

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672  
2070 SCOMM 78. SENATE SPEC. COMM. ON OIL & GAS, 1991-1992

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questioned in an administrative or judicial proceeding. Each party will have the right to intervene at its own expense in any such proceeding.

(e) Each party will, within thirty (30) days, notify the other, in writing, in the event a dispute arises as to the interpretation of a **Subsurface Agreement** concerning either the **Point Lay subsurface** or the **Nuiqsut subsurface** which dispute may affect, directly or indirectly, revenues shared under this Settlement Agreement. In the event the dispute results in an administrative or judicial proceeding involving either party and another ~~person~~, then the other party will have the right to intervene at its own expense in that proceeding.

(f) A party's decision not to intervene as might be allowed under paragraphs (d) and (e) above will not relieve the other party of any obligation otherwise owed under this Settlement Agreement.

#### 10.12. Rule of Evidence 408.

Alaska Evidence Rule 408 and Federal Rule of Evidence 408 both proscribe the admission into evidence of discussions of compromise and settlement, except under certain circumstances. This Settlement Agreement is in settlement of disputed matters. Accordingly, neither this Settlement Agreement nor any of its provisions may be introduced as evidence in any lawsuit concerning the enforceability of any provision of the 1974 Agreement, be construed to be an admission against either party as to the enforceability of any provision of the 1974 Agreement, or be used for any purpose other than enforcement of this Settlement Agreement. Draft settlement proposals and written or oral statements made with respect to this Settlement Agreement's negotiation (including those that might be made in efforts to secure passage of a law under section 1), are for purposes of settlement only, and may not be deemed admissions by either party, or otherwise deemed admissible as evidence in a lawsuit concerning the enforceability of the 1974 Agreement.

#### **10.13. Assignment; Delegation.**

The assignment of any rights and the delegation of any duties under this Settlement Agreement are prohibited except as might be expressly allowed in subsection 7.3 above. Subject to the restrictions of section 7, the terms and provisions of this Settlement Agreement shall inure to the benefit of and be binding upon ASRC and the State, and each party's successors and assigns.

#### **10.14. Other Documents and Actions.**

The parties agree to execute and deliver to each other such documents and instruments, including the Exhibits, as provided for herein, and take such other actions as shall be reasonably necessary and appropriate to implement, effectuate, and carry out the intentions of this Settlement Agreement.

#### **10.15. Remedies and Specific Performance.**

Both ASRC and the State expressly agree that each may enforce its rights hereunder by any and all remedies available under law or equity. Both ASRC and the State agree that irreparable damage would occur if any of the provisions of this Settlement Agreement were not performed in accordance with their specific terms or were otherwise breached. It is therefore agreed that ASRC and the State shall be entitled to an injunction or injunctions to prevent breaches of this Settlement Agreement and to enforce specifically the terms and provisions of it in a Superior Court of the State of Alaska, in addition to any other remedy to which they are entitled at law or in equity. Nothing in this Settlement Agreement or implementing legislation, however, shall be construed to create any right of action, direct or otherwise, in any person not a party to this Settlement Agreement.

### **11. DEFINITIONS.**

#### **11.1. Action Notice.**

"Action Notice" means a written notice given by the State to ASRC, in the absence of an **Approval Agreement**, setting forth the **substantive terms and conditions** of a proposed **Subsurface Agreement** or **Subsurface Agreement Solicitation** and

describing the **Nuligaut subsurface** or **Point Lay subsurface** affected by it as more fully set forth in paragraph 4.3(d) of this Settlement Agreement.

**11.2. ANCSA.**

"**ANCSA**" means the Alaska Native Claims Settlement Act of 1971 (Pub. L. 92-203, 43 U.S.C. §§ 1601 et seq., as amended), and "**ANILCA**" means the Alaska National Interest Lands Conservation Act of 1980 (Pub L. 96-487, December 2, 1980).

**11.3. Approval Agreement.**

"**Approval Agreement**" means a written agreement executed by the State and ASRC setting forth the **substantive terms and conditions** of a proposed **Subsurface Agreement** or **Subsurface Agreement Solicitation** as more fully set forth in paragraph 4.3(c) of this Settlement Agreement.

**11.4. Commissioner.**

"**Commissioner**" means the Commissioner of the Department of Natural Resources of the State of Alaska.

**11.5. Consultant Group.**

"**Consultant Group**" means the panel consisting of **Qualified Independent Consultants** established to hear and decide protests of **Action Notices** as more fully set forth in paragraph 4.3(h) of this Settlement Agreement.

**11.6. Consultant Opinion.**

"**Consultant Opinion**" means an opinion issued by a **Qualified Independent Consultant** deciding a protest as more fully set forth in paragraph 4.3(j) of this Settlement Agreement.

**11.7. Director.**

"**Director**" means the Director of the Division of Oil and Gas within the Department of Natural Resources of the State of Alaska.

**11.8. Executive Rights.**

"**Executive Rights**" means the exclusive right, power, and authority to formulate and issue **Subsurface Agreement Solicitations** and to negotiate, formulate, agree upon, execute,

and grant **Subsurface Agreements** pursuant to the terms of this Settlement Agreement.

**11.9. Fair Market Value.**

"**Fair market value**" means the amount of money that an informed purchaser, willing but not obligated to buy, would pay an informed seller, willing but not obligated to sell, for particular property, goods, or services.

**11.10. Final Effective Date.**

"**Final Effective Date**" means the effective date, as determined under AS 01.10.070, of a state law approving this Settlement Agreement as set out in Exhibit A or in such other form as may be approved in writing by both ASRC and the Commissioner of Natural Resources.

**11.11. Final Partial Section.**

"**Final Partial Section**" means a section of **Nuiqsut subsurface** described in Exhibit E as to which the Bureau of Land Management grants to Kuukpik Corporation the surface estate in less than all the lands selected by Kuukpik Corporation in the section in order not to exceed the total number of acres as to which Kuukpik Corporation is entitled to receive a conveyance of the surface estate under **ANCSA**.

**11.12. Fully Conveyed Section.**

"**Fully Conveyed Section**" means, as of any relevant date, a section of **Nuiqsut subsurface** described in Exhibit E as to which ASRC has, as of that date, theretofore received one or more interim conveyances or patents from the United States conveying to ASRC the **Nuiqsut subsurface** in all lands in that entire section to which ASRC is or can become entitled pursuant to **ANCSA**; provided, further, that:

(a) no section of **Nuiqsut subsurface** listed in this paragraph shall be deemed to be a "**Fully Conveyed Section**" before the date when all Alaska Native allotment applications affecting that section and listed in this paragraph have been approved and granted or rejected or withdrawn and all **Nuiqsut subsurface** within that section now covered by those Alaska Native allotment applications has either been patented or tentatively approved to the State or

conveyed to ASRC by an interim conveyance or patent from the United States:

| <u>Township</u> | <u>Section</u> | <u>Native Allotment application</u> |
|-----------------|----------------|-------------------------------------|
| T10N, R5E UM    | 16             | F11723, Sarah Kunaknana             |
| T10N, R5E UM    | 17             | F11723, Sarah Kunaknana             |
| T10N, R5E UM    | 32             | F14607, Leffingwell Erikloak        |
| T10N, R5E UM    | 33             | F14607, Leffingwell Erikleak        |
| T12N, R6E UM    | 1              | F13833, Annie Allen                 |
| T12N, R6E UM    | 1              | F13834, Jim T. Allen                |
| T12N, R6E UM    | 2              | F13833, Annie Allen                 |
| T12N, R6E UM    | 2              | F13834, Jim T. Allen                |
| T12N, R6E UM    | 10             | F14315, Lena Baker                  |
| T12N, R6E UM    | 11             | F13833, Annie Allen                 |
| T12N, R6E UM    | 11             | F13835, Neil Allen                  |
| T12N, R6E UM    | 11             | F14315, Lena Baker                  |
| T12N, R4E UM    | 10             | F11949, Abraham Woods               |
| T12N, R4E UM    | 11             | F11949, Abraham Woods               |
| T12N, R4E UM    | 14             | F11949, Abraham Woods               |
| T12N, R4E UM    | 15             | F11949, Abraham Woods               |
| T12N, R4E UM    | 15             | F11951, Joeb O. Woods               |
| T12N, R4E UM    | 14             | F11951, Joeb O. Woods               |

(b) no section of **Nuiqsut subsurface** listed in this paragraph shall be deemed to be a "**Fully Conveyed Section**" before the earlier of (i) the date when all **Nuiqsut subsurface** within that section now covered by an Alaska Native allotment application listed in this paragraph has been conveyed to ASRC by an interim conveyance or patent from the United States, or (ii) the date when it is finally determined (by final administrative or judicial decision after conclusion of all appeals) or by written acknowledgment by ASRC that ASRC is not entitled to receive an interim conveyance or patent from the United States of the **subsurface** within that section now covered by that Alaska Native allotment application:

| <u>Township</u> | <u>Section</u> | <u>Native Allotment application</u> |
|-----------------|----------------|-------------------------------------|
| T12N, R4E UM    | 15             | F11947, Nany Woods                  |
| T12N, R4E UM    | 15             | F11943, Lydia Woods Sovlik          |
| T12N, R4E UM    | 22             | F11943, Lydia Woods Sovlik          |

and

(c) when ASRC receives an interim conveyance or patent to the **Nuiqsut subsurface** in all the lands in a **Final Partial Section** in which the surface estate has been granted to Kuukpiik Corporation, that portion of the **Final Partial**

Section which shall thereupon be deemed to be a **Fully Conveyed Section** shall be determined by dividing the **Final Partial Section** into sixteen (16) equal quarter-quarter subsections (each constituting either the NE, NW, SW, or SE quarter of the NE, NW, SW, or SE quarter of the **Final Partial Section**), with the entirety of each quarter-quarter subsection within which any **subsurface** is granted to ASRC in the interim conveyance or patent of **subsurface** from the United States to ASRC to be included in the **Fully Conveyed Section**, and with the remainder of the **Final Partial Section** to be excluded from the **Nuiqsut subsurface** as provided for in paragraph 2.3(b).

