

Proprietary Data

↳ See Appendix C

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November 11, 2013

Mr. Mark Fesmire
Regional Director
Bureau of Safety and Environmental Enforcement
3801 Centerpoint Drive, Suite 500
Anchorage, AK 99503-58213

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Regional Director, Alaska OCS
Bureau of Safety and Environmental Enforcement
Anchorage, Alaska

**Re. Request for Suspension of Operations
ConocoPhillips Chukchi Sea Leases**

Dear Mr. Fesmire:

Pursuant to 30 CFR 250.168 et seq., ConocoPhillips Company ("ConocoPhillips") requests that the Bureau of Safety and Environmental Enforcement ("BSEE") direct or grant a Suspension of Operations ("SOO") for leases acquired by ConocoPhillips in Chukchi Sea Oil and Gas Lease Sale 193.¹

The United States Congress has declared that the federal Outer Continental Shelf ("OCS") is a vital national resource which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs.² The OCS plays an important role in reducing the United States' dependence on foreign oil, and both Congress and the United States Department of the Interior ("DOI") have repeatedly recognized that the enormous investment required to develop offshore resources creates jobs and generates significant American economic activity.³ Recognizing these

¹ A list of ConocoPhillips Company leases in the Chukchi Sea is included in Appendix A.

² Outer Continental Shelf Lands Act, 43 U.S.C. § 1332 & § 1801.

³ E.g., 141 Cong. Rec. at H11856-60, 11878-79 (emphasizing the beneficial economic consequences of offshore exploration and production, including the creation of jobs); MMS, "Deepwater Gulf of Mexico 2009: Interim Report of 2008 Highlights" (OCS Report MMS 2009-016); MMS, "Economic Impact in the U.S. of Deepwater Projects: A Study of Five Projects" (OCS Study 2004-041); MMS, "Lafourche Parish

national interests, DOI has recently embarked on an effort to fashion, for the first time, regulations specific to oil and gas activities in the Arctic OCS. These regulations will promote careful development and protection of the Arctic environment, while providing the regulatory predictability and certainty needed for lease owners to commit the billions of dollars necessary to successfully conduct exploration, development, and production operations in the Arctic and thereby promote the national interests in energy security and economic development.

ConocoPhillips, having invested hundreds of millions of dollars in its Chukchi Sea leases already, is vitally interested in DOI's rulemaking effort for the Arctic OCS, and we are committed to continuing to work cooperatively with DOI and other stakeholders on the preparation of regulations tailored to the unique challenges in the Arctic. ConocoPhillips recognizes the complexity of issues involved, and we believe it is important to strive for well-considered regulations that will stand the test of time. While the new regulations are in process, however, significant uncertainties exist about both the content of the final standards and the timing of their issuance. During this period of uncertainty, ConocoPhillips is unable to proceed with planning and executing its Chukchi Sea strategy on schedule, and yet the 10-year term of ConocoPhillips' Chukchi Sea leases continues to run. This impediment is exacerbated by the enormous amount of preparatory work needed to conduct exploration activities in the Arctic, the extended time ConocoPhillips has already expended to pursue exploration of its Chukchi Sea leases, and the fact that due to seasonal drilling restrictions the actual operational period of those leases is much shorter than 10 years. Further, after the new regulations are finalized, ConocoPhillips will need time to analyze and adapt its planning and engineering to the new standards. This situation significantly diminishes ConocoPhillips' opportunity for beneficial use of its Chukchi Sea leases, and could even deprive ConocoPhillips of its investment. Considering both DOI's authority and DOI's practice of issuing SOOs under similar circumstances, ConocoPhillips respectfully urges that it is appropriate and in the national interest for BSEE to direct or grant an SOO here.⁴

Background

ConocoPhillips paid the United States \$506 million for federal offshore oil and gas leases issued pursuant to Chukchi Sea Oil and Gas Lease Sale 193 held in February 2008. After conducting technical and commercial evaluations of its lease portfolio,

and Port Fourchon, Louisiana: Effect of the Outer Continental Shelf Petroleum Industry on the Economy and Public Services," (OCS Study MMS 2001-019).

⁴ The SOO also will be consistent with White House policy of an "all-of-the-above energy strategy to increase domestic production and reduce dependence on foreign oil" recently reiterated in a June 25, 2013, "Statement of Administration Policy." (http://www.whitehouse.gov/sites/default/files/omb/legislative/sap/113/saphr2231r_20130625.pdf)

ConocoPhillips now holds 71 federal leases in the Chukchi Sea, identified in Appendix A ("Chukchi Leases").

After acquiring the Chukchi Leases, ConocoPhillips worked extensively with the former Minerals Management Service ("MMS"), Bureau of Ocean Energy Management ("BOEM"), Bureau of Safety and Environmental Enforcement ("BSEE"), the Environmental Protection Agency ("EPA"), and other federal agencies to pursue permits required for a Chukchi Sea exploration drilling program (described more fully in Appendix B). ConocoPhillips has also conducted scientific baseline studies, carried out site surveys, and executed contracts for materials and services, including procuring the services of a jack-up drilling rig, all in support of a drilling campaign that ConocoPhillips had planned for the 2014 open water season (described more fully in Appendix C). Through these activities and the expenditure of millions of dollars, ConocoPhillips has demonstrated diligence and has acquired unique knowledge that will allow the company to meet the challenges of exploring and developing the Chukchi Leases.

Despite these efforts, events occurring after ConocoPhillips' acquisition of the Chukchi Leases impeded ConocoPhillips' ability to obtain required permits for exploration of the Chukchi Leases. The explosion and sinking of the *Deepwater Horizon* in April 2010, and resulting tragic loss of life and spill of millions of gallons of oil into the Gulf of Mexico, occurred in the midst of ConocoPhillips' preparations for a Chukchi drilling campaign. The aftermath of the *Deepwater Horizon* catastrophe – including the development of new drilling rules and policies (e.g., concerning the need to have a relief rig available), the reorganization of the former MMS, and a heightened degree of regulatory oversight and caution in permitting drilling in the entire OCS – directly impacted ConocoPhillips' ability to obtain regulatory approvals and execute its commercial plans.

