volume at Delivery Point A} \times \text{Heating Value at} \\ &\text{Delivery Point A.} \end{aligned}$$

$$\begin{aligned} &= 26,250,000 \text{ MCF} \times 1.115 \text{ MMBTU/MCF} \\ &= 29,268,750 \text{ MMBTU} \\ \text{DPP} &= \$94,800,132 / 29,268,750 \text{ MMBTU} \\ &= \$3.2389/\text{MMBTU} \end{aligned}$$

- E. Determination of the *Total Transportation Fee (TTF)*:

$$\begin{aligned} \text{TTF} &= R_t / \text{Heating Value at Delivery Point A} + [R_p \times (1 - F_i)] / \text{Heating} \\ &\text{Value at Delivery Point A} + [R_a \times (1 - F_i) \times (1 - F_p)] + [R_c \times (1 - F_i) \times (1} \\ &- F_p) \times (1 - F_a)] \\ &= \$0.20/\text{MCF}/1.115 \text{ MMBTU/MCF} + [\$0.35/\text{MCF} \times (1 - 0.003)] / 1.115 \\ &\text{MMBTU/MCF} + [\$0.60/\text{MMMBTU} \times (1 - 0.003) \times (1 - 0.150)] + \\ &[\$0.70/\text{MMBTU} \times (1 - 0.003) \times (1 - 0.150) \times (1 - 0.020)] \\ &= \$1.5822/\text{MMBTU} \end{aligned}$$

- F. Determination of *Tax Bearing Gas Price*:

$$\begin{aligned} \text{Tax Bearing Gas Price} &= \text{DPP} - \text{TTF} \\ &= \$3.2389/\text{MMBTU} - \$1.5822/\text{MMBTU} \end{aligned}$$

$$= \$1.66/MMBTU$$

III. Calculation of *Tax Bearing Gas Value* for *Tax Bearing Gas* originating from *Property A* for *Calendar Month X*:

*Tax Bearing Gas Value* = *Tax Bearing Gas* originating from *Property A* ×  
*Heating Value* at *Delivery Point A* × *Tax Bearing Gas Price*

$$= 26,250,000 \text{ MCF} \times 1.115 \text{ MMBTU/MCF} \times \$1.66/MMBTU$$

$$= \$48,586,125$$

IV. Calculation of the total *Tax Bearing Gas Payment* due to the *State* for *Tax Bearing Gas* originating from *Property A* for *Calendar Month X*:

*Tax Bearing Gas Payment* = *Tax Bearing Gas Value* × *Tax Bearing Gas*  
*Percentage*

$$= \$48,586,125 \times 0.0725$$

$$= \$3,522,494$$

V. Calculation of *Producer A's* share of the total *Tax Bearing Gas Payment* due to the *State* for *Calendar Month X*:

*Producer A's* share of *Tax Bearing Gas Payment* = total *Tax Bearing Gas*  
*Payment* × *Producer A's* share of total *Gas* delivered to *Delivery Point A* from  
*Property A*

$$= \$3,522,494 \times 10,000,000 \text{ MCF}/30,000,000 \text{ MCF}$$

$$= \$1,174,165$$

**F.7 Article 13.6 - State's Share of Tax Bearing Gas.** The following is an example calculation for determination of the *Volume of Tax Gas* to be delivered to the *State* at a *Delivery Point* consistent with the *Tax Bearing Gas* election provided under Article 13.6.

Assumptions:

- (1) The example calculation assumptions and results for *Tax Bearing Gas*, *Tax Bearing Gas Price*, *Tax Bearing Gas Value* and *Tax Bearing Gas Payment* provided under Exhibit F.6 for *Property A*.

Required:

- I. Determine the total *Volume of Tax Gas* to be delivered to the *State* by the *Producers* at the *Delivery Point* immediately downstream of *Property A* during *Calendar Month X*.
- II. Determine the *Volume of Tax Gas* to be delivered to the *State* by *Producer A* at the *Delivery Point* for *Property A* for *Calendar Month X*.

Solution:

- I. Calculation of the total *Volume of Tax Gas* to be delivered to the *State* by the *Producers* at the *Delivery Point* immediately downstream of *Property A* during *Calendar Month X*.

$$\begin{aligned}
 \text{Tax Gas due to the State} &= (\text{Property A Tax Bearing Gas Payment} / \text{Property A} \\
 &\text{Tax Bearing Gas Price}) / \text{Heating Value at Delivery Point A} \\
 &= (\$3,522,494 / \$1.66/\text{MMBTU}) / 1.115 \text{ MMBTU/MCF} \\
 &= 1,903,125 \text{ MCF}
 \end{aligned}$$

- II. Calculation of the *Volume of Tax Gas* to be delivered to the *State* by *Producer A* at the *Delivery Point* for *Property A* for *Calendar Month X*.

$$\begin{aligned}
 & \textit{Producer A's Tax Gas due to the State} = \textit{Tax Gas due to the State} \times \textit{Producer} \\
 & \textit{A's share of total Gas delivered to Delivery Point A from Property A} \\
 & = 1,903,125 \textit{ MCF} \times 10,000,000 \textit{ MCF} / 30,000,000 \textit{ MCF} \\
 & = 634,375 \textit{ MCF}
 \end{aligned}$$

**F.8 Article 14 – Final Annual PPT PILT Payment.** The following is an example calculation for determination of *Producer A's PPT PILT Payment* for *Calendar Year X*.

Assumptions:

- (1) General
  - (a) *Producer A* is the operator and owns a 30% *Working Interest* in *Property A*. The royalty rate for *Property A* is 12.5%.
  - (b) *Property A* is listed on Exhibit D and the *State* has exercised its option under Article 13.6 to receive its *Tax Bearing Gas Payment* as a share of each *Producer's Tax Bearing Gas*.
  - (c) Production from *Property A* represents all of *Producer A's PPT Oil* and *PPT Gas* from a *Property* in Alaska.
  - (d) Commercial *Project* operations have begun and 98% of *Producer A's Gas* production from *Property A* is being delivered into a *Midstream Element*.
- (2) *Barrels of Producer A's PPT Oil* originating from *Property A* for *Calendar Year X*: 30,000,000 *Barrels*
- (3) *Producer A's Gross Value at the Point of Production* for *Property A*: \$45/*Barrel*
- (4) *Volume of Producer A's PPT Gas* originating from *Property A* for *Calendar Year X*: Based on assumption (1)(b), there is no *PPT Gas* for *Property A*.

- (5) *Joint Venture* expenditures billed by the *Property A* operator to the *Working Interest Owners of Property A*: \$1,000,000,000
- (6) *Producer A's Upstream Facilities Gas Payment and Upstream Facilities Oil Payment for Property A*: \$26,190,000
- (7) *State's Upstream Cost Allowance for Property A* paid to *Producer A*: \$17,800,000
- (8) Remaining *Producer A's Transitional Investment Expenditures*: \$1,500,000,000
- (9) Other *Producer A* assumptions:
  - PPT Education Credit*: \$150,000
  - Alternative Exploration Credits*: \$0
  - Qualified Capital Expenditures*: \$100,000,000
  - Carried Forward Annual Loss Credit*: \$60,000,000
  - Excess PPT Credits*: \$0

Required:

- I. Determine *Producer A's Net Production Value of PPT Oil and PPT Gas* for *Calendar Year X*.
  - A. Determine the volume of *Producer A's PPT Oil*
  - B. Determine *Producer A's Unrecovered Cost Allowance*
  - C. Determine *Producer A's PPT Lease Expenditures*
  - D. Determine *Producer A's Net Production Value*
- II. Determine *Producer A's PPT Credits* for *Calendar Year X*.
  - A. Determine *Producer A's Transitional Investment Credit*

- B. Determine *Producer A's Qualified Capital Expenditure Credit*
  - C. Determine *Producer A's Carried-Forward Annual Loss Credit*
  - D. Determine *Producer A's total PPT Credit*
- III. Determine *Producer A's PPT PILT Payment for Calendar Year X.*

Solution:

- I. Calculation of *Producer A's Net Production Value for Calendar Year X.*

- A. Calculation of *Producer A's PPT Oil*

$$\text{Producer A's PPT Oil} = \text{Producer A's Oil} * (1 - \text{Royalty Rate})$$

$$= 30,000,000 \text{ Barrels} * (1 - 0.125)$$

$$= 26,250,000 \text{ Barrels}$$

- B. Calculation of *Producer A's Operator Unrecovered Cost Rate* (Note: Since *Producer A* is the operator of *Property A*, *Producer A* is entitled to the 4% *Operator Unrecovered Cost Rate*.)

$$\begin{aligned} \text{Unrecovered cost allowance} &= \text{Property A Joint Venture expenditures} \\ &* 4\% \end{aligned}$$

$$= \$1,000,000,000 * 0.04$$

$$= \$40,000,000$$

- C. Calculation of *Producer A's PPT Lease Expenditures:*

$$\text{Producer A's PPT Lease Expenditures} = \text{Included Costs} - \text{Excluded Costs}$$

$$\begin{aligned} = & (\text{Property A Joint Venture expenditures} * \text{Producer A's Working} \\ & \text{Interest}) + \text{Producer A's Unrecovered Cost Allowance} + \text{Producer} \\ & \text{A's Upstream Facilities Gas and Upstream Facilities Oil} \end{aligned}$$

*Payments – State’s Upstream Cost Allowance for Property A paid to Producer A*

$$= (\$1,000,000,000 * 0.30) + \$40,000,000 + \$26,190,000 - \$17,800,000$$

$$= \$348,390,000$$

D. Calculation of *Producer A’s Net Production Value*:

*Net Production Value = (Producer A’s PPT Oil \* Gross Value of Producer A’s PPT Oil at the Point of Production) + 2/3 (Producer A’s PPT Gas \* Gross Value at the Point of Production of Producer A’s PPT Gas) – Producer A’s PPT Lease Expenditures*

$$= (26,250,000 \text{ Barrels} * \$45/\text{Barrel}) + 2/3(0) - \$348,390,000$$

$$= \$832,860,000$$

II. Calculation of *Producer A’s PPT Credits* to be used in the calculation of *Producer A’s PPT PILT Payment in Calendar Year X*.

A. Calculation of *Producer A’s Transitional Investment Credits*:

*Producer A’s Transitional Investment Credits = Producer A’s Transitional Investment Expenditures \* 20%*

$$= \$1,500,000,000 * 0.20$$

$$= \$300,000,000$$

However, *Transitional Investment Credits* are limited to 50% of a *Producer’s Qualified Capital Expenditures*. Therefore, *Producer A’s Transitional Investment Credits*:

$$= \$100,000,000 * 0.50$$

$$= \$50,000,000$$

B. Calculation of *Producer A's Qualified Capital Expenditure Credits*:

$$\text{Producer A's Qualified Capital Expenditure Credit} = \text{Producer A's Qualified Capital Expenditures} * 20\%$$

$$= \$100,000,000 * 0.20$$

$$= \$20,000,000$$

C. Calculation of *Producer A's Carried-Forward Annual Loss Credit*:

$$\text{Producer A's Carried-Forward Annual Loss Credit} = \text{Producer A's Carried-Forward Annual Loss} * 20\%$$

$$= \$60,000,000 * 0.20$$

$$= \$12,000,000$$

D. Calculation of *Producer A's total PPT Credits*:

$$\text{Producer A's total PPT Credit} = \text{Producer A's Transitional Investment Credit} + \text{Qualified Capital Expenditure Credit} + \text{PPT Education Credit} + \text{Carried-Forward Annual Loss Credit}$$

$$= \$50,000,000 + \$20,000,000 + \$150,000 + \$12,000,000$$

$$= \$82,150,000$$

III. Calculation of *Producer A's PPT PILT Payment for Calendar Year X*.

$$= (\text{Net Production Value of PPT Production} * 20\%) - \text{PPT Credits}$$

$$= (\$832,860,000 * 0.20) - \$82,150,000$$

$$= \$84,422,000$$



**F.9 Article 15 - Annual Upstream Facilities Oil Payment.** The following is an example calculation for determination of the annual *Upstream Facilities Oil Payment* due to the *State* in *Calendar Year X* for *Property A* as provided under Article 15. *Calendar Year X* occurs after *Calendar Year 2007*.

Assumptions:

- (1) *Barrels of Hydrocarbon Liquids* originating from *Property A* (assume all *Barrels* produced from *Property A* are *Producer Barrels*):
  - (a) *Calendar Year X-3*: 110,000,000 *Barrels*;
  - (b) *Calendar Year X-2*: 100,000,000 *Barrels*; and
  - (c) *Calendar Year X-1*: 90,000,000 *Barrels*.
- (2) The *Upstream Facilities Oil Payment* rate for *Property A* applicable to *Calendar Year X* = *Upstream Facilities Oil Payment* rate under Article 15.1 for the *Property* adjusted for inflation. Assume the rate of \$0.4960 per *Barrel* under Article 15.1 adjusted by the 70% *Ratio* equals \$0.5958 per *Barrel*.
- (3) Assume *Producer A's* deliveries of *Hydrocarbon Liquids* from *Property A* is equal to 30% of the total *Hydrocarbon Liquid Barrels* produced.

Required:

- I. Determine the *Barrels of Hydrocarbon Liquids* to be used in the calculation of the *Upstream Facilities Oil Payment* for *Property A* for *Calendar Year X*.
- II. Determine the *Upstream Facilities Oil Payment* due to the *State* for *Property A* for *Calendar Year X*.
- III. Determine *Producer A's Upstream Facilities Oil Payment* obligation to the *State* for *Property A* for *Calendar Year X*.

Solution:

- I. Calculation of the *Barrels of Hydrocarbon Liquids* to be used in the calculation of the *Upstream Facilities Oil Payment* for *Property A* for *Calendar Year X*:

$$\begin{aligned} \text{Upstream Facilities Oil Payment Barrels} &= (\text{Calendar Year X-3 Barrels} + \\ &\text{Calendar Year X-2 Barrels} + \text{Calendar Year X-1 Barrels}) / 3 \\ &= (110,000,000 + 100,000,000 + 90,000,000) / 3 \\ &= 100,000,000 \text{ Barrels} \end{aligned}$$

- II. Calculation of the total *Upstream Facilities Oil Payment* due to the *State* for *Property A* for *Calendar Year X*:

$$\begin{aligned} \text{Upstream Facilities Oil Payment} &= \text{Upstream Facilities Oil Payment Barrels} \times \\ &\text{Upstream Facilities Oil Payment rate for Property A} \\ &= 100,000,000 \text{ Barrels} \times \$0.5958/\text{Barrel} \\ &= \$59,580,000 \end{aligned}$$

- III. Calculation of *Producer A's Upstream Facilities Oil Payment* obligation to the *State* for *Property A* for *Calendar Year X*:

$$\begin{aligned} \text{Producer A's Upstream Facilities Oil Payment obligation} &= \text{total Upstream} \\ &\text{Facilities Oil Payment due to the State from Property A} \times \text{Producer A's Barrels} \\ &\text{produced from Property A} \\ &= \$59,580,000 \times 0.30 \\ &= \$17,874,000 \end{aligned}$$

**F.10 Article 15 - Annual Upstream Facilities Gas Payment.** The following is an example calculation for determination of the annual *Upstream Facilities Gas Payment* due to the *State* in

after the first five (5) years of production in *Calendar Year X* for a specific *Property* as provided under Article 15.

Assumptions:

- (1) *Volume of Producer and Associated State Gas* originating from *Property A* (assume all *Gas* is either *Producer Gas* or *Associated State Gas*):
  - (a) *Calendar Year X-3*: 340,000,000 *MCF*;
  - (b) *Calendar Year X-2*: 350,000,000 *MCF*; and
  - (c) *Calendar Year X-1*: 360,000,000 *MCF*.
- (2) *Upstream Facilities Gas Payment* rate applicable to *Calendar Year X* = the *Upstream Facilities Gas Payment* rate under Article 15.2. Assume that the \$0.0210 per *MCF* under Article 15.2 adjusted for inflation by the 80% *Ratio* equals \$0.0258 per *MCF*.
- (3) *Producer A's* deliveries of *Gas* to *Delivery Point A* from *Property A* is equal to 30% of total *Gas* produced.

Required:

- I. Determine the *Volume of Gas* to be used in the calculation of the *Upstream Facilities Gas Payment* for *Property A* for *Calendar Year X*.
- II. Determine the *Upstream Facilities Gas Payment* due to the *State* for *Property A* for *Calendar Year X*.
- III. Determine *Producer A's Upstream Facilities Gas Payment* obligation to the *State* for *Property A* for *Calendar Year X*.

Solution:

- I. Calculation of *Volume of Gas* to be used in the calculation of the *Upstream Facilities Gas Payment* for *Property A* for *Calendar Year X*:

$$\begin{aligned}
 \text{Upstream Facilities Gas Payment Volume} &= (\text{Calendar Year X-3 Volume} + \\
 &\text{Calendar Year X-2 Volume} + \text{Calendar Year X-1 Volume}) / 3 \\
 &= (340,000,000 \text{ MCF} + 350,000,000 \text{ MCF} + 360,000,000 \text{ MCF}) / 3 \\
 &= 350,000,000 \text{ MCF}
 \end{aligned}$$

- II. Calculation of the *Upstream Facilities Gas Payment* due to the *State* for *Property A* for *Calendar Year X*:

$$\begin{aligned}
 \text{Upstream Facilities Gas Payment} &= \text{Upstream Facilities Gas Payment Volume} \times \\
 &\text{Upstream Facilities Gas Payment rate} \\
 &= 350,000,000 \text{ MCF} \times \$0.0258/\text{MCF} \\
 &= \$9,030,000
 \end{aligned}$$

- III. Calculation of *Producer A's Upstream Facilities Gas Payment* obligation to the *State* for *Property A* for *Calendar Year X*:

$$\begin{aligned}
 \text{Producer A's obligation} &= \text{Upstream Facilities Gas Payment due to the State} \\
 &\text{from Property A} \times \text{Producer A's share of Gas production from Property A} \\
 &= \$9,030,000 \times 0.30 \\
 &= \$2,709,000
 \end{aligned}$$

**F.11 Article 16 - Annual Midstream Payment.** The following is an example calculation for determination of the annual *Midstream Payment* due to the *State* after the first five (5) annual *Midstream Payments* in *Calendar Year X* for the *Mainline, GTP and Gas Transmission Pipelines* as provided under Article 16.

Assumptions:

(1A) Total Volume delivered by *Producers* to the *Inlet Point* of *Gas Transmission*

*Pipeline A:*

- (a) *Calendar Year X-3: 400 BCF;*
- (b) *Calendar Year X-2: 375 BCF; and*
- (c) *Calendar Year X-1: 350 BCF*

(1B) Total Volume delivered by *Producers* to the *Inlet Point* of *Gas Transmission*

*Pipeline B:*

- (a) *Calendar Year X-3: 100 BCF;*
- (b) *Calendar Year X-2: 90 BCF; and*
- (c) *Calendar Year X-1: 80 BCF*

(2A) *Gas Transmission Pipeline A Segment Length: 30.1 miles*

(2B) *Gas Transmission Pipeline B Segment Length: 12.0 miles*

NOTE: *Gas Transmission Pipeline B* interconnects with *Gas Transmission Pipeline A* at a distance of 20.0 miles from the *Outlet Point* of *Gas Transmission Pipeline A*. *Gas* from *Gas Transmission Pipeline B* is commingled at that *Outlet Point* with *Gas* from *Gas Transmission Pipeline A* for delivery to the *GTP*.

(3) Total Volume delivered into the *Mainline* (assume all *Gas* delivered into the *Mainline* was delivered from the outlet of the *GTP*):

- (a) *Calendar Year X-3: 1,600 BCF;*
- (b) *Calendar Year X-2: 1,500 BCF; and*
- (c) *Calendar Year X-1: 1,400 BCF.*

- (4) *Mainline Midstream Payment* rate applicable to *Calendar Year 2005*: \$0.0240 per *MMBTU*
- (5) *GTP Midstream Payment* rate applicable to *Calendar Year 2005*: \$0.0100 per *MMBTU*
- (6) *Gas Transmission Pipeline Midstream Payment* rate applicable to *Calendar Year 2005*: \$0.0003 per *MCF* per mile
- (7) Weighted average *Heating Value* of *Producer Gas* delivered into the *Mainline* from the *GTP*:
- (a) *Calendar Year X-3*: 1.050 *MMBTU/MCF*;
  - (b) *Calendar Year X-2*: 1.025 *MMBTU/MCF*; and
  - (c) *Calendar Year X-1*: 1.035 *MMBTU/MCF*.
- (8) *CPI* for *Calendar Year 2005* = 190.3
- (9) *CPI* for December of *Calendar Year X-1* = *CPI* for *Calendar Year X* = 250.0

Required:

- I. A. Determine the *Volume* transported through *Gas Transmission Pipeline A* upstream of the *Inlet Point* where *Gas Transmission Pipeline B* interconnects with *Gas Transmission Pipeline A* to be used in the calculation of the *Midstream Payment* for *Gas Transmission Pipeline A* for *Calendar Year X*.
- B. Determine the *Volume* transported through the portion of *Gas Transmission Pipeline A* downstream of the *Inlet Point* where *Gas Transmission Pipeline B* interconnects with *Gas Transmission Pipeline A* to be used in the calculation of the *Midstream Payment* for *Gas Transmission Pipeline A* for *Calendar Year X*.

- C. Determine the *Volume* transported through *Gas Transmission Pipeline B* to be used in the calculation of the *Midstream Payment* for *Gas Transmission Pipeline B* for *Calendar Year X*.
- II. Determine the *Quantity* of *Gas* delivered into the *Mainline* to be used in the calculation of the *Midstream Payment* for the *Mainline* and the *GTP* for *Calendar Year X*.
- III. A. Determine the *Midstream Payment* due to the *State* from the *Midstream Entity* that owns *Gas Transmission Pipeline A* for *Calendar Year X*.
- B. Determine the *Midstream Payment* due to the *State* from the *Midstream Entity* that owns *Gas Transmission Pipeline B* for *Calendar Year X*.
- IV. Determine the *Midstream Payment* due to the *State* from the *GTP Entity* for *Calendar Year X*.
- V. Determine the *Midstream Payment* due to the *State* from the *Mainline Entity* for *Calendar Year X*.

Solution:

- I. Calculation of *Gas Transmission Pipeline Volumes*
- (A) *Volume* for *Gas Transmission Pipeline A* upstream of the *Inlet Point* where *Gas Transmission Pipeline B* interconnects with *Gas Transmission Pipeline A* =  $[(\text{Calendar Year X-3 A BCF} + \text{Calendar Year X-2 A BCF} + \text{Calendar Year X-1 A BCF})] / 3 \times (1,000,000 \text{ MCF/BCF})$
- $$= [(400 \text{ BCF} + 375 \text{ BCF} + 350 \text{ BCF}) / 3] \times 1,000,000 \text{ MCF/BCF}$$
- $$= 375,000,000 \text{ MCF}$$

(B) *Volume for Gas Transmission Pipeline A downstream of the Inlet Point where Gas Transmission Pipeline B interconnects with Gas Transmission Pipeline A* = [(Calendar Year X-3 A BCF + Calendar Year X-3 B BCF + Calendar Year X-2 A BCF + Calendar Year X-2 B BCF + Calendar Year X-1 A BCF + Calendar Year X-1 B BCF)] / 3 × (1,000,000 MCF/BCF)

$$= \frac{[(400 + 100) \text{ BCF} + (375 + 90) \text{ BCF} + (350 + 80) \text{ BCF}]}{3} \times 1,000,000 \text{ MCF/BCF}$$

$$= 465,000,000 \text{ MCF}$$

(C) *Volume for Gas Transmission Pipeline B* = [(Calendar Year X-3 BCF + Calendar Year X-2 BCF + Calendar Year X-1 BCF)] / 3 × 1,000,000 MCF/BCF

$$= \frac{[(100 \text{ BCF} + 90 \text{ BCF} + 80 \text{ BCF})]}{3} \times (1,000,000 \text{ MCF/BCF})$$

$$= 90,000,000 \text{ MCF}$$

II. Calculation of the *Quantity of Gas* delivered into the Mainline to be used in the calculation of the *Midstream Payment* for the *Mainline* and the *GTP* for *Calendar Year X*:

A. *Midstream Payment Quantity* = {[(Calendar Year X-3 BCF × Heating Value for Calendar Year X-3) + (Calendar Year X-2 BCF × Heating Value for Calendar Year X-2) + (Calendar Year X-1 BCF × Heating Value for Calendar Year X-1)] / 3} × (1,000,000 MCF/BCF)

$$= \frac{\{[(1,600 \text{ BCF} \times 1.050 \text{ MMBTU/MCF}) + (1,500 \text{ BCF} \times 1.025 \text{ MMBTU/MCF}) + (1,400 \text{ BCF} \times 1.035 \text{ MMBTU/MCF})]\}}{3} \times (1,000,000 \text{ MCF/BCF})$$

$$= 1,555,500,000 \text{ MMBTU}$$



III. Calculation of *Midstream Payments* due to the *State* from the *Midstream Entities* that own *Gas Transmission Pipeline A* and *Gas Transmission Pipeline B*.