**11.13. Kuukpik Agreement.**

"**Kuukpik Agreement**" means the agreement a copy of which is attached as Exhibit K.

**11.14. Legal Rate of Interest.**

"**Legal rate of interest**" means that rate of simple (not compounded) interest earned on money due and owing as established under AS 45.45.010(a) (or any similar or successor legislation hereafter enacted) at the time the principal sum becomes due and owing.

**11.15. Limited Prudent Landowner Standard.**

"**Limited Prudent Landowner Standard**" means the **Prudent Landowner Standard** except to the extent that the State is prevented from complying with such standard because of its duties and obligations as sovereign or because of applicable federal or state statutes, regulations, and constitutional provisions, including, but not limited to, those that govern protection of natural resources and procedural requirements for disposal of interests in State lands for leasing, exploration, and development of natural resources, subject, however, to the provisions of subsection 8.2.

**11.16. Nuiqsut subsurface.**

"**Nuiqsut subsurface**" means the **subsurface** in all the uplands and submerged lands now and hereafter existing in the following lands, all located within the Umiat Meridian (subject, if applicable, to the provisions of paragraph 2.3(b) above):

T.10N., R.4E., U.M.

Secs. 1, 2, 12, 13.

T.10N., R.5E., U.M.  
Secs. 1-18, 20-29, 32-36.

T.10N., R.6E., U.M.  
Secs. 7, 18, 19, 30, 31.

T.11N., R.4E., U.M.  
Secs. 1-3, 10-16, 22-27, 35, 36.

T.11N., R.5E., U.M.  
Secs. 1, 11-15, 19-36.

T.11N., R.6E., U.M.  
Secs. 1-9, 16-20, 29-31.

T.12N., R.4E., U.M.  
Secs. 1-5, 8-17, 20-27, 34-36.

T.12N., R.5E., U.M.  
Secs. 24, 25, 36.

T.12N., R.6E., U.M.  
Secs. 1-5, 7-36.

T.13N., R.4E., U.M.  
Secs. 25-28, 32-36.

**11.17. The parties.**

"The parties" means ASRC and the State; unless the context clearly refers to a third party, "party" means either ASRC or the State.

**11.18. Person.**

"Person" means a natural person and all types of private or governmental entities, including but not limited to all such entities listed in AS 01.10.060(7), and any corporate subsidiary or joint venture.

**11.19. Point Lay subsurface.**

"Point Lay subsurface" means the subsurface in all uplands and submerged lands now and hereafter existing in the following lands, all located within the Umiat Meridian:

T.1N., R.45W., U.M.  
Secs. 1-36.

T.1N., R.46W., U.M.  
Secs. 1-3, 10-15, 22-27, 34-36.

T.2N., R.45W., U.M.  
Secs. 1-36.

T.2N., R.46W., U.M.  
Secs. 2, 3, 10, 11, 14, 15, 22-24, 26, 27, 34-36.

T.3N., R.45W., U.M.  
Secs. 1, 2, 11, 12.

T.4N., R.45W., U.M.  
Secs. 25, 26, 35, 36.

T.6N., R.43W., U.M.  
Secs. 1, 2, 11-14, 23-28, 31-36.

T.7N., R.43W., U.M.  
Sec. 36.

**11.20. Proposed Action Notice.**

"Proposed Action Notice" means a written notice given by the State to ASRC describing the portion of **Nuiqsut subsurface** or **Point Lay subsurface** involved in a proposed **Subsurface Agreement** or **Subsurface Agreement Solicitation** and the nature (and, to the extent then known by the State, the proposed terms) of that proposed **Subsurface Agreement** or **Subsurface Agreement Solicitation** as more fully set forth in paragraph 4.3(b) of this Settlement Agreement.

**11.21. Protest Notice.**

"Protest Notice" means a written notice given by ASRC to the State protesting an **Action Notice** and stating the objections of ASRC to **substantive terms and conditions** of a proposed **Subsurface Agreement** or **Subsurface Agreement Solicitation**, as more fully set forth in paragraph 4.3(e) of this Settlement Agreement.

**11.22. Prudent Landowner Standard.**

"Prudent Landowner Standard" means the degree of diligence and discretion that would be exercised by an average landowner, acting as a reasonable and prudent **person** who is familiar with prevailing practices and standards in the oil, gas, and mineral industry in the area at the time, in seeking to cause his **subsurface** to be explored and developed and to maximize

subsurface revenues from such subsurface and protect such subsurface from drainage.

**11.23. Qualified Independent Consultant.**

"Qualified Independent Consultant" means a member of the Consultant Group as more fully set forth in paragraph 4.3(h) of this Settlement Agreement.

**11.24. 7(i) Agreement.**

"7(i) Agreement" means the Section 7(i) Settlement Agreement reached in 1982 between ASRC and other ANCSA Regional Corporations.

**11.25. Substantive terms and conditions.**

"Substantive terms and conditions" means, but is not limited to, timing of lease sales, lease tract identification and composition, bid terms, and lease terms, but shall not include (i) the exercise by the State of its duties and obligations as sovereign, (ii) the State's compliance with applicable federal or state statutes, regulations, and constitutional provisions, including, but not limited to, those that govern protection of natural resources and procedural requirements for disposal of interests in State lands for leasing, exploration, and development of natural resources, (iii) the granting of exploration incentive credits against tax obligations or the State's royalty interest (but not ASRC's royalty interest), or (iv) other exercise of the State's taxing power.

**11.26. Subsurface.**

"Subsurface" means all interests in oil, gas, or other minerals, now known or discovered in the future in, on, or under land (including all depths, formations, and horizons), together with all rights, privileges, benefits, and powers conferred upon the owner of that interest with respect to the use and occupation of the surface of, and the subsurface depths under, the lands that may be necessary, convenient, or incidental to the possession and enjoyment (and including, without limitation, exploring, drilling, developing, producing, mining, saving, handling, treating, transporting, marketing, and operating the

oil, gas, or other minerals). However, "**subsurface**" does not include any "mineral" that on January 3, 1959, was subject to location under the mining laws of the United States, does not include sand and gravel (whether or not of an uncommon variety), and does not include water.

**11.27. Subsurface Agreement.**

"**Subsurface Agreement**" means any oil, gas, or mineral lease or other contract or agreement granting or agreeing to grant to any person any right, title, or interest in or to any **Nuiqsut subsurface** or **Point Lay subsurface** or any right, license or permit to explore for, develop, produce, or otherwise exploit oil, gas, or other minerals in, on, or under any **Nuiqsut subsurface** or **Point Lay subsurface**; however, a contract or agreement to sell, exchange, or otherwise dispose of oil, gas, or minerals after severance or production thereof from the **subsurface** is not a "**Subsurface Agreement**." Also, a surface authorization given pursuant to the State's sovereign authority (such as land- or water-use permits) is not a **Subsurface Agreement** whether or not the authorization is given in support of development of the **Nuiqsut Subsurface** or the **Point Lay Subsurface**. Likewise, a license or permit authorizing the licensee or permittee to conduct seismic exploration on the **Nuiqsut subsurface** area or **Point Lay subsurface** area (which license or permit does not grant any right to drill exploratory or development wells or otherwise to produce or remove or acquire any right or interest in oil, gas or other minerals or **subsurface revenues**) is not a **Subsurface Agreement**, although such license or permit shall be subject to the provisions of subsection 10.3.

**11.28. Subsurface Agreement Solicitation.**

"**Subsurface Agreement Solicitation**" means a request for bids, notice of lease sale, or other form of solicitation of bid proposals or offers for **Subsurface Agreements**; however, for purposes of this Settlement Agreement, the "issuance" of or to "issue" a **Subsurface Agreement Solicitation** includes, when applicable, the execution and delivery of a **Subsurface Agreement**

as described in that **Subsurface Agreement Solicitation** in acceptance of a bid or offer received in response to that **Subsurface Agreement Solicitation**.

**11.29. Subsurface revenues.**

"**Subsurface revenues**" means all bid deposits, bonuses, rents, net profits, royalties, the proceeds of sale or exchanges, benefits, or any other thing of value that is received and is attributable to or generated from the exploration, development, production, or other exploitation of, or lease, sale, exchange, or other disposition of any interest in the **Nuiqsut subsurface** or the **Point Lay subsurface**, as applicable, except as expressly otherwise provided in paragraph 7.3(b) of this Settlement Agreement.. **Subsurface revenues** includes all rents, profits, and royalties, the proceeds of sales or exchanges, benefits, or any other thing of value that is received and is attributable to or generated from the oil and gas leases described in section 9 attributable to any part of the **Nuiqsut subsurface**. When **subsurface revenues** are received in a form other than cash or cash equivalents, the cash **fair market value** at the time of the receipt will be included in and considered as **subsurface revenues**.

**Subsurface revenues** does not include taxes of any kind owed to the State by any **person**, including ASRC. **Subsurface revenues** also does not include the customary fees charged by the State in connection with the filing of an application for a permit, lease, license, or mining claim, mining lease, or mining leasehold location that are generally applicable to all such applications and are not limited to or different in amount with respect to applications pertaining to **Nuiqsut subsurface** or **Point Lay subsurface** as compared to other **subsurface** areas, or other like generally applicable fees customarily charged by the State for authorizations, publications, or services.

**11.30. Unauthorized Action.**

"**Unauthorized Action**" means the execution or issuance by the State as executive of any **Subsurface Agreement** or

Subsurface Agreement Solicitation which has not, within six (6) months before execution or issuance thereof, either:

(a) been approved by an **Approval Agreement** as to its **substantive terms and conditions** pursuant to paragraph 4.3(c); or

(b) been the subject of an **Action Notice** received by ASRC pursuant to paragraph 4.3(d) with respect to which ASRC has failed to give a **Protest Notice** to the State pursuant to paragraph 4.3(e) within ten (10) days after receipt of that **Action Notice**; or

(c) been the subject of a **Consultant Opinion** rendered pursuant to paragraph 4.3(j) concluding that execution or issuance thereof either would or would not be consistent with the standard set forth in paragraph 4.2(a) of this Settlement Agreement.