Other intervening events – also beyond ConocoPhillips' control – have even more directly affected ConocoPhillips' Chukchi Sea exploration preparations. Shell Gulf of Mexico Inc. encountered difficulties executing drilling programs for its federal leases in the Chukchi and Beaufort Seas, leading DOI to issue a "Review of Shell's 2012 Alaska Offshore Oil and Gas Exploration Program" (the "Shell Report") on March 8, 2013. In the Shell Report, DOI determined that there is a "need to continue to develop and refine standards and practices that are specific to the unique and challenging conditions associated with offshore oil and gas exploration on the Alaskan OCS." DOI further observed that "the Arctic OCS presents unique challenges associated with environmental and weather conditions, geographical remoteness, social and cultural considerations, and the absence of fixed infrastructure to support oil and gas activity, including resources necessary to respond in the event of an emergency" and recommended that "Government and industry should continue to evaluate the potential development of additional Arctic-specific standards in the areas of drilling and maritime safety and emergency response equipment and systems.... It is incumbent, therefore, on the United States to lead the way in establishing an operating model and standards

tailored specifically to the extreme, unpredictable and rapidly changing conditions that exist in the Arctic even during the open water season.”

After reviewing DOI’s call in the Shell Report for the development of new Arctic-specific regulations, ConocoPhillips determined in March 2013 that it was necessary to put its Chukchi Sea exploration plans on hold. Accordingly, ConocoPhillips terminated a series of contracts, including contracts for a jack-up drilling rig and shorebase facilities.

Legal Authority and Precedent for Issuing a Suspension of Operations

Based on Congress’s mandate that DOI promulgate regulations “for the suspension or temporary prohibition of any operation or activity,”⁵ DOI has issued regulations authorizing BSEE to grant or direct an SOO:

(a) When necessary to comply with judicial decrees prohibiting any activities or the permitting of those activities. The effective date of the suspension will be the effective date required by the action of the court;

(b) When activities pose a threat of serious, irreparable, or immediate harm or damage. This would include a threat to life (including fish and other aquatic life), property, any mineral deposit, or the marine, coastal, or human environment. BSEE may require you to do a site-specific study (see § 250.177(a)).

(c) When necessary for the installation of safety or environmental protection equipment;

(d) When necessary to carry out the requirements of NEPA or to conduct an environmental analysis; or

(e) When necessary to allow for inordinate delays encountered in obtaining required permits or consents, including administrative or judicial challenges or appeals.⁶

Collectively, these regulations provide BSEE with ample authority to direct or grant an SOO for ConocoPhillips’ Chukchi Leases.⁷ First, the combination of the regulatory

⁵ 43 U.S.C. § 1334(a)(1).

⁶ 30 CFR § 250.172.

⁷ *Cf. County of Suffolk v. Secretary of Interior*, 562 F. 2d 1368, 1381 (2d Cir. 1977) (“under § 1334(a)(1) [the Secretary] retains ample authority to suspend operations until a technology is developed . . .”) (citing

changes that DOI implemented following the *Deepwater Horizon* catastrophe and DOI's ongoing process of developing Arctic-specific regulations has caused ConocoPhillips to experience "inordinate delays ... in obtaining required permits or consents." Further, based on DOI's findings in the Shell Report concerning the risks of going forward with additional drilling in the Arctic OCS without first adopting new Arctic-specific regulatory standards, BSEE can issue an SOO due to the "threat of serious, irreparable, or immediate harm or damage" that BSEE has determined exists under the more generic current regulatory regime. Similarly, based on DOI's stated intention to create Arctic-specific well containment requirements, an SOO is necessary "for the installation of safety or environmental protection equipment," as well as potentially to allow for time "to conduct an environmental analysis."

The Regional Director may also grant a suspension "when necessary to allow you time to begin drilling or other operations when you are prevented by reasons beyond your control, such as unexpected weather, unavoidable accidents, or drilling rig delays."⁸ As explained herein, ConocoPhillips has not been in control of the various events that have impacted ConocoPhillips' ability to undertake the substantial financial commitment necessary to proceed with exploration of the Chukchi Leases. Accordingly, this additional regulatory authority also supports the issuance of an SOO for ConocoPhillips' Chukchi Leases.

Moreover, there is clear Departmental precedent for issuing such an SOO. For example, based on these authorities, in the wake of the *Deepwater Horizon* disaster BSEE issued SOOs to provide the agency the time needed to develop new drilling and safety regulations and to allow industry time necessary to implement those regulatory changes.⁹ DOI's development of new rules and policies in response to the Gulf oil spill provides a clear parallel to the agency's current effort to develop Arctic-specific standards in response to the events examined by the Shell Report.

Further, DOI has recognized that it is appropriate to issue suspensions when "government action has ... prevented the beneficial use of the lease."¹⁰ Here, that government action has taken two forms. First, DOI's rulemaking effort has prevented

30 C.F.R. § 250.12(c) (1977)); *Union Oil Co. v. Morton*, 512 F. 2d 743, 751 (9th Cir. 1975) (recognizing DOI's authority to issue a suspension to "provide time for an improved pollution control technology to be developed.").

⁸ 30 CFR § 250.175(a).

⁹ See, e.g., Memorandum from Ken Salazar, Secretary of the Interior, to Michael R. Bromwich, BOEMRE Director (July 12, 2010), pp. 10, 12, 18; NTL No. 2010-N05 (June 8, 2010), p.1 n.1; Memorandum from Ken Salazar, Secretary of the Interior, to Director, BOEMRE (July 16, 2011); NTL No. 2011-N05.