A. Calculation of the *Midstream Payment* due to the *State* from the *Midstream Entity* that owns *Gas Transmission Pipeline A* for *Calendar Year X*:

$$\begin{aligned} \text{Midstream Payment} = & [\text{Volume upstream of the Inlet Point from Gas} \\ & \text{Transmission Pipeline B} \times \text{Midstream Payment rate applicable to Calendar} \\ & \text{Year 2005 for Gas Transmission Pipeline A} \times (\text{CPI for Calendar Year X} / \\ & \text{CPI for Calendar Year 2005}) \times \text{length of Gas Transmission Pipeline A for} \\ & \text{that Volume upstream of the Inlet Point from Gas Transmission Pipeline B}] + \\ & [\text{Volume downstream of the Inlet Point from Gas Transmission Pipeline B} \times \\ & \text{Midstream Payment rate applicable to Calendar Year 2005 for Gas} \\ & \text{Transmission Pipeline A} \times (\text{CPI for Calendar Year X} / \text{CPI for Calendar} \\ & \text{Year 2005}) \times \text{length of Gas Transmission Pipeline A for that Volume} \\ & \text{downstream of the Inlet Point from Gas Transmission Pipeline B}]. \end{aligned}$$

$$\begin{aligned} = & [375,000,000 \text{ MCF} \times \$0.0003/\text{MCF}/\text{mile} \times (250.0 / 190.3) \times \\ & (30.1 \text{ miles} - 20.0 \text{ miles})] + [465,000,000 \text{ MCF} \times \$0.0003/\text{MCF}/\text{mile} \times \\ & (250.0 / 190.3) \times 20.0 \text{ miles}] \end{aligned}$$

$$= \$5,157,974$$

B. Calculation of the *Midstream Payment* due to the *State* from the *Midstream Entity* that owns *Gas Transmission Pipeline B* for *Calendar Year X*:

$$\begin{aligned} \text{Midstream Payment} = & \text{Volume through Gas Transmission Pipeline B} \times \\ & \text{Midstream Payment rate applicable to Calendar Year 2005 for Gas} \end{aligned}$$

*Transmission Pipeline B* × (CPI for Calendar Year X / CPI for Calendar Year 2005) × Length of Gas Transmission Pipeline B.

$$= 90,000,000 \text{ MCF} \times \$0.0003/\text{MCF per mile} \times (250.0 / 190.3) \times 12.0 \text{ miles}$$

$$= \$425,644$$

IV. Calculation of the *Midstream Payment* due to the State from the *GTP Entity* for Calendar Year X:

A. *Midstream Payment* = Quantity delivered into the *Mainline* from the *GTP* × *Midstream Payment* rate applicable to 2005 for the *GTP* × (CPI for Calendar Year X / CPI for Calendar Year 2005)

$$= 1,555,500,000 \text{ MMBTU} \times \$0.0100/\text{MMBTU} \times (250.0 / 190.3)$$

$$= \$20,434,840$$

V. Calculation of the *Midstream Payment* due to the State from the *Mainline Entity* for Calendar Year X:

A. *Midstream Payment* = Quantity delivered into the *Mainline* × *Midstream Payment* rate applicable to Calendar Year 2005 for the *Mainline* × (CPI for Calendar Year X / CPI for Calendar Year 2005)

$$= 1,555,500,000 \text{ MMBTU} \times \$0.024/\text{MMBTU} \times (250.0 / 190.3)$$

$$= \$49,043,615$$

**F.12 Article 17 – Payment in Lieu of Oil Pipeline Ad Valorem Taxes**. The following is an example calculation for determination of the annual *Payment in Lieu of Oil Pipeline Ad Valorem*

*Taxes due to the State in Calendar Year X for the Oil Pipeline Ownership Interest of a Producer's Affiliate in an Oil Pipeline as provided under Article 17.*

Assumptions:

- (1) *Oil Pipeline Ownership Interest of Producer A's Affiliate in Oil Pipeline A = 25%*
- (2) *Assume Oil Pipeline A is TAPS.*
- (3) *Total Barrels of Unrefined Oil tendered to Oil Pipeline A:*
  - (a) *Calendar Year X-3: 73,000,000 Barrels;*
  - (b) *Calendar Year X-2: 71,000,000 Barrels; and*
  - (c) *Calendar Year X-1: 66,000,000 Barrels.*
- (4) *Oil Pipeline A rate for Calendar Year 2005: \$0.1749 per Barrel*
- (5) *CPI for Calendar Year 2005 = 190.3*
- (6) *CPI for December of Calendar Year X-1 = CPI for Calendar Year X = 250.0*

Required:

- I. *Determine the Barrels of Unrefined Oil to be used in the calculation of the Payment in Lieu of Oil Pipeline Ad Valorem Taxes in Calendar Year X for Oil Pipeline A.*
- II. *Determine the Payment in Lieu of Oil Pipeline Ad Valorem Taxes due to the State for Calendar Year X from Producer A's Affiliate for Oil Pipeline A.*

Solution:

- I. *Calculation of the Barrels of Unrefined Oil to be used in the calculation of the Payment in Lieu of Oil Pipeline Ad Valorem Taxes in Calendar Year X for Oil Pipeline A:*

$$\begin{aligned}
 \text{Barrels for Payment in Lieu of Oil Pipeline Ad Valorem Taxes} &= [(\text{Calendar Year X-3 Barrels} + \text{Calendar Year X-2 Barrels} + \text{Calendar Year X-1 Barrels})] / 3 \\
 &= [(73,000,000 + 71,000,000 + 66,000,000) \text{ Barrels} / 3] \\
 &= 70,000,000 \text{ Barrels}
 \end{aligned}$$

II. Calculation of the *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* due to the State for Calendar Year X from Producer A’s Affiliate for Oil Pipeline A:

$$\begin{aligned}
 \text{Payment in Lieu of Oil Pipeline Ad Valorem Taxes} &= \text{Barrels for Payment in Lieu of Oil Pipeline Ad Valorem Taxes} \times \text{Oil Pipeline A rate for Calendar Year 2005} \\
 &\times (\text{CPI for Calendar Year X} / \text{CPI for Calendar Year 2005}) \\
 &= 70,000,000 \text{ Barrels} \times \$0.1749/\text{Barrel} \times (250.0 / 190.3) \times 0.25 \\
 &= \$4,020,954
 \end{aligned}$$

**F.13 Article 19 – Payment in Lieu of State Corporate Income Tax.** The following is an example calculation for determination of a *Participant’s Payment in Lieu of SCIT* from Article 19.

$$SCIT = AKUIT \times \frac{1}{3} \left( \frac{V_{AKOil} + V_{AKGas}}{V_{Other} + V_{AKOil} + V_{AKGas}} + \frac{S_{AKOther} + S_{AKGas} + S_{AKMidstr} - S_{TBG} - S_{UCA} - S_{FCA}}{S_{Other} + S_{AKOther} + S_{AKGas} + S_{AKMidstr}} + \frac{P_{AKExisting} + P_{AKNewUpstr} + P_{AKMidstr}}{P_{Other} + P_{AKExisting} + P_{AKNewUpstr} + P_{AKMidstr}} \right) \times (WWI)$$

Where:

*SCIT* is the *Payment in Lieu of State Corporate Income Tax*;

*AKUIT* is the *Alaska* unitary income tax rate;

$V_{AKOil}$ ,  $V_{AKGas}$  and  $V_{Other}$  are the volumes of *Alaska* oil production, *Alaska Gas* production, and all other production worldwide, respectively;

$S_{AKGas}$  is sales of *Gas* in *Alaska*;

$S_{AKMidstr}$  is the midstream tariffs;

$S_{AKOther}$  is all other sales in *Alaska*;

$S_{Other}$  is all other sales worldwide;

$S_{TBG}$  is the *Tax Bearing Gas Payment* under Article 13;

$S_{UCA}$  is the upstream cost allowance (*UCA*) payment under Article 20;

$S_{FCA}$  is the field cost allowance payment under some lease agreements;

$P_{AKExisting}$  is the existing property in *Alaska*;

$P_{AKNewUpstr}$  is the new upstream *Gas* property in *Alaska*;

$P_{AKMidstr}$  is the new midstream property;

$P_{Other}$  is all other property worldwide; and

WWI is all net income worldwide.

Assumptions:

- (1)  $AKUIT$ : 9.4%
- (2)  $V_{AKOil}$  for *Participant A* = 40 million *Barrels* of oil equivalent
- (3)  $V_{AKGas}$  for *Participant A* = 50 million *Barrels* of oil equivalent
- (4)  $V_{Other}$  for *Participant A* = 35 million *Barrels* of oil equivalent
- (5)  $S_{AKGas}$  for *Participant A* = \$90 million
- (6)  $S_{AKMidstr}$  for *Participant A* = \$15 million
- (7)  $S_{AKOther}$  for *Participant A* = \$250 million
- (8)  $S_{Other}$  for *Participant A* = \$75 million
- (9)  $S_{TBG}$  for *Participant A* = \$33 million
- (10)  $S_{UCA}$  for *Participant A* = \$11 million
- (10)  $S_{FCA}$  for *Participant A* = \$5 million

- (12)  $P_{AKExisting}$  for *Participant A* = \$1,000 million
- (13)  $P_{AKNewUpstr}$  for *Participant A* = \$500 million
- (14)  $P_{AKMidstr}$  for *Participant A* = \$1,750 million
- (15)  $P_{Other}$  for *Participant A* = \$500 million
- (16)  $WWI$  for *Participant A* = \$2,000 million

Required:

Determine the *Payment in Lieu of SCIT* obligation for *Participant A*.

Solution:

Calculation of the *Payment in Lieu of SCIT* obligation for *Participant A*:

$$\begin{aligned}
 SCIT &= 9.40\% \times \frac{1}{3} \left\{ \left( \frac{40,000,000 + 50,000,000}{35,000,000 + 40,000,000 + 50,000,000} \right) + \right. \\
 &\left( \frac{\$250,000,000 + \$90,000,000 + \$15,000,000 - \$33,000,000 - \$11,000,000 - \$5,000,000}{\$75,000,000 + \$250,000,000 + \$90,000,000 + \$15,000,000} \right) + \\
 &\left. \left( \frac{\$1,000,000,000 + \$500,000,000 + \$1,750,000,000}{\$500,000,000 + \$1,000,000,000 + \$500,000,000 + \$1,750,000,000} \right) \right\} \times (\$2,000,000,000) \\
 SCIT &= 9.40\% \times \frac{1}{3} (2.2982946) \times (\$2,000,000,000) \\
 SCIT &= \$144,026,460
 \end{aligned}$$

**F.14 Article 20 - Upstream Cost Allowance (UCA).** The following is an example calculation for determination of the monthly *UCA* payment due from the *State* to each *Producer* as provided under Article 20.

Assumptions:

- (1) UCA rate applicable to *Calendar Year 2005*: \$0.2240/MCF
- (2) *Royalty Bearing Gas Volume* from *Property A* delivered to *Delivery Point A* for *Calendar Month X* during *Calendar Year X*: 30,000,000 MCF (assume all *Gas* from *Property A* is *Royalty Bearing Gas*)
- (3) *State's Royalty* percentage for *Property A*: 12.50%
- (4) *State's Tax Bearing Gas* percentage under Article 13.5: 7.25%
- (5) *Producer A's* share of *Royalty Bearing Gas* delivered to *Delivery Point A*: 10,000,000 MCF
- (6) *CPI* for *Calendar Year 2005* = 190.3
- (7) *CPI* for *Calendar Year X* = *CPI* for December of *Calendar Year X-1* = 250.0

Required:

- I. Determine the total *Volume* of *Royalty Gas* and *Tax Gas* for use in calculating the *UCA* payment due from the *State* for *Property A* during *Calendar Month X* during *Calendar Year X*.
- II. Determine the *UCA* due from the *State* to all *Producers* for *Property A* for *Calendar Month X* during *Calendar Year X*.
- III. Determine the *UCA* due to *Producer A* from the *State* for *Property A* for *Calendar Month X* during *Calendar Year X*.

Solution:

- I. Calculation of the total *Volume* of *Royalty Gas* and *Tax Gas* for use in calculating the *UCA* payment due from the *State* for *Property A* during *Calendar Month X*, during *Calendar Year X*.

(A) Total Volume of Royalty Gas = Property A Royalty Bearing Gas  $\times$  State's Royalty percentage for Property A

$$= 30,000,000 \text{ MCF} \times 0.1250$$

$$= 3,750,000 \text{ MCF}$$

(B) Total Volume of Tax Gas = See calculation and result in Exhibit F.7

$$= 1,903,125 \text{ MCF}$$

(C) Total Royalty Gas and Tax Gas Volume for UCA calculation = Volume of Royalty Gas + Volume of Tax Gas

$$= 3,750,000 + 1,903,125$$

$$= 5,653,125 \text{ MCF}$$

II. Calculation of the UCA payment due from the State to all Producers for Property A for Calendar Month X during Calendar Year X.

UCA payment = (total Royalty Gas and Tax Gas Volume for UCA)  $\times$  UCA rate applicable to Calendar Year 2005  $\times$  (CPI for Calendar Year X / CPI for Calendar Year 2005)

$$= 5,653,125 \text{ MCF} \times \$0.2240/\text{MCF} \times (250.0 / 190.3)$$

$$= \$1,663,558$$

III. Calculation of the UCA payment due to Producer A from the State for Property A for Calendar Month X during Calendar Year X:

Producer A's share of UCA payment = UCA payment  $\times$  Producer A's Volume of Royalty Bearing Gas / Volume of Royalty Bearing Gas delivered to Delivery Point A from Property A

$$= \$1,663,558 \times 10,000,000 \text{ MCF} / 30,000,000 \text{ MCF}$$



= \$554,519

**F.15 Article 21 and Exhibit G – Payments to Political Subdivisions.** The following is an example calculation for the determination of payments to be made to *Political Subdivisions* under Article 21 and Exhibit G.

Assumptions:

For *Political Subdivision A*:

*Upstream Oil Production Ratio for Property A for Calendar Year X: 80%*

*Upstream Gas Production Ratio for Property A for Calendar Year X: 90%*

*Political Subdivision Ratio for the Mainline for Calendar Year X: 62%*

*Political Subdivision Ratio for an Oil Pipeline for Calendar Year X: 75%*

For *Political Subdivision B*:

*Upstream Oil Production Ratio for Property A for Calendar Year X: 15%*

*Upstream Gas Production Ratio for Property A for Calendar Year X : 10%*

*Political Subdivision Ratio for the Mainline for Calendar Year X: 20%*

*Political Subdivision Ratio for an Oil Pipeline for Calendar Year X: 0%*

For *Political Subdivision C*:

*Upstream Oil Production Ratio for Property A for Calendar Year X: 5%*

*Upstream Gas Production Ratio for Property A for Calendar Year X: 0%*

*Political Subdivision Ratio for the Mainline for Calendar Year X: 18%*

*Political Subdivision Ratio for an Oil Pipeline for Calendar Year X: 25%*

Required:

- I. Determine *Producer A's* distribution of its *Upstream Facilities Oil Payment* for *Property A* for *Calendar Year X* to each *Political Subdivision* consistent with its payment obligation under Exhibit F.9.
- II. Determine *Producer A's* distribution of its *Upstream Facilities Gas Payment* for *Property A* for *Calendar Year X* to each *Political Subdivision* consistent with its payment obligation under Exhibit F.10.
- III. Determine the *Mainline Entity's* distribution of its *Midstream Payment* for *Calendar Year X* to each *Political Subdivision* consistent with its payment obligation under Exhibit F.11.
- IV. Determine *Producer A's Affiliate* distribution of its *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* for *Calendar Year X* to each *Political Subdivision* consistent with its payment obligation under Exhibit F.12.

Solution:

- I. Calculation of *Producer A's Upstream Facilities Oil Payment* for *Property A* for *Calendar Year X* to be made payable to (A) *Political Subdivision A*, (B) *Political Subdivision B*, and (C) *Political Subdivision C* .

(A) Payment of *Producer A's Upstream Facilities Oil Payment* for *Property A* to *Political Subdivision A* for *Calendar Year X* = *Upstream Facilities Oil Payment* (see Exhibit F.9) × (*Upstream Oil Production Ratio* for *Property A* for *Political Subdivision A*)

$$= \$17,874,000 \times 0.8000$$

$$= \$14,299,200$$

(B) Payment of *Producer A's Upstream Facilities Oil Payment* for *Property A* to *Political Subdivision B* for *Calendar Year X* = *Upstream Facilities Oil Payment* (see Exhibit F.9) × (*Upstream Oil Production Ratio* for *Property A* for *Political Subdivision B*)

$$= \$17,874,000 \times 0.1500$$

$$= \$2,681,100$$

(C) Payment of *Producer A's Upstream Facilities Oil Payment* for *Property A* to *Political Subdivision C* for *Calendar Year X* = *Upstream Facilities Oil Payment* (see Exhibit F.9) × (*Upstream Oil Production Ratio* for *Property A* for *Political Subdivision C*)

$$= \$17,874,000 \times 0.0500$$

$$= \$893,700$$

II. Calculation of *Producer A's Upstream Facilities Gas Payment* for *Property A* for *Calendar Year X* to be made payable to (A) *Political Subdivision A*, (B) *Political Subdivision B*, and (C) *Political Subdivision C* .

(A) Payment of *Producer A's Upstream Facilities Gas Payment* for *Property A* to *Political Subdivision A* for *Calendar Year X* = *Upstream Facilities Gas Payment* (see Exhibit F.10) × (*Upstream Gas Production Ratio* for *Property A* for *Political Subdivision A*)

$$= \$2,709,000 \times 0.9000$$

$$= \$2,438,100$$

(B) Payment of *Producer A's Upstream Facilities Gas Payment* for *Property A* to *Political Subdivision B* for *Calendar Year X* = *Upstream Facilities Gas*

*Payment* (see Exhibit F.10)  $\times$  (*Upstream Gas Production Ratio* for Property A for Political Subdivision B)

$$= \$2,709,000 \times 0.1000$$

$$= \$270,900$$

(C) *Payment of Upstream Facilities Gas Payment* for Property A to Political Subdivision C for Calendar Year X = *Upstream Facilities Gas Payment* (see Exhibit F.10)  $\times$  (*Upstream Gas Production Ratio* for Property A for Political Subdivision C)

$$= \$2,709,000 \times 0.0000$$

$$= \$0$$

III. Calculation of the *Mainline Entity's Midstream Payment* for Calendar Year X to be made payable to (A) *Political Subdivision A*, (B) *Political Subdivision B*, and (C) *Political Subdivision C*.

(A) *Payment of Mainline Midstream Payment* to Political Subdivision A for Calendar Year X = *Mainline Midstream Payment* (see Exhibit F.11)  $\times$  (*Political Subdivision Ratio* for Political Subdivision A)

$$= \$49,043,615 \times 0.6200$$

$$= \$30,407,041$$

(B) *Payment of Mainline Midstream Payment* to Political Subdivision B for Calendar Year X = *Mainline Midstream Payment* (see Exhibit F.11)  $\times$  (*Political Subdivision Ratio* for Political Subdivision B)

$$= \$49,043,615 \times 0.2000$$

$$= \$9,808,723$$

(C) Payment of *Mainline Midstream Payment* to *Political Subdivision C* for *Calendar Year X* = *Mainline Midstream Payment* (see Exhibit F.11)  $\times$  (*Political Subdivision Ratio* for *Political Subdivision C*)

$$= \$49,043,615 \times 0.1800$$

$$= \$8,827,851$$

IV. Calculation of *Producer A's Affiliate Payment in Lieu of Oil Pipeline Ad Valorem Taxes* for *Calendar Year X* to be made payable to (A) *Political Subdivision A*, (B) *Political Subdivision B*, and (C) *Political Subdivision C*.

(A) Payment of *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* to *Political Subdivision A* for *Calendar Year X* = *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* (see Exhibit F.12)  $\times$  (*Political Subdivision Ratio* for *Political Subdivision A*)

$$= \$4,020,954 \times 0.7500$$

$$= \$3,015,715$$

(B) Payment of *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* to *Political Subdivision B* for *Calendar Year X* = *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* (see Exhibit F.12)  $\times$  (*Political Subdivision Ratio* for *Political Subdivision B*)

B)

$$= \$4,020,954 \times 0.0000$$

$$= \$0$$

(C) Payment of *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* to *Political Subdivision C* for *Calendar Year X* = *Payment in Lieu of Oil Pipeline Ad Valorem*

*Taxes* (see Exhibit F.12)  $\times$  (*Political Subdivision Ratio for Political Subdivision C*)

$$= \$4,020,954 \times 0.2500$$

$$= \$1,005,239$$

**F.16 Article 22.1 – Determination of Gas Recoupment Volume.** The following is an example calculation for determination of *Gas Recoupment Volume* by *Producer A*, as provided under Article 22.1(f).

Assumptions:

NOTE: The determination of the *Total Transport Fee* is highly dependent on the configuration and tariff of each *Midstream Element* and the *Non-Alaska Project*. Fuel and shrinkage, as well as the basis for rates, must be considered when calculating the *Total Transport Fee*.

- (1) *Gas Recoupment Volume* will be obtained from *Property A*.
- (2) *Amount Due* to be recouped: \$50,000
- (3) *AECO Price* for prior *Calendar Month* (AECO): \$3.50/MMBTU
- (4) *Producer A* does not receive an assignment of any part of a *State Gas* sales contract and acquires *Capacity* from the *State*.
- (5) *GTP* rates are based on inlet *MCF* of *Gas*
- (6) *Mainline* rates are based on inlet *MMBTU* of *Gas*
- (7) *Alaska to Alberta Project* rates are based on inlet *MMBTU* of *Gas*
- (8) All fuel and shrinkage is provided in kind by the *Shippers*
- (9) *Property A* does not have a *Gas Transmission Pipeline* to the *GTP*

- (10) *Gas Transmission Pipeline* fuel ( $F_t$ ): 0.00%
- (11) *GTP* fuel and shrinkage ( $F_p$ ): 15.00%
- (12) *Mainline* fuel ( $F_a$ ): 2.00%
- (13) *Alaska to Alberta Project* fuel ( $F_c$ ): 2.50%
- (14) *State Capacity Holder's Effective Rate* for *Gas Transmission Pipeline* ( $R_t$ ): N/A
- (15) *State Capacity Holder's Effective Rate* for *GTP* ( $R_p$ ): \$0.45/MCF
- (16) *State Capacity Holder's Effective Rate* for *Mainline* ( $R_a$ ): \$0.50/MMBTU
- (17) *State Capacity Holder's Effective Rate* *Alaska to Alberta Project* rate ( $R_c$ ):  
\$0.60/MMBTU
- (18) *Heating Value* of *Gas* at *Delivery Point A*: 1.110 MMBTU/MCF

Required:

- I. Determine the factor for adjusting the *Volume* transported from *Property A* to the *Alberta Hub* for fuel and other losses incurred (“*VAF*”).

$$VAF = [(1 - F_t) \times (1 - F_p) \times (1 - F_a) \times (1 - F_c)]$$

- II. Determine the *TTF* for *Gas* originating from *Property A* for *Calendar Month X*,  
where:

$$TTF = R_t / \text{Heating Value at Delivery Point A} + [R_p \times (1 - F_t)] / \text{Heating Value at Delivery Point A} + [R_a \times (1 - F_t) \times (1 - F_p)] + [R_c \times (1 - F_t) \times (1 - F_p) \times (1 - F_a)]$$

- III. Determine the *Quantity* delivered to the *Alberta Hub* (*ADQ*) for *Gas* originating from *Property A* for *Calendar Month X*, where *ADQ* means:

$$ADQ = \text{Amount Due} / [AECO \text{ Price} - (TTF / VAF)]$$

- IV. Determine the *Gas Recoupment Volume* at *Delivery Point A* for *Gas* originating from *Property A* for *Calendar Month X*, where *Gas Recoupment Volume* means:

$$\text{Gas Recoupment Volume} = (\text{ADQ} / \text{VAF}) / \text{Heating Value}$$

Solution:

- I. Calculation of *VAF* factor for adjusting the *Volume* transported from *Property A* to the *Alberta Hub* for fuel and other losses incurred:

$$\begin{aligned} \text{VAF} &= [(1 - F_t) \times (1 - F_p) \times (1 - F_a) \times (1 - F_c)] \\ &= [(1 - 0.00) \times (1 - 0.15) \times (1 - 0.02) \times (1 - 0.025)] \\ &= 0.8121750 \end{aligned}$$

- II. Calculation of *TTF* for *Gas* originating from *Property A* for *Calendar Month X*:

$$\begin{aligned} \text{TTF} &= R_t / \text{Heating Value at Delivery Point A MMBTU/MCF} + [R_p \times (1 - F_t)] / \\ &\text{Heating Value at Delivery Point A MMBTU/MCF} + [R_a \times (1 - F_t) \times (1 - F_p)] + \\ &[R_c \times (1 - F_t) \times (1 - F_p) \times (1 - F_a)] \\ &= \$0.00/\text{MCF} / 1.110 \text{ MMBTU/MCF} + [\$0.45/\text{MCF} \times (1 - 0.00)] / \\ &1.110 \text{ MMBTU/MCF} + [\$0.50/\text{MMBTU} \times (1 - 0.00) \times (1 - 0.150)] + \\ &[\$0.60/\text{MMBTU} \times (1 - 0.00) \times (1 - 0.150) \times (1 - 0.020)] \\ &= \$1.3302/\text{MMBTU} \end{aligned}$$

- III. Calculation of the *Quantity* delivered to the *Alberta Hub* (*ADQ*) for *Gas* originating from *Property A* for *Calendar Month X*:

$$\begin{aligned} \text{ADQ} &= \text{Amount Due} / [\text{AECO Price} - (\text{TTF} / \text{VAF})] \\ &= \$50,000 / [\$3.50/\text{MMBTU} - (\$1.3302/\text{MMBTU} / 0.8121750)] \\ &= 26,850 \text{ MMBTU} \end{aligned}$$



IV. Calculation of the *Gas Recoupment Volume at Delivery Point A* for Gas originating from *Property A* for *Calendar Month X*:

$$\begin{aligned} \text{Gas Recoupment Volume} &= (\text{ADQ} / \text{VAF}) / \text{Heating Value at Delivery Point A} \\ &= (26,850 \text{ MMBTU} / 0.8121750) / 1.110 \text{ MMBTU/MCF} \\ &= 29,784 \text{ MCF} \end{aligned}$$

**F.17 Article 36 – Annual Inflation Adjustment (Rates in Articles 11, 16 and 20).** The following is an example calculation for determination of the annual inflation adjustment that is to be applied to the *Midstream Payment* rates in Article 16.1 and as based on the methodology described in Article 36.1(a). The determination of the inflation adjustment that is to be applied to the *Fiscal Stability Cap* under Article 11 and the *UCA* under Article 20 is similar.