## 12. SIGNATURES.

This Settlement Agreement is being signed in five (5) counterparts, to be effective as of the date of execution hereof set out below by the last of the parties named below who are executing this Settlement Agreement on behalf of ASRC and the State, respectively. Each will be deemed an original; however, all constitute one and the same agreement.

ARCTIC SLOPE REGIONAL CORPORATION

Executed:  
December 17, 1991

By Jacob Adams  
Name: Jacob Adams  
Title: President

STATE OF ALASKA

BY: ATTORNEY GENERAL  
CHARLES E. COLE

Executed:  
December 13, 1991

By Charles E. Cole  
Name:  
Title:

AND

BY: STATE OF ALASKA  
DEPARTMENT OF NATURAL  
RESOURCES

Executed:  
December 17, 1991

By Harold C. Heinze  
Harold C. Heinze,  
Commissioner

THE STATE OF ALASKA                   §  
                                          §       ss.  
3rd JUDICIAL DISTRICT       §

This is to certify that on the 17th day of December, 1991, before me appeared Jacob Adams, the person who has been lawfully authorized as the President of Arctic Slope Regional Corporation, a corporation organized and existing under the laws of the state of Alaska, to execute the foregoing document; that Jacob Adams executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this certificate first above written.

Shirley Howes  
Notary Public in and for Alaska

My Commission Expires: July 10, 1994

THE STATE OF ALASKA

§  
§  
§

ss.

2nd JUDICIAL DISTRICT

This is to certify that on the 13<sup>th</sup> day of December, 1991, before me appeared Charles E. Cole, the person who has been lawfully delegated the authority of Charles E. Cole, the Attorney General, State of Alaska, to execute the foregoing document; that he executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this certificate first above written.

Gerrine Lindblom

Notary Public in and for Alaska

My Commission Expires: 9-11-92

THE STATE OF ALASKA

§  
§  
§

ss.

3rd JUDICIAL DISTRICT

This is to certify that on the 17<sup>th</sup> day of December, 1991, before me appeared Harold C. Heinze, the Commissioner, Department of Natural Resources, State of Alaska; that Harold C. Heinze executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this certificate first above written.

Shirley Haines

Notary Public in and for Alaska

My Commission Expires: July 10, 1994

EXHIBIT A

IN THE \_\_\_\_\_

BY THE \_\_\_\_\_ COMMITTEE BY  
REQUEST OF THE GOVERNOR

\_\_\_\_\_ BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE—SECOND SESSION

A BILL

For an Act Entitled: "An Act relating to the approval of an agreement settling litigation between the State of Alaska and Arctic Slope Regional Corporation; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

- \* Sec. 1. PURPOSE. The purpose of the Act is to provide for the settlement of certain claims raised in litigation between the State of Alaska and Arctic Slope Regional Corporation in "State of Alaska v. Arctic Slope Regional Corporation," Alaska Superior Court, Third Judicial District, Case No. 3AN-85-15523.
- \* Sec. 2. RATIFICATION. Notwithstanding any other provision of Alaska law, the "1991 Settlement Agreement Between Arctic Slope Regional Corporation and the State of Alaska" (including the Exhibits to it) is incorporated herein by reference and is hereby ratified as to the rights, duties, agreements, and obligations of the State of Alaska provided for or contemplated in it. No statutory or common law rules against perpetuities or restraints of alienation of property shall apply to the settlement agreement or to any interest or power created by it.
- \* Sec. 3. COMMISSIONER AUTHORITY. The commissioner of natural resources is authorized to carry out and perform the settlement agreement, including, without limitation, executing and delivering patents to Arctic Slope Regional

Corporation as provided for in the settlement agreement, notwithstanding any procedural requirement or other provision of the Alaska Statutes that might otherwise be deemed a restriction on the commissioner's authority to do so. However, the commissioner may not materially amend the settlement agreement without legislative approval.

- \* Sec. 4. RECORDATION. (a) The commissioner of natural resources shall record a true and authenticated photocopy of the settlement agreement and any conveyance document required thereby in the recording office of the appropriate recording district, and incorporate the settlement agreement in the lands records system maintained by the Department of Natural Resources.

(b) The commissioner of natural resources shall deliver a signed original of the settlement agreement to the Archivist in the Department of Administration for preservation.

- \* Sec. 5. ACTIONS. (a) No person may bring an action challenging the legality of the settlement agreement, in whole or in part, or a provision of this act, unless the action is commenced in a state superior court within thirty (30) days after the effective date of this act.

(b) The State of Alaska waives its sovereign immunity from suit by Arctic Slope Regional Corporation or its successors or assigns seeking to enforce or protect rights conferred on Arctic Slope Regional Corporation under the settlement agreement, but only if that action is brought in state superior court. Nothing in this act is intended to waive the State of Alaska's U.S. Constitution Eleventh Amendment immunity from suit in federal court.

(c) Nothing in this act is intended to create a right in any person to challenge the legality of all or part of the settlement agreement or this act.

- \* Sec. 6. This act takes effect immediately in accordance with AS 01.10.070(c).

EXHIBIT B

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA  
THIRD JUDICIAL DISTRICT AT ANCHORAGE

|                       |   |
|-----------------------|---|
| STATE OF ALASKA,      | § |
|                       | § |
| Plaintiff,            | § |
|                       | § |
| vs.                   | § |
|                       | § |
| ARCTIC SLOPE REGIONAL | § |
| CORPORATION,          | § |
|                       | § |
| Defendant.            | § |
|                       | § |

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Case No. 3AN-85-15523

STIPULATION FOR DISMISSAL

The parties, through counsel, hereby stipulate to dismiss this action without prejudice, each party to bear its own costs, including attorney's fees. This dismissal is made pursuant to the terms of the 1991 Settlement Agreement Between Arctic Slope Regional Corporation And The State Of Alaska.

Dated: \_\_\_\_\_, 1991 WICKWIRE, SEWARD, GREENE & CROSBY

By \_\_\_\_\_  
David C. Crosby

Attorneys for the defendant, Arctic  
Slope Regional Corporation

CHARLES E. COLE  
ATTORNEY GENERAL  
STATE OF ALASKA

Dated: \_\_\_\_\_, 1991

By \_\_\_\_\_

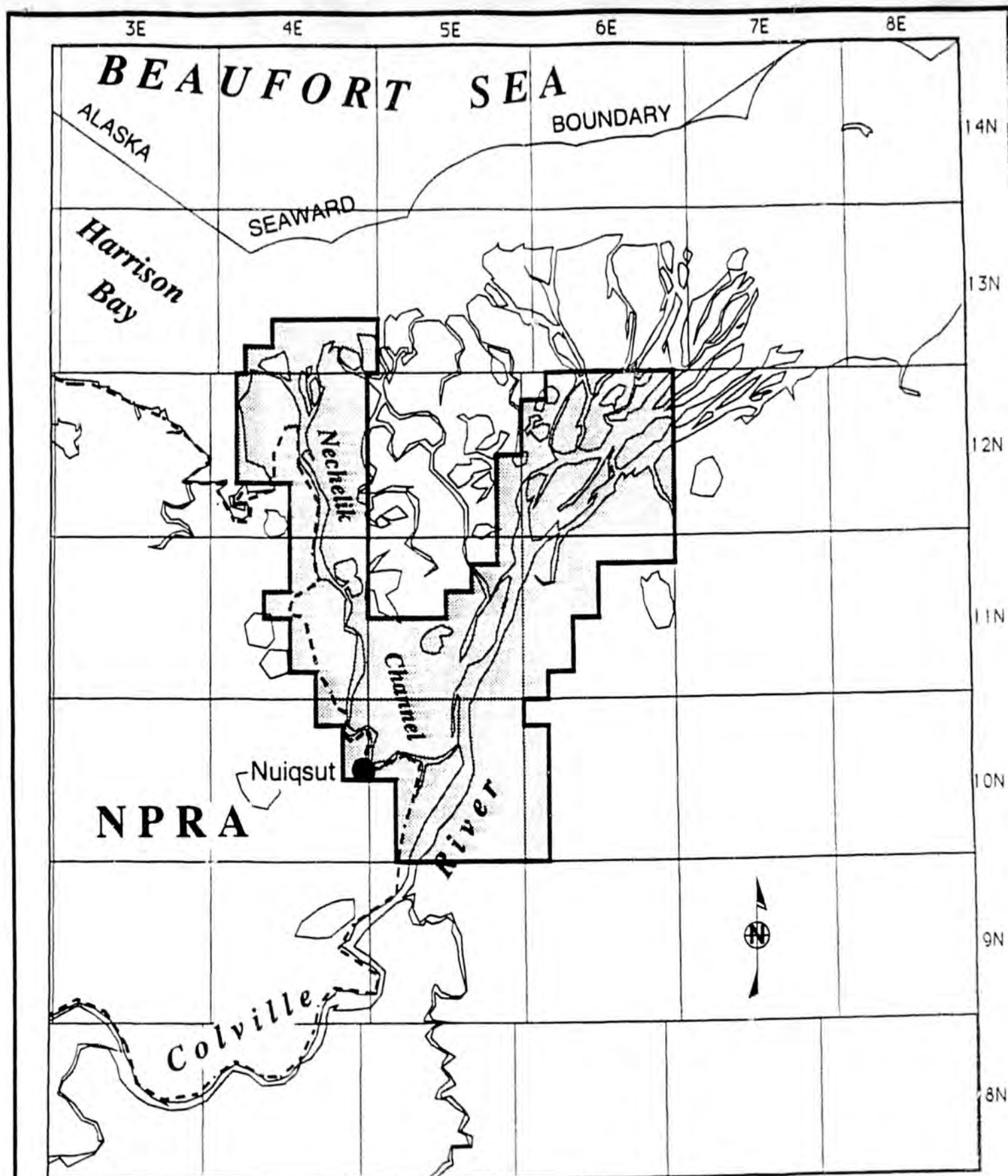
Assistant Attorney General for  
plaintiff, State of Alaska

ORDER

It is so ordered this \_\_\_\_\_ day of \_\_\_\_\_,  
1991, in Anchorage, Alaska.