¹⁰ DOI Office of the Solicitor Memorandum M-37019 (Jan. 15, 2009), p. 10, n.10 (citing *Copper Valley Machine Works, Inc. v. Andrus*, 653 F.2d 595 (D.C. Cir. 1981)).

ConocoPhillips from proceeding with efforts to obtain regulatory approval of the plans and permits necessary to conduct drilling operations. Second, BOEM's restriction of drilling operations to just a portion of the open water season effectively means that, despite the ten-year primary terms of the Chukchi Leases,¹¹ the total period when drilling can actually occur is closer to 36 months.¹²

The Time Is Ripe for Issuing a Suspension of Operations

For ConocoPhillips to plan and execute the exploration of the Chukchi Leases, it is essential for ConocoPhillips to know well in advance the exact term of its leases. This is due to the combination of the following factors (among others): (i) from a logistical perspective, the unavoidably long lead times needed to execute an Arctic drilling program; (ii) from a financial perspective, the planning required to allocate financial resources to such a capital-intensive program; and (iii) from an operational perspective, the necessity of knowing that ConocoPhillips will have sufficient time to drill appraisal wells in the event of a discovery.

In light of these factors, and because the numerous reasons supporting the issuance of an SOO are currently present (as described above), the time is ripe for issuing an SOO now.

Proposed Suspension Terms

Because DOI's pending rulemaking effort applies to all federal leases in the Arctic OCS, the SOO should cover all 71 Chukchi Leases. In addition, ConocoPhillips respectfully suggests that the SOO should be issued for the earlier of (a) 36 months after a new regulatory framework is in place, or (b) 5 years. An SOO of this length would recognize the impediments to ConocoPhillips' beneficial use of its leases, the need for ConocoPhillips to adapt its planning and procedures to the new regulatory requirements, the long lead times that are unavoidable for exploration in the unique Arctic environment, and the regulatory limitation on the length of suspensions.

As DOI recognized in the Shell Report, exploration in the Arctic is fundamentally different than exploration in the Gulf of Mexico.¹³ The relative lack of supporting

¹¹ The Chukchi Leases were issued effective May 1, 2008 and were originally scheduled to expire April 30, 2018. As a result of a Suspension of Operations due to litigation challenging Lease Sale 193, the lease primary terms were extended 463 days (duration of the Suspension of Operations) and are now scheduled to expire August 5, 2019.

¹² See *Copper Valley, supra* (holding that drilling restrictions during primary term amounted to a directed suspension).

¹³ In introducing the Shell Report, the Principal Deputy Assistant Secretary for Land and Minerals Management stated that "Our findings reinforce the importance of taking a regionally-specific approach to

infrastructure and other unique aspects of Arctic operations cause longer lead times to contract for equipment and facilities, require more preparation time, and entail much higher costs to conduct exploration activities (a single drilling campaign can cost hundreds of millions of dollars). After the new regulatory regime is finalized, ConocoPhillips will need time to ramp up its Chukchi Sea project team, plan a new drilling campaign, re-start the procurement cycle (including procurement of a rig and the fleet of vessels necessary for drilling support and oil spill response), and update or create anew the applications for required permits under the new regulatory framework.

During the period of the SOO, ConocoPhillips will continue work that is important to a successful Chukchi Sea drilling program. For example, we will continue scientific and environmental baseline studies that inform the Chukchi Sea Environmental Studies Program (described in Appendix B). We will also continue to work with DOI and other stakeholders to develop reasonable regulations, contributing the unique knowledge that ConocoPhillips has gained through its efforts to date in the Chukchi Sea as well as through years of operation in Alaska. And we will pursue opportunities for mutual aid and resource sharing with other operators. This effort to secure mutual aid addresses a key finding in the Shell Report that the "traditional operator-specific, 'go it alone' model common with exploration programs in other regions is not appropriate for Arctic offshore operations" and that "[a]rguably the need for mutual assistance and resource sharing covering both operational and emergency response assets and resources may be even greater in the Arctic" than in the deepwater Gulf of Mexico (Shell Report, p. 7).

National Interest

It is in the national interest of the United States that the Alaska OCS generally, and the Chukchi Leases in particular, continue to be explored. Such exploration will promote the OCSLA's goals of using federal OCS resources to increase the domestic energy supply. Successful exploration and production from the Alaska OCS could mitigate and perhaps even reverse the decline in throughput in the Trans Alaska Pipeline System, a strategic asset for Alaska and the United States. Further, given the billions of dollars that it will cost to explore the Arctic, such exploration will create thousands of jobs and generate significant economic activity, all of which serve the national interest.

offshore oil and gas exploration the Arctic. ... We must recognize and account for the unique challenges of this region, which holds significant energy potential, but where issues like environmental and climate conditions, limited infrastructure, and the subsistence needs of North Slope communities demand specialized planning and consideration." DOI Press Release, Department of the Interior Releases Assessment of Shell's 2012 Arctic Operations (March 14, 2013), available at <http://www.doi.gov/news/pressreleases/department-of-the-interior-releases-assessment-of-shells-2012-arctic-operations.cfm>.

Directing or granting an SOO for the Chukchi Sea Leases also serves the national interest because an SOO will support the most expeditious and efficient exploration of the Chukchi Sea. With an SOO, ConocoPhillips will be able to utilize the unique knowledge that it has acquired through its diligence to date in studying and planning Chukchi Sea exploratory operations. Without an SOO, ConocoPhillips will have to reconsider its Chukchi Sea program amidst considerable uncertainty, and it is speculative to assume that another operator would be willing to undertake a similar exploration program in the future. At a minimum, it would be many years before another operator would have the knowledge and experience that ConocoPhillips will be able to employ in the event that an SOO is issued.