Assumptions:

(1) *CPI* for *Calendar Year* 2005: 190.3

(2) *CPI* for *Calendar Year X*: 180.0

NOTE: The *CPI* for *Calendar Year X* is the *CPI* for December of *Calendar Year X-1*.

(3) *CPI* for *Calendar Year Y*: 245.0

NOTE: The *CPI* for *Calendar Year Y* is the *CPI* for December of *Calendar Year Y-1*.

(4) *Midstream Payment* rate for the *Mainline* for *Calendar Year* 2005:  
\$0.0240/MMBTU

Required:

Determine the *Midstream Payment* rate for the *Mainline* for:

- (I) *Calendar Year X*; and
- (II) *Calendar Year Y*.

Solution:

- (I) Calculation of the *Midstream Payment* rate for the *Mainline* for *Calendar Year X*:  
*Midstream Payment* rate for *Calendar Year X* = *Midstream Payment* rate for the  
*Mainline* for *Calendar Year 2005* × (*CPI* for *Calendar Year X* / *CPI* for  
*Calendar Year 2005*)

$$= \$0.0240/MMBTU \times (180.0 / 190.3)$$

$$= \$0.0227/MMBTU$$

- (II) Calculation of the *Midstream Payment* rate for the *Mainline* for *Calendar Year Y*

*Midstream Payment* rate for *Calendar Year Y* = *Midstream Payment* rate for the  
*Mainline* for *Calendar Year 2005* × (*CPI* for *Calendar Year Y* / *CPI* for  
*Calendar Year 2005*)

$$= \$0.0240/MMBTU \times (245.0 / 190.3)$$

$$= \$0.0309/MMBTU$$

**F.18 Article 36 – Annual Inflation Adjustment (Upstream Facilities Payments).** The following is an example calculation for determining the annual inflation adjustment that is to be applied to the rates in Articles 15.1 and 15.2 and based on the method described in Articles 36.1(b) and 36.1(c)

Assumptions:

- (1) *CPI* for *Calendar Year 2005* (*CPI*<sub>2005</sub>): 190.3
- (2) *CPI* for *Calendar Year 2006* (*CPI*<sub>2006</sub>): 196.8

- (3) *CPI for Calendar Year X (CPI<sub>X</sub>): 245.0*
- (4) *Upstream Facilities Gas Payment rate for 2005: \$0.0210 per MCF*
- (5) *Upstream Facilities Oil Payment rate for 2006: \$0.4960 per Barrel*

Required:

Determine the following:

- (I) *Upstream Facilities Gas Payment rate for Calendar Year X; and*
- (II) *Upstream Facilities Oil Payment rate for Calendar Year X.*

Solution:

- (I) Calculation of the *Upstream Facilities Gas Payment rate for Calendar Year X:*

*Upstream Facilities Gas Payment rate for Calendar Year X = Upstream Facilities Gas*

$$\begin{aligned}
 & \textit{Payment rate for Calendar Year 2005} \times \left( \left( \left( \frac{\text{CPI}_X}{\text{CPI}_{2005}} - 1 \right) \times 0.80 \right) + 1 \right) \\
 &= \$0.0210/\textit{MCF} \times \left( \left( \left( \frac{245.0}{190.3} - 1 \right) \times 0.80 \right) + 1 \right) \\
 &= \$0.0258/\textit{MCF}
 \end{aligned}$$

- (II) Calculation of the *Upstream Facilities Oil Payment rate for Calendar Year X:*

*Upstream Facilities Oil Payment rate for Calendar Year X = Upstream Facilities*

$$\begin{aligned}
 & \textit{Oil Payment rate for Calendar Year 2006} \times \left( \left( \left( \frac{\text{CPI}_X}{\text{CPI}_{2006}} - 1 \right) \times 0.70 \right) + 1 \right) \\
 &= \$0.4960/\textit{Barrel} \times \left( \left( \left( \frac{245.0}{196.8} - 1 \right) \times 0.70 \right) + 1 \right) \\
 &= \$0.5810/\textit{Barrel}
 \end{aligned}$$

**F.19 Article 36 – Annual Inflation Adjustment (Impact Payments).** The following is an example calculation for determining the annual inflation adjustment that is to be applied to the rates in Article 18 and based on the method described in Article 36.1(d).

Assumptions:

- (1) The *Effective Date* for the *Contract* is September 30, 2006
- (2) *CPI* for *Calendar Year* 2015 (nine years from end of *Calendar Year* in which the *Effective Date* occurs): 205.0

Note: The *CPI* for *Calendar Year* 2015 is the *CPI* for December of *Calendar Year* 2014.

- (3) *CPI* for *Calendar Year* 2016: 210.0
- (4) The sixth *Impact Payment* is due in 2016, ten years after the *Effective Date*

Required:

Determine the amount of the sixth *Impact Payment* that is payable.

Solution:

Calculation of Sixth *Impact Payment* due 10 years after the *Effective Date*:

*Impact Payment* = Sixth *Impact Payment* × (*CPI* for *Calendar Year* 2016 / *CPI* for *Calendar Year* 2015)

$$\begin{aligned}
 &= \$18,100,000.00 \times (210.0/205.0) \\
 &= \$18,541,463
 \end{aligned}$$

## EXHIBIT G

## AMOUNTS PAYABLE TO POLITICAL SUBDIVISIONS AND STATE

**G.1 Amounts Payable to Political Subdivisions and State.** A *Participant* shall make a portion of its payments due the *State* under Articles 15, 16 and 17 payable to a *Political Subdivision*, with the remaining portion payable to the *State*, as provided in this Exhibit G.

**G.2 Notice to State.** Before March 1 of each *Calendar Year* the following information must be provided to the *State*:

(a) each *Project Entity* owning a *Gas Transmission Pipeline* shall provide each *Segment Length* for that *Gas Transmission Pipeline* in each *Political Subdivision* existing on December 31 of the prior *Calendar Year*;

(b) the *Mainline Entity* shall provide the miles of the *Mainline* in each *Political Subdivision* existing on December 31 of the prior *Calendar Year*; and

(c) each *Participant* having an *Oil Pipeline Ownership Interest* shall provide the mileage of pipeline for that *Oil Pipeline* in each *Political Subdivision* existing on December 31 of the prior *Calendar Year*.

**G.3 Notification of Ratios.** Before May 1 of each *Calendar Year*, the *State* shall determine and provide *Notice*:

(a) to each *Producer* of all:

(i) *Upstream Oil Production Ratios*; and

- (ii) *Upstream Gas Production Ratios*;

applicable for each *Property* owned by that *Producer*;

- (b) to each *Midstream Entity* owning a pipeline, of all:

- (i) *Political Subdivision Allocations*; and

- (ii) *Political Subdivision Ratios*;

applicable for each *Midstream Element* owned by that entity; and

- (c) to each *Producer* with an *Oil Pipeline Ownership Interest*, of all:

- (i) *Political Subdivision Allocations*; and

- (ii) *Political Subdivision Ratios*;

applicable for each *Oil Pipeline* owned by that *Producer Affiliate*.

#### **G.4 Amounts Payable to Political Subdivisions.**

(a) Upstream Facilities Oil Payment. On or before the last *Business Day* of June of each *Calendar Year*, each *Producer* with an *Upstream Facilities Oil Payment* obligation shall make, or cause to be made, a portion of its obligation due the *State* payable to each *Political Subdivision* in an amount equal to:

- (i) the *Upstream Facilities Oil Payment* for each *Property* as specified in

Article 15.1 and Exhibit A.5;

- (ii) multiplied by the *Upstream Oil Production Ratio* for that *Political Subdivision*; and

- (iii) multiplied by the *Mill Rate Ratio* for that *Political Subdivision*;

with any remaining portion payable to the *State*.

(b) Upstream Facilities Gas Payment. On or before the last *Business Day* of June of

each *Calendar Year*, each *Producer* with an *Upstream Facilities Gas Payment* obligation shall make, or cause to be made, a portion of its obligation due the *State* payable to each *Political Subdivision* in an amount equal to:

- (i) the *Upstream Facilities Gas Payment* for each *Property* as specified in Article 15.2 and Exhibit A.6;
- (ii) multiplied by the *Upstream Gas Production Ratio* for that *Political Subdivision*; and
- (iii) multiplied by the *Mill Rate Ratio* for that *Political Subdivision*;

with any remaining portion payable to the *State*.

(c) Midstream Payments.

(i) For a *Gas Transmission Pipeline*, on or before the last *Business Day* of June of each *Calendar Year*, each *Participant* with a *Midstream Payment* obligation for a *Gas Transmission Pipeline* shall make, or cause to be made, a portion of its obligation due the *State* payable to each *Political Subdivision* in an amount equal to:

- (A) the *Midstream Payment* for each *Gas Transmission Pipeline* specified in Article 16.1(c) and Exhibit A.7;
- (B) multiplied by the *Political Subdivision Ratio* for that *Political Subdivision*;

with any remaining portion payable to the *State*.

(ii) For the *Mainline*, on or before the last *Business Day* of June of each *Calendar Year*, each *Participant* with a *Midstream Payment* obligation for the *Mainline* shall make, or cause to be made, a portion of its obligation due the *State*

payable to each *Political Subdivision* in an amount equal to:

- (A) the *Midstream Payment* for the *Mainline* specified in Article 16.1(a) and Exhibit A.7;
- (B) multiplied by the *Political Subdivision Ratio* for that *Political Subdivision*; and
- (C) multiplied by the *Proration Factor*;

with any remaining portion payable to the *State*. The total amount payable to all *Political Subdivisions* and the *State* under Exhibit G.4(c)(ii) must equal the total amount calculated in Article 16.1(a).

(iii) For the *GTP*, on or before the last *Business Day* of June of each *Calendar Year*, each *Participant* with a *Midstream Payment* obligation for the *GTP* shall make, or cause to be made, a portion of its obligation due the *State* payable to each *Political Subdivision* in an amount calculated as follows:

- (A) the *Midstream Payment* specified in 16.1(b) and Exhibit A.7;
- (B) multiplied by the *Mill Rate Ratio* for the *Political Subdivision* in which the *GTP* is located;

with any remaining portion payable to the *State*.

(iv) For a new *Midstream Element* under Article 16.6, on or before the last *Business Day* of June of each *Calendar Year*, each *Participant* with a *Midstream Payment* obligation for a new *Midstream Element* shall make, or cause to be made, a portion of its obligation due the *State* payable to each *Political Subdivision* in an amount equal to:

- (A) the *Midstream Payment* for each *Midstream Element* specified in



Article 16.6;

(B) multiplied by the *Mill Rate Ratio* for the *Political Subdivision* in which the *Midstream Element* is located;

with any remaining portion payable to the *State*.

(d) Payments in Lieu of Oil Pipeline Ad Valorem Taxes. On or before the last *Business Day* of June of each *Calendar Year*, each *Participant* with a *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* obligation shall make, or cause to be made, a portion of its obligation due the *State* payable to each *Political Subdivision* in an amount equal to the *Payment in Lieu of Oil Pipeline Ad Valorem Taxes* for each *Oil Pipeline* specified in Article 17 and Exhibit A.8, multiplied by the *Political Subdivision Ratio* for that *Political Subdivision*, with any remaining portion payable to the *State*.

**G.5 Example Calculation.** An example calculation for the amounts payable to *Political Subdivisions* is shown in Exhibit F.

**EXHIBIT P****METHOD TO DETERMINE THE PPT PILT PAYMENT**

**P.1 Replacement of AS 43.55.** Exhibit P replaces the otherwise applicable provisions of AS 43.55 for any matter relating to obligations for *PPT Oil* or *PPT Gas* produced on or after July 1, 2006. AS 43.55 is not incorporated into this *Contract* for purposes of determining the amount of any obligation for *PPT Oil* or *PPT Gas*.

**P.2 PPT PILT Payment** (replaces AS 43.55.011).

(a) intentionally left blank

(b) intentionally left blank

(c) intentionally left blank

(d) intentionally left blank

(e) Each *Producer* shall make an estimated payment each *Calendar Month*, and a final payment each *Calendar Year*, as provided under Exhibit P.5(a), on all of its *PPT Oil* and *PPT Gas* produced from each *Property* (“PPT PILT Payment”). The *PPT PILT Payment* is determined as follows:

(i) multiply the *Net Production Value* of the *PPT Production* by twenty percent (20%); and

(ii) subtract any applicable *PPT Credits* from the result obtained under Exhibit P.2(e)(i).

**P.3 Net Production Value of PPT Oil and PPT Gas** (replaces AS 43.55.160).

(a) Calculation of Net Production Value. Except as provided in Exhibit P.3(f), for purposes of Exhibit P.2, the *Net Production Value* of the *PPT Oil* and *PPT Gas* produced during a *Calendar Month* is

(i) the total of:

(A) the product of the *Gross PPT Value at the Point of Production* of the *PPT Oil* for which a *PPT PILT Payment* is applicable and produced by the *Producer* from a *Property* and the *Barrels* of *PPT Oil* from that *Property*, plus

(B) the product of two-thirds (2/3) of the *Gross PPT Value at the Point of Production* of the *PPT Gas* for which a *PPT PILT Payment* is applicable and produced by the *Producer* from a *Property* and the *Volume* of *PPT Gas* from that *Property*,

(ii) less the *Producer's PPT Lease Expenditures* for the *Calendar Month* as adjusted under Exhibit P.3(e).

However, the *Net Production Value* calculated under Exhibit P.3(a) may not be less than zero. If a *Producer* does not produce *PPT Oil* or *PPT Gas* during a *Calendar Month*, the *Producer* is deemed to have generated a positive *Net Production Value* if a calculation under Exhibit P.3(a) yields a positive number because the *Producer's* adjusted *PPT Lease Expenditures* for a *Calendar Month* are less than zero as a result of the *Producer's* receiving a payment or credit under Exhibit P.3(e).

(b) Carried-Forward Annual Loss Credits.

(i) Any adjusted *PPT Lease Expenditures* that would otherwise be deductible in a *Calendar Month* but whose deduction would cause the *Net Production Value*

calculated under Exhibit P.3(a) of the *PPT Oil* and *PPT Gas* produced during the *Calendar Month* to be less than zero may be added to the *Producer's* adjusted *PPT Lease Expenditures* for one or more other *Calendar Months* in the same *Calendar Year*. The total of any adjusted *PPT Lease Expenditures* that are not deductible in any *Calendar Month* during a *Calendar Year* because their deduction would cause the *Net Production Value* calculated under Exhibit P.3(a) of the *PPT Oil* and *PPT Gas* produced during one or more *Calendar Months* to be less than zero may be used to establish a *Carried-Forward Annual Loss Credit* under Exhibit P.8(b).

(ii) intentionally left blank

(c) General Standard for Determining Lease Expenditures.

(i) For purposes of Exhibit P.3, a *Producer's PPT Lease Expenditures* for a period are the total costs upstream of the *Point of Production* that are incurred on or after July 1, 2006 by the *Producer* during the period, and that are direct, and *Ordinary and Necessary* costs of exploring for, developing, or producing oil or gas deposits located within the *Producer's Properties* or, in the case of land in which a *Producer* does not own a working interest, direct, and *Ordinary and Necessary* costs of exploring for oil and gas deposits located within other land in the *ANS*. In determining whether costs are direct, and *Ordinary and Necessary* costs of exploring for, developing, or producing oil or gas deposits located within a lease or property or other land in the *ANS*:

(A) substantial weight must be given to the typical industry practices and standards in *Alaska* as to costs that an operator is allowed to bill a

working interest owner that is not the operator, under *Unit* operating agreements or similar operating agreements that were in effect on or before December 1, 2005, and were subject to negotiation with working interest owners, not the operator, with substantial bargaining power; and

(B) as to matters that are not addressed by the industry practices and standards described in Exhibit P.3(c)(i)(A), substantial weight must be given to the standards adopted by *DNR* as to the costs, other than interest, that a *Producer* is allowed to deduct from revenue in calculating net profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E).

(ii) A *Producer* may treat as *PPT Lease Expenditures* the costs paid by the *Producer* that are billed to the *Producer* by an operator and the costs that would have been billed to that *Producer* if it were not the operator, in accordance with the terms of a *Unit* operating agreement or similar operating agreement, if the pertinent provisions of the operating agreement are substantially consistent with standards otherwise applicable under Exhibit P.3(c) and at least one working interest owner party to the agreement, other than the operator, has substantial incentive and ability to effectively audit billings under the agreement.

(iii) An activity does not need to be physically located on, near, or within the premises of the *Property* within which an oil or gas deposit being explored for, developed, or produced is located in order for the cost of the activity to be a *PPT Lease Expenditure*.

(iv) intentionally left blank

(v) Direct Costs. For purposes of Exhibit P.3(c), direct costs include:

- (A) an expenditure, when incurred, to acquire or install an item if the acquisition cost is otherwise a direct cost, notwithstanding that the expenditure may be required to be capitalized rather than treated as an expense for financial accounting or federal income tax purposes;
  - (B) payments of or in lieu of property taxes, sales and use taxes, motor fuel taxes, or excise taxes;
  - (C) a reasonable allowance, as determined under Exhibit R.2(b)(i)(C), for overhead expenses directly related to exploring for, developing, or producing oil or gas deposits located within *Properties* or other land in *Alaska*.
- (d) General Standard for Determining Exclusions. For purposes of Exhibit P.3(c), *PPT Lease Expenditures* do not include:
- (i) depreciation or amortization of capital assets;
  - (ii) oil or gas royalty payments, including *Royalty Payments* under Article 12.1(a), production payments, lease profit shares, or other payments or distributions of a share of oil or gas production, profit or revenue;
  - (iii) taxes based on or measured by net income, including *Payment in Lieu of SCIT* under Article 19;
  - (iv) interest or other financing charges or costs of raising equity or debt capital;
  - (v) acquisition costs for a *Property* or exploration license;
  - (vi) costs arising from fraud, willful misconduct, or gross negligence;
  - (vii) fines or penalties imposed by *Law*;

- (viii) costs of arbitration, litigation, or other dispute resolution activities that involve the *State* or concern the rights or obligations among owners of interests in, or rights to production from, *Property*, including *Disputes* under Article 26;
- (ix) donations;
- (x) costs incurred in organizing a partnership, joint venture, or other business entity or arrangement;
- (xi) amounts paid to indemnify the state; the exclusion provided under Exhibit P.3(d)(xi) does not apply to the costs of obtaining insurance or a surety bond from a third-party insurer or surety;
- (xii) *One Cent Surcharge* and *Four Cent Surcharge*;
- (xiii) for a transaction that is an internal transfer or is otherwise not an arm's length transaction, expenditures incurred that are in excess of fair market value;
- (xiv) an expenditure incurred to purchase an interest in any corporation, partnership, limited liability company, business trust, or any other business entity, whether or not the transaction is treated as an asset sale for federal income tax purposes;
- (xv) a *PPT PILT Payment*;
- (xvi) *Abandonment Costs* as determined under Exhibit R.2(c)(i);
- (xvii) losses or damages resulting from an unpermitted oil discharge that is not confined to a gravel pad, or costs to contain, clean up, or remediate such an unpermitted oil discharge to the extent that those costs exceed the routine costs of operation for a *Producer* that would otherwise be incurred as a *PPT Lease Expenditure* in the absence of the unpermitted oil discharge, but does not exclude

the cost of developing and maintaining an oil discharge prevention and contingency plan;

(xviii) costs incurred to satisfy a work commitment under an exploration license under AS 38.05.132.

(e) Adjustments. Unless the payment or credit has already been subtracted in calculating *PPT Lease Expenditures*, a *Producer's PPT Lease Expenditures* must be adjusted by subtracting certain payments or credits received by the *Producer*, or by an operator acting for the *Producer*, under Exhibit P.3(e). If one or more payments or credits under Exhibit P.3(e) are received by a *Producer* during a *Calendar Month* or, under Exhibit P.3(f), during a *Calendar Year*, and if the total amount of the payments or credits exceeds the amount of the *Producer's* total *PPT Lease Expenditures* for that *Calendar Month* or if the *Producer* has no *PPT Lease Expenditures* for that *Calendar Month*, the *Producer* shall subtract those payments or credits from the *PPT Lease Expenditures* or from zero, respectively, and the *Producer's* adjusted *PPT Lease Expenditures* for that *Calendar Month* are a negative number and must be applied to the calculation under Exhibit P.3(a) as a negative number. The payments or credits that a *Producer* shall subtract from the *Producer's PPT Lease Expenditures*, or from zero, are payments or credits, other than tax credits, received by the *Producer* for:

(i) the use by another *Person* of a production facility in which the *Producer* has an ownership interest or the management by the *Producer* of a production facility under a management agreement providing for the *Producer* to receive a management fee;



(ii) a reimbursement or similar payment that offsets the *Producer's PPT Lease Expenditures*, including an insurance recovery from a third-party insurer or a payment from the *State* or federal government for reimbursement of the *Producer's* upstream costs, including any costs for gathering, separating, cleaning, dehydration, compressing, or other field handling costs associated with the production of oil or *Gas* upstream of the *Point of Production*; and

(iii) the sale or other transfer of

(A) an asset, including geological, geophysical, or well data or interpretations ("Asset"), acquired by the *Producer* as a result of a *PPT Lease Expenditure* or an expenditure that would be a *PPT Lease Expenditure* if it were incurred on or after July 1, 2006; for purposes of Exhibit P.3(e),

(1) if a *Producer* removes from *Alaska*, for use outside *Alaska*, an *Asset*, the value of the *Asset* at the time it is removed is considered a payment received by the *Producer* for sale or transfer of the *Asset*;

(2) for a transaction that is an internal transfer or is otherwise not an arm's length transaction, if the sale or transfer of the *Asset* is made for less than fair market value, the amount subtracted must be the fair market value; and

(B) oil or gas:

(1) that is not considered produced from a *Property* under Exhibit P.5(e); and

(2) the cost of acquiring which is a *PPT Lease Expenditure*, or a lease expenditure under *Law*, incurred by the *Person* that acquires the oil or gas.