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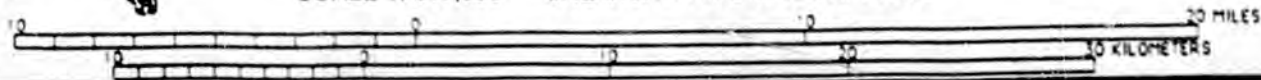
JUDGE OF THE SUPERIOR COURT



## Exhibit C Nuiqsut Subsurface

SCALE 1: 317,000 ONE INCH = FIVE MILES APPROX.

Alaska  
Department of  
Natural Resources  
Division of Oil and Gas  
12-4-91



CHUKCHI

SEA

Point Lay

ALASKA

SEAWARD

Kasegaluk

Kokolik

River

Kukpowruk

River

UMIAT

BASE

LINE

BOUNDARY

Lagoon

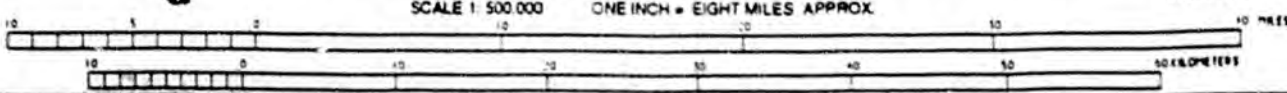


**Exhibit D**  
**Point Lay Subsurface**

Alaska  
Department of  
Natural Resources  
Division of Oil and Gas  
12-4-91

# EXHIBIT E

## ASRC AND STATE PERCENTAGE OWNERSHIP (NUIQSUT SUBSURFACE)

| <u>Township/Section</u>                                                                        | <u>ASRC Percentage</u>                 | <u>State Percentage</u> | <u>ASRC</u> |
|------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------|-------------|
| T10N, R4E Umiat Meridian                                                                       |                                        |                         |             |
| Section: 1                                                                                     | 44.93%                                 | 55.07%                  | 640         |
| 2                                                                                              | 92.14%                                 | 7.86%                   | 640         |
| 12                                                                                             | 79.05%                                 | 20.95%                  | 640         |
| 13                                                                                             | 94.45%                                 | 5.55%                   | 640         |
| T10N, R5E Umiat Meridian                                                                       |                                        |                         |             |
| Section: 1                                                                                     | 42.55%                                 | 57.45%                  | 640         |
| 2                                                                                              | 36.70%                                 | 63.30%                  | 640         |
| 3                                                                                              | 19.25%                                 | 80.75%                  | 640         |
| 4                                                                                              | 50.00%                                 | 50.00%                  | 640         |
| 5                                                                                              | 50.00%                                 | 50.00%                  | 640         |
| 6                                                                                              | 50.00%                                 | 50.00%                  | 609         |
| 7                                                                                              | 48.90%                                 | 51.10%                  | 612         |
| 8                                                                                              | 49.48%                                 | 50.52%                  | 640         |
| 9                                                                                              | 50.00%                                 | 50.00%                  | 640         |
| 10                                                                                             | 21.78%                                 | 78.22%                  | 640         |
| 11                                                                                             | 42.61%                                 | 57.39%                  | 640         |
| 12                                                                                             | 49.75%                                 | 50.25%                  | 640         |
| 13                                                                                             | 50.00%                                 | 50.00%                  | 640         |
| 14                                                                                             | 49.58%                                 | 50.42%                  | 640         |
| 15                                                                                             | 18.00%                                 | 82.00%                  | 640         |
| 16                                                                                             | 41.43%                                 | 58.57%                  | 640         |
| 17                                                                                             | 79.43%                                 | 20.57%                  | 640         |
| 18                                                                                             | 65.13%                                 | 34.87%                  | 615         |
| 20                                                                                             | 83.54%                                 | 16.46%                  | 640         |
| 21                                                                                             | 43.62%                                 | 56.38%                  | 640         |
| 22                                                                                             | 26.61%                                 | 73.39%                  | 640         |
| 23                                                                                             | 50.00%                                 | 50.00%                  | 640         |
| 24                                                                                             | 50.00%                                 | 50.00%                  | 640         |
| 25                                                                                             | 50.00%                                 | 50.00%                  | 640         |
| 26                                                                                             | 50.00%                                 | 50.00%                  | 640         |
| 27                                                                                             | 45.27%                                 | 54.73%                  | 640         |
| 28                                                                                             | 21.42%                                 | 78.58%                  | 640         |
| 29                                                                                             | 53.88%                                 | 46.12%                  | 640         |
| 32                                                                                             | See Alternative Outcomes for T10N, R5E |                         |             |
| 33                                                                                             | See Alternative Outcomes for T10N, R5E |                         |             |
| 34                                                                                             | 48.98%                                 | 51.02%                  | 640         |
| 35                                                                                             | 50.00%                                 | 50.00%                  | 640         |
| 36                                                                                             | 50.00%                                 | 50.00%                  | 640         |
| T10N, R5E UM: Alternate Outcomes for Sections Affected by Alaska Native Allotment Applications |                                        |                         |             |
| Section 33, Native Allotment Application F14607                                                |                                        |                         |             |
| Approved                                                                                       | 30.18%                                 | 69.82%                  | 640         |
| Rejected                                                                                       | 41.11%                                 | 58.89%                  | 640         |
| Section 32, Native Allotment Application F14607                                                |                                        |                         |             |
| Approved                                                                                       | 24.46%                                 | 75.54%                  | 640         |
| Rejected                                                                                       | 26.05%                                 | 73.95%                  | 640         |

| <u>Township/Section</u>  | <u>ASRC Percentage</u> | <u>State Percentage</u> | <u>Acreage</u> |
|--------------------------|------------------------|-------------------------|----------------|
| T10N, R4E Umiat Meridian |                        |                         |                |
| Section: 7               | 50.00%                 | 50.00%                  | 612            |
| 18                       | 50.00%                 | 50.00%                  | 515            |
| 19                       | 50.00%                 | 50.00%                  | 617            |
| 30                       | 50.00%                 | 50.00%                  | 620            |
| 31                       | 50.00%                 | 50.00%                  | 623            |
| T11N, R4E Umiat Meridian |                        |                         |                |
| Section: 1               | 46.49%                 | 53.51%                  | 640            |
| 2                        | 42.75%                 | 57.25%                  | 640            |
| 3                        | 89.75%                 | 10.25%                  | 640            |
| 10                       | 97.61%                 | 2.39%                   | 640            |
| 11                       | 29.41%                 | 70.59%                  | 640            |
| 12                       | 23.13%                 | 76.87%                  | 640            |
| 13                       | 32.45%                 | 67.55%                  | 640            |
| 14                       | 46.37%                 | 53.63%                  | 640            |
| 15                       | 60.20%                 | 39.80%                  | 640            |
| 16                       | 99.66%                 | 0.34%                   | 640            |
| 22                       | 78.65%                 | 21.35%                  | 640            |
| 23                       | 49.33%                 | 50.67%                  | 640            |
| 24                       | 39.49%                 | 60.51%                  | 640            |
| 25                       | 36.59%                 | 63.41%                  | 640            |
| 26                       | 51.25%                 | 48.75%                  | 640            |
| 27                       | 97.40%                 | 2.60%                   | 640            |
| 35                       | 69.49%                 | 30.51%                  | 640            |
| 36                       | 39.03%                 | 60.97%                  | 640            |
| T11N, R5E Umiat Meridian |                        |                         |                |
| Section: 1               | 36.31%                 | 63.69%                  | 640            |
| 11                       | 42.32%                 | 57.68%                  | 640            |
| 12                       | 17.22%                 | 82.78%                  | 640            |
| 13                       | 22.52%                 | 77.48%                  | 640            |
| 14                       | 37.21%                 | 62.79%                  | 640            |
| 15                       | 49.99%                 | 50.01%                  | 640            |
| 19                       | 47.12%                 | 52.88%                  | 601            |
| 20                       | 44.21%                 | 55.79%                  | 640            |
| 21                       | 50.00%                 | 50.00%                  | 640            |
| 22                       | 42.74%                 | 57.26%                  | 640            |
| 23                       | 31.65%                 | 68.35%                  | 640            |
| 24                       | 33.89%                 | 66.11%                  | 640            |
| 25                       | 49.35%                 | 50.65%                  | 640            |
| 26                       | 20.39%                 | 79.61%                  | 640            |
| 27                       | 32.39%                 | 67.61%                  | 640            |
| 28                       | 49.94%                 | 50.06%                  | 640            |
| 29                       | 49.14%                 | 50.86%                  | 640            |
| 30                       | 49.83%                 | 50.17%                  | 604            |
| 31                       | 50.00%                 | 50.00%                  | 607            |
| 32                       | 50.00%                 | 50.00%                  | 640            |
| 33                       | 49.80%                 | 50.20%                  | 640            |
| 34                       | 14.34%                 | 85.66%                  | 640            |
| 35                       | 30.37%                 | 69.63%                  | 640            |
| 36                       | 46.60%                 | 53.40%                  | 640            |
| T11N, R6E Umiat Meridian |                        |                         |                |
| Section: 1               | 49.02%                 | 50.98%                  | 640            |
| 2                        | 50.00%                 | 50.00%                  | 640            |
| 3                        | 50.00%                 | 50.00%                  | 640            |
| 4                        | 50.00%                 | 50.00%                  | 640            |
| 5                        | 41.98%                 | 58.02%                  | 640            |
| 6                        | 19.22%                 | 80.78%                  | 593            |

| <u>Township/Section</u> | <u>ASRC Percentage</u> | <u>State Percentage</u> | <u>Acreage</u> |
|-------------------------|------------------------|-------------------------|----------------|
| 7                       | 39.48%                 | 60.52%                  | 596            |
| 8                       | 44.08%                 | 55.92%                  | 640            |
| 9                       | 49.84%                 | 50.16%                  | 640            |
| 16                      | 50.00%                 | 50.00%                  | 640            |
| 17                      | 44.93%                 | 55.07%                  | 640            |
| 18                      | 45.77%                 | 54.23%                  | 599            |
| 19                      | 49.50%                 | 50.50%                  | 601            |
| 20                      | 45.17%                 | 54.83%                  | 640            |
| 29                      | 49.31%                 | 50.79%                  | 640            |
| 30                      | 50.00%                 | 50.00%                  | 604            |
| 31                      | 50.00%                 | 50.00%                  | 607            |