Conclusion

BSEE has clear legal authority to issue an SOO for ConocoPhillips' Chukchi Leases. Moreover, issuing an SOO is consistent with DOI precedent and will serve the national interest. For all of the foregoing reasons, ConocoPhillips respectfully requests that BSEE direct or grant an SOO for the Chukchi Leases, for a period of 36 months from the date of finalization of the Arctic-specific regulations, or 5 years, whichever first occurs.¹⁴

Sincerely,



Michael Faust
Manager, Alaska Exploration

cc: Tommy Beaudreau, Acting Assistant Secretary, Land and Minerals Management,
U.S. Department of Interior

Brian M. Salerno, Director, Bureau of Safety and Environmental Enforcement

Jack Haugrud, U.S. Department of Interior, Deputy Solicitor-Energy & Mineral
Resources

¹⁴ The service fee pursuant to 30 C.F.R. §250.125 has been paid via electronic payment transfer.

APPENDIX A

CHUKCHI LEASES and LEASE HISTORY

As referenced above, listed here are ConocoPhillips' Chukchi Leases:

Serial #	Area Name	OPD No.	Block	Operator	Effective Date	Ownership
02251	Posey	NR03-02	6661	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
02252	Posey	NR03-02	6662	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
02253	Posey	NR03-02	6663	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
02254	Posey	NR03-02	6664	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
02264	Posey	NR03-02	6711	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
02265	Posey	NR03-02	6712	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
02307	Posey	NR03-02	6861	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
02319	Posey	NR03-02	6910	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
02320	Posey	NR03-02	6911	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
02332	Posey	NR03-02	6960	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
02333	Posey	NR03-02	6961	ConocoPhillips Company	05/01/08	ConocoPhillips Company 100%
01989	Karo	NR03-01	6154	ConocoPhillips Company	06/01/08	ConocoPhillips Company 100%
01992	Karo	NR03-01	6157	ConocoPhillips Company	06/01/08	ConocoPhillips Company 100%
01999	Karo	NR03-01	6204	ConocoPhillips Company	06/01/08	ConocoPhillips Company 100%
02000	Karo	NR03-01	6205	ConocoPhillips Company	06/01/08	ConocoPhillips Company 100%

02001	Karo	NR03-01	6206	ConocoPhillips Company	06/01/08	ConocoPhillips Company	100%
02002	Karo	NR03-01	6207	ConocoPhillips Company	06/01/08	ConocoPhillips Company	100%
02003	Karo	NR03-01	6208	ConocoPhillips Company	06/01/08	ConocoPhillips Company	100%
02010	Karo	NR03-01	6256	ConocoPhillips Company	06/01/08	ConocoPhillips Company	100%
02011	Karo	NR03-01	6257	ConocoPhillips Company	06/01/08	ConocoPhillips Company	100%
02012	Karo	NR03-01	6258	ConocoPhillips Company	06/01/08	ConocoPhillips Company	100%
02164	Karo	NR03-01	7121	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%
02165	Karo	NR03-01	7122	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%
02166	Karo	NR03-01	7123	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%
02341	Posey	NR03-02	7101	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%
02358	Colbert	NR03-03	6021	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%
02359	Colbert	NR03-03	6022	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%
02360	Colbert	NR03-03	6023	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%
02361	Colbert	NR03-03	6024	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%
02369	Colbert	NR03-03	6069	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%
02371	Colbert	NR03-03	6071	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%
02372	Colbert	NR03-03	6072	ConocoPhillips Company	05/01/08	ConocoPhillips Company Statoil USA E&P Inc. OOGC America, Inc.	65% 25% 10%

02373	Colbert	NR03-03	6073	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc 10%
02374	Colbert	NR03-03	6074	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02377	Colbert	NR03-03	6119	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02378	Colbert	NR03-03	6120	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02379	Colbert	NR03-03	6121	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02380	Colbert	NR03-03	6122	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02381	Colbert	NR03-03	6123	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02382	Colbert	NR03-03	6124	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02384	Colbert	NR03-03	6168	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02385	Colbert	NR03-03	6169	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02386	Colbert	NR03-03	6170	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02387	Colbert	NR03-03	6171	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02388	Colbert	NR03-03	6172	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02389	Colbert	NR03-03	6173	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02390	Colbert	NR03-03	6174	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%

02392	Colbert	NR03-03	6218	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02394	Colbert	NR03-03	6220	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02395	Colbert	NR03-03	6221	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02396	Colbert	NR03-03	6222	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02397	Colbert	NR03-03	6223	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02398	Colbert	NR03-03	6224	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02399	Colbert	NR03-03	6268	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02400	Colbert	NR03-03	6270	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02401	Colbert	NR03-03	6271	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02402	Colbert	NR03-03	6272	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02403	Colbert	NR03-03	6273	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02404	Colbert	NR03-03	6274	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02405	Colbert	NR03-03	6317	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02406	Colbert	NR03-03	6321	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02407	Colbert	NR03-03	6322	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%