(f) Straight-Line Estimate. In place of the adjusted *PPT Lease Expenditures* for a *Calendar Month* under Exhibit P.3(a), a *Producer* may elect to substitute, for every *Calendar Month* of a *Calendar Year*, one-twelfth (1/12) of the *Producer's* adjusted *PPT Lease Expenditures* for the *Calendar Year*.

(g) Straddle Area. The allocation method for determining the portion of a cost that is appropriately treated as a *PPT Lease Expenditure* under Exhibit P.3(c) for land or an oil or gas deposit partially within *Alaska* is provided under Exhibit R.2(e).

(h) intentionally left blank

(i) intentionally left blank

(j) intentionally left blank

**P.4 Gross PPT Value at the Point of Production** (replaces AS 43.55.150).

(a) The *Gross PPT Value at the Point of Production* of *PPT Oil* and *PPT Gas* is calculated using the method provided under Exhibit X. Subject to the exclusions under Exhibit P.4(b), the reasonable costs of transportation of the *PPT Oil* or *PPT Gas* are the actual costs, unless:

(i) the parties to the transportation of oil or gas are affiliated;

(ii) the contract for the transportation of oil or gas is not an arm's-length transaction or is not representative of the market value of the transportation;

- (iii) the method of transportation of oil or gas is not reasonable in view of existing alternative methods of transportation.
- (b) If the conditions under Exhibit P.4(a)(i),(ii) and (iii) are present, the reasonable costs of transportation are determined using the fair market value of like transportation, the fair market value of equally efficient and available alternative modes of transportation, or other reasonable methods. Transportation costs fixed by tariff rates properly on file with the *RCA* or other regulatory agency are considered prima facie reasonable.
- (c) In determining the *Gross PPT Value at the Point of Production* of *PPT Oil* under Exhibit P.4(a), reasonable costs of transportation do not include:
  - (i) the amount of loss of or damage to, or of expense incurred due to the loss of or damage to, a vessel used to transport *PPT Oil* if the loss, damage, or expense is incurred in connection with a *Catastrophic PPT Oil Discharge* from the vessel into the marine or inland waters of *Alaska*;
  - (ii) the incremental costs of transportation of the *PPT Oil* that are attributable to temporary use of or chartered or substituted service provided by another vessel due to the loss of or damage to a vessel regularly used to transport *PPT Oil* and that are incurred in connection with a *Catastrophic PPT Oil Discharge* into the marine or inland waters *Alaska*; and
  - (iii) the costs incurred to charter, contract, or hire vessels and equipment used to contain or clean up a *Catastrophic PPT Oil Discharge*.

**P.5 Monthly and Final Annual PPT PILT Payments** (replaces AS 43.55.020).

- (a) Monthly and Final Annual PPT PILT Payments.
- (i) Monthly Payment. The estimated and actual *PPT PILT Payment* must be paid as set out in Exhibit P.5. Ninety-five percent (95%) of the *PPT PILT Payment* calculated under Exhibit P.2 is due on the *Payment Date* on *PPT Oil* and *PPT Gas* produced during the preceding *Calendar Month* (“Monthly PPT PILT Payment”). Any *Monthly PPT PILT Payment* amount that is less than the ninety-five percent (95%) requirement becomes subject to *Statutory Interest*. An overpayment of a *Monthly PPT PILT Payment* for a *Calendar Month* may be applied against a *Monthly PPT PILT Payment* due for any later *Calendar Month*.
- (ii) Final Annual Payment. A final *PPT PILT Payment* amount for a prior *Calendar Year* is calculated under Exhibit P.2 (“Final Annual PPT PILT Payment”). If the *Final Annual PPT PILT Payment* for that prior *Calendar Year* exceeds the sum of the *Monthly PPT PILT Payments* for that prior *Calendar Year*, that excess amount is reported and due on March 31 of the year following the *Calendar Year* during which the *PPT Production* was produced. If the sum of the *Monthly PPT PILT Payments* for that prior *Calendar Year* exceeds the *Final Annual PPT PILT Payment* for that prior *Calendar Year*, then that excess amount may be applied against a *Monthly PPT PILT Payment* due for any later *Calendar Month*. *Statutory Interest* on an overpayment of *Monthly PPT PILT Payments* is allowed only from a date that is ninety (90) *Days* after the *Final Annual PPT PILT Payment* is due. However, *Statutory Interest* is not allowed if the overpayment was refunded within the ninety (90) *Day* period.
- (b) intentionally left blank

- (c) intentionally left blank
- (d) intentionally left blank
- (e) Oil and Gas Used in Operations. *Gas* flared, released, or allowed to escape in excess of the amount authorized by the Alaska Oil and Gas Conservation Commission is considered, for the purpose of Exhibit P as *PPT Gas* produced from a *Property*. Oil and gas used in the operation of a *Property* in drilling for or producing oil and gas, or for repressuring, except to the extent determined by the Alaska Oil and Gas Conservation Commission to be waste, is not considered as *PPT Oil* or *PPT Gas* produced from a *Property*.
- (f) Prevailing Value. If *PPT Oil* or *PPT Gas* is produced but not sold, or if *PPT Oil* or *PPT Gas* is produced and sold under circumstances where the sales price does not represent the prevailing value for oil or gas of like kind, character, or quality in the field or area from which the product is produced, the *Gross PPT Value at the Point of Production* must be paid upon the basis of the value of oil or gas of the same kind, quality, and character prevailing for that field or area during the *Calendar Month* of production or sale as provided under Exhibit X.2.

**P.6 Summary of Credits.** Each *Producer* is entitled to a credit against current or future *PPT PILT Payments* (“PPT Credit”) in an amount equal to the sum of the following:

- (a) *PPT Education Credit*;
- (b) *Alternative Exploration Credit*;
- (c) *Carried-Forward Annual Loss Credit*;
- (d) *Nontransferable PPT Credit*;

- (e) *Qualified Capital Expenditure Credit*;
- (f) *Transitional Investment Expenditure Credit*;
- (g) *Excess PPT Credits*;
- (h) up to a limit of twenty percent (20%) as provided under Exhibit P.8(e), the amount of credits shown on a *Transferable Unused Expenditure Credit Certificate* issued under Exhibit P.8(d) which the *Producer* is redeeming; and
- (i) up to a limit of twenty percent (20%) as provided under Exhibit P.8(e), the amount of any credit shown on a certificate issued under *State Law* which the *Producer* is redeeming.

A *PPT Credit* under Exhibit P.6 may be applied only against a *PPT PILT Payment*. The *PPT Credit* amounts in Exhibit P.6 may not be used to reduce the amount of a *PPT PILT Payment* in any *Calendar Month* below zero. Subject to the limitations for the credits under Exhibit P.6(d) and Exhibit P.6(f), any *PPT Credits* that remain after reducing the *PPT PILT Payment* obligation to zero in a *Calendar Month* do not expire and may be applied as a *PPT Credit* in a later *Calendar Month* (“Excess PPT Credits”). A *Producer* is not required to make any *PPT PILT Payments* until all *Excess PPT Credits*, other than those under Exhibit P.6(h) or (i), have been reduced to zero. A *Producer* may apply any *Excess PPT Credits* remaining after the *Term* of Article 14 against any of its production *Tax* obligations under *Law*.

**P.7 PPT Education Credit** (replaces AS 43.55.019).

- (a) For cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an *Alaska* university foundation or by a nonprofit, public or private,

*Alaska* two-year or four-year college accredited by a regional accreditation association, a *Producer* is allowed as a credit (“PPT Education Credit”) against the *Producer’s PPT PILT Payment* due under Exhibit P.2:

- (i) fifty (50) percent of contributions of not more than one hundred thousand *Dollars* (\$100,000); and
- (ii) one hundred (100) percent of the next one hundred thousand *Dollars* (\$100,000) of contributions;

per *Calendar Year*.

- (b) intentionally left blank
- (c) intentionally left blank
- (d) A contribution claimed as a *PPT Education Credit* may not:
  - (i) be claimed as a credit under another provision of Exhibit P; and
  - (ii) when combined with education credits taken during the *Calendar Year* under this *Contract* and *State Law* exceed one hundred and fifty thousand *Dollars* (\$150,000).
- (e) intentionally left blank

**P.8 PPT Credit for Certain Losses and Expenditures** (replaces AS 43.55.024).

- (a) Qualified Capital Expenditure Credit. A *Producer* may take a *PPT Credit* for a *Qualified Capital Expenditure* as follows:
  - (i) Notwithstanding that a *Qualified Capital Expenditure* may be a deductible *PPT Lease Expenditure* for purposes of calculating *Net Production Value* of *PPT*

*Oil and PPT Gas* under Exhibit P.3(a), unless a credit for that expenditure is taken as an *Alternative Exploration Credit* under Exhibit P.9, this *Contract*, or *State Law*:

(A) a *Producer* that incurs a *Qualified Capital Expenditure* may also take a *PPT Credit* in the amount of twenty percent (20%) of that *Qualified Capital Expenditure* (“*Qualified Capital Expenditure Credit*”); and

(B) for a *Calendar Year* in which the *Producer* makes an election under Exhibit P.3(f), a *Producer* that incurs a *Qualified Capital Expenditure* during that *Calendar Year* and wishes to apply a *PPT Credit* based on that *Qualified Capital Expenditure* shall calculate and apply every *Calendar Month* an annualized *Qualified Capital Expenditure Credit* in an amount equal to one and two-thirds percent (1-2/3%) of the total *Qualified Capital Expenditures* incurred during that *Calendar Year* and for which the *PPT Credit* is taken for that *Calendar Year*, instead of taking a *Qualified Capital Expenditure Credit* of twenty percent (20%) of each separate *Qualified Capital Expenditure* after it has been incurred.

(ii) Exploration Data. A *Producer* may take a credit for a *Qualified Capital Expenditure* incurred in connection with geological or geophysical exploration or in connection with an exploration well only if the *Producer*:

(A) provides a *Notice* to the *State*, including the date of completion, a description of the processing sequence and a list of data sets available, within thirty (30) *Days* after:

(1) completion of the geological or geophysical data processing;



- (2) completion of the well; or
- (3) use of any portion as an *Alternative Exploration Credit*,

whichever is latest;

(B) within thirty (30) *Days* of the *Notice*, provide the *DNR* with the specific data sets, ancillary data, and reports identified the *Notice*; and

(C) notwithstanding any provision of AS 38 or Article 29, the *DNR* shall hold confidential the information provided under Exhibit P.8(a)(ii)(B) for ten (10) *Calendar Years*, after which the *DNR* may publicly release the information after thirty (30) *Days* public notice.

(b) Carried-Forward Annual Loss Credit. A *Producer's Carried-Forward Annual Loss* is the amount of a *Producer's PPT Lease Expenditures* under Exhibit P.3 for a previous *Calendar Year* that was not deductible in any *Calendar Month* under Exhibit P.3. A *Producer* may take a *PPT Credit* in the amount of twenty percent (20%) of that *Producer's Carried-Forward Annual Loss* ("Carried-Forward Annual Loss Credit").

(c) Limitation. A *Producer* may not use any *PPT Credit* under Exhibit P.8 to reduce its *PPT PILT Payment* obligation for a *Calendar Month* below zero. Any unused *PPT Credit* not used under Exhibit P.8 may be applied in a later *Calendar Month*.

(d) Unused Expenditure Credit and Certificates. A *Producer* entitled to take a *Qualified Capital Expenditure Credit* under Exhibit P.8(a) or a *Carried-Forward Annual Loss Credit* under Exhibit P.8(b) (individually or collectively, "Unused Expenditure Credit") that wishes to transfer any portion of the *Unused Expenditure Credit* to another *Person* may by *Notice* apply to the *State* for a certificate ("Transferable Unused Expenditure Credit Certificate"). An application under Exhibit P.8(d) must include

supporting information and documentation referenced in Exhibit A.7. The *State* shall either grant or deny an application, or grant it as to a lesser amount than that claimed and deny it as to the excess, no later than sixty (60) *Days* after the latest of:

- (i) March 31 of the year following the *Calendar Year* in which the *Qualified Capital Expenditure* or *Carried-Forward Annual Loss* for which the *Unused Expenditure Credit* is claimed was incurred;
- (ii) if the applicant is required under Exhibit A.7 to file a statement on or before the March 31 described under Exhibit P.8(d)(i), the date the statement was filed; or
- (iii) the date the application was received by the *State*.

If, based on the information then available to the *State*, the applicant is entitled to a *Unused Expenditure Credit*, the *State* shall issue the applicant a *Transferable Unused Expenditure Credit Certificate* for the amount of the *Unused Expenditure Credit*. A *Transferable Unused Expenditure Credit Certificate* issued under Exhibit P.8(d) does not expire.

(e) Certificate Transfers. A *Person* to which a *Transferable Unused Expenditure Credit Certificate* is issued under Exhibit P.8(d) may transfer the certificate to another *Person*, and a transferee may further transfer the certificate. Subject to the limitations set out in Exhibit P.8(a), (b) and (c), and notwithstanding any action *DOR* may take with respect to the applicant under Exhibit P.8(g), a *Producer* that owns or acquires a *Transferable Unused Expenditure Credit Certificate* may apply the *Unused Expenditure Credit* or a portion of the *Unused Expenditure Credit* shown on the *Transferable Unused Expenditure Credit Certificate* only against a *PPT PILT Payment*. However, *Unused*

*Expenditure Credits* shown on *Transferable Unused Expenditure Credit Certificates* may not be applied to reduce a *Producer's PPT PILT Payment* due under Exhibit P.2 on *PPT Oil* and *PPT Gas* produced during a *Calendar Year* to less than eighty percent (80%) of the *PPT PILT Payment*, before applying any *PPT Credits*, that would otherwise be due without applying those *Unused Expenditure Credits*. Any portion of an *Unused Expenditure Credit* not used for that reason may be applied in a later period. Regardless of the price a *Producer* paid for the *Transferable Unused Expenditure Credit Certificate*, a *Producer* may receive a credit against its *PPT PILT Payment* for the full amount of the certificate, but for not more than the amount for which the certificate is issued by the *State*.

(f) intentionally left blank

(g) State Audit of Unused Expenditure Credits. The issuance of a *Transferable Unused Expenditure Credit Certificate* under Exhibit P.8(d) does not limit the *State's* ability to later audit an *Unused Expenditure Credit* claim to which the *Transferable Unused Expenditure Credit Certificate* relates or to make an audit claim if the *State* finds that the applicant was not entitled to the amount of the *Unused Expenditure Credit* for which the certificate was issued. If the applicant was not entitled to the amount of the *Unused Expenditure Credit* for which the *Transferable Unused Expenditure Credit Certificate* was issued, then the *PPT PILT Payment* obligation of that applicant is increased by the amount of the *Unused Expenditure Credit* that is in excess of that to which the applicant was entitled, or the applicant's available valid outstanding *PPT Credits* are reduced by that amount. The amount of the increase in *PPT PILT Payment* obligation bears *Statutory Interest* from the date the *Transferable Unused Expenditure*

*Credit Certificate* was issued. The increased *PPT PILT Payment* obligation must be included in the *Producer's PPT PILT Payment* in the *Calendar Year* in which the adjustment becomes final.

(h) intentionally left blank

(i) intentionally left blank

(j) Transitional Investment Expenditure Credits.

(i) Calculation of Transitional Investment Expenditures. A *Producer's Transitional Investment Expenditures* are the sum of the expenditures in support of any *Property* that the *Producer* incurred on or after July 1, 2001, and before July 1, 2006, that would be *Qualified Capital Expenditures*, if they were incurred on or after July 1, 2006, minus the sum of the payments or credits received before July 1, 2006 for the sale or other transfer of *Assets* included under Exhibit P.3(e)(iii)(A) that would be a *Qualified Capital Expenditure*, if those *Assets* were acquired on or after July 1, 2006.

(ii) Calculation of Credits. A *Producer* may take as a *PPT Credit* twenty percent (20%) of its *Transitional Investment Expenditures* ("Transitional Investment Expenditure Credit"), but only to the extent that the amount does not exceed:

(A) one half (1/2) of the *Producer's Qualified Capital Expenditures* incurred during the *Calendar Month* for which the *Qualified Capital Expenditure Credit* is taken, if the *Producer* does not make an election under Exhibit P.3(f);

- (B) one-twenty-fourth (1/24) of the *Producer's Qualified Capital Expenditures* that are incurred during the *Calendar Year* that includes the *Calendar Month* for which the *Qualified Capital Expenditure Credit* is taken, if the *Producer* makes an election under Exhibit P.3(f);
- (iii) Limitations. A *Producer* may not take a *Transitional Investment Expenditure Credit*:
- (A) for any *Calendar Month* that ends after July 31, 2013;
  - (B) more than once; or
  - (C) if a credit for that expenditure was taken under AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025.
- (iv) No Transfer. A *Producer* may not transfer a *Transitional Investment Expenditure Credit* or obtain a *Transferable Unused Expenditure Credit Certificate*.
- (k) PPT Credit on Regulated Entity. If a *Producer* receives a *PPT Credit* associated with investment in a pipeline, facility, or other asset that is or becomes subject to regulation by the *FERC* or the *RCA*, that *Producer* shall support, and in any rate proceeding file, to flow through one hundred percent (100%) of that *PPT Credit* to ratepayers as a reduction in the cost of service for the pipeline, facility or other asset.
- (l) intentionally left blank

**P.9 Alternative Tax Credit for Oil and Gas Exploration or Gas Only Exploration**

(replaces AS 43.55.025).

- (a) Subject to the terms and conditions of Exhibit P, an *Alternative Exploration Credit* against the *PPT PILT Payment* due under Exhibit P.2 is allowed for exploration expenditures that qualify under Exhibit P.9(b) in an amount equal to one of the following:
- (i) twenty percent (20%) of the total exploration expenditures that qualify only under Exhibit P.9(b) and (c);
  - (ii) twenty percent (20%) of the total exploration expenditures for work performed before July 1, 2007, and that qualify only under Exhibit P.9(b) and (d);
  - (iii) forty percent (40%) of the total exploration expenditures that qualify under Exhibit P.9(b), (c), and (d); or
  - (iv) forty percent (40%) of the total exploration expenditures that qualify only under Exhibit P.9(b) and (e).
- (b) To qualify for the *Alternative Exploration Credit* under Exhibit P.9(a), an exploration expenditure must be incurred for work performed on the *ANS* on or after July 1, 2003, and before July 1, 2016, and:
- (i) may be for seismic or geophysical exploration costs not connected with a specific well;
  - (ii) if for an exploration well:
    - (A) must be incurred by a *Producer* that holds an interest in the exploration well for which the *Alternative Exploration Credit* is claimed;
    - (B) may be for either an oil or gas discovery well or a dry hole; and
    - (C) must be for goods, services, or rentals of personal property reasonably required for the surface preparation, drilling, casing, cementing, and logging of an exploration well, and, in the case of a dry

hole, for the expenses required for abandonment if the well is abandoned within eighteen (18) months after the date the well was spudded;

(iii) may not be for testing, stimulation, or completion costs; administration, supervision, engineering, or lease operating costs; geological or management costs; community relations or environmental costs; bonuses, taxes, or other payments to governments related to the well; or other costs that are generally recognized as indirect costs or financing costs; and

(iv) may not be incurred for an exploration well or seismic exploration that is included in a plan of exploration or a plan of development for any unit on May 13, 2003.

(c) To be eligible for the twenty percent (20%) *Alternative Exploration Credit* authorized under Exhibit P.9(a)(i) or the forty percent (40%) production tax credit authorized by Exhibit P.9(a)(iii), exploration expenditures on the ANS must:

(i) qualify under Exhibit P.9(b); and

(ii) be for an exploration well, located and drilled in such a manner that the bottom hole is located not less than three (3) miles away from the bottom hole of a preexisting suspended, completed, or abandoned oil and gas well; in Exhibit P.9(c)(ii), “preexisting” means a well that was spudded more than one hundred fifty (150) days but less than thirty-five (35) years before the exploration well was spudded.

(d) To be eligible for the twenty percent (20%) *Alternative Exploration Credit* authorized by Exhibit P.9(a)(ii) or the forty percent (40%) *Alternative Exploration Credit* authorized by Exhibit P.9(a)(iii), an exploration expenditure on the ANS must:

- (i) qualify under Exhibit P.9(b); and
  - (ii) be for an exploration well that is located not less than twenty-five (25) miles outside of the outer boundary, as delineated on July 1, 2003, of any unit that is under a plan of development.
- (e) To be eligible for the forty percent (40%) *Alternative Exploration Credit* authorized by Exhibit P.9(a)(iv), the exploration expenditure on the *ANS* must:
- (i) qualify under Exhibit P;
  - (ii) be for seismic exploration; and
  - (iii) have been conducted outside the boundaries of a production unit or an exploration unit; however, the amount of the expenditure that is otherwise eligible under Exhibit P.9(e) is reduced proportionately by the portion of the seismic exploration activity that crossed into a production unit or an exploration unit.
- (f) For an *Alternative Exploration Credit* on the *ANS* under Exhibit P.9:
- (i) a *Producer* shall, within six (6) months of the completion of the exploration activity, claim the *Alternative Exploration Credit* and submit information sufficient to demonstrate to the *State's* reasonable satisfaction that the claimed exploration expenditures qualify under Exhibit P.9;
  - (ii) a *Producer* shall:
    - (A) provide *Notice* to the *State*, within thirty (30) *Days* after completion of seismic or geophysical data processing, completion of a well, or filing of a claim for an *Alternative Exploration Credit*, whichever is the latest, for which exploration costs are claimed, of the date of completion and submit a report to that *DOR* describing the processing



sequence and providing a list of data sets available. If under Exhibit P.9(c)(ii)(B), a *Producer* submits a claim for *Alternative Exploration Credit* for expenditures for an exploration well that is located within three (3) miles of a well already drilled for oil and gas, in addition to the submissions required under Exhibit P.9(c)(i), the *Producer* must submit the information for the *DNR Commissioner* to evaluate the validity of the *Producer's* claim that the well is directly at a distinctly separate exploration target, and the *DNR Commissioner* shall, upon receipt of all evidence sufficient for the *DNR Commissioner* to evaluate the *Producer's* claim, make that determination within sixty (60) Days;

(B) provide to the *DNR*, within thirty (30) *Days* after the date of a request, specific data sets, ancillary data, and reports identified in Exhibit P.9(f)(ii)(A);

(C) notwithstanding any provision of AS 38 or Article 29, information provided under Exhibit P.9(f)(ii) will be held confidential by the *State* for ten (10) *Calendar Years* following the completion date, at which time the *DNR* may release the information after thirty (30) *Days* public notice;

(iii) if more than one *Producer* holds an interest in a well or seismic exploration, each *Producer* may claim an amount of *Alternative Exploration Credit* that is proportional to the *Producer's* cost incurred; and

(iv) intentionally left blank

(v) if the *State* is reasonably satisfied that the *Producer's* claimed expenditures are qualified under this Exhibit P.9, the *State* shall issue to the

*Producer* an *Alternative Exploration Credit Certificate* for the amount of *Alternative Exploration Credit* to be allowed against *PPT PILT Payments*.

(g) A *Producer* may transfer, convey, or sell its *Alternative Exploration Credit Certificate* to any *Person*, and any *Person* who receives an *Alternative Exploration Credit Certificate* may also transfer, convey, or sell the *Alternative Exploration Credit Certificate*.

(h) A *Producer* that purchases an *Alternative Exploration Credit Certificate* may apply the *Alternative Exploration Credits* against its *PPT PILT Payment* obligation under Exhibit P.2. Regardless of the price a *Producer* paid for the *Alternative Exploration Credit Certificate*, a *Producer* may receive a credit against its *PPT PILT Payment* for the full amount of the *Alternative Exploration Credit*, but for not more than the amount for which the *Alternative Exploration Credit Certificate* is issued by the *State*. An *Alternative Exploration Credit* allowed under Exhibit P.9 may not be applied more than once.

(i) For an *Alternative Exploration Credit* under Exhibit P.9,

(i) the amount of the *Alternative Exploration Credit* that may be applied against the *PPT PILT Payment* for each *Calendar Month* may not exceed the total *PPT PILT Payment* of the *Participant* applying the *Alternative Exploration Credit* for the same *Calendar Month*; and

(ii) an amount of the *Alternative Exploration Credit* that is greater than the total *PPT PILT Payment* of the *Participant* applying the *Alternative Exploration Credit* for a *Calendar Month* may be carried forward and applied against the

*Producer's PPT PILT Payment* obligation in one or more immediately following *Calendar Months*.