**T12N, R4E Umiat Meridian**

|            |                                        |        |     |
|------------|----------------------------------------|--------|-----|
| Section: 1 | 44.69%                                 | 55.36% | 640 |
| 2          | 45.38%                                 | 54.62% | 640 |
| 3          | 36.58%                                 | 73.42% | 640 |
| 4          | 42.31%                                 | 57.69% | 640 |
| 5          | 23.81%                                 | 76.19% | 640 |
| 8          | 35.40%                                 | 64.60% | 640 |
| 9          | 48.47%                                 | 51.53% | 640 |
| 10         | See Alternative Outcomes for T12N, R4E |        |     |
| 11         | See Alternative Outcomes for T12N, R6E |        |     |
| 12         | 46.68%                                 | 53.32% | 640 |
| 13         | 44.91%                                 | 55.09% | 640 |
| 14         | See Alternative Outcomes for T12N, R4E |        |     |
| 15         | See Alternative Outcomes for T12N, R4E |        |     |
| 16         | 53.79%                                 | 46.21% | 640 |
| 17         | 30.37%                                 | 69.63% | 640 |
| 20         | 12.55%                                 | 87.45% | 640 |
| 21         | 73.77%                                 | 26.23% | 640 |
| 22         | See Alternative Outcomes for T12N, R4E |        |     |
| 23         | 49.95%                                 | 50.05% | 640 |
| 24         | 48.03%                                 | 51.97% | 640 |
| 25         | 44.21%                                 | 55.79% | 640 |
| 26         | 39.82%                                 | 60.18% | 640 |
| 27         | 92.00%                                 | 8.00%  | 640 |
| 34         | 99.82%                                 | 0.18%  | 640 |
| 35         | 40.76%                                 | 59.24% | 640 |
| 36         | 49.28%                                 | 50.72% | 640 |

**T12N, R4E UM: Alternate Outcomes for Sections Affected by Alaska Native Allotment Applications**

**Section 10, Native Allotment Application F11949**

|          |        |        |     |
|----------|--------|--------|-----|
| Approved | 29.61% | 70.39% | 640 |
| Rejected | 30.39% | 69.61% | 640 |

**Section 11, Native Allotment Application F11949**

|          |        |        |     |
|----------|--------|--------|-----|
| Approved | 47.13% | 52.87% | 640 |
| Rejected | 48.30% | 51.70% | 640 |

**Section 14, Native Allotment Applications F11949 and F11951**

|                                  |        |        |     |
|----------------------------------|--------|--------|-----|
| Both approved                    | 35.55% | 64.45% | 640 |
| F11949 approved, F11951 rejected | 43.36% | 56.64% | 640 |
| F11949 rejected, F11951 approved | 42.19% | 57.81% | 640 |
| Both rejected                    | 50.00% | 50.00% | 640 |

| Township/Section | ASRC Percentage | State Percentage | Acreage |
|------------------|-----------------|------------------|---------|
|------------------|-----------------|------------------|---------|

Section 15, Native Allotment Applications F11949, F11951, F11947<sup>1</sup>, and F11943<sup>1</sup>

|          |          |                     |                     |        |        |     |
|----------|----------|---------------------|---------------------|--------|--------|-----|
| F11949   | F11951   | F11947 <sup>1</sup> | F11943 <sup>1</sup> |        |        |     |
| Approved | Approved | Approved            | Approved            | 41.66% | 58.34% | 640 |
| Rejected | Approved | Approved            | Approved            | 45.56% | 54.44% | 640 |
| Approved | Rejected | Approved            | Approved            | 46.34% | 53.66% | 640 |
| Approved | Approved | Rejected            | Approved            | 28.33% | 71.67% | 640 |
| Approved | Approved | Approved            | Rejected            | 38.28% | 61.72% | 640 |
| Rejected | Rejected | Approved            | Approved            | 50.25% | 49.75% | 640 |
| Rejected | Approved | Rejected            | Approved            | 33.13% | 66.87% | 640 |
| Rejected | Approved | Approved            | Rejected            | 42.41% | 57.59% | 640 |
| Approved | Rejected | Rejected            | Approved            | 34.09% | 65.91% | 640 |
| Approved | Rejected | Approved            | Rejected            | 43.24% | 56.76% | 640 |
| Approved | Approved | Rejected            | Rejected            | 23.17% | 76.83% | 640 |
| Rejected | Approved | Rejected            | Rejected            | 28.31% | 71.69% | 640 |
| Rejected | Rejected | Approved            | Rejected            | 47.37% | 52.63% | 640 |
| Rejected | Rejected | Rejected            | Approved            | 38.89% | 61.11% | 640 |
| Approved | Rejected | Rejected            | Rejected            | 29.34% | 70.66% | 640 |
| Rejected | Rejected | Rejected            | Rejected            | 34.48% | 65.52% | 640 |

Section 22, Native Allotment Application F11943

|          |        |        |     |
|----------|--------|--------|-----|
| Approved | 52.63% | 47.37% | 640 |
| Rejected | 40.05% | 50.95% | 640 |

T12N, R5E Umiat Meridian

|             |        |        |     |
|-------------|--------|--------|-----|
| Section: 24 | 50.00% | 50.00% | 640 |
| 25          | 40.29% | 59.71% | 640 |
| 36          | 41.58% | 58.42% | 640 |

T12N, R6E Umiat Meridian

|            |                                        |        |     |
|------------|----------------------------------------|--------|-----|
| Section: 1 | See Alternative Outcomes for T12N, R6E |        |     |
| 2          | See Alternative Outcomes for T12N, R6E |        |     |
| 3          | 37.42%                                 | 62.58% | 640 |
| 4          | 30.44%                                 | 69.56% | 640 |
| 5          | 39.57%                                 | 60.43% | 640 |
| 7          | 39.12%                                 | 60.88% | 580 |
| 8          | 37.87%                                 | 62.13% | 640 |
| 9          | 36.02%                                 | 63.98% | 640 |
| 10         | See Alternative Outcomes for T12N, R6E |        |     |
| 11         | See Alternative Outcomes for T12N, R6E |        |     |
| 12         | 23.74%                                 | 76.26% | 640 |
| 13         | 23.22%                                 | 76.78% | 640 |
| 14         | 32.74%                                 | 67.26% | 640 |
| 15         | 22.43%                                 | 77.57% | 640 |
| 16         | 28.11%                                 | 71.89% | 640 |
| 17         | 36.61%                                 | 63.39% | 640 |
| 18         | 40.59%                                 | 59.41% | 583 |
| 19         | 38.54%                                 | 61.46% | 585 |
| 20         | 25.71%                                 | 74.29% | 640 |
| 21         | 34.35%                                 | 65.65% | 640 |
| 22         | 28.29%                                 | 71.71% | 640 |

<sup>1</sup> Alaska Native Allotment Application F11943 or Alaska Native Allotment Application F11947 (or both, as applicable) shall be deemed to have been "rejected" for purposes of this Exhibit E as to a section of Nuiqsut subsurface affected thereby if that section becomes a Fully Conveyed Section as defined in subsection 11.12 of the Settlement Agreement before all Nuiqsut subsurface within that section covered by that Alaska Native Allotment Application has been conveyed to ASRC by an interim conveyance or patent from the United States.

| <u>Township/Section</u> | <u>ASRC Percentage</u> | <u>State Percentage</u> | <u>Acreage</u> |
|-------------------------|------------------------|-------------------------|----------------|
| 23                      | 22.61%                 | 77.39%                  | 640            |
| 24                      | 40.58%                 | 59.42%                  | 640            |
| 25                      | 44.58%                 | 55.42%                  | 640            |
| 26                      | 49.26%                 | 50.74%                  | 640            |
| 27                      | 28.25%                 | 71.75%                  | 640            |
| 28                      | 31.69%                 | 68.31%                  | 640            |
| 29                      | 46.40%                 | 53.60%                  | 640            |
| 30                      | 29.67%                 | 70.33%                  | 588            |
| 31                      | 33.10%                 | 66.90%                  | 591            |
| 32                      | 26.59%                 | 73.41%                  | 640            |
| 33                      | 33.17%                 | 66.83%                  | 640            |
| 34                      | 50.00%                 | 50.00%                  | 640            |
| 35                      | 50.00%                 | 50.00%                  | 640            |
| 36                      | 47.80%                 | 52.20%                  | 640            |

**T12N, R6E UM: Alternate Outcomes for Sections Affected by Alaska Native Allotment Applications**

**Section: 1, Native Allotment Applications F13833 and F13834**

|                                  |        |        |     |
|----------------------------------|--------|--------|-----|
| Both approved                    | 15.48% | 84.52% | 640 |
| F13833 approved, F13834 rejected | 23.29% | 76.71% | 640 |
| F13833 rejected, F13834 approved | 17.12% | 82.88% | 640 |
| Both rejected                    | 24.93% | 75.07% | 640 |

**Section: 2, Native Allotment Applications F13833, F13834, and F13835**

|                            |        |        |     |
|----------------------------|--------|--------|-----|
| All approved               | 21.77% | 78.23% | 640 |
| F13833 F13834 F13835       |        |        |     |
| Approved Rejected Rejected | 29.26% | 70.74% | 640 |
| Approved Approved Rejected | 24.58% | 75.42% | 640 |
| Approved Rejected Approved | 26.45% | 73.55% | 640 |
| Rejected Approved Rejected | 33.88% | 66.12% | 640 |
| Rejected Approved Approved | 31.07% | 68.93% | 640 |
| Rejected Rejected Approved | 35.75% | 64.25% | 640 |
| All rejected               | 38.56% | 61.44% | 640 |