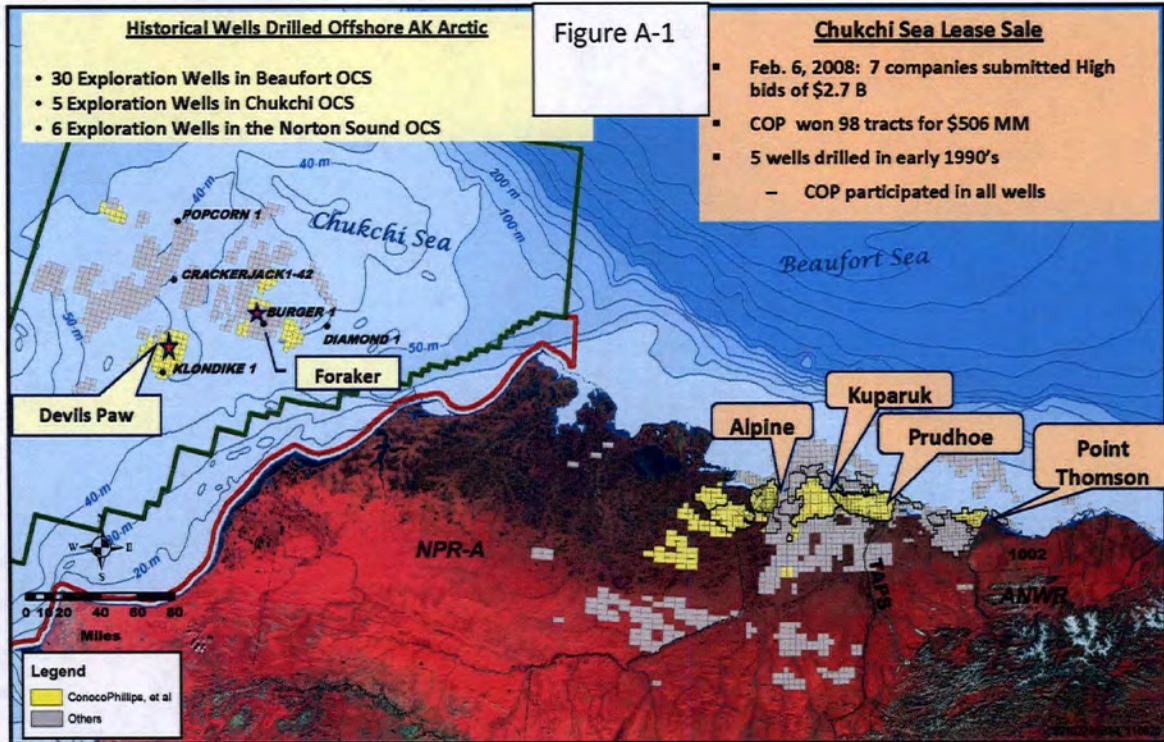
02408	Colbert	NR03-03	6323	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02409	Colbert	NR03-03	6324	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02410	Colbert	NR03-03	6372	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02411	Colbert	NR03-03	6373	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02429	Solivik Island	NR03-04	6001	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02430	Solivik Island	NR03-04	6051	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02431	Solivik Island	NR03-04	6101	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02432	Solivik Island	NR03-04	6151	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%
02433	Solivik Island	NR03-04	6201	ConocoPhillips Company	05/01/08	ConocoPhillips Company 65% Statoil USA E&P Inc. 25% OOGC America, Inc. 10%