(j) Notwithstanding any other provision of Exhibit P.9, of AS 31.05, or of AS 40.25.100, *DOR* shall provide to the *DNR* information submitted with a claim under Exhibit P to support the eligibility of an exploration expenditure, including seismic exploration data and well data, and any information described under Exhibit P.9(f)(ii) received by *DOR*.

**P.10 Nontransferable PPT Credit** (replaces AS 43.55.170).

(a) Nontransferable PPT Credit. For a *Calendar Month* for which a *Producer's PPT PILT Payment* obligation under Exhibit P.2 exceeds zero before application of any *PPT Credits* under Exhibit P, a *Producer* that is qualified under Exhibit P.10(c) may apply a credit of up to one million *Dollars* (\$1,000,000) against that obligation (“Nontransferable PPT Credit”).

(b) Sunset. A *Producer* may not take a *Nontransferable PPT Credit* under Exhibit P.10 for any *Calendar Month* after

(i) June 30, 2016.

(ii) intentionally left blank.

(c) Single Applications. If, after the *Effective Date*, an *Affiliate* of a *Producer* begins exploring for, developing, or producing oil and gas in *Alaska*, the *Producer* and that *Affiliate* shall apply to *DOR* for a determination of whether the *Affiliate* qualifies under Exhibit P.10 for a *Calendar Year* for purposes of Exhibit P.10. Upon receiving a written application by a *Producer* and its *Affiliate*, the *DOR* shall determine that the *Producer*

qualifies under Exhibit P.10 for a *Calendar Year* if the *Producer* demonstrates that its operation or its ownership of an interest in a *Property* as a distinct producer entity would not result in the division among multiple producer entities of any *Net Production Value* of *PPT Oil* and *PPT Gas* that would be reasonably expected to be attributed to a single producer entity if the allowance provision of Exhibit P.10 did not exist. For purposes of Exhibit P.10, an entity that is owned directly or indirectly by a *Producer* and one or more other *Persons* or *Producers* but in such a way that it is not an *Affiliate* of any of them, and that begins to explore for, develop, or produce oil and gas in *Alaska* after the *Effective Date*, is deemed to be an *Affiliate* of each *Person* having a direct or indirect ownership interest in it.

(d) Limitation. A *PPT Credit* under Exhibit P.10 may not be applied to reduce a *Producer's PPT PILT Payment* for any *Calendar Month* below zero. An unused portion of a *Nontransferable PPT Credit* that could otherwise be applied for a *Calendar Month* but whose application would cause the *Producer's PPT PILT Payment* for the *Calendar Month* to be less than zero may be applied for one or more other *Calendar Months* in the same *Calendar Year* to the extent otherwise allowed in Exhibit P.10. The credit, when combined with credits taken under AS 43.55.170, may not exceed twelve million *Dollars* (\$12,000,000) for any *Calendar Year*. However, the credit, when combined with credits taken under AS 43.55.170, may not exceed six million *Dollars* (\$6,000,000) for the *Calendar Years* 2006 and 2016.

(e) No Transfer. An unused *PPT Credit* or portion of a *PPT Credit* under Exhibit P.10 is not transferable, and may not be carried forward to or used in a later *Calendar Year*.

**P. 11 One Cent Surcharge** (replaces AS 43.55.201).

- (a) Subject to Exhibit P.12 and Exhibit P.13, each *Producer* of *PPT Oil* shall pay a surcharge of one cent (\$0.01) per *Barrel* of *PPT Oil* produced from each *Property* (“One Cent Surcharge”).
- (b) The *One Cent Surcharge* is in addition to and must be paid in the same manner as the *PPT PILT Payment* under Exhibit P.2, except that, notwithstanding anything to the contrary in Exhibit P.5(a), the full amount of the *One Cent Surcharge* is due on the last day of each *Calendar Month* on *PPT Oil* produced from each *Property* during the preceding *Calendar Month*. The *One Cent Surcharge* is in addition to the *Four Cent Surcharge*.
- (c) A *Producer* of *PPT Oil* shall make reports of production in the same manner as required under Exhibit P.

**P. 12 Suspension of One Cent Surcharge** (replaces AS 43.55.221).

- (a) intentionally left blank
- (b) intentionally left blank
- (c) intentionally left blank
- (d) A *Producer* is not required to pay the *One Cent Surcharge* if the balance of the *Response Fund* is equal to or exceeds fifty million *Dollars* (\$50,000,000); the *Producer’s* obligation to pay the *One Cent Surcharge* ceases effective on the first *Day* of the next calendar quarter following the *Commissioner’s* receipt of the commissioner of administration’s report under AS 43.55.221.

(e) A *Producer* is required to pay the *One Cent Surcharge* if the balance of the *Response Fund* is less than fifty million *Dollars* (\$50,000,000); the *Producer's* obligation to pay the *One Cent Surcharge* commences effective on the first *Day* of the next calendar quarter following the *Commissioner's* receipt of the commissioner of administration's report under AS 43.55.221.

**P. 13 Surcharge Not Imposed** (replaces AS 43.55.231).

(a) A *Producer* is not required to pay the *One Cent Surcharge* during a *Calendar Year* if the *Legislature*:

(i) does not appropriate at least an amount equal to the amount determined under Exhibit P.13(b) from the general fund to the *Response Fund*; or

(ii) appropriates at least the amount of money equal to the amount determined under Exhibit P.13(b) from the general fund to the *Response Fund* and that appropriation is vetoed or reduced by the Governor,

during the regular or a special legislative session preceding the first *Day* of that *Calendar Year*.

(b) The appropriation described in Exhibit P.13(a)(i) and (ii) is equal to the sum of the actual or estimated balance of:

(i) the account maintained under AS 37.05.142 to account for all proceeds of the surcharge that are deposited into the general fund; and

(ii) the portion of the balance of the response mitigation account established by AS 46.08.025(b) that originated from the recovery of money described in AS 46.08.025 (a)(3).

**P.14 Four Cent Surcharge** (replaces AS 43.55.300).

- (a) Each *Producer* of *PPT Oil* shall pay a surcharge of four cents (\$0.04) per *Barrel* of *PPT Oil* produced from each *Property* (“Four Cent Surcharge”).
- (b) The *Four Cent Surcharge* is in addition to and must be paid in the same manner as the *PPT PILT Payment* imposed by Exhibit P.2, except that, notwithstanding anything to the contrary in Exhibit P.5(a), the full amount of the *Four Cent Surcharge* is due on the last day of each *Calendar Month*. The *Four Cent Surcharge* is in addition to the *One Cent Surcharge*.
- (c) A *Producer* of *PPT Oil* shall make reports of production in the same manner as required under Exhibit P.

**P.15 Measurement** (replaces AS 43.55.135). For the purposes of Exhibit P, *PPT Oil* is measured in *Barrels* and *PPT Gas* is measured in *Cubic Feet*.

**P.16 Date Effective** (replaces Uncodified Law). Exhibit P applies to *PPT Oil* and *PPT Gas* produced on or after July 1, 2006.

**P.17 Initial Implementation** (replaces Uncodified Law).

- (a) Qualified Capital Expenditures. Notwithstanding any contrary provision of Exhibit P.8, for *PPT Oil* and *PPT Gas* produced on or after July 1, 2006, and before January 1, 2007, the phrase “every *Calendar Month* an annualized *PPT Credit* in an amount equal to one and two-thirds percent (1-2/3%)” in Exhibit P.8(a)(i)(B), is replaced

by the phrase “every *Calendar Month* during the period July 1, 2006, through December 31, 2006, an annualized *PPT Credit* in an amount equal to three and one-third percent (3-1/3%).”

(b) Certificate Transfers. Notwithstanding any contrary provision of Exhibit P.8(e), for *PPT Oil* and *PPT Gas* produced on or after July 1, 2006, and before January 1, 2007, the phrase “a *Calendar Year*” in Exhibit P.8(e), is replaced by the phrase “the last six (6) months of the *Calendar Year*.”

(c) Transitional Investment Expenditures. Notwithstanding any contrary provision of Exhibit P.8(j), for *PPT Oil* and *PPT Gas* produced on or after July 1, 2006, and before January 1, 2007,

(i) the number “1/24” in Exhibit P.8(j)(ii)(B) is replaced by the number “1/12”; and

(ii) the phrase “*Calendar Year*” in Exhibit P.8(j)(ii)(B) is replaced by the phrase “last six (6) *Calendar Months* of the *Calendar Year*”.

(d) Estimated PPT Lease Expenditures. Notwithstanding any contrary provision of Exhibit P.3(f), for *PPT Oil* and *PPT Gas* produced on or after July 1, 2006, and before January 1, 2007, the phrase “for every month of a *Calendar Year* one-twelfth (1/12) of the *Producer’s PPT Lease Expenditures* for the *Calendar Year*” in Exhibit P.3(f), is replaced by the phrase “for each of the last six (6) months of 2006, one-sixth (1/6) of the *Producer’s PPT Lease Expenditures* for that six (6) month period.”

(e) intentionally left blank



(f) Initial Payment Under Contract. For oil and gas produced on or after July 1, 2006, and before the first *Day* of the first *Calendar Month* that begins at least ten (10) *Calendar Months* after the date in Exhibit P.16,

(i) the amount of *Taxes* that would have been levied under AS 43.55, as the provisions read on June 30, 2006 or on any *PPT PILT Payment* that would have been charged under Exhibit P is due on the last *Day* of each *Calendar Month* on the oil and gas or on the *PPT Oil* or *PPT Gas* that is produced from each *Property* during the preceding *Calendar Month*;

(ii) the portion, if any, of the *Taxes* levied under AS 43.55.011(e) - (g) that is due under AS 43.55.020(a), net of any credits allowed by *Law* or charges under Exhibit P.3 and Exhibit R.2 net of *PPT Credits*, that remains unpaid, is due on the last *Day* of the first *Calendar Month* that begins at least ten (10) *Calendar Months* after the date in Exhibit P.16.

(g) Final Report under Law. For oil and gas produced on or after July 1, 2006, and before the first *Day* of the first *Calendar Month* that begins at least ten (10) *Calendar Months* after the date set forth in Exhibit P.16, the *Person* paying the *Tax* or the *PPT PILT Payment* shall file with the *State*, at the time an amount of *Tax* or *PPT PILT Payment* is due:

(i) the statement required under AS 43.55.030(a) as that subsection read on June 30, 2006; and

(ii) the statements required under Exhibit A.7.

(h) Initial Payment of Surcharges. For oil production on or after July 1, 2006, and before the first *Day* of the first *Calendar Month* that begins at least ten (10) *Calendar Months* after the date in Exhibit P.16:

(i) the amount of the *One Cent Surcharge* and *Four Cent Surcharge* that would have been imposed on the *Producer* under AS 43.55 as it read on June 30, 2006, is due on the last *Day* of each *Calendar Month* on oil or *PPT Oil* produced from each *Property* during the preceding *Calendar Month*; and

(ii) the portion, if any, of the *One Cent Surcharge* and *Four Cent Surcharge* that remains unpaid is due on the last *Day* of the first *Calendar Month* that begins at least ten (10) *Calendar Months* after the date in Exhibit P.16.

(i) Initial Reporting of Surcharges. For oil produced on or after July 1, 2006 and before the first *Day* of the first *Calendar Month* that begins at least ten (10) *Calendar Months* after the date in Exhibit P.16, at the time an amount of *One Cent Surcharge* or *Four Cent Surcharge* is due,

(i) the *Producer* shall file the report of production required under AS 43.55.201(c) and AS 43.55.300(c) as those provisions read on June 30, 2006;

(ii) the *Producer* shall file the report of production required under Exhibit P.13(c).

(j) intentionally left blank

**P.18 Interest Due** (replaces AS 43.55.060). If the *PPT PILT Payment* is not paid by the *Payment Date* it bears *Statutory Interest* subject to the limitations under Exhibit P.5. If a

*Producer* fails to make a timely report, the *State* may proceed as provided in Exhibit Y.4 or Exhibit Y.12.

**P.19 Power of the State** (replaces AS 43.55.040). To administer the *PPT PILT Payments*, as provided under Exhibit Y, the *DOR* may examine the books, papers, records, or memoranda of any *Person* to ascertain the correctness of a *PPT PILT Payment* report filed or to determine whether a *PPT PILT Payment* is due, or in an investigation or inspection in connection with *PPT PILT Payment*. The records and the premises where a business is conducted shall be open at all reasonable times for official inspection, and the *DOR* may issue a *Subpoena* to any *Person* to appear and produce books, records, papers, or memoranda bearing upon *PPT PILT Payment* matters and to give testimony or answer interrogatories under oath respecting *PPT PILT Payment* matters. The *DOR* may administer oaths to *Persons* who are so subpoenaed. A *Subpoena* issued under Exhibit Y.3 may compel attendance of a witness or production of a document or thing, located either inside or outside *Alaska*, to the maximum extent permitted by *Law*.

**P.20 Filing of Reports** (replaces AS 43.55.030). The *Producer* shall provide the *State* with the information consistent with the procedures for reporting and accounting for *PPT PILT Payments* under Exhibit A.7.

**P.21 Definitions** (replaces AS 43.55.900). The definitions applicable to Exhibit P are provided in Article 1.

## EXHIBIT Q

## VENTURE TYPES BY PRODUCER

*As of the Effective Date*

<b>Venture</b>	<b>Agreement</b>	<b>BP</b>	<b>CP</b>	<b>EM</b>
Badami Unit	Badami Unit Operating Agreement	Quasi-Joint Venture	N/A	N/A
Colville River Unit	Colville River Unit Operating Agreement	N/A	Joint Venture	N/A
Duck Island Unit	Duck Island Unit Operating Agreement	Joint Venture	Joint Venture	Joint Venture
Kuparuk River Unit	Kuparuk River Unit Operating Agreement	Joint Venture	Joint Venture	Joint Venture
Milne Point Unit	Milne Point Unit Operating Agreement	Quasi-Joint Venture	N/A	N/A
Northeast Storms Unit	Storms Operating Agreement	N/A	Joint Venture	N/A
Northstar Unit	Northstar Unit Operating Agreement	Quasi-Joint Venture	N/A	N/A
Pt. Thomson Unit	Pt. Thomson Unit Operating Agreement	Joint Venture	Joint Venture	Joint Venture
Prudhoe Bay Unit	Prudhoe Bay Unit Operating Agreement	Joint Venture	Joint Venture	Joint Venture

**EXHIBIT R****PROCEDURE TO IMPLEMENT METHOD TO DETERMINE THE PPT PILT PAYMENT**

**R.1 Procedure to Implement Exhibit P.** Exhibit R describes the procedure to implement certain parts of the method to determine the *PPT PILT Payment*.

**R.2 Method to Determine PPT Lease Expenditures.** For purposes of implementing Exhibit P.3:

(a) Calculation of PPT Lease Expenditures. A *Producer's PPT Lease Expenditures* for a period are determined as follows:

- (i) Subtract from *Included Costs* any *Excluded Costs* that have been claimed as part of those *Included Costs*;
- (ii) Add or subtract *Adjustments*, as appropriate, from the result obtained in Exhibit R.2(a)(i).

(b) Included Costs.

(i) *Included Costs* are the sum of the following costs, whether capitalized or expensed for financial accounting or federal income tax purposes, in support of a *Producer's Properties*:

- (A) *Joint Venture Costs, Quasi-Joint Venture Costs, or Sole Venture Costs*;
- (B) *Contract Payments*; and

(C) a reasonable allowance for overhead expenses directly related to exploring for, developing, and producing *PPT Oil* or *PPT Gas* deposits located within *Properties* to the extent not included in Exhibit R.2(b)(i)(A) ; whether or not the expenditure is for an exploration, production, or development activity physically located on, near or within the premises of the *Property* within which oil or gas is being explored for, developed, or produced.

(ii) *Joint Venture Costs* or *Quasi-Joint Venture Costs* are costs that:

(A) are billed to a *Producer* by the operator under the operating agreement; or

(B) for an operator, would be billed to that *Producer* under the operating agreement if it were not the operator.

(iii) *Sole Venture Costs* are the *Producer's* share of the costs that would have been billed by an operator to working interest owners under a typical *Joint Venture* operating agreement in *Alaska* if that operating agreement had applied to the *Sole Venture's* activities.

(iv) *Contract Payments* are the sum of the following payments by a *Producer*:

(A) *Upstream Facilities Oil Payment* and *Upstream Facilities Gas Payment*; and

(B) *Fixed Payable Tax* payments, *Fixed Payable Tax Increment* payments, or *Capped Tax* payments in support of any *Property*.

(v) For a *Producer* that is the operator of a *Venture*, the reasonable allowance for unrecovered overhead expenses under Exhibit R.2(b)(i)(C) is an amount to be mutually agreed by that operator and the *State* that:

- (A) applies to any *Venture* that *Producer* operates; and
- (B) is not more than five percent (5%) of the sum of the amounts under Exhibit R.2(b)(ii) and Exhibit R.2(b)(iii) for all *Ventures* that the *Producer* operates

(“Operator Unrecovered Cost Rate”). That *Producer* shall provide information to the *State* supporting the initial *Operator Unrecovered Cost Rate* within ninety (90) *Days* after the *Effective Date*. The *State* and the *Producer* shall establish the initial *Operator Unrecovered Cost Rate* within one hundred eighty (180) *Days* after the *Effective Date*. The *State* or the *Producer* may seek to modify prospectively the *Operator Unrecovered Cost Rate* by providing *Notice of Dispute*. The effective date of the modification is the first *Day* of the *Calendar Month* following the date of the *Notice*. Once the initial *Operator Unrecovered Cost Rate* is established, a *Producer* or the *State* may only give the *Notice* after June 30, 2009, or three (3) years after the effective date of the most recent modification of the *Operator Unrecovered Cost Rate* for that *Producer*.

(vi) A *Producer* that is not the operator of a *Venture* may claim a reasonable allowance under Exhibit R.2(b)(i)(C) for overhead expenses of not more than one percent (1%) of the sum of the amounts under Exhibit R.2(b)(ii) and Exhibit R.2(b)(iii) for that *Venture* and that *Producer*, subject to audit by the *State*.

(vii) A cost included within one of the cost categories in Exhibit R.2(b)(i) may not be included in another cost category in Exhibit R.2(b)(i).

(c) Excluded Costs. *Excluded Costs* are any of the costs under Exhibit P.3(d), implemented as follows:

(i) Abandonment Costs. Abandonment costs means the portion of costs incurred for dismantlement, removal, surrender, or abandonment (“Dismantlement”) of a facility, pipeline, well pad, platform, or other structure (“Structure”), or for the restoration of a lease, field, unit, area, body of water, or right-of-way in conjunction with *Dismantlement* that is attributable to production of oil or gas occurring before July 1, 2006 (“Abandonment Costs”).

(ii) Wells and Dismantlement. *Abandonment Costs* do not include costs incurred for:

(A) plugging and abandoning a well other than plugging and abandoning a well in conjunction with the *Dismantlement* of the related surface facilities; or

(B) the *Dismantlement* undertaken for the purpose of replacing, renovating, or improving a *Structure*.

(iii) Calculation. *Abandonment Costs* must be calculated by multiplying the gross amount of the *Dismantlement* costs and the restoration costs under Exhibit R.2(c)(i) by the ratio of the amount of oil and gas production (treating 6,000 *Cubic Feet* of gas as equivalent to one *Barrel* of oil) associated with the *Structure*, lease, field, unit, area, body of water, or right-of-way occurring before July 1, 2006 to the total amount of oil or gas production (treating 6,000 *Cubic Feet* of gas as equivalent to one *Barrel* of oil) associated with that *Structure*, lease, field, unit, area, body of water, or right-of-way through the end of the *Calendar Month* before commencement of *Dismantlement* or restoration in conjunction with *Dismantlement*.



- (d) Adjustments and Recapture. *Adjustments* are the sum of:
- (i) adjustments provided in Exhibit R.2(g); and
  - (ii) the payments, credits, reimbursements, or similar payments received by or credited to a *Producer* under Exhibit P.3(e), except that a *Producer's PPT Lease Expenditures* must be adjusted for a sale or other transfer of an *Asset* previously acquired by that *Producer* as a result of a *PPT Lease Expenditure* by the payments received by or credited to the *Producer* for the sale or other transfer of the *Asset*.
- (e) Allocation of Qualified Lease Expenditures on Straddle Acreage. If a cost that would otherwise constitute a *PPT Lease Expenditure* is incurred to explore for, develop, or produce:
- (i) both an oil or gas deposit located within land outside *Alaska* and an oil or gas deposit located within a *Property*, in *Alaska*, or
  - (ii) an oil or gas deposit located partly within land outside *Alaska* and partly within a *Property*, or other land, in *Alaska*,
- the *Producer* and the *State* shall specify a reasonable allocation method for determining the portion of the cost that is appropriately treated as a *PPT Lease Expenditure*.
- (f) Federal Adjustments. If a *Producer* files an amended federal income tax return reclassifying an expenditure from uncapitalized to capitalized or from capitalized to uncapitalized, or otherwise adjusting its *Qualified Capital Expenditures* incurred on or after July 1, 2001, but before the *Producer's* current *Calendar Year*, or if the Internal Revenue Service makes such a reclassification or reduction, then the resulting adjustment in the *Producer's Qualified Capital Expenditures* for the earlier *Calendar Year* must be

treated as an adjustment in the *Producer's Qualified Capital Expenditures* for the *Calendar Year* in which that amended federal income tax return or that reclassification or reduction by the Internal Revenue Service becomes final.

(g) Partner Adjustments to Lease Expenditures. If, as a result of an audit by one or more non-operators in a *Joint Venture* or a *Quasi-Joint Venture*, the amounts billed by the operator on or after July 1, 2006, but before a *Producer's* current *Calendar Year* are adjusted under Exhibit R, then the resulting adjustment in the *Producer's PPT Lease Expenditures* for the earlier *Calendar Year* and any resulting adjustment in the *Producer's Qualified Capital Expenditures* for the earlier *Calendar Year* must be treated as adjustments, in the *Producer's PPT Lease Expenditures* and its *Qualified Capital Expenditures*, respectively, for the *Calendar Year* in which the audit adjustment becomes final.

(h) Partner Adjustments to Transitional Investment Expenditures. If, as a result of an audit by one or more non-operators in a *Joint Venture* or a *Quasi-Joint Venture*, a *Producer's Transitional Investment Expenditure* is adjusted, then the resulting adjustment in the *Producer's Transitional Investment Expenditure Credit* must be treated as an adjustment in the *Producer's Transitional Investment Expenditure Credit* for the *Calendar Year* in which the audit adjustment becomes final.

(i) Interest. *Statutory Interest* accrues on each of the adjustments in Exhibit R.2(f) through Exhibit R.2(h) from the *Day* on which the cost was originally incurred.

### **R.3 Venture Audits and Classification.**

(a) Joint Venture Audits. For each *Joint Venture*, the *State* may conduct an annual

audit to ensure:

- (i) a non-operator effectively audits billings on an annual basis; and
- (ii) the costs listed in Exhibit P.3(d) are excluded.

If the *Venture* remains a *Joint Venture*, the *State* may only disallow a cost claimed as a *PPT Lease Expenditure* if the cost is an *Excluded Cost* under Exhibit P.3(d).

(b) Quasi-Joint Venture Audits. For each *Quasi-Joint Venture*:

- (i) it is presumed that the categories or types of expenditures allowed under the *Operating Agreement* qualify as *PPT Lease Expenditures*; and
- (ii) the *State* may conduct an annual audit to ensure that expenditures claimed by a *Producer* as *PPT Lease Expenditures*:

- (A) fit within the categories or types of expenditures allowed under the *Operating Agreement*; and
- (B) are *PPT Lease Expenditures*.

The *State* may not disallow a category or type of expenditure claimed by the *Producer* unless the expenditure is of a category or type specifically disallowed in Exhibit P.3(d).

(c) Sole-Venture Audits. For each *Sole Venture*, the *State* may conduct an annual audit to ensure that expenditures claimed by a *Producer* as *PPT Lease Expenditures* are *PPT Lease Expenditures*.

(d) Changes to Operating Agreement. A *Producer* shall provide *Notice* to the *State* of all changes to the ownership of a *Venture* or to the cost accounting provisions under an operating agreement or similar agreement within sixty (60) *Days* of the change.

(e) Classification Changes.

(i) Producer Initiated. A *Producer* may initiate a change in the classification of a *Venture* listed in Exhibit Q or establish a classification of a new *Venture* not listed in Exhibit Q by providing *Notice* to the *State* requesting *Venture* classification. The *Notice* must include copies of that *Venture's* operating agreement, if any, and other relevant information supporting the *Producer's* requested classification. Unless the *State* issues a *Notice of Dispute* within sixty (60) *Days* of the *Producer's* *Notice*, the *Producer's* *Venture* classification request is deemed granted.