**Section: 10, Native Allotment Applications F14315**

|          |        |        |     |
|----------|--------|--------|-----|
| Approved | 28.27% | 71.73% | 640 |
| Rejected | 36.79% | 63.21% | 640 |

**Section: 11, Native Allotment Applications F13833, F13835, and F14315**

|                            |        |        |     |
|----------------------------|--------|--------|-----|
| All approved               | 9.01%  | 90.99% | 640 |
| F13833 F13835 F14315       |        |        |     |
| Approved Rejected Rejected | 22.68% | 77.32% | 640 |
| Approved Approved Rejected | 12.99% | 87.01% | 640 |
| Approved Rejected Approved | 18.70% | 81.30% | 640 |
| Rejected Approved Rejected | 14.55% | 85.45% | 640 |
| Rejected Approved Approved | 10.57% | 89.43% | 640 |
| Rejected Rejected Approved | 20.26% | 79.74% | 640 |
| All rejected               | 24.24% | 75.76% | 640 |

**T13N, R4E Umiat Meridian**

|             |        |        |     |
|-------------|--------|--------|-----|
| Section: 25 | 16.32% | 83.68% | 640 |
| 26          | 1.91%  | 98.09% | 640 |
| 27          | 4.26%  | 95.74% | 640 |
| 28          | 0.21%  | 99.79% | 640 |
| 32          | 10.38% | 89.62% | 640 |
| 33          | 23.04% | 76.96% | 640 |
| 34          | 32.35% | 67.65% | 640 |
| 35          | 39.48% | 60.52% | 640 |
| 36          | 42.65% | 57.35% | 640 |

# EXHIBIT F

## ASRC AND STATE PERCENTAGE OWNERSHIP (POINT LAY SUBSURFACE)

| <u>Township</u>          | <u>Section</u> | <u>ASRC Percentage</u> | <u>State Percentage</u> | <u>Acreage</u> |
|--------------------------|----------------|------------------------|-------------------------|----------------|
| T1N,                     | Meridian       |                        |                         |                |
| Sect                     |                | 49.00%                 | 51.00%                  | 640            |
|                          |                | 49.00%                 | 51.00%                  | 640            |
|                          |                | 49.00%                 | 51.00%                  | 640            |
|                          |                | 49.00%                 | 51.00%                  | 640            |
|                          |                | 49.00%                 | 51.00%                  | 640            |
|                          | 6              | 49.00%                 | 51.00%                  | 626            |
|                          | 7              | 49.00%                 | 51.00%                  | 628            |
|                          | 8              | 49.00%                 | 51.00%                  | 640            |
|                          | 9              | 49.00%                 | 51.00%                  | 640            |
|                          | 10             | 49.00%                 | 51.00%                  | 640            |
|                          | 11             | 49.00%                 | 51.00%                  | 640            |
|                          | 12             | 49.00%                 | 51.00%                  | 640            |
|                          | 13             | 49.00%                 | 51.00%                  | 640            |
|                          | 14             | 49.00%                 | 51.00%                  | 640            |
|                          | 15             | 49.00%                 | 51.00%                  | 640            |
|                          | 16             | 49.00%                 | 51.00%                  | 640            |
|                          | 17             | 49.00%                 | 51.00%                  | 640            |
|                          | 18             | 49.00%                 | 51.00%                  | 631            |
|                          | 19             | 49.00%                 | 51.00%                  | 634            |
|                          | 20             | 49.00%                 | 51.00%                  | 640            |
|                          | 21             | 49.00%                 | 51.00%                  | 640            |
|                          | 22             | 49.00%                 | 51.00%                  | 640            |
|                          | 23             | 49.00%                 | 51.00%                  | 640            |
|                          | 24             | 49.00%                 | 51.00%                  | 640            |
|                          | 25             | 49.00%                 | 51.00%                  | 640            |
|                          | 26             | 49.00%                 | 51.00%                  | 640            |
|                          | 27             | 49.00%                 | 51.00%                  | 640            |
|                          | 28             | 49.00%                 | 51.00%                  | 640            |
|                          | 29             | 49.00%                 | 51.00%                  | 640            |
|                          | 30             | 49.00%                 | 51.00%                  | 636            |
|                          | 31             | 49.00%                 | 51.00%                  | 639            |
|                          | 32             | 49.00%                 | 51.00%                  | 640            |
|                          | 33             | 49.00%                 | 51.00%                  | 640            |
|                          | 34             | 49.00%                 | 51.00%                  | 640            |
|                          | 35             | 49.00%                 | 51.00%                  | 640            |
|                          | 36             | 49.00%                 | 51.00%                  | 640            |
| T1N, R46W Umiat Meridian |                |                        |                         |                |
| Section:                 | 1              | 22.20%                 | 77.80%                  | 640            |
|                          | 2              | 3.06%                  | 96.94%                  | 640            |
|                          | 3              | 6.51%                  | 93.49%                  | 640            |
|                          | 10             | 3.45%                  | 96.55%                  | 640            |
|                          | 11             | 2.37%                  | 97.63%                  | 640            |
|                          | 12             | 16.46%                 | 83.54%                  | 640            |
|                          | 13             | 27.95%                 | 72.05%                  | 640            |
|                          | 14             | 11.48%                 | 88.52%                  | 640            |
|                          | 15             | 7.27%                  | 92.73%                  | 640            |
|                          | 22             | 4.21%                  | 95.79%                  | 640            |
|                          | 23             | 15.47%                 | 84.53%                  | 640            |
|                          | 24             | 32.16%                 | 67.84%                  | 640            |
|                          | 25             | 42.88%                 | 57.12%                  | 640            |
|                          | 26             | 9.95%                  | 90.05%                  | 640            |

| <u>Township/Section</u>  | <u>ASRC Percentage</u> | <u>State Percentage</u> | <u>Acreage</u> |
|--------------------------|------------------------|-------------------------|----------------|
| 27                       | 10.03%                 | 89.97%                  | 640            |
| 34                       | 7.27%                  | 92.73%                  | 640            |
| 35                       | 1.68%                  | 98.32%                  | 640            |
| 36                       | 47.85%                 | 52.15%                  | 640            |
| T2N, R45W Umiat Meridian |                        |                         |                |
| Section: 1               | 49.00%                 | 51.00%                  | 640            |
| 2                        | 49.00%                 | 51.00%                  | 640            |
| 3                        | 49.00%                 | 51.00%                  | 640            |
| 4                        | 49.00%                 | 51.00%                  | 640            |
| 5                        | 49.00%                 | 51.00%                  | 640            |
| 6                        | 13.66%                 | 86.34%                  | 610            |
| 7                        | 1.20%                  | 98.80%                  | 613            |
| 8                        | 48.23%                 | 51.77%                  | 640            |
| 9                        | 49.00%                 | 51.00%                  | 640            |
| 10                       | 49.00%                 | 51.00%                  | 640            |
| 11                       | 49.00%                 | 51.00%                  | 640            |
| 12                       | 49.00%                 | 51.00%                  | 640            |
| 13                       | 49.00%                 | 51.00%                  | 640            |
| 14                       | 49.00%                 | 51.00%                  | 640            |
| 15                       | 49.00%                 | 51.00%                  | 640            |
| 16                       | 49.00%                 | 51.00%                  | 640            |
| 17                       | 49.00%                 | 51.00%                  | 640            |
| 18                       | 22.67%                 | 77.33%                  | 616            |
| 19                       | 7.14%                  | 92.86%                  | 618            |
| 20                       | 49.00%                 | 51.00%                  | 640            |
| 21                       | 49.00%                 | 51.00%                  | 640            |
| 22                       | 49.00%                 | 51.00%                  | 640            |
| 23                       | 49.00%                 | 51.00%                  | 640            |
| 24                       | 49.00%                 | 51.00%                  | 640            |
| 25                       | 49.00%                 | 51.00%                  | 640            |
| 26                       | 49.00%                 | 51.00%                  | 640            |
| 27                       | 49.00%                 | 51.00%                  | 640            |
| 28                       | 49.00%                 | 51.00%                  | 640            |
| 29                       | 49.00%                 | 51.00%                  | 640            |
| 30                       | 16.57%                 | 83.43%                  | 621            |
| 31                       | 32.25%                 | 67.75%                  | 623            |
| 32                       | 49.00%                 | 51.00%                  | 640            |
| 33                       | 49.00%                 | 51.00%                  | 640            |
| 34                       | 49.00%                 | 51.00%                  | 640            |
| 35                       | 49.00%                 | 51.00%                  | 640            |
| 36                       | 49.00%                 | 51.00%                  | 640            |
| T2N, R46W Umiat Meridian |                        |                         |                |
| Section: 2               | 1.99%                  | 98.01%                  | 640            |
| 3                        | 3.06%                  | 96.94%                  | 640            |
| 10                       | 3.06%                  | 96.94%                  | 640            |
| 11                       | 3.06%                  | 96.94%                  | 640            |
| 14                       | 5.90%                  | 94.10%                  | 640            |
| 15                       | 2.30%                  | 97.70%                  | 640            |
| 22                       | 3.45%                  | 96.55%                  | 640            |
| 23                       | 3.60%                  | 96.40%                  | 640            |
| 24                       | 0.38%                  | 99.62%                  | 640            |
| 26                       | 5.74%                  | 94.26%                  | 640            |
| 27                       | 5.36%                  | 94.64%                  | 640            |
| 34                       | 7.27%                  | 92.73%                  | 640            |
| 35                       | 1.30%                  | 98.70%                  | 640            |
| 36                       | 13.40%                 | 86.60%                  | 640            |