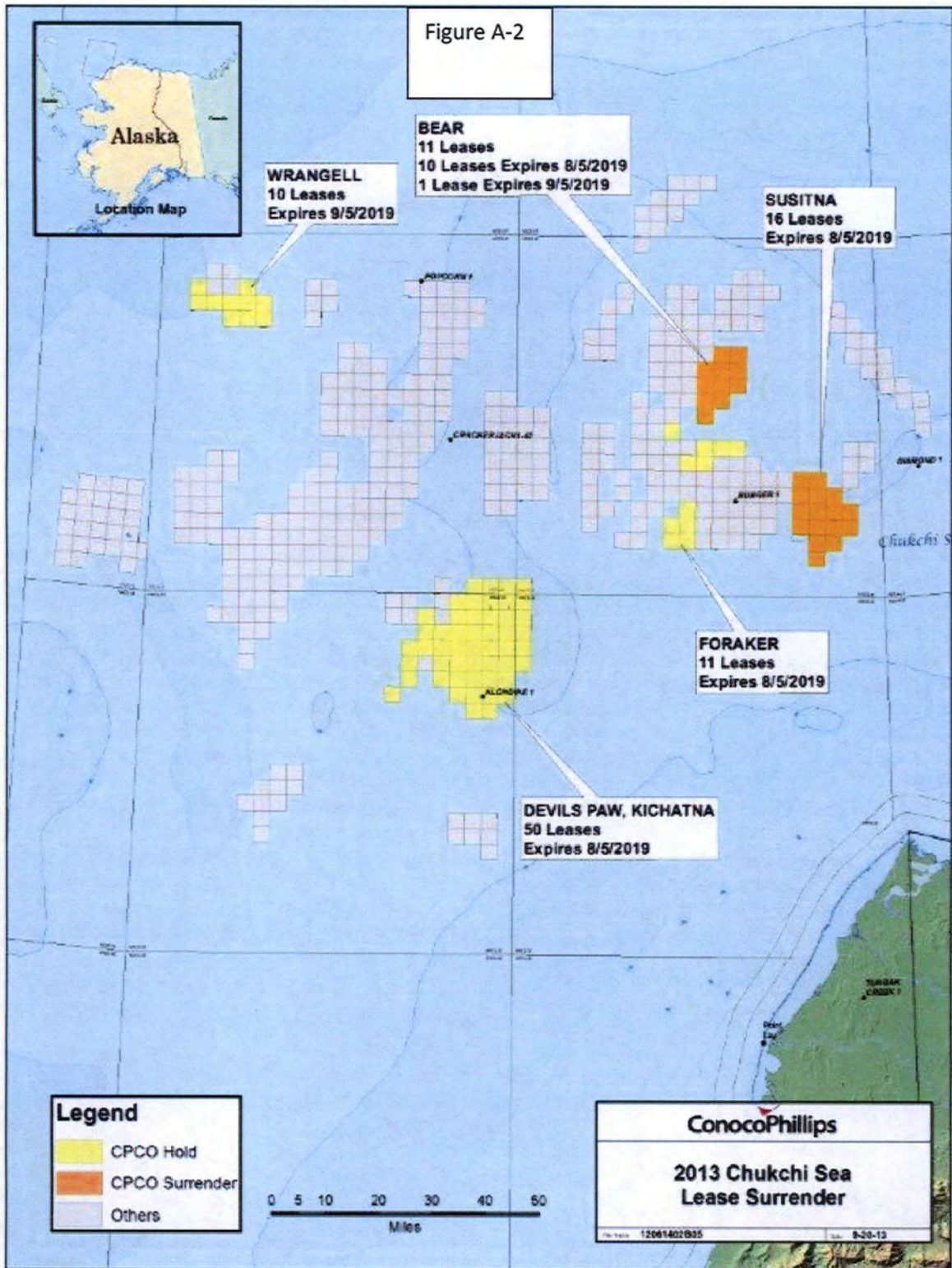
Chukchi Lease History

The Minerals Management Service conducted Chukchi Sea Oil & Gas Lease Sale 193 on February 6, 2008. The Chukchi Sea sale area included approximately 5400 tracts covering over twenty-nine million acres. The leases are offered with a ten-year primary term and a 12.5% royalty. ConocoPhillips submitted bids on 145 tracts covering 825,000 acres. ConocoPhillips' bids totaled \$1.1 billion. ConocoPhillips was identified as the apparent high bidder on 98 tracts and ultimately awarded all 98 blocks, with total high bids of \$506 MM. Figure A-1 below is a map attached showing OCS Sale 198 results and ConocoPhillips acreage.

ConocoPhillips has actively worked its Chukchi portfolio of leases from a prospect evaluation and technical perspective. In mid-2013, ConocoPhillips notified BOEM that it was going to surrender 27 leases on its Bear and Susitna prospects due to technical and commercial risks, and the likelihood that there was insufficient time remaining on the lease term to adequately explore and appraise the leases.

Figure A-2 is a map showing the 27 Bear and Susitna Prospect areas and the oil and gas leases surrendered.





APPENDIX B

CONOCOPHILLIPS' CHUKCHI SEA EXPLORATION DRILLING PROGRAM

Baseline Studies

Numerous studies have been conducted in support of an exploration drilling well for ConocoPhillips, beginning shortly after the lease sale on February 6, 2008, ranging from environmental data collection to shallow hazard site surveys to geotechnical coring (see Appendix C for more detail). To address requirements for the inclusion of environmental monitoring information (30 CFR § 550.221), a robust multi-year ecosystems-based environmental studies program was implemented in 2008 and has continued through 2013. ConocoPhillips operated the program on behalf of itself and Shell in 2008 and 2009. Through a ConocoPhillips' capacity-building initiative, Olgoonik Corporation (the Alaska Native Claims Settlement Act corporation for Wainwright) developed the expertise to manage this program. Operation of the program was transferred to the Joint Venture of Olgoonik Fairweather Sciences in 2010 and Statoil joined as a participating party to the Chukchi Sea Environmental Studies Program ("CSESP") in the same year.

The program involves collection of data on physical, chemical and biological oceanographic conditions in the prospect areas of Klondike and Burger (2008 & 2009), with the addition of Statoil leases in 2010. In addition to the above disciplines, data have been collected on vocalizing marine mammals and ambient noise using passive acoustic recorders; marine mammal and seabird observations have been documented; fisheries surveys conducted (pelagic and demersal); and chemical characterization of sediment and biota samples (hydrocarbons, metals) completed. Additional buoys have been deployed for the collection of met-ocean data as well as data on currents and ice using an Acoustic Current Doppler Profiler ("ADCP") and Ice Profiling System ("IPS"). In addition to research scientists, marine technicians and vessel crew, the team includes an Inupiat Communicator from a local community to assist with wildlife observations as well as liaising with communication stations established in some communities.

Multiple representatives of BOEM were included in the distribution of study plans and reports prepared for each field season. In 2009, technical staff from BOEM provided input and recommendations on study design for the CSESP and attended the annual project review workshop held at ConocoPhillips offices. Weekly reports generated on the observations of marine mammal and avian species were also shared with BOEM each year. This program was expanded in scope and geographic scale in response to comments from regulatory agencies, including BOEM.

All data collected as part of the Chukchi Sea Environmental Studies Program are being hosted on a public website (www.aoots.org) as per a 2011 data sharing agreement with NOAA. The met-ocean data collected via buoys are being provided directly to various NOAA organizations.

A shallow hazard survey program was conducted by ConocoPhillips in the summer of 2008 using acoustic instrumentation to ensure that there are no archaeological artifacts, environmentally sensitive fauna, unstable seabed conditions, or shallow drilling hazards at the proposed drilling locations.

ConocoPhillips conducted shallow coring operations in the Chukchi Sea in 2009. The purpose of the program was to provide geotechnical soil data that were used to evaluate jackup rig leg penetration studies. The placement of a jack-up rig requires the soil to provide the required bearing capacity to resist failure. Five potential rig sites were evaluated, with two cores per site. A monitoring program was conducted from the vessel to collect data on polar bears and walrus, per the Letter of Authorization ("LOA") issued by the USFWS. Similar to the shallow hazard survey in 2008, an Inupiat communicator was on board to allow for communication between the coring vessel and communication center onshore in order to avoid adverse impacts to the subsistence hunt.

Exploration Plan

MMS (now BOEM) was engaged early during ConocoPhillips' Chukchi Sea Exploration Project to begin working through anticipated issues with the Exploration Plan ("EP"). ConocoPhillips and MMS staff met to discuss the benefits of using a jack-up drill unit in the Chukchi Sea lease area. On April 6, 2010, MMS concurred in writing that a jack-up drill unit could operate safely in the Chukchi Sea.