(ii) State Initiated. The *State* may initiate a change in the classification of a *Venture* listed on Exhibit Q by providing *Notice* to each *Producer* holding a working interest in that *Venture* or a partnership interest or comparable interest in that *Venture* if there are no working interests in it. To be effective under Exhibit R.3(e)(iv), the *State* shall give *Notice*:

(A) within ninety (90) days after *Notice* from a *Producer* under Exhibit R.3(e), for a change in ownership or an operating agreement;

(B) within ninety (90) *Days* after *Notice* under Article 31.1(a), for an assignment of an interest in a *Property*; or

(C) not later than the *Day* that the final *Audit Report* is issued under Article 25.1, for a failure of a non-operator to effectively audit billings.

The *State's* *Notice* must include relevant information supporting the requested classification. The *State's* requested classification is deemed granted as to any *Producer* that does not issue a *Notice of Dispute* within sixty (60) *Days* of the *State's* *Notice* initiating a change in the classification of the *Venture*.

(iii) Exhibit Q. Exhibit Q must reflect any new or changed classification of a

*Venture* other than a *Venture* that is confidential by its terms.

(iv) Effective Date. Any change in classification of a *Venture* listed on Exhibit

Q is effective for a change requested by:

(A) a *Producer*, the date agreed by the *Parties* or as provided in an *Award*; or

(B) the *State*,

(1) for a change based on a modification to an operating agreement or an assignment, on the date of a *Notice* under Exhibit R.3(e)(ii)(A) or Exhibit R.3(e)(ii)(B); or

(2) for a change resulting from an audit, on the date agreed by the *Parties* or as provided in an *Award*.

(v) Limitation. A *Party* may not initiate a request for a change in classification for one year after the effective date of a change in classification for that *Venture*.

(vi) Cooperation. A *Producer* who is an operator of a *Venture* shall cooperate with the *State* in providing the required materials to support the *State's* audits rights under Exhibit R.3.

(vii) Basis for Classification Change. Within three (3) years of the *Effective Date* a *Venture's* classification may be changed prospectively from the date of *Notice* from the *State* as a consequence of *DOR* finding that the *Venture* does not meet the definition for that classification. In a *Dispute* concerning a change in classification under Exhibit R.3(e)(vii), no presumption is given to a *Venture's* classification as of the *Effective Date*.

(A) A *Joint Venture's* classification may be changed if any one of the

following occur:

- (1) it no longer has a collective non-operated working interest of at least twenty percent (20%);
- (2) it has changed the terms of its *Operating Agreement* and, after *Notice* to the *State*, those terms have been found by the *DOR* to be inconsistent with the principles provided in Exhibit P.3(c)(ii) and the inconsistency has not been cured; or
- (3) it is no longer being effectively audited.

(B) A *Quasi-Joint Venture's* classification may be changed if any one of the following occur:

- (1) it has a collective non-operated working interest of at least twenty percent (20%);
- (2) it has changed the terms of its *Operating Agreement* and, after *Notice* to the *State*, those terms have been found by the *DOR* to be inconsistent with the principles provided in Exhibit P.3(c)(i) and the inconsistency has not been cured.

(C) A *Sole Venture's* classification may be changed if any one of the following occur:

- (1) it has a non-operated working interest; or
- (2) it has an *Operating Agreement* which has been found by the *DOR* to be consistent with the principles provided in Exhibit P.3(c)(i) or P.3(c)(ii) as appropriate.

**R.4 Expedited Procedure for Production of Documents.**

(a) During an audit of a *PPT PILT Payment* obligation, if a *Dispute* arises regarding a *Producer's* compliance with a *Subpoena* issued under Exhibit Y.3, then Exhibit C is modified for that *Dispute* as follows:

- (i) the amicable resolution process under Exhibit C.2. does not apply;
- (ii) the *Tribunal* under Exhibit C.5(a) is reduced from three (3) arbitrators to one (1) arbitrator;
- (iii) the time period during which the *Parties to the Dispute* shall attempt to jointly select the arbitrator under Exhibit C.5(b) is reduced from seventy-five (75) *Days* to thirty (30) *Days*;
- (iv) the time period during which *CPR* shall convene the *Parties to the Dispute* in person or by telephone to attempt to select the arbitrator by agreement under Exhibit C.6(b)(i) and C.6(b)(ii) is reduced from twenty (20) *Days* to fifteen (15) *Days*;
- (v) the discovery procedures under Exhibit C.11 do not apply; and
- (vi) the time period under Exhibit C.14(g) within which a *Dispute* should in most circumstances be submitted to the *Tribunal* is reduced from six (6) months to two (2) months.

(b) During an audit of a *PPT PILT Payment* obligation, if a *Dispute* arises regarding a *Producer's* compliance with a *Subpoena* issued under Exhibit Y.3, the arbitrator selected to hear that *Dispute* shall hear any other *Dispute* that arises under Exhibit Y.3 for that audit.

**R.5 Not a Payment on or Measured by Net Income.**

(a) The *PPT PILT Payment* is deemed to be a payment or tax that is not based on or measured by net income for purposes of *State Law* or Article 19.

(b) In a *Dispute*, a *Participant* may not use or introduce evidence of Exhibit R.5(a) to contend that another jurisdiction's tax is a tax that is not based on or measured by net income.

**R.6 No Multiple Obligations.** Each *Producer's PPT Oil* and *PPT Gas* is subject to a *PPT PILT Payment* only once.



**EXHIBIT X****VALUATION OF PPT OIL AND PPT GAS**

**X.1 Replacement of 15 AAC 55.** Exhibit X replaces the otherwise applicable provisions of 15 AAC 55 for any matter relating to the determination of the *Gross PPT Value at the Point of Production*. 15 AAC 55 is not incorporated into this *Contract* for purposes of determining the *Gross PPT Value at the Point of Production*.

**X.2 Valuation of oil or gas** (replaces 15 AAC 55.151).

(a) Exhibit X applies to all *PPT Oil* and *PPT Gas* produced in *Alaska* on a *PPT Property*, regardless of whether the oil or gas is removed from the *PPT Property*.

(b) The *Gross PPT Value at the Point of Production* for a *Producer's PPT Oil* or *PPT Gas* must be calculated as follows:

(i) a destination value must be determined for the *PPT Oil* or *PPT Gas*; the destination value is the sales price under Exhibit X.3 unless Exhibit X.2(c) or Exhibit X.2(d) applies, in which case the destination value is the prevailing value under Exhibit X.5 or Exhibit X.6, as applicable;

(ii) except as otherwise provided under Exhibit X.2(b)(i), the *Producer's* reasonable costs of transportation under Exhibit X.7, Exhibit X.8, Exhibit X.9(a), and Exhibit X.10, as applicable, must be subtracted from the destination value determined under Exhibit X.2(b)(i); reasonable costs of transportation are calculated for oil or gas, from the *Point of Production* of the *PPT Oil* or *PPT Gas* to its sales delivery point or, if different, to the point where prevailing value is calculated under Exhibit X.5 or Exhibit X.6;

- (iii) if *PPT Oils* of different qualities are commingled, the value calculated under Exhibit X.2(b)(ii) must be adjusted for any consideration paid or received for quality differentials, regardless of whether prescribed by a filed tariff.
  - (iv) intentionally left blank
- (c) The prevailing value under Exhibit X.5 or Exhibit X.6 must be used in determining the *Gross Value at the Point of Production* for a *Producer's PPT Oil* or *PPT Gas* if
- (i) the *Producer's PPT Oil* or *PPT Gas* is refined, used as fuel or petrochemical feedstock, or otherwise consumed at a refinery or plant owned by the *Producer*, or the *PPT Oil* or *PPT Gas* is transferred from the *Producer* in other than an arm's-length, third party transaction;
  - (ii) the prevailing value for the *Producer's PPT Gas* under Exhibit X.6 exceeds the sales price for that *PPT Gas* under Exhibit X.3; or
  - (iii) the prevailing value for the *Producer's PPT Oil* under Exhibit X.5, plus the actual costs incurred to transport the *PPT Oil* from the point where prevailing value is calculated to the sales delivery point, exceeds the sales price under Exhibit X.3, by more than fifteen cents (\$0.15) per *Barrel*.
- (d) The *State* may apply prevailing value if the circumstances relating to the disposition of the *Producer's PPT Oil* or *PPT Gas* show fraud or an intent to evade a *PPT PILT Payment*.
- (e) intentionally left blank

(f) *PPT Gas* deemed not produced under Exhibit P is subject to a *PPT PILT Payment* on the basis of prevailing conditions at the time, and for the *Property* from which, the *PPT Gas* is ultimately produced.

(g) If a *Producer* transfers *PPT Oil* to a third party for purposes of operational necessity or convenience in what otherwise would be a bona fide, arm's length exchange but for the fact that at the time of the particular transfer the *Producer* expects to receive a like amount of similar quality oil produced in *Alaska* from that third party, the transfer to a third party and the transfer from the third party are disregarded and the *PPT Oil* is treated as if it had remained in the possession of the original transferring *Producer* until final disposition of that *PPT Oil*. If the transfers under that exchange are made at different locations, the location differential paid by a *Producer* is treated as a transportation cost and the location differential received by a *Producer* is treated as a reimbursement of a transportation cost.

(h) intentionally left blank

(i) intentionally left blank

**X.3 Sales Price for PPT Oil or PPT Gas.** (replaces 15 AAC 55.161).

(a) The sales price for *PPT Oil* or *PPT Gas* is the cash value of the full consideration being given in receipt for *PPT Oil* or *PPT Gas* transferred from a *Producer* in an arm's-length, third party transaction.

(b) intentionally left blank

(c) In an exchange, the cash value for purposes of Exhibit X.3(a) of the crude received in the exchange is

- (i) the average spot price of the crude received that is published during the *Calendar Month* that corresponds most closely to the pricing period identified in the contract for the crude received, if the crude received is priced by reference to a crude other than *ANS* crude oil and a pricing period is identified in the contract; or
  - (ii) the average spot price of the crude received that is published during the *Calendar Month* of delivery of the crude received, if the crude received is priced by reference to *ANS* crude oil or if a pricing period is not identified in the contract.
- (d) If *PPT Oil* or *PPT Gas* is sold under a contract that contains a provision for reimbursing the *Producer* for all or any part of the *PPT PILT Payment* paid by the *Producer* for that *PPT Oil* or *PPT Gas*, full consideration for purposes of Exhibit X.3(a) includes the amount of the *PPT PILT Payment* reimbursement received by the *Producer*.

#### **X.4 Intentionally Left Blank**

#### **X.5 Prevailing value for PPT Oil (replaces 15 AAC 55.171).**

- (a) The prevailing value for *PPT Oil* produced in the *ANS* and delivered to the United States West Coast, including Hawaii, is
  - (i) for *PPT Oil* that is transferred by the *Producer* in an arm's length, third party sale, the average spot price for *ANS* crude oil at the United States West Coast during the *Calendar Month* that is referenced in the sales contract pricing provision; if more than one *Calendar Month* is referenced in the sales contract pricing provision, the *Calendar Month* with more daily spot price reports that fall

within the contract price reference period must be used; in the case of an equal number of spot price reports, the *Calendar Month* closer to the *Calendar Month* of production must be used; if the sales contract has no price reference period, the prevailing value determined under Exhibit X.5(a)(iii) must be used;

(ii) for *PPT Oil* that is transferred by the *Producer* in an arm's length, third party exchange, the average spot price for *ANS* crude oil at the United States West Coast during the same *Calendar Month* that is applied under Exhibit X.3(c) to the crude received in the exchange; if the *DOR* cannot determine the *Calendar Month* in which the crude was received, the prevailing value determined under Exhibit X.5(a)(iii) must be used; or

(iii) for other *PPT Oil*, including that which is refined, used as fuel or petrochemical feedstock, or otherwise consumed at a refinery or plant owned by the *Producer*, the average spot price for *ANS* crude oil at the United States West Coast during the *Calendar Month* of delivery of that *PPT Oil*.

(b) intentionally left blank

(c) intentionally left blank

(d) intentionally left blank

(e) intentionally left blank

(f) The prevailing value for *ANS* crude oil sold in *Alaska* at tidewater or delivered to coastal refineries in *Alaska* is the prevailing value determined in Exhibit X.5(a) minus the volume-weighted average location differential between the Port of Valdez and the United States West Coast provided for under contracts for the sale of *ANS* crude oil delivered in *Alaska* during the previous *Calendar Year*. The *DOR* shall calculate the annual volume

weighted average location differential by analyzing contracts entered into during the eighteen (18) *Calendar Month* period ending November 30 of the previous *Calendar Year* for the sale of producers' *ANS* crude oil delivered in *Alaska*. The *DOR* shall use contracts that it has received from producers by January 15 of the current *Calendar Year*. The *DOR* shall calculate the location differential and the number of *Barrels* delivered under each contract. The differential for each contract must be multiplied by the total number of *Barrels* delivered under that contract. The resulting totals for all contracts must be added together, and that sum must be divided by the total number of *Barrels* delivered under all of the contracts. The resulting location differential is a per-*Barrel* amount. The *DOR* shall provide *Notice* to the *Producers* of the amount of the location differential no later than February 10 each *Calendar Year*.

(g) The prevailing value for *PPT Oil* sold at *TAPS* pump station number one or sold at the entrance to a publicly regulated pipeline other than *TAPS* is the prevailing value determined in Exhibit X.5(f) minus the carrier ownership-weighted average of all applicable publicly filed pipeline tariffs and the quality bank differentials, not including the *TAPS* Valdez Marine Terminal Quality Bank, for *PPT Oil*, produced from the relevant lease or property and transported between the location of sale and the *TAPS* terminal in Valdez. If a carrier has more than one applicable publicly filed pipeline tariff, the lowest tariff filed by that carrier must be used in calculating the carrier ownership-weighted average.

(h) The prevailing value for *PPT Oil* delivered to an inland refinery in *Alaska* is the prevailing value as determined in Exhibit X.5(f), minus the carrier ownership weighted-average of all applicable *TAPS* tariffs and the quality bank differentials, not including the

*TAPS* Valdez Marine Terminal Quality Bank, for *PPT Oil* transported between *TAPS* pump station number one and the *TAPS* terminal in Valdez, plus the carrier ownership-weighted average of all applicable publicly filed pipeline tariffs and the per-*Barrel* quality bank adjustments for *PPT Oil* transported between *TAPS* pump station number one and the refinery. If a carrier has more than one applicable publicly filed pipeline tariff, the lowest tariff filed by that carrier must be used in calculating the carrier ownership-weighted average.

(i) intentionally left blank

(j) intentionally left blank

(k) The prevailing value for *PPT Oil* produced in *Alaska* and delivered to a location other than those specified in Exhibit X.5(a) or (f) - (j) is the value of comparable *PPT Oil* delivered to the same market, as adjusted for quality and location and measured by indices of current market value.

(l) intentionally left blank

(m) For purposes of Exhibit X, the average spot price for *ANS* crude oil at the United States West Coast during a *Calendar Month* is the average of the monthly average assessments for the *Calendar Month* by Platt's Oilgram Price Report, Telerate online data providing service, and Reuters online data providing service, calculated to three (3) decimal places using the automatic convention in the rounding command or function in commercially available software. If Platt's Oilgram Price Report, Telerate online data providing service, or Reuters online data providing service ceases to report daily assessments for *ANS* crude oil at the United States West Coast, the average spot price for *ANS* crude oil at the United States West Coast is the average of the monthly average

assessments by all remaining reporting services. In Exhibit X.5, a monthly average assessment for a *Calendar Month* is the average of the midpoints between a reporting service's high and low closing assessments for *ANS* crude oil at the United States West Coast for all *Days* during the *Calendar Month* for which closing assessments are reported.

**X.6 Prevailing value for PPT Gas** (replaces 15 AAC 55.173).

(a) For *PPT Gas* delivered in the *ANS*, the prevailing value per *MCF* is ten percent (10%) of the prevailing value per *Barrel* that would be determined under Exhibit X.5(g) for oil that is produced from the *PPT Property* from which the *PPT Gas* is produced and that is sold at the entrance to the publicly regulated oil pipeline serving that *PPT Property*. If during the *Calendar Month* that the *PPT Gas* is delivered oil is not produced from that *PPT Property* and delivered into a publicly regulated oil pipeline serving that *PPT Property*, the prevailing value calculation must be made with respect to the nearest lease or property from which oil is produced and delivered that *Calendar Month* into a publicly regulated oil pipeline.

(b) intentionally left blank

(c) intentionally left blank

(d) intentionally left blank

(e) intentionally left blank

(f) intentionally left blank

(g) intentionally left blank

(h) intentionally left blank



**X.7 Choice of methods for determining reasonable cost of Transportation** (replaces 15 AAC 55.180).

- (a) Except as provided in Exhibit X.7(b), the reasonable cost of transportation is the actual cost of transportation as determined in Exhibit X.8(a) and (b), if the actual costs incurred are ordinary and necessary transportation expenses.
- (b) The reasonable cost of transportation is the fair market value as defined in Exhibit X.8(h) if all of the following conditions exist:
  - (i) the parties to the transportation of oil or gas are affiliated;
  - (ii) the contract for the transportation of oil or gas is not an arm's-length transaction or is not representative of the market value of the transportation; and
  - (iii) the method of transportation of oil or gas is not reasonable in view of existing alternative methods of transportation.

**X.8 Calculation of reasonable costs of transportation for oil or gas** (replaces 15 AAC 55.191).

- (a) Reasonable costs of transportation are the ordinary and necessary costs incurred to transport the *PPT Oil* or *PPT Gas* from the *Point of Production* to the sales delivery point.
- (b) Actual costs of transportation allowable for purposes of Exhibit X.7(a) are
  - (i) if transportation of oil or gas is by a regulated carrier, the tariff that is on file with the *FERC* or other regulatory agency having jurisdiction, and that is applicable to that transportation of the *PPT Oil* or *PPT Gas* by the carrier, from

the point where that *PPT Oil* or *PPT Gas* is tendered into the facilities of the carrier to the point where it is delivered from the facilities of the carrier;

(ii) if transportation of *PPT Oil* is by a vessel that is not owned or effectively owned, in whole or in part, by the *Producer* of that *PPT Oil*

(A) for a single voyage charter, the total costs under the charter for that vessel, plus any voyage and port costs as provided in Exhibit X.8(j) if those voyage and port costs are incurred for that transportation during the term of the charter, are not included in the charter fee, and are borne by the *Producer*, plus the positioning costs, if any, borne by the *Producer* for that vessel;

(B) for a consecutive voyage charter or a time charter, the total costs under the charter for that vessel, plus any voyage and port costs as provided in Exhibit X.8(j) if those voyage and port costs are incurred for that transportation during the term of the charter, are not included in the charter fee, and are borne by the *Producer*, plus the positioning cost, if any, borne by the *Producer* for that vessel; the positioning cost must be amortized over the lesser of thirty-six (36) *Calendar Months* or the term of the charter in the case of a time charter, and amortized on the basis of the number of voyages in the case of a consecutive voyage charter; or

(C) for a contract of affreightment, the total costs under the contract, plus any voyage and port costs as provided in Exhibit X.8(j) if those voyage and port costs are incurred for that transportation during the contract of affreightment, are not included in the charter fee, and are borne

by the *Producer*, plus any positioning costs not included in that fee that are incurred with respect to that transportation during the contract of affreightment and that are borne by the *Producer*;

(iii) if transportation of *PPT Oil* is by a vessel that is owned or effectively owned, in whole or in part, by the *Producer* of that *PPT Oil*, the *Producer's* actual cost for that transportation, which is the sum of

(A) voyage and port costs incurred with respect to that transportation, as provided in Exhibit X.8(j);

(B) the positioning cost, amortized over thirty-six (36) *Calendar Months*, for that vessel;

(C) depreciation of the vessel as calculated by the *Producer* for financial accounting purposes and used for reporting income and expenses to shareholders and owners, or as provided in Exhibit X.9(a), (b), (c), (f), or (h) or Exhibit X.10, as applicable; and

(D) an amount that, when added to the amount of depreciation allowed under Exhibit X.8(b)(iii)(C), provides a reasonable return on the acquisition cost, as provided in Exhibit X.9(a), of the vessel over its expected useful life as used for financial accounting purposes and used for reporting income and expenses to shareholders and owners, or on the adjusted shipyard cost or invested capital as provided in Exhibit X.10;

(iv) in the case of transportation of gas as liquefied natural gas,

(A) if not all of the *LNG Transportation Facilities* are subject to tariff regulations of the *FERC* or another federal agency, a state, territory, or

possession of the United States, or a foreign nation, and if the *Producer* does not own or effectively own, in whole or in part, the *LNG Transportation Facility*, the amount charged to the *Producer* for that liquefied natural gas transportation;

(B) if the *Producer* owns or effectively owns, in whole or in part, the *LNG Transportation Facility*, the *Producer's* actual cost for that transportation, which is the sum of

(1) the direct operating costs of the *LNG Transportation Facility* incurred with respect to the *Producer's PPT Gas*; for a liquefied natural gas tanker, direct operating costs consist of the tanker's voyage and port costs as provided in Exhibit X.8(j);

(2) the positioning cost, amortized over thirty-six (36) *Calendar Months*, in the case of a liquefied natural gas tanker;

(3) depreciation of the *LNG Transportation Facility* as calculated by the *Producer* for financial accounting purposes and used for reporting income and expenses to shareholders and owners, or as provided in Exhibit X.9(a);

(4) an amount that, when added to the amount of depreciation allowed under Exhibit X.8(b)(iv)(3), provides a reasonable return on the acquisition cost, as provided in Exhibit X.9(a) of the *LNG Transportation Facility* over its expected useful life as used for financial accounting purposes and used for reporting income and

expenses to shareholders and owners, or on the adjusted shipyard cost as provided in Exhibit X.9(a);

(v) if transportation of *PPT Oil* or *PPT Gas* is by a nonregulated pipeline facility that is not owned or effectively owned, in whole or in part, by the *Producer* of that *PPT Oil* or *PPT Gas*, the transportation fee specified in the contract plus any other costs not included in the fee with respect to that transportation that are borne by the *Producer*;

(vi) intentionally left blank

(vii) intentionally left blank

(viii) if transportation of *PPT Oil* or *PPT Gas* is by a nonregulated pipeline facility, other than one described in Exhibit X.8(b)(vi) or (vii), that is owned or effectively owned, in whole or in part, by the *Producer* of that *PPT Oil* or *PPT Gas*, or if a *Producer* of *PPT Gas* transported by a facility described in Exhibit X.8(b)(vi) or (vii) elects not to use the presumed cost under Exhibit X.8(b), the sum of the following, allocated to that *PPT Oil* or *PPT Gas* in the proportion that the volume of that *PPT Oil* or *PPT Gas* bears to the total volume of fluids transported by the pipeline:

(A) a cost of capital allowance that includes depreciation and a return on investment, as provided in Exhibit X.10;

(B) the reasonable operating and maintenance costs for the pipeline facility, which are determined by multiplying the projected actual annual amount of direct operating and maintenance costs for the pipeline facility by one hundred twelve percent (112%); for purposes of Exhibit

X.8(b)(viii), direct operating and maintenance costs are only those costs necessary to physically operate and maintain the pipeline facility;

(C) ad valorem taxes or payments in lieu of taxes under this *Contract* associated with the pipeline facility.