| <u>Township/Section</u>  | <u>ASRC Percentage</u> | <u>State Percentage</u> | <u>Acreage</u> |
|--------------------------|------------------------|-------------------------|----------------|
| T3N, R45W Umiat Meridian |                        |                         |                |
| Section: 1               | 49.00%                 | 51.00%                  | 640            |
| 2                        | 49.00%                 | 51.00%                  | 640            |
| 11                       | 49.00%                 | 51.00%                  | 640            |
| 12                       | 49.00%                 | 51.00%                  | 640            |
| T4N, R45W Umiat Meridian |                        |                         |                |
| Section: 25              | 49.00%                 | 51.00%                  | 640            |
| 26                       | 49.00%                 | 51.00%                  | 640            |
| 35                       | 49.00%                 | 51.00%                  | 640            |
| 36                       | 49.00%                 | 51.00%                  | 640            |
| T6N, R43W Umiat Meridian |                        |                         |                |
| Section: 1               | 49.00%                 | 51.00%                  | 640            |
| 2                        | 49.00%                 | 51.00%                  | 640            |
| 11                       | 49.00%                 | 51.00%                  | 640            |
| 12                       | 49.00%                 | 51.00%                  | 640            |
| 13                       | 49.00%                 | 51.00%                  | 640            |
| 14                       | 49.00%                 | 51.00%                  | 640            |
| 23                       | 49.00%                 | 51.00%                  | 640            |
| 24                       | 49.00%                 | 51.00%                  | 640            |
| 25                       | 49.00%                 | 51.00%                  | 640            |
| 26                       | 49.00%                 | 51.00%                  | 640            |
| 27                       | 49.00%                 | 51.00%                  | 640            |
| 28                       | 49.00%                 | 51.00%                  | 640            |
| 31                       | 49.00%                 | 51.00%                  | 623            |
| 32                       | 49.00%                 | 51.00%                  | 640            |
| 33                       | 49.00%                 | 51.00%                  | 640            |
| 34                       | 49.00%                 | 51.00%                  | 640            |
| 35                       | 49.00%                 | 51.00%                  | 640            |
| 36                       | 49.00%                 | 51.00%                  | 640            |
| T7N, R43W Umiat Meridian |                        |                         |                |
| Section: 36              | 49.00%                 | 51.00%                  | 640            |

EXHIBIT G

WARRANTY DEED

This warranty deed is made from Arctic Slope Regional Corporation, an Alaska corporation ("ASRC"), whose mailing address is P. O. Box 129, Barrow, Alaska 99723, to the State of Alaska ("State"), whose mailing address is Chief, Title Administration Section, Division of Land, State of Alaska, Department of Natural Resources, 3601 C Street, Suite 960, Anchorage, Alaska 99503.

W I T N E S S E T H :

This warranty deed is made pursuant to the "1991 Settlement Agreement Between Arctic Slope Regional Corporation and the State of Alaska" ("Settlement Agreement"), which was ratified and approved by the Alaska Legislature in chapter \_\_ SLA 199\_\_ and to which reference is here made for all purposes. The Settlement Agreement has been recorded in the recording office of the Barrow recording district and has been noted in the lands records system maintained by the State's Department of Natural Resources.

Now, therefore, in consideration of the premises, the mutual covenants and agreements contained herein and in the Settlement Agreement, and other good and valuable consideration (the receipt and sufficiency of which are all hereby acknowledged), ASRC and the State hereby agree as follows:

1. Definitions. In this warranty deed, the following definitions apply:

(a) "**Subsurface**" means all interests in oil, gas, or other minerals, now known or discovered in the future in, on, or under land (including all depths, formations, and horizons), together with all rights, privileges, benefits, and powers conferred upon the owner of that interest with respect to the use and occupation of the surface of, and the subsurface depths under, the lands that may be necessary, convenient, or incidental to the possession and enjoyment (and including, without

limitation, exploring, drilling, developing, producing, mining, saving, handling, treating, transporting, marketing, and operating the oil, gas or other minerals). However, "subsurface" does not include any "mineral" that on January 3, 1959, was subject to location under the mining laws of the United States, does not include sand and gravel (whether or not of an uncommon variety), and does not include water.

(b) "**State percentage**" means, as to each different section or portion of a section of Nuiqsut subsurface described in Exhibit A hereto, the undivided percentage interest described as the "**State percentage**" following the description of that particular section or portion of a section in Exhibit A.

(c) "**ASRC percentage**" means, as to each different section or portion of a section of Nuiqsut subsurface described in Exhibit A hereto, the undivided percentage interest described as the "**ASRC percentage**" following the description of that particular section or portion of a section in Exhibit A.

(d) "**Parcel**" means, as to each entire section of Nuiqsut subsurface described in Exhibit A, the entirety of that section; and as to less than all of a section of Nuiqsut subsurface described in Exhibit A, "**parcel**" means only that part of the section so described.

(e) "**Person**" means a natural person and all types of private or governmental entities, including but not limited to all entities listed in AS 01.10.060(7), and any corporate subsidiary or joint venture.

(f) "**Nuiqsut subsurface**" means the subsurface in all the uplands and submerged lands now and hereafter existing in the lands described in subsection 11.16 of the Settlement Agreement (subject, if applicable, to the provisions of paragraph 2.3(b) of the Settlement Agreement).

(g) "**Subsurface revenues**" means all bid deposits, bonuses, rents, net profits, royalties, the proceeds of sales or exchanges, benefits, or any other thing of value that is received and is attributable to or generated from the exploration,

development, production, or other exploitation of, or lease, sale, exchange, or other disposition of any interest in the Nuiqsut subsurface, except as expressly otherwise provided in paragraph 7.3(b) of the Settlement Agreement. "**Subsurface revenues**" includes all rents, profits and royalties, the proceeds of sales or exchanges, benefits, or any other thing of value that is received and is attributable to or generated from the oil and gas leases described in section 9 of the Settlement Agreement attributable to any part of the Nuiqsut subsurface. When "**subsurface revenues**" are received in a form other than cash or cash equivalents, the cash fair market value at the time of the receipt will be included in and considered as "**subsurface revenues**."

"**Subsurface revenues**" does not include taxes of any kind owed to the State by any person, including ASRC.

"**Subsurface revenues**" also does not include the customary fees charged by the State in connection with the filing of an application for a permit, lease, license, or mining claim, mining lease, or mining leasehold location that are generally applicable to all such applications and are not limited to or different in amount with respect to applications pertaining to Nuiqsut subsurface as compared to other subsurface areas, or other like generally applicable fees customarily charged by the State for authorizations, publications or services.

(h) "**Fair market value**" means the amount of money that an informed purchaser, willing but not obligated to buy, would pay an informed seller, willing but not obligated to sell, for particular property, goods, or services.

2. Conveyance. Pursuant to the Settlement Agreement, ASRC hereby grants, assigns, and conveys to the State the applicable State percentage set out in Exhibit A hereto in and to the subsurface in all those portions of the Nuiqsut subsurface (without regard to whether that Nuiqsut subsurface is within uplands or submerged lands) in the respective parcels of Nuiqsut subsurface in the Barrow recording district in the State of

Alaska described in Exhibit A hereto to which ASRC has heretofore acquired title by virtue of an interim conveyance or patent from the United States, or may hereafter acquire title by virtue of any future change in the boundary, location, or extent of submerged lands or uplands within those respective parcels of Nuiqsut subsurface.

3. Reservation. Pursuant to the Settlement Agreement, in making this grant, assignment, and conveyance, ASRC reserves and excepts to itself and its successors and assigns, the applicable ASRC percentage set out in Exhibit A in and to the subsurface in the portions of the Nuiqsut subsurface now and hereafter existing in the respective parcels of Nuiqsut subsurface described in paragraph 2 above.

4. Future Changes. As provided for in the Settlement Agreement, the State has granted or will grant to ASRC one or more patents (collectively, the "State Patent") conveying to ASRC the applicable ASRC percentage set out in Exhibit A in and to the subsurface in all those portions of the Nuiqsut subsurface (without regard to whether that Nuiqsut subsurface is within uplands or submerged lands) in the respective parcels of Nuiqsut subsurface described in Exhibit A hereto to which the State has heretofore acquired title, or may hereafter acquire title by virtue of any future change in the boundary, location, or extent of submerged lands or uplands within those respective parcels of Nuiqsut subsurface, reserving to the State the applicable State percentage set out in Exhibit A in the subsurface in those portions of the Nuiqsut subsurface now and hereafter existing in those respective parcels of Nuiqsut subsurface. This warranty deed is not intended and shall not be construed to grant to the State any interest in the ASRC percentage in any Nuiqsut subsurface which has been or is conveyed from the State to ASRC pursuant to the State Patent, and it is intended by ASRC and the State that, after giving effect to this warranty deed and the State Patent, the entirety of the Nuiqsut subsurface in each of the parcels described in this warranty deed and in the State

Patent shall be owned by ASRC and the State in undivided interests in proportion to the applicable ASRC percentage and the applicable State percentage, respectively, set out in Exhibit A. Further, pursuant to the Settlement Agreement, it is expressly stipulated and provided that the respective undivided ownership interests of the State (that is, the applicable State percentage set out in Exhibit A) and of ASRC (that is, the applicable ASRC percentage set out in Exhibit A) in the Nuiqsut subsurface in each respective parcel of Nuiqsut subsurface described in Exhibit A will not change by virtue of any future change in the boundary, location, or extent of uplands or submerged lands within that parcel.

5. Leases. To the extent that any oil and gas lease previously granted by the State to any person and described in paragraph 2.2(d) of the Settlement Agreement is presently valid and in force and effect as to the subsurface in any parcel of the Nuiqsut subsurface described in Exhibit A, this conveyance is made subject to that oil and gas lease, and subsurface revenues payable under and in connection with that oil and gas lease as to that parcel of the Nuiqsut subsurface after the effective date of this deed shall be owned by the State and ASRC in proportion to the applicable State percentage and applicable ASRC percentage set out in Exhibit A as more fully provided in the Settlement Agreement. Nothing herein is intended or shall be construed to validate or reinstate any oil or gas lease that is not otherwise valid and extant.