ConocoPhillips submitted a "pre-application" draft EP to BOEMRE (now BOEM) on August 19, 2011, prior to submitting the Final EP on March 1, 2012. BOEM issued two Requests for Additional Information ("RFAs") in response to ConocoPhillips' submitted EP. The first RFA included 58 combined requests from BOEM's Leasing and Plans Section and its Office of the Environment Section. After ConocoPhillips responded to the first RFA, agency staff requested details about the actual drilling units that would operate the exploration drilling program. This required ConocoPhillips to undertake the procurement process and actually have the drill unit under contract before finalizing the EP for submission. In addition, discussions with BSEE continued regarding the applicability and necessity of a containment dome once a capping device was in place on a well.

The requirement that ConocoPhillips procure supplies and services prior to regulatory approval, the uncertainty regarding the potential requirement to use a containment dome, and the uncertainty surrounding the recommendations arising from the Shell Report presented financial and permitting burdens and risks to ConocoPhillips' proposed plan. On May 10, 2013, BOEM was informed that, because of the proposed arctic standards initiative and the Shell Report, ConocoPhillips would not preserve the option to drill in 2014. At that point, the agency was asked to defer further processing of the EP.

Timeline of Selected Communication Between ConocoPhillips and BOEM:

February 11, 2009 ConocoPhillips met with MMS to initiate discussions on the use of a jack-up rig in the Chukchi Sea. At this meeting, MMS staff stressed the need for sufficient

documentation to support the use of a jack-up rig and noted that they did not see this rig as a new or unusual technology.

March 11, 2009 ConocoPhillips met with MMS to review the processed data from the site clearance survey.

January 13, 2010 ConocoPhillips met with MMS to present portions of the EP's geological document for review and comment.

February 19, 2010 ConocoPhillips met with MMS to discuss the G&G portion of the Exploration Plan. Documents provided to and left with MMS staff included: 1) an updated and annotated Geological description; 2) a paper copy of the Summer 2009 outline of the Hazard Report; and 3) a CD-ROM containing geochemistry data.

March 9, 2010 ConocoPhillips held a meeting with MMS to review the rig plan and associated support documentation on the ice alerts plan and spill response issues. The goal was to receive MMS concurrence with the use of a jack-up rig in the Chukchi Sea.

March 17, 2010 ConocoPhillips requested concurrence from MMS for use of a jack-up rig in the Chukchi Sea.

April 6, 2010 MMS provided concurrence that a jack-up drilling rig could operate safely in the Chukchi Sea.

March 4, 2011 ConocoPhillips provided to BOEM an estimate for Very Large Discharge ("VLD") of oil from an exploration well in the Chukchi Sea for the purpose of evaluating the potential consequences of a worst case discharge.

June 29, 2011 BOEM provided clarification of the agency's planned treatment of ConocoPhillips's proposed EP in light of the ongoing Lease Sale 193 litigation.

August 19, 2011 ConocoPhillips submitted a Draft Exploration Plan to BOEM.

September 13, 2011 BOEM expressed concern about the low permeability value proposed for the "worst case discharge" ("WCD") flow units.

October 13, 2011 ConocoPhillips sent a letter to BOEM following up on a meeting held September 23, 2011, to discuss worst case discharge.

October 18, 2011 BOEM sent a letter to follow up on ConocoPhillips's presentation given during

the meeting on September 23, 2011, and provided the agency's perspective on the WCD model for the Devils Paw prospect.

- November 18, 2011** ConocoPhillips sent a letter to BOEM to inform the agency that no action is requested in response to ConocoPhillips's submittal of the "pre-application" draft submittal of the Exploration Plan.
- December 1, 2011** ConocoPhillips sent a letter to BOEM providing additional information on the WCD model.
- January 19, 2012** ConocoPhillips submitted a "pre-application" draft of Appendix E-1 (Geological Description) of the Exploration Plan to BOEM.
- January 31, 2012** BOEM provided a Completeness Review of the worst case discharge model presented in the "pre-application" draft Geological Description, asking for supplementary information.
- February 16, 2012** ConocoPhillips submitted the final Appendix E (Geological and Geophysical Information) to satisfy BOEM's request for supplementary information in the Completeness Review of the WCD model.
- February 16, 2012** BOEM provided a letter to ConocoPhillips detailing the scope of the agency's worst case discharge analysis.
- February 29, 2012** ConocoPhillips submitted WCD backup files to support the February 16, 2012, submittal of Appendix E of the Exploration Plan.
- March 1, 2012** ConocoPhillips submitted the final Exploration Plan for the Devils Paw Prospect to BOEM.
- March 5, 2012** ConocoPhillips provided BOEM with an electronic compact disk containing PDF files of the Exploration Plan and Appendices (excluding Appendix E).
- March 22, 2012** BOEM provided a Completeness Review of ConocoPhillips's final Exploration Plan, including a request for additional information ("RFAI") to supplement public sections of the Exploration Plan.
- March 22, 2012** BOEM sent a RFAI to supplement the proprietary sections of Appendix E of the Exploration Plan.
- April 3, 2012** ConocoPhillips submitted a table of 2-way travel times at Devils Paw drilling

locations in response to BOEM's RFAI for proprietary sections in the Exploration Plan.