(c) intentionally left blank

(d) intentionally left blank

(e) intentionally left blank

(f) intentionally left blank

(g) intentionally left blank

(h) Reasonable cost of transportation under Exhibit X.7(b) is fair market value. Fair market value of transportation is determined

(i) for shipments of *PPT Oil*, on the basis of third-party charters (that is, time charters in which the *Producer* does not own or effectively own the vessel in whole or in part) of one year or more which are reported to the *DOR* for like vessels, plus regulated transportation costs under Exhibit X.8(b)(i); two (2) vessels will be considered like vessels if the difference between them in tonnage is less than ten thousand (10,000) dead-weight tons and if they are both

(A) Jones Act vessels (46 U.S.C. App. 808 and 883);

(B) Construction-Differential Subsidy (“CDS”) vessels (46 U.S.C. App. 1151 - 1161);

(C) Operating-Differential Subsidy (“ODS”) vessels (46 U.S.C. App. 1171 - 1185);

(D) *CDS* and *ODS* vessels; or

- (E) vessels that do not meet the qualifications of Exhibit X.8(h)(i)(A) -
- (D); or
- (ii) for shipments of *PPT Gas* as liquefied natural gas, on the basis of third party charters or leases (that is, time charters or leases in which the *Producer* does not own or effectively own, in whole or in part, the *LNG Transportation Facility* in question) of three (3) years or more that are reported to the *DOR* for like *LNG Transportation Facilities*, plus regulated transportation costs under Exhibit X.8(b)(i).
- (i) If a *Producer* sells its *PPT Oil* or *PPT Gas* to a third party in what would otherwise be a bona fide, arm's-length sale but at the time of the sale the *Producer* expects to repurchase that *PPT Oil* or *PPT Gas* at a subsequent time and place, then that sale to the third party and the repurchase from the third party, when it occurs, must be disregarded and the *PPT Oil* or *PPT Gas* subject to that sale must be regarded as if it had remained the *Producer's* own *PPT Oil* or *PPT Gas* throughout the time between that sale and repurchase. In determining the value at the *Point of Production* in such a case, the reasonable cost of transportation between the point of sale for that sale and the point of repurchase must be determined as if the *Producer* were the shipper. Exhibit X.8(i) does not apply if the *Producer's* expected repurchase does not in fact occur.
- (j) For purposes of Exhibit X, allowable voyage and port costs for a vessel do not include losses, damages, or expenses incurred in connection with an oil discharge except as provided in Exhibit X.8, and do not include taxes or fees on the receipt of *PPT Oil* or liquefied natural gas at a marine terminal from a vessel. Allowable voyage and port costs

for a vessel or liquefied natural gas tanker are costs actually incurred for the following purposes:

- (i) fuel for the vessel or liquefied natural gas tanker while in port and at sea not to exceed the actual cost if purchased from a third party, or if the fuel is not purchased from a third party, the spot market price of comparable fuel as reported in Platt's Oilgram Price Report at the time of the fuel purchase for the market nearest the point of refueling, plus related allowable fuel taxes and handling charges;
- (ii) stores and provisions for the vessel or liquefied natural gas tanker and its captain and crew;
- (iii) wages and benefits of the vessel's or liquefied natural gas tanker's captain and crew;
- (iv) routine maintenance;
- (v) drydocking costs, expensed in the year paid;
- (vi) port and dock fees;
- (vii) intentionally left blank
- (viii) demurrage;
- (ix) tug and pilotage fees;
- (x) marine agents' fees in port;
- (xi) lightering;
- (xii) transshipment charges;
- (xiii) customs fees and duties;



- (xiv) taxes incurred due to the ownership and operation of the vessel or liquefied natural gas tanker, except for income taxes and other taxes (including certain franchise taxes) measured by income;
- (xv) regular and customary gratuities that are also legal;
- (xvi) insurance premiums actually paid to third-party insurers;
- (xvii) minor cargo losses or measuring differentials not to exceed twenty-five ten-thousandths (0.0025) of the oil transported, determined on an annual basis for each vessel;
- (xviii) loading and unloading inspection fees;
- (xix) Panama Canal transit fees;
- (xx) a reasonable management fee for operating vessels or liquefied natural gas tankers; this fee is set at six percent (6%) of the allowable costs set out in Exhibit X.8(j)(i) - (iii); this set fee covers all general and administrative costs related to vessel operations, including all costs for accounting services, clerical services, administrative services, secretarial services, data processing services, legal services, corporate and operations management, overhead pass-throughs, facility costs and depreciation, corporate planning, risk management, environmental planning and risk evaluation, public affairs, governmental affairs, political affairs, dues and subscriptions other than dues allowable under Exhibit X.8(j)(xxii), long-range scheduling, and long-range planning; additional deductions will not be allowed for these costs;
- (xxi) other costs directly associated with the operation or maintenance of the vessel or liquefied natural gas tanker, including costs for port services and

operations, cargo scheduling and planning, fleet staffing, fleet scheduling, fleet staff training, fleet safety, engineering for repair, engineering for maintenance, engineering for drydocking, quality assurance for vessel operations, communication systems, navigation systems, United States Coast Guard certifications, and utility services; these costs include costs for personnel performing the functions listed and the first level of supervision of these personnel;

(xxii) costs incurred in transportation of oil to comply with 33 U.S.C. 2701 - 2761 (Oil Pollution Act of 1990), AS 46.04, and applicable laws of this or any other state or political subdivision requiring equipment and personnel to be in place for spill prevention and response to spills from vessels; those costs must have not been incorporated into a pipeline tariff, but must have been incurred as an actual cost in the transportation of oil produced in *Alaska*; and

(xxiii) costs of containing and cleaning up cargo lost in a discharge, unless the discharge is a catastrophic oil discharge under AS 46.04.900 .

(k) For purposes of Exhibit X, a *Producer* “effectively owns” a vessel, *LNG Transportation Facility*, or nonregulated pipeline facility if the vessel, *LNG Transportation Facility*, or nonregulated pipeline facility

(i) is owned by another *Person* comprising part of a consolidated business in which the *Producer* is also a part;

(ii) is the subject of a lease that qualifies as a capital lease under generally accepted accounting principles, in which the *Producer* or another *Person*

comprising part of a consolidated business in which the *Producer* is also a part, is the lessee;

(iii) was built to the account of the *Producer*, or of another *Person* comprising part of a consolidated business in which the *Producer* is also a part, was sold and was chartered or leased back by the *Producer*, or by another *Person* comprising part of a consolidated business in which the *Producer* is also a part, all in a simultaneous transaction, and is on a term charter or lease for a period of fifteen (15) years or longer to the *Producer*, or to another *Person* comprising part of a consolidated business in which the *Producer* is also a part; or

(iv) in the case of a vessel for which a cost of capital allowance is allowed under Exhibit X.10, is treated as owned by the *Producer*, or by another *Person* comprising part of a consolidated business in which the *Producer* is also a part, in a federal income tax return filed by or on behalf of the *Producer*, or by or on behalf of another *Person* comprising part of a consolidated business in which the *Producer* is also a part.

(l) For purposes of Exhibit X.8(1), the “positioning cost” for a vessel or liquefied natural gas tanker includes the costs borne by the *Producer* for placing that vessel or liquefied natural gas tanker into position before the vessel’s or liquefied natural gas tanker’s first voyage in service for that *Producer*.

(m) The third-party nature of an agreement between a *Producer* and a third-party carrier regarding transportation costs is not affected during the term of that agreement by a subsequent consolidation of that *Producer* and carrier into a consolidated business, if, at

the time they entered into that agreement, neither the *Producer* nor the carrier exercised directly or indirectly any control over the business affairs of the other.

(n) The *Producer's* actual marine transportation cost, as otherwise determined under Exhibit X, for a *Producer* that transports *PPT Oil* produced in *Alaska* on behalf of a nonaffiliated party through a charter, contract of affreightment, sublease, or other arrangement, in addition to the *Producer's* own oil produced in *Alaska*, includes the cost of transporting that non-affiliated party's oil produced in *Alaska* and is reduced by the revenue received for providing that transportation. For purposes of Exhibit X.8,

(i) "affiliated party" means a company effectively controlled by the *Producer* or by the same company that effectively controls the *Producer*; a company "effectively controls" another company if it directly or indirectly owns twenty percent (20%) or more of the outstanding stock or other ownership interests;

(ii) "non-affiliated party" means a *Producer* of oil produced in *Alaska* that is not an affiliated party.

(o) A *Producer* shall report any reimbursed costs to the *DOR*. Reimbursed costs are not allowable as actual costs of transportation under Exhibit X.

(p) Only costs incurred in the transportation of oil or gas produced from a lease or *Property* in *Alaska* are allowable costs. Costs incurred in connection with the transportation of any other oil or gas are not allowable costs.

(q) For purposes Exhibit X.8, "expected useful life" means the period of time used to calculate depreciation under Exhibit X.8(b)(iii)(C) or Exhibit X.8(b)(iv)(B)(3).

(r) intentionally left blank

(s) intentionally left blank

- (t) intentionally left blank
- (u) For *PPT Oil* or *PPT Gas* produced during *Calendar Year 2002* that is transported by a vessel placed in service on or after January 1, 1995, the actual costs of transportation under Exhibit X.8(b) do not include depreciation, return on acquisition cost, or lease or charter payments for a vessel or liquefied natural gas tanker that has not, during any period of sixty (60) consecutive *Days* or longer, retroactive to the first *Day* of the period, transported *PPT Oil* or *PPT Gas* produced in *Alaska*. However, if the vessel is placed in dry dock before the end of the sixty (60) *Day* period, the actual costs of transportation under Exhibit X.8(b) do not include depreciation, return on investment, or lease or charter payments for the vessel if it has not, during any period of more than one hundred twenty (120) consecutive *Days*, transported *PPT Oil* or *PPT Gas* produced in *Alaska*, with the disallowance of the costs of transportation starting with the one hundred twenty-first (121<sup>st</sup>) *Day*.
- (v) Other costs incurred to transport *PPT Oil* or *PPT Gas* from the flange of the vessel to the sales delivery point are allowable for purposes of Exhibit X.7(a) if the other costs are actual costs of transportation.

**X.9 Return on investment or cost of capital allowance to be used in calculation of reasonable costs of transportation for oil or gas, other than certain vessel transportation costs for oil or gas produced on or after January 1, 2003** (replaces 15 AAC 55.195).

- (a) For a vessel, *LNG Transportation Facility*, or capitalized improvement placed in service before January 1, 1995, by the *Producer* or by a *Person* from whom, directly or through an intermediate transaction of the same nature, the *Producer* later acquired the

vessel as part of a larger transfer of both marine and non-marine assets associated with a business merger or acquisition transaction, a reasonable return including depreciation under Exhibit X.8(b)(iii)(C) and (D) or Exhibit X.8(b)(iv)(B)(3) and (4) is an amount that yields a return on the acquisition cost of the vessel, *LNG Transportation Facility*, or capitalized improvement, after federal income tax, of two percent (2%) plus the average annual national inflation rate, measured by the compound root of the GNP deflator, during the period between the time the commitment was made to construct or initially acquire the vessel, *LNG Transportation Facility*, or capitalized improvement for the purpose of placing it in service and the time when the vessel, *LNG Transportation Facility*, or capitalized improvement had been received or delivered and was ready to be placed into service, or if that period fell entirely within a *Calendar Year*, during that entire *Calendar Year*, except that if the *DOR* replaced that rate of return with a different rate of return for a vessel, *LNG Transportation Facility*, or capitalized improvement under former 15 AAC 55.190(i), that different rate of return is allowed instead. The allowance for the reasonable return on the acquisition cost is a level annual amount, determined in the *Calendar Year* of initial acquisition for the purpose of placement in service, considering the marginal federal corporate income tax rate in effect that *Calendar Year* and the contemporaneous and projected federal income tax benefits. If, in subsequent years, the federal tax rate changes, or other events occur that change the available federal income tax benefits, a revised level annual allowance must be calculated to yield the same after-tax return. For purposes of Exhibit X.9,

- (i) “acquisition cost” means the amount, not to exceed the cost of the vessel, *LNG Transportation Facility*, or capitalized improvement when initially acquired

for the purpose of placing it in service, capitalized by the item's actual or effective owner under generally accepted accounting principles, including costs of improvements made after the date a vessel or *LNG Transportation Facility* was initially placed in service, and reduced by the

(A) cash value of any federal income tax benefits, such as investment tax credit, of acquiring the vessel, *LNG Transportation Facility*, or capitalized improvement; and

(B) reasonable salvage value of the vessel, *LNG Transportation Facility*, or capitalized improvement;

(ii) "after federal income tax" means after applying appropriate adjustments for the federal income tax benefits of owning and operating the vessel, *LNG Transportation Facility*, or capitalized improvement; these tax benefits include tax depreciation, foreign tax credits generated by foreign source income derived from the use of the vessel, *LNG Transportation Facility*, or capitalized improvement, capital construction fund contributions, and investment tax credits.

(b)-(j) intentionally left blank

**X.10 Cost of capital allowance to be used in calculation of reasonable costs of vessel transportation for oil or gas produced on or after January 1, 2003, other than certain costs pertaining to vessels placed in service before January 1, 1995** (replaces 15 AAC 55.196).

(a) Except if Exhibit X.9(a) applies, for *PPT Oil* or *PPT Gas* produced on or after January 1, 2003, a cost of capital allowance that consists of depreciation and a return on invested capital will be allowed under Exhibit X for a vessel, or an improvement

completed on or after January 1, 2002 to a vessel, owned or effectively owned by the *Producer*, as provided in Exhibit X.8. However, a *Producer* may elect to expense the first one million *Dollars* (\$1,000,000) in costs incurred with respect to improvements during a *Calendar Year*.

(b) A cost of capital allowance under Exhibit X.10 will be allowed only for *Days* when the vessel is in allowable service, in allowable lay up, or in allowable dry dock.

(c) The following requirements apply to the timing of changes in vessel status:

(i) a vessel changing from operation in allowable service to lay up or operation in alternative service begins lay up or operation in alternative service on the *Day* after the last *Day* of cargo discharge in allowable service;

(ii) a vessel changing from operation in alternative service to lay up or operation in allowable service begins lay up or operation in allowable service on the *Day* after the last *Day* of cargo discharge in alternative service;

(iii) a vessel changing from lay up to operation in allowable service or operation in alternative service begins operation in allowable service or operation in alternative service on the *Day* after the vessel departs from the location where the vessel was laid up;

(iv) a vessel going into dry dock begins dry dock status on the *Day* after the last *Day* of cargo discharge or, if going into dry dock from lay up, on the *Day* after the vessel departs from the location where the vessel was laid up;

(v) a vessel finishing dry dock changes from dry dock status to the immediately subsequent status on the *Day* after the vessel departs the dry dock facility;



- (vi) a vessel begins operation in allowable service on the *Day* that its useful life begins or, in the case of a used vessel newly acquired by a *Producer*, on the *Day* that its remaining useful life for that *Producer* begins, if the vessel proceeds directly to enter operation in allowable service; otherwise, the vessel begins operation in alternative service on the *Day* specified in Exhibit X.10(c); for purposes of Exhibit X.10, the beginning of a vessel's useful life or remaining useful life is determined in accordance with generally accepted accounting principles.
- (d) A cost of capital allowance under Exhibit X must be calculated using the method set out in the *DOR's* publication *Computation of a Cost-of-Capital Allowance under Exhibit X.10, Incorporating Depreciation and Return on Invested Capital for Marine Vessels and Improvements, Second Edition*, dated September 19, 2003, which is adopted by reference and included under Exhibit Z.
- (e) For purposes of Exhibit X.10,
- (i) a vessel is in allowable service if the vessel is
    - (A) in service within the meaning given in 15 AAC 55.900, except when the vessel is in dry dock; or
    - (B) idle for a period of fewer than ninety (90) consecutive *Days* immediately before operation in allowable service under Exhibit X.10(e)(i)(A); for purposes of Exhibit X.10(e), a vessel is not idle if it is in dry dock;

- (ii) a vessel is laid up if it is idle for a period of ninety (90) or more consecutive *Days*; for purposes Exhibit X.10(e), a vessel is not idle if it is in dry dock;
- (iii) a vessel is in allowable lay up if the vessel is laid up during a *Calendar Year*, but only to the extent that the total number of *Days* it is or has been laid up while owned or effectively owned by the *Producer* through the end of that *Calendar Year* does not exceed the total number of *Days* it is or has been in allowable service while owned or effectively owned by the *Producer* through the end of that *Calendar Year*;
- (iv) a vessel is in allowable dry dock if the vessel is in dry dock during a *Calendar Year*, but only for that fraction of the total *Days* in dry dock that equals the sum of the number of *Days* during the *Calendar Year* that the vessel is in allowable service and the number of *Days* during the *Calendar Year* that the vessel is in allowable lay up, divided by the sum of the number of *Days* during the *Calendar Year* that the vessel is in allowable service, the number of *Days* during the *Calendar Year* that the vessel is laid up, and the number of *Days* during the *Calendar Year* that the vessel is in alternative service;
- (v) a vessel is in alternative service if it is not in lay up, dry dock, or allowable service; and
- (vi) if necessary to determine a vessel's status during a *Calendar Month*, the vessel's status at later times must be considered.

**X.11 Retroactive adjustments** (replaces 15 AAC 55.200). In addition to retroactive adjustments ordered by a *Tribunal*, if retroactive adjustments in costs of transportation, sales price, prevailing value, or consideration for quality differentials relating to the commingling of *PPT Oils* result from a decision of a regulatory agency, a court, or other preemptive authority, those adjustments have a corresponding effect, either an increase or decrease as applicable, on the *Gross PPT Value at the Point of Production* as determined under Exhibit X, unless otherwise agreed between the *Producer* and the *State*, the *Producer* shall file amended reports covering the entire period of an adjustment unless the *Producer* has obtained a stay on that filing or payment, regardless of the pendency of appeals of those decisions.

**X.12 Modifications.** The *State* or a *Producer* may seek to modify prospectively the method for determining the *Gross PPT Value at the Point of Production* for *PPT Oil* or *PPT Gas* under Exhibit X by providing *Notice of Dispute*. The effective date of the modification is the first *Day* of the *Calendar Month* following the date of the *Notice*. A *Party* may only give the *Notice* as follows:

- (a) After June 30, 2009; or
- (b) Three (3) years after the effective date of the most recent modification of that provision for a *Producer*.

## EXHIBIT Y

## STATE ADMINISTRATIVE PROCEDURES FOR PPT PILT PAYMENTS

**Y.1 Replacement of AS 43.05 and AS 43.10.** Exhibit Y replaces the otherwise applicable provisions of AS 43.05 and AS 43.10 for any matter relating to a *PPT PILT Payment*. AS 43.05 and AS 43.10 are not incorporated into this *Contract* for purposes of determining the amount of any *PPT PILT Payment*.

**Y.2 Duties of commissioner** (replacement of AS 43.05.010). For any matter relating to a *PPT PILT Payment*, the *Commissioner* shall

- (a) keep a record of all *DOR* proceedings, record and file all bonds, and assume custody of reports, papers, and documents of the *DOR*;
- (b) keep a record of each order, process, and certificate issued by the *Commissioner*, and keep the record open to public inspection at all reasonable times except to the extent the record is required to be kept confidential by the *Contract* or applicable *Law*;
- (c) investigate, hold informal conferences, and determine matters within the jurisdiction of the *DOR* relating to *PPT PILT Payment*, which determinations, including its interpretation of any *Law* in making those determinations or finding of fact relevant to those determinations, are neither presumed correct nor entitled to deference in any *Dispute* arising from a determination by the *Commissioner*;
- (d) issue a command to appear at a certain time and place to testify, or to appear at a certain time and place to produce books, papers, and other things, and testify to require

the attendance of witnesses and the production of necessary books, papers, documents, correspondence, and other things (“Subpoena”);

- (e) order the taking of depositions before a person competent to administer oaths;
- (f) administer oaths and take acknowledgments.

**Y.3 Inspection of records or premises and issuance of Subpoenas** (replaces AS

43.05.040).

(a) The *DOR* may examine the books, papers, records, or memoranda of any *Person* to ascertain the correctness of a *PPT PILT Payment* report filed or to determine whether a *PPT PILT Payment* is due, or in an investigation or inspection in connection with *PPT PILT Payment*. The records and the premises where a business is conducted shall be open at all reasonable times for official inspection, and the *DOR* may issue a *Subpoena* to any *Person* to appear and produce books, records, papers, or memoranda bearing upon *PPT PILT Payment* matters and to give testimony or answer interrogatories under oath respecting *PPT PILT Payment* matters. The *DOR* may administer oaths to *Persons* who are so subpoenaed. A *Subpoena* issued under Exhibit Y.3 may compel attendance of a witness or production of a document or thing, located either inside or outside *Alaska*, to the maximum extent permitted by *Law*.

(b) A *Subpoena* may be served by the commissioner of public safety or a peace officer designated by the commissioner of public safety, by a *Person* designated by the *DOR*, or as otherwise provided by *Law*. A *Subpoena* may also be served by registered or certified mail for delivery restricted only to the *Person* subpoenaed. The return delivery receipt must be addressed so that the receipt is returned to the *DOR*.

(c) If a *Person* who is subpoenaed neglects or refuses to comply with the *Subpoena* issued as provided in Exhibit Y, the *DOR* may seek an order under the expedited procedures provided under Exhibit R.4, Article 26 and Exhibit C compelling compliance with the *Subpoena*. Under those procedures, a *Party*, to the maximum extent permitted by *Law*, may be compelled to comply with the *Subpoena* to the same extent as witnesses may be compelled to comply with the *Subpoenas* of the court.

**Y.4 Report by DOR upon failure to make report or making false or fraudulent report**

(replaces 43.05.050). If a *PPT PILT Payment Payer* fails to report a *PPT PILT Payment* at the time prescribed under the *Contract*, or willfully makes a false or fraudulent report, the *State* may provide *Notice* to the *PPT PILT Payment Payer* of the *DOR's* intent to make a report. If, within thirty (30) *Days* after the *Notice*, the *PPT PILT Payment Payer* fails:

- (a) to file a report or correct the report as the case may be; or
- (b) to issue a *Notice of Dispute* under the expedited procedures provided under Exhibit Y.17, Article 26 and Exhibit C,

the *DOR* shall make the report from the information it obtains. A report made by the *DOR* under Exhibit Y.4 is *prima facie* good and is presumed sufficient for all legal purposes. However, nothing prevents a *PPT PILT Payment Payer* from presenting evidence or other information in an informal conference under Exhibit Y.10 or in a *Dispute* under Article 26 and Exhibit C in order to rebut the presumed sufficiency of a report subscribed by the *DOR*, nor does the presumption of sufficiency alter the *Parties'* respective burdens of proof once the *PPT PILT Payment Payer* has presented evidence or other material information to rebut that presumption.

**Y.5 Agreements with DOR respecting liability** (replaces 43.05.060). The *DOR* may enter into an agreement with a *Person* relating to the liability of the *Person*, or of a *Person* or estate the *Person* represents, for a *PPT PILT Payment* for a period ending before the end of the *Term*. If the agreement is approved by the attorney general, the agreement is final and conclusive and, except upon a showing of fraud or malfeasance, or misrepresentation of a material fact, the case may not be reopened as to the matters agreed upon or the agreement modified. In a proceeding relating to the *PPT PILT Payment* liability of the *Person* required to make the *PPT PILT Payment* (“*PPT PILT Payment Payer*”) the agreement may not be annulled, modified, set aside, or disregarded.

**Y.6 Compromise of PPT PILT Payment** (replaces 43.05.070). If in the opinion of the *DOR* there is doubt as to the liability of the *PPT PILT Payment Payer* for or the collectibility of a *PPT PILT Payment*, the *DOR*, with the approval of the attorney general, may compromise the *PPT PILT Payment*.

**Y.7 Concealing or falsifying evidence** (replaces AS 43.05.075). A *Person* may not knowingly, in connection with a compromise or offer of a compromise under Exhibit Y.6 or in connection with a closing agreement or offer to enter a closing agreement under Exhibit Y.5,

- (a) conceal, from an officer or employee of the *State*, property belonging to the estate of the *PPT PILT Payment Payer* or other *Person* liable for the *PPT PILT Payment*; or
- (b) receive, destroy, mutilate, or falsify a book, document, or record or make a false report under oath relating to the estate or the financial condition of the *PPT PILT Payment Payer* or other *Person* liable for the *PPT PILT Payment*.

**Y.8 Interest** (replaces AS 43.05.225). Unless otherwise provided in Exhibit Y, when a *PPT PILT Payment* under this *Contract* becomes delinquent, it bears interest in a *Calendar Quarter* at the rate of five (5) percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first *Day* of that *Calendar Quarter*, or at the annual rate of eleven percent (11%), whichever is greater, compounded quarterly as of the last *Day* of that quarter.

**Y.9 Disclosure of PPT PILT Payment statements and reports** (replaces AS 43.05.230).

- (a) It is unlawful for a current or former officer, employee, or agent of the *State* to divulge the amount of income or the particulars set out or disclosed in a report or statement made under Exhibit P, except
- (i) in connection with official investigations or proceedings of the *DOR*, whether judicial arbitration, or administrative, involving *PPT PILT Payments* due under Exhibit P; and
  - (ii) as provided in AS 38.05.036, as it read, was interpreted and applied as of October 1, 2005, pertaining to audit functions of the *DNR*;
- (b) The *DOR*, upon written request, shall furnish to the *PPT PILT Payment Payer* a copy of the *PPT PILT Payment Payer's PPT PILT Payment* report upon payment of a fee of one *Dollar* (\$1) per page.
- (c) The *DOR* may permit the proper officer of the United States or of a state, territory or possession of the United States or of Canada or of a province or territory of Canada, or the officer's authorized representative, to inspect *PPT PILT Payment* reports provided to



the *DOR*, or may furnish to the officer or representative a copy of the report, if the other jurisdiction grants substantially similar privileges to the *DOR* or its representative or to counsel for the *State*, and if the *DOR* determines that the other jurisdiction provides adequate safeguards for the confidentiality of the reports, and that the reports will be used for tax purposes only. The *DOR* may also permit the employment security division of the *State* Department of Labor and Workforce Development to inspect *PPT PILT Payment* reports filed with the *DOR* or may furnish a copy of the reports for tax purposes only.

(d) The *Commissioner* may furnish to the Multistate Tax Commission or other authorized agent information contained in the reports and documents filed under an audit or investigation of a multistate business made by the *DOR*. This information may be furnished for tax purposes only. The Multistate Tax Commission or other authorized agent may make the information available to the tax officials of other states, the District of Columbia, and the United States and its territories for tax purposes only.

(e) Nothing in Exhibit Y prohibits the publication of statistics so classified as to prevent the identification of particular reports or the publication of delinquent lists showing the names of *PPT PILT Payment Payers* who have failed to pay their *PPT PILT Payments* at the time and in the manner provided by this *Contract*, together with other relevant information, which in the opinion of the *DOR* may assist in the collection of delinquent *PPT PILT Payments*.

**Y.10 PPT PILT Payment Payer remedies** (replaces AS 43.05.240).

(a) A *PPT PILT Payment Payer* aggrieved by the action of the *DOR* in fixing the amount of a *PPT PILT Payment* may apply to the *DOR* within sixty (60) *Days* after the

date of mailing of the notice required to be given to the *PPT PILT Payment Payer* by the *State*, giving notice of the grievance, and requesting an informal conference to be scheduled with an appeals officer. The *PPT PILT Payment Payer* must be given access to the *PPT PILT Payment Payer's* file in the *DOR* in the matter for preparation for the informal conference. At the informal conference, the *PPT PILT Payment Payer* may present to the appeals officer arguments and evidence relevant to the amount of *PPT PILT Payment* due the *State*. If the *DOR* determines that a correction is warranted, the *DOR* shall make the correction.

(b) A *Party* who believes that the appeals officer is unduly delaying a hearing process may provide *Notice* to the *State*. Within thirty (30) *Days* of the *Notice*, the *Commissioner* may issue an order prescribing a schedule for the appeals officer to complete the informal conference or setting a meeting at which that schedule will be discussed and prescribed. The schedule may be subsequently modified by consent of the affected *Parties*. If the *Commissioner* fails to issue an order within thirty (30) *Days* after receiving *Notice* of a *Party's* belief of undue delay, the *DOR's* action in fixing the amount of *PPT PILT Payment* must be considered to have been summarily affirmed by the appeals officer the same as if an informal conference decision to that effect were issued on the last *Day* of that thirty (30) *Day* period.

**Y.11 Arbitration challenging validity of PPT PILT Payment** (replaces AS 43.05.242).

(a) Within thirty (30) *Days* after a decision resulting from the informal conference, a *Person* aggrieved by the action of the *DOR* under Exhibit Y.10 may issue a *Notice of Dispute* to the *State* and the *Dispute* is to be resolved under Article 26.1 and Exhibit C.

(b) In resolving a *Dispute* of an action taken by the *DOR* under Exhibit Y.10, including the determination of a *PPT PILT Payment*, the *DOR's* action or determination, including its interpretation of any *Law* in making those determinations or its finding of fact relevant to those determination, is neither presumed correct nor entitled to deference in any *Dispute*.

**Y.12 Assessment and collection of PPT PILT Payment and interest** (replaces AS 43.05.245). If a *PPT PILT Payment Payer* fails to file a *PPT PILT Payment* report required under Exhibit P at the time required under the *Contract*, or willfully makes a false or fraudulent report, the *State* may provide *Notice* to the *Participant* of the *DOR's* intent to assess *PPT PILT Payment* interest and make a report. If, within thirty (30) *Days* after the *Notice*, the *PPT PILT Payment Payer* fails:

- (a) to file a report or correct the report as the case may be; or
- (b) to issue a *Notice of Dispute* under the expedited procedures provided under Exhibit Y.17, Article 26 and Exhibit C,

the *DOR* shall proceed to assess the *PPT PILT Payment* interest and make a report from information that it obtains. An assessment or a report subscribed by the *DOR* in accordance with Exhibit Y.12 is *prima facie* good and is presumed sufficient for all legal purposes. However, nothing prevents a *PPT PILT Payment Payer* from presenting evidence or other information in an informal conference under Exhibit Y.10 or in a *Dispute* under Article 26 and Exhibit C in order to rebut the presumed sufficiency of an assessment or report subscribed by the *DOR*, nor does the presumption of sufficiency alter the *Parties'* respective burdens of proof once the *PPT PILT Payment Payer* has presented evidence or other material information to rebut that

presumption. The assessment of *PPT PILT Payment* interest under Exhibit Y.12 occurs when the *State* issues a *Notice* and demand for payment of the *PPT PILT Payment* or interest.

**Y.13 Limitation on assessment** (replaces AS 43.05.260).

- (a) Except as provided in Exhibit Y.13(c), the amount of a *PPT PILT Payment* must be assessed within three (3) years after the *PPT PILT Payment* report was filed, whether or not a *PPT PILT Payment* report was filed on or after the date prescribed by the *Contract*. If the *PPT PILT Payment* is not assessed before the expiration of the three (3) year period, proceedings may not be instituted for the collection of the *PPT PILT Payment*.
- (b) For purposes of Exhibit Y, a *PPT PILT Payment* report filed before the last day prescribed by the *Contract* is considered as filed on the last day.
- (c) The following exceptions apply to the limitation period in Exhibit Y.13(a):
  - (i) in the case of a false or fraudulent report with the intent to evade *PPT PILT Payment*, the *PPT PILT Payment* may be assessed, or a proceeding for collection of the *PPT PILT Payment* under Article 26 and Exhibit C may be begun without assessment, at any time;
  - (ii) in the case of a failure to file a *PPT PILT Payment* report, the *PPT PILT Payment* may be assessed, or a proceeding under Article 26 and Exhibit C for the collection of the *PPT PILT Payment* may be begun without assessment, at any time;
  - (iii) if, before the expiration of the time prescribed in Exhibit Y for the assessment of a *PPT PILT Payment*, both the *DOR* and the *PPT PILT Payment*

*Payer* have consented in writing to the assessment after the expiration of the time, the *PPT PILT Payment* may be assessed at any time before the expiration of the period agreed upon; however, the period agreed upon may be extended by a subsequent agreement in writing made before the expiration of the period previously agreed upon.

**Y.14 Interest on overpayments (replaces AS 43.05.280).**

- (a) Interest must be allowed and paid on an overpayment of a *PPT PILT Payment* at the rate and in the manner provided in Exhibit P and Exhibit Y.8.
- (b) Interest must be allowed and paid as follows:
  - (i) in the case of a credit, from the date of the overpayment to the due date of the amount against which the credit is taken;
  - (ii) in the case of a refund, from the date of the overpayment to a date preceding the date of the refund check by not more than thirty (30) *Days*, whether or not the refund check is accepted by the *PPT PILT Payment Payer* after tender of the check to the *PPT PILT Payment Payer*; the acceptance of the refund check does not affect the right of the *PPT PILT Payment Payer* to claim an additional overpayment and interest on the overpayment.
- (c) If an overpayment of a *PPT PILT Payment* is refunded within ninety (90) *Days* after the last date prescribed for filing the *PPT PILT Payment* report of the *PPT PILT Payment*, determined without regard to an extension of time for filing the *PPT PILT Payment* report, or if the *PPT PILT Payment* report is filed after the last filing date and the overpayment is refunded within ninety (90) *Days* after the date the *PPT PILT*

*Payment* report is filed, interest may not be allowed under Exhibit Y.14(a) on that overpayment.

**Y.15 Enforcement (replaces AS 43.10.032).**

- (a) Each of the following is a debt to the *State*:
  - (i) a *PPT PILT Payment* that is due and unpaid;
  - (ii) the interest, additional amount, or addition to a *PPT PILT Payment* under Exhibit Y.15(a)(i);
  - (iii) a *PPT PILT Payment* that has been erroneously refunded; and
  - (iv) the interest, additional amount or addition to a *PPT PILT Payment* that has been erroneously refunded.
- (b) A debt under Exhibit Y.15(a) may be collected under the remedies provided in this *Contract*.

**Y.16 Recovery of overpayments and protested payments (replaces AS 43.10.210).**

- (a) The *State* shall refund to a *PPT PILT Payment Payer* the amount of a *PPT PILT Payment* paid to the *DOR* under protest and deposited in the treasury if
  - (i) the *PPT PILT Payment Payer* recovers an *Award* from a *Tribunal* against the *State* for the report of the payment; or
  - (ii) in the absence of an *Award*, it is obvious to the *DOR* that the *PPT PILT Payment Payer* would obtain an *Award* from a *Tribunal* if proceedings were prosecuted by the *PILT Payment Payer*.

(b) The *State* shall refund the amount of an overpayment to a *PPT PILT Payment Payer* if the *State*, on audit of the account in question, determines that a remittance by the *PPT PILT Payment Payer* exceeds the amount due.

**Y.17 Expedited Arbitration Procedures for Certain Disputes.** If a *Dispute* arises regarding the *DOR's* intent to make an assessment or report under Exhibit Y.4 or Exhibit Y.12, then Exhibit C is modified for that *Dispute* as follows:

- (a) the amicable resolution process under Exhibit C.2. does not apply;
- (b) the *Tribunal* under Exhibit C.5(a) is reduced from three (3) arbitrators to one (1) arbitrator;
- (c) the time period during which the *Parties to the Dispute* shall attempt to jointly select the arbitrator under Exhibit C.5(b) is reduced from seventy-five (75) *Days* to thirty (30) *Days*;
- (d) the time period during which *CPR* shall convene the *Parties to the Dispute* in person or by telephone to attempt to select the arbitrator by agreement under Exhibit C.6(b)(i) and C.6(b)(ii) is reduced from twenty (20) *Days* to fifteen (15) *Days*; and
- (e) the time period under Exhibit C.14(g) within which a *Dispute* should in most circumstances be submitted to the *Tribunal* under Exhibit C.14(g) is reduced from six (6) months to two (2) months.

**Y.18 Use of Third Party Records and Contracts.** Subject to Exhibit Y.19,

- (a) nothing in Exhibit Y prevents the use of any *Person's* books, papers, records or memoranda in an audit or *Dispute* regarding a *Producer's PPT PILT Payment* or another *Person's* tax;
- (b) if a *Producer* has a contract with another *Person* and that *Person* consents to the *DOR's* use of the contract, the *Producer* shall not object to the *DOR's* use of the contract in an audit or *Dispute* regarding the *Producer's PPT PILT Payment* on the basis that the *Producer* cannot unilaterally consent to the use;
- (c) the *DOR* shall provide a *Producer* all contracts, books, papers, records or memoranda of another *Person* relevant to a *Producer's PPT PILT Payment* that are in *DOR's* possession or control.

**Y.19 Protective Order.** Before disclosing any contract, book, paper, record, or memoranda under Exhibit Y.18 or that is otherwise required to be held confidential under *Law* or this *Contract*, the *DOR* shall:

- (a) provide the *Producer* that furnished the information a reasonable opportunity to be heard and present objections regarding the proposed disclosure and the conditions to be imposed under Exhibit Y.19(b); and
- (b) enter into a protective order imposing appropriate conditions to maintain the confidentiality of the information, including limiting:
  - (i) access to the information to those legal counsel, consultants, employees, officers, and agents of a *Producer* who have a need to know that information;
  - (ii) access to highly confidential information to only outside counsel and consultants retained by a *Producer*,



for the purpose of determining or contesting the *Producer's PPT PILT Payment* and limiting the use of the information to use for that purpose.

**EXHIBIT Z**

**DEPRECIATION AND RETURN ON INVESTED CAPITAL FOR MARINE VESSELS  
AND IMPROVEMENTS**

The DOR’s publication “Computation of a Cost-of-Capital Allowance under 15 AAC 55.196, Incorporating Depreciation and Return on Invested Capital for Marine Vessels and Improvements, Second Edition”, dated September 19, 2003, is attached below in electronic format, and supplemented with documentation necessary to meet required modeling specifications.

**Z.1 User’s Manual.** “This publication sets out the methodology to be used by producers in computing the cost-of-capital allowance for marine vessels and improvements under 15 AAC 55.196. This methodology provides for separately computing a cost-of-capital allowance for each individual vessel, including improvements to that vessel, to which 15 AAC 55.196 applies.”

Attached electronic file	ROIManual.doc
World Wide Web Address	<a href="http://www.tax.state.ak.us/programs/oil/programs/ogproduction/forms/ROIManual.doc">http://www.tax.state.ak.us/programs/oil/programs/ogproduction/forms/ROIManual.doc</a>
Hyperlink	<a href="#">ROI USERS MANUAL</a>

**Z.2 Blank Form.** “Following are blank input schedules and calculation tables forms for computing the tax.”

Attached electronic	sec196roimanualexample070103blankform.xls
---------------------	---

file	
World Wide Web Address	<a href="http://www.tax.state.ak.us/programs/oil/programs/ogproduction/forms/2004/sec196roimanualexample070103blankform.xls">http://www.tax.state.ak.us/programs/oil/programs/ogproduction/forms/2004/sec196roimanualexample070103blankform.xls</a>
Hyperlink	<a href="#">BLANK FORM</a>

**Z.3 Regular Example 1.** “Following is an example of using the methodology described in this publication to calculate the cost-of-capital allowance. The example contains both a hypothetical set of inputs, and the calculations that would result from those inputs.”

Attached electronic file	sec196roimanualexample070103.xls
World Wide Web Address	<a href="http://www.tax.state.ak.us/programs/oil/programs/ogproduction/forms/2004/sec196roimanualexample070103.xls">http://www.tax.state.ak.us/programs/oil/programs/ogproduction/forms/2004/sec196roimanualexample070103.xls</a>
Hyperlink	<a href="#">REGULAR FORM</a>

**Z.4 Alternative Minimum Tax Example.** “Following is an example of using the methodology described in this publication to calculate the cost-of-capital allowance for a producer in alternative minimum tax status for the pre-construction period and six years following the beginning of the vessel’s useful life. All other circumstances are identical to Example 1.”

Attached electronic file	sec196roimanualexample070103amt.xls
World Wide Web address:	<a href="http://www.tax.state.ak.us/programs/oil/programs/ogproduction/forms/2004/sec196roimanualexample070103amt.xls">http://www.tax.state.ak.us/programs/oil/programs/ogproduction/forms/2004/sec196roimanualexample070103amt.xls</a>
Hyperlink:	<a href="#">AMT FORM</a>

## ATTACHMENT 1

## UNIFORM UPSTREAM FISCAL CONTRACT ACT

An Act establishing a method for providing fiscal certainty for certain North Slope oil and gas leases not covered by the Alaska Stranded Gas Fiscal Contract; authorizing the commissioner of revenue to develop a form of uniform upstream fiscal contract; providing certain requirements for a uniform upstream fiscal contract; providing authority to execute uniform upstream fiscal contracts; and providing for an effective date.

**\*Section 1.** AS 43.82.is amended by adding a new section to read:

**Sec. 43.82.437. New leases and parties to stranded gas fiscal agreement.** (a) If the commissioner develops a contract under AS 43.82.200, the commissioner, after consulting the commissioner of natural resources, shall develop a uniform upstream fiscal contract. The contract shall be set out in regulations adopted by the commissioner of revenue with the concurrence of the commissioner of natural resources.

(b) The uniform upstream fiscal contract must apply to an interest in an oil and gas lease located in the state north of 68 degrees North Latitude other than an interest covered by the Alaska Stranded Gas Fiscal Contract.

(c) Except as provided in (h) of this section, the commissioners of revenue and natural resources shall jointly execute a uniform upstream fiscal contract with any qualified upstream interest owner.

(d) A uniform upstream fiscal contract developed under (a) of this section may not be effective unless the Alaska Stranded Gas Fiscal Contract is in effect and must:

(1) be between a single qualified upstream interest owner and the *State*;

(2) be effective when signed by the qualified upstream interest owner and the commissioners of natural resources and revenue;

(3) terminate automatically if the Alaska Stranded Gas Fiscal Contract terminates for any cause;

(4) provide that the qualified upstream interest owner may make interests in oil and gas leases subject to the uniform upstream fiscal contract, subject to:

(i) work commitment requirements requiring diligent exploration for or development of gas for delivery to the *Project*;

(ii) the execution of a letter of intent from the person, an affiliate of that person, or a prospective purchaser of gas from that person, to make a firm commitment for transportation on the *Project* of a minimum volume of gas that is discovered or yet to be discovered from the oil and gas lease interests committed to the uniform upstream fiscal contract for a minimum term, as specified by the commissioner of revenue with the concurrence of the commissioner of natural resources;

(iii) termination if the work commitment is not diligently performed or the firm transportation commitment is not maintained or kept;

(5) include an option for the state to acquire a percentage interest in a gas transmission line that transports gas covered by the uniform upstream fiscal contract to the *Project*, if the qualified upstream interest owner also holds or acquires an interest in the gas transmission line,

at a percentage equal to the state's estimated share of gas to be produced from the qualified upstream interest owner's oil and gas lease interests covered by the contract;

(6) include provisions related to a gas transmission lines that are substantially similar to Article 6 (Alaska hire and content) of the Alaska Stranded Gas Fiscal Contract;

(7) include provisions identical in substance, but modified as necessary to properly identify the parties, to the following articles of the Alaska Stranded Gas Fiscal Contract:

- (A) Article 10 (capacity management);
- (B) Article 12 (royalty in kind);
- (C) Article 13 (tax bearing gas payment);
- (D) Article 14 (payments in lieu of production taxes);
- (E) Article 15 (oil facilities payment);
- (F) Article 15 (gas facilities payment);
- (G) Article 17 (oil pipeline ad valorem tax);
- (H) Article 19 (payment in lieu of state income tax);
- (I) Article 20 (upstream cost allowance);
- (J) Article 21 (payments to political subdivisions);
- (K) Article 25 (audit);
- (L) Article 26 (mandatory dispute resolution);
- (M) Article 29 (confidentiality);
- (N) Article 32 (no joint marketing);
- (O) Article 33 (no third party beneficiaries);
- (P) Article 34 (no agency);
- (Q) Article 35 (force majeure);

- (R) Article 36 (inflation adjustment and interest);
- (S) Article 37 (liability and limitation on damages);
- (T) Article 38 (interpretation provisions);
- (U) Article 39 (parts of the contract);
- (V) Article 40 (representations and warranties); and
- (W) Article 41 (relationship to law and other agreements);

(8) include provisions substantially similar to the following articles of the Alaska Stranded Gas Fiscal Contract:

- (A) Article 23 (new field development), of the Alaska Stranded Gas Fiscal Contract, if the contract covers an interest in leases in the Point Thomson Unit; and
- (B) Article 28 (administrative termination), except that these provisions must apply only during the first two years of a work commitment; and
- (C) Article 30 (contract administration and notice);
- (D) Article 16 (midstream payment), only to the extent applicable to a gas transmission pipeline;
- (E) Article 22 (total fiscal obligations) only to the extent applicable; and
- (F) Article 11 (fiscal stability) only to the extent applicable.

(9) include exhibits identical in substance, but modified as necessary to properly identify the parties, to exhibits A - G of the Alaska Stranded Gas Fiscal Contract.

(f) The commissioner shall monitor firm transportation commitments on, and natural gas deliveries to, a qualified project under an Alaska Stranded Gas Fiscal Contract, and, after consulting the commissioner of natural resources, estimate the amount of natural gas that is

reasonably available for delivery to the project, for the purpose of making findings that establish the day on which both:

(1) the cumulative total amount of firm transportation commitments for past, present and future transportation services on the project is sufficient to support the shipment of at least 70,000,000,000,000 cubic feet of natural gas; and

(2) the cumulative total volume of natural gas that has been delivered or is reasonably estimated to become available for delivery to the project is equal to or greater than 70,000,000,000,000 cubic feet of natural gas.

(g) The commissioner shall make the findings under (f) of this section after reasonable public notice and an opportunity for the public to be heard.

(h) The authority and obligation of the commissioners of revenue and natural resources to jointly execute a uniform upstream fiscal under (c) of this section expires on the day identified in the commissioner's findings under (f) of this section.

**\*Sec. 2.** AS 43.82.900 is amended by adding new subsections to read:

(14) "Alaska Stranded Gas Fiscal Contract" means a contract the execution of which was authorized under AS 43.82.435 by the enactment of ch \_\_ SLA 2006;

(15) "qualified upstream interest owner" means a person who:

(1) owns an interest in an oil and gas lease located in the state north of 68 degrees North Latitude that is not subject to an Alaska Stranded Gas Fiscal Contract; and

(2) provides a letter of intent from the person, an affiliate of that person, or a prospective purchaser of gas from that person, to make a firm



transportation commitment to transport natural gas on the project that is discovered or yet to be discovered.;

(16) “project” means a project determined to be qualified as provided in AS 43.82.100 and for which the Alaska Stranded Gas Fiscal Contract was developed;

(17) “gas transmission line” means a pipeline designed to transport natural gas from an oil and gas lease located in the state north of 68 degrees North Latitude to the *Project*.

**\*Sec. 3.** Sections 1 and 2 of this Act take effect immediately under AS 01.10.070(c).

## ATTACHMENT 2

## PROCEDURES FOR REPORTING PAYMENTS IN LIEU OF SCIT

**A.2.1 Definitions.** As used in this Attachment:

“*Combination*” or “*Combined Method of Accounting*” means the method of determining the amount of the portion of a *Payment in Lieu of SCIT* is determined with respect to an individual *Participant* or its *Affiliate* having nexus with *Alaska*, using

- (a) one hundred percent (100%) allocation to *Alaska* of nonbusiness net income or loss or nonbusiness capital gain or loss of the *Participant* or *Affiliate* that is allocable to *Alaska* under the text of AS 43.19.010 (Multistate Tax Compact) as incorporated by reference in Article 19.1(a); or
- (b) apportionment to *Alaska* of a portion, determined under the text of AS 43.20 as incorporated by reference in Article 19.1(a), of
  - (i) the worldwide ordinary net business income or loss, determined under that text of AS 43.20, of the *Participant’s* or *Affiliate’s Unitary Business*;
  - (ii) a portion of worldwide net capital gain or loss, as determined under that text of AS 43.20, of the *Participant’s* or *Affiliate’s Unitary Business*; or
  - (iii) a portion of the worldwide expenditure by the *Participant’s* or *Affiliate’s Unitary Business* giving rise to one or more allowable credits under that text of AS 43.20;

under this method, allocation under (a) of this definition or apportionment under (b) of this definition is done separately as if the *Person* for which the allocation or apportionment is being done were the only *Person* in the *Unitary Business* that has nexus with *Alaska*; also, under this method, intercompany transactions are eliminated under the principles set out in 26 C.F.R. 1.1502-13 but applied on a worldwide basis to all *Persons* in the *Unitary Business*.

“*Consolidation*” or “*Consolidated Reporting*” mean reporting the determination of a *Participant’s Payment in Lieu of SCIT* in a single report by the *Participant* and its *Affiliates* having nexus with *Alaska* that

- (a) file,
- (b) are eligible to file,
- (c) would be eligible to file if the *Participant* meets the criteria under Article 19.2(b)(iv), or
- (d) would, in the absence of the provisions of Sections 1504(b)(3), (b)(4), or (b)(7) or any other section of the Internal Revenue Code that disqualifies certain corporations within the same *Unitary Business* group from being an “includable corporation” for federal income tax consolidation purposes, be eligible to file

a federal consolidated income tax return; the report shows the various nonbusiness or business items allocated or apportioned to *Alaska* under the *Combined Method of Accounting* for each *Person* making the report, the Alaskan portion of items of the same type (e.g., ordinary business income or loss, nonbusiness capital gain or loss, credit-generating expenditure) in the report for the individual *Persons* are added up into a net Alaskan total for each type, and the amount of the *Payment in Lieu of SCIT* is calculated on the basis of the totals for each type.

“**Consolidated Report**” means a report made on the basis of *Consolidated Reporting*.

**A.2.2 Consolidated Reports.** Each *Participant* shall file *Consolidated Reports* on behalf of itself and all of its *Alaska* nexus *Unitary Business Affiliates* eligible to be included in those reports. The *Combined Method of Accounting* must be used in determining the amounts of the *Payments in Lieu of SCIT* that are reported in those reports.