- May 11, 2012** ConocoPhillips provided additional information in response to BOEM's March 22, 2012, RFAI for proprietary sections of the Exploration Plan.
- May 18, 2012** BOEM sent a letter to ConocoPhillips to relay the OCS Regional Preservation Officer's conclusion that the Devils Paw exploratory wells would have no effect on historic properties.
- May 22, 2012** ConocoPhillips submitted Supplement 1 of the Exploration Plan in response to BOEM's March 22, 2012, RFAI for public sections of the Exploration Plan.
- May 22, 2012** ConocoPhillips submitted Supplement 1 of Appendix E-1 of the Exploration Plan in response to BOEM's March 22, 2012, RFAI for the proprietary sections.
- May 31, 2012** BOEM provided a Completeness Review of worst case discharge models as submitted by ConocoPhillips on May 11, 2012, and May 22, 2012, and provided a second RFAI for proprietary sections.
- June 4, 2012** ConocoPhillips submitted proprietary information in response to BOEM's May 31, 2012, RFAI.
- June 6, 2012** ConocoPhillips sent a follow-up response to BOEM to further enhance and clarify ConocoPhillips's May 11, 2012, response to BOEM's March 22, 2012, RFAI for public information.
- June 13, 2012** ConocoPhillips submitted a supplemented copy of Appendix E of the EP in response to RFAI dated March 22, 2012.
- June 21, 2012** BOEM provided a second RFAI to ConocoPhillips for specific primary and relief drill units in the public sections of the Exploration Plan.
- June 26, 2012** BOEM determined that ConocoPhillips's worst case discharge model and related information is complete.
- November 14, 2012** ConocoPhillips provided BOEM with a white paper on ConocoPhillips's pre-positioned capping device and relief drill unit.
- May 10, 2013** ConocoPhillips sent BOEM a letter informing the agency that ConocoPhillips would not preserve the option to drill in 2014 and requesting the agency defer

further processing of the Exploration Plan.

Simultaneously, ConocoPhillips was pursuing approval of an Oil Spill Response Plan for its Chukchi operations. Those efforts are detailed further below.

Oil Spill Response Plan

ConocoPhillips submitted a draft Oil Spill Response Plan ("OSRP") in August 2011. BSEE, for the purposes of expediting review, requested that the OSRP be reformatted into a federal format. The reformatted final OSRP was subsequently submitted in February 2012, with the understanding that the OSRP could be approved prior to the end of February, when ConocoPhillips planned to submit the EP to BOEM. BSEE requested supplemental information during a meeting later in February to which ConocoPhillips responded.

ConocoPhillips met with BSEE Headquarters staff in Herndon, Virginia on April 17, 2012, to discuss BSEE's review schedule. During the meeting, BSEE indicated that although not required by regulation, an animated presentation of the OSRP would be beneficial to their review and would help communicate the plan to the consulting agencies. ConocoPhillips volunteered to provide an animated presentation of the OSRP. In June, ConocoPhillips received BSEE's Compliance Analysis, identifying areas for clarification and additional information. ConocoPhillips responded with a Supplemental OSRP and the animation in August 2012.

In late September, ConocoPhillips submitted a letter to the agency urging initiation of the Interagency Working Group review to facilitate timely OSRP approval. BSEE responded by issuing an identical compliance analysis to that received earlier in June, and indicated it would not initiate the Interagency Review until ConocoPhillips addressed the identified issues with the plan. During a meeting with BSEE and US Coast Guard ("USCG") on January 21, 2013, ConocoPhillips received substantive feedback and began drafting a second Supplement to the OSRP. BSEE notified COP that contracts for all vessels and OSR equipment, a process which would take months and require the commitment to millions of dollars to complete, would be required before the interagency review process could begin. On May 10, 2013, BSEE was informed that ConocoPhillips would not preserve the option to drill in 2014 and the agency was asked to defer further processing of the OSRP.

The following is a timeline of selected meetings, other events, and correspondence between ConocoPhillips and BSEE for the Chukchi Sea Exploration Project:

January 29, 2009 ConocoPhillips held a Chukchi Sea Exploration C-Plan Pre-Application Meeting. Key discussions centered on: 1) the worst case discharge planning standard; 2) potential response strategies; and 3) a review of descriptions and photos of potential offshore and near-shore response vessels and equipment.

June 17, 2009 ConocoPhillips met with AK Region Oil Spill Response Coordinator to discuss MMS expectations for pre-booming requirements, spill response drills (i.e.,

dates, planning), OSRV response time and equipment sharing with Shell, and alternative technologies (i.e. dispersant use, *in situ* burning).

- August 19, 2011** ConocoPhillips submitted a draft OSRP.
- February 13, 2012** ConocoPhillips submitted an official OSRP, reformatted in the federal format in response to BSEE's request.
- February 21, 2012** ConocoPhillips met with BSEE National Director for Oil Spill Response Plans to discuss the OSRP submittal and ConocoPhillips's schedule. The Director orally requested supplemental information.
- March 13, 2012** ConocoPhillips submitted revised Appendices D, H, and K in response to BSEE's request for supplemental information.
- June 15, 2012** BSEE provided ConocoPhillips with a Compliance Analysis of the final OSRP and supplemental information provided.
- August 7, 2012** ConocoPhillips submitted Supplement 1 of the OSRP in response to BSEE's Compliance Analysis and request for supplemental information.
- September 27, 2012** ConocoPhillips sent a letter to BSEE requesting the agency begin the interagency review by October 10, 2012, and finalize the review by November 10, 2012.
- November 14, 2012** ConocoPhillips provided BSEE with a white paper on ConocoPhillips's pre-positioned capping device and relief drill unit.
- December 3, 2012** BSEE sent a duplicative (see June 15, 2012) letter to ConocoPhillips identifying multiple outstanding issues the agency determined were not consistent with applicable regulations. The new letter informed ConocoPhillips that the review of the OSRP was not yet complete.
- December 31, 2012** BSEE concluded that the OSRP was not in compliance with regulatory requirements.
- January 22, 2013** ConocoPhillips met with BSEE and USCG staff in Herndon, Virginia, at BSEE Headquarters, to discuss a path forward for OSRP review and approval. BSEE informed ConocoPhillips that contracts for vessels and equipment would be required to progress the plan through interagency review.

May 10, 2013

ConocoPhillips sent BSEE a letter informing the agency that ConocoPhillips would not preserve the option to drill in 2014 and requesting the agency defer further processing of the Oil Spill Response Plan.