6. Habendum. To have and to hold the applicable undivided State percentage interest set out in Exhibit A in and to the portions of the Nuiqsut subsurface now and hereafter existing in the respective parcels of the Nuiqsut subsurface described in paragraph 2 of this deed, together with all and singular the tenements, hereditaments, and appurtenances thereto appertaining, unto the State and its successors and assigns, forever, subject to and in accordance with the terms and provisions of the Settlement Agreement. ASRC does hereby bind itself and its

successors and assigns, to warrant and forever defend all and singular the interests hereby conveyed unto the State (its successors and assigns) against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through, or under ASRC, but not otherwise, subject in all respects to the Settlement Agreement and to the other matters to which this warranty deed is made subject as set forth herein.

7. Further Assurances. The parties agree to take all further actions and execute, acknowledge, and deliver any further documents that are necessary or useful in carrying out the purposes of this warranty deed. Without limitation to the foregoing, ASRC agrees to execute, acknowledge and deliver to the State all additional instruments, notices, and other documents and to do all other and further acts and things as may be necessary to more fully and effectively grant, convey, and assign to the State the interests conveyed hereby and intended to be so conveyed.

8. Governing Law. The validity of this warranty deed shall be governed by and it shall be construed in accordance with the laws of the State of Alaska.

9. Counterparts. This warranty deed may be executed in any number of counterparts and each counterpart shall be deemed to be an original instrument, but all counterparts shall constitute but one conveyance.

10. Successors and Assigns. Subject to the provisions of the Settlement Agreement, this warranty deed shall bind and enure to the benefit of ASRC and the State and the respective successors and assigns of each of them. The covenants and provisions of this warranty deed and of the Settlement Agreement shall be covenants running with the land.

11. Prior Warranties. ASRC hereby assigns to the State with full right of subrogation, to the extent so transferable, the benefit of and the right to enforce the covenants and warranties, if any, which ASRC is entitled to enforce with respect to the interests in the Nuiqsut subsurface provided

herein to be conveyed to the State, including those against any assignors and other predecessors in title.

12. Deed Effective Date. This warranty deed is effective and takes effect as of *[Use, as applicable, in deeds executed pursuant to paragraph 3.1(a) of the Settlement Agreement,* \_\_\_\_\_, 199\_\_, the date SLA 199\_\_ became effective, or *in deeds executed pursuant to paragraph 3.1(b) of the Settlement Agreement,* \_\_\_\_\_, 199\_\_, the date the parcels (whether one or more) of Nuiqsut subsurface described in Exhibit A became "**Fully Conveyed Sections**" as defined in the Settlement Agreement].

ARCTIC SLOPE REGIONAL CORPORATION

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

THE STATE OF ALASKA

§

§

ss.

§

\_\_\_\_\_ JUDICIAL DISTRICT

This is to certify that on the \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_, before me appeared Jacob Adams, the person who has been lawfully authorized as the President of Arctic Slope Regional Corporation, a corporation organized and existing under the laws of the state of Alaska, to execute the foregoing document; that Jacob Adams executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this certificate first above written.

\_\_\_\_\_  
Notary Public in and for Alaska

My Commission Expires: \_\_\_\_\_

EXHIBIT A  
TO WARRANTY DEED FROM  
ARCTIC SLOPE REGIONAL CORPORATION  
TO THE STATE OF ALASKA

1. All of section \_\_\_\_\_, T\_\_\_\_\_N, R\_\_\_\_\_E, Umiat Meridian ("UM"), as described in Interim Conveyance from the United States of America to Arctic Slope Regional Corporation ("ASRC") dated \_\_\_\_\_, 19\_\_\_\_\_, recorded in \_\_\_\_\_.

State percentage\_\_\_\_\_%; ASRC percentage\_\_\_\_\_%.

2. The following described portion of section \_\_\_\_\_, T\_\_\_\_\_N, R\_\_\_\_\_E, UM, described in \_\_\_\_\_ from \_\_\_\_\_ to ASRC dated \_\_\_\_\_, 19\_\_\_\_\_, recorded in \_\_\_\_\_:

INSERT DESCRIPTION

State percentage\_\_\_\_\_%; ASRC percentage\_\_\_\_\_.

General Format: Each section or portion of a section to be described separately with a reference to the Interim Conveyance, Patent, etc., granting subsurface in all or part of such section or portion of a section to ASRC. State percentage and ASRC percentage to be set out separately for each section or portion of a section.

All references in this Exhibit A and in the foregoing Warranty Deed to a "section" of land shall be construed to refer to the entirety of the area (including any area now or hereafter situated within the Beaufort Sea) encompassed within a full square or rectangular section (protracted or projected to the extent, if any, it is within the Beaufort Sea) containing approximately 640 acres.

SIGNED FOR IDENTIFICATION:

ARCTIC SLOPE REGIONAL CORPORATION

By\_\_\_\_\_

EXHIBIT H

STATE OF ALASKA

PATENT NO. \_\_\_\_\_

This patent is made from the State of Alaska, through its Department of Natural Resources ("State"), whose mailing address is Chief, Title Administration Section, Division of Land, State of Alaska, Department of Natural Resources, 3601 C Street, Suite 960, Anchorage, Alaska 99503, pursuant to chapter \_\_\_\_ SLA 199\_\_, to Arctic Slope Regional Corporation, an Alaska corporation ("ASRC"), whose mailing address is P. O. Box 129, Barrow, Alaska 99723.

W I T N E S S E T H :

This patent is made pursuant to the "1991 Settlement Agreement Between Arctic Slope Regional Corporation and the State of Alaska" ("Settlement Agreement"), which was ratified and approved by the Alaska Legislature in chapter \_\_\_\_ SLA 199\_\_ and to which reference is here made for all purposes. The Settlement Agreement has been recorded in the recording office of the Barrow recording district and has been noted in the land records system maintained by the State's Department of Natural Resources.

Now, therefore, in consideration of the premises, the mutual covenants and agreements contained herein and in the Settlement Agreement, and other good and valuable consideration (the receipt and sufficiency of which are all hereby acknowledged), ASRC and the State hereby agree as follows:

1. Definitions. In this patent, the following definitions apply:

(a) "**Subsurface**" means all interests in oil, gas, or other minerals, now known or discovered in the future in, on, or under land (including all depths, formations, and horizons), together with all rights, privileges, benefits, and powers conferred upon the owner of that interest with respect to the use and occupation of the surface of, and subsurface depths under,

the lands that may be necessary, convenient, or incidental to the possession and enjoyment (including, without limitation, exploring, drilling, developing, producing, mining, saving, handling, treating, transporting, marketing, and operating the oil, gas, or other minerals). However, "**subsurface**" does not include any "mineral" that on January 3, 1959, was subject to location under the mining laws of the United States, does not include sand and gravel (whether or not of an uncommon variety), and does not include water.

(b) "**State percentage**" means, as to each different section or portion of a section of Nuiqsut subsurface described in Exhibit A hereto, the undivided percentage interest described as the "**State percentage**" following the description of that particular section or portion of a section in Exhibit A. "**State percentage**" means, as to each different section of Point Lay subsurface described in Exhibit B hereto, the undivided percentage interest described as the "**State percentage**" following the description of that particular section in Exhibit B.

(c) "**ASRC percentage**" means, as to each different section or portion of a section of Nuiqsut subsurface described in Exhibit A hereto, the undivided percentage interest described as the "**ASRC percentage**" following the description of that particular section or portion of a section in Exhibit A. "**ASRC percentage**" means, as to each different section of Point Lay subsurface described in Exhibit B hereto, the undivided percentage interest described as the "**ASRC percentage**" following the description of that particular section in Exhibit B.

(d) "**Parcel**" means, as to each entire section of Nuiqsut subsurface or Point Lay subsurface described in Exhibit A or B, the entirety of that section; and as to less than all of a section of Nuiqsut subsurface described in Exhibit A, "**parcel**" means only that portion of the section so described.

(e) "**Nuiqsut subsurface**" means the subsurface in all the uplands and submerged lands now and hereafter existing in the lands described in subsection 11.16 of the Settlement Agreement

(subject, if applicable, to the provisions of paragraph 2.3(b) of the Settlement Agreement).

(f) **"Point Lay subsurface"** means the subsurface in all the uplands and submerged lands now and hereafter existing in the lands described in subsection 11.19 of the Settlement Agreement.

(g) **"Subsurface revenues"** means all bid deposits, bonuses, rents, net profits, royalties, the proceeds of sales or exchanges, benefits, or any other thing of value that is received and is attributable to or generated from the exploration, development, production, or other exploitation of, or lease, sale, exchange, or other disposition of any interest in the Nuiqsut subsurface or Point Lay subsurface, except as otherwise expressly provided in paragraph 7.3(b) of the Settlement Agreement. **"Subsurface revenues"** includes all rents, profits and royalties, the proceeds of sales or exchanges, benefits, or any other thing of value that is received and is attributable to or generated from the oil and gas leases described in section 9 of the Settlement Agreement attributable to any part of the Nuiqsut subsurface. When **"subsurface revenues"** are received in a form other than cash or cash equivalents, the cash fair market value at the time of the receipt will be included in and considered as **"subsurface revenues."**

**"Subsurface revenues"** does not include taxes of any kind owed to the State by any person, including ASRC.

**"Subsurface revenues"** also does not include the customary fees charged by the State in connection with the filing of any application for a permit, lease, license, or mining claim, mining lease, or mining leasehold application that are generally applicable to all such applications and are not limited to or different in amount with respect to applications pertaining to Nuiqsut subsurface or Point Lay subsurface as compared to other subsurface areas, or other like generally applicable fees customarily charged by the State for authorizations, publications, or services.

(h) "**Person**" means a natural person and all types of private or governmental entities, including but not limited to all such entities listed in AS 01.10.060(7), and any corporate subsidiary or joint venture.

(i) "**Fair market value**" means the amount of money that an informed purchaser, willing but not obligated to buy, would pay an informed seller, willing but not obligated to sell, for particular property, goods, or services.

2. Conveyance. Pursuant to the Settlement Agreement, the State hereby grants, assigns, and conveys to ASRC and its successors and assigns

(a) the applicable ASRC percentage set out in Exhibit A hereto in and to the subsurface in all those portions of the Nuiqsut subsurface (without regard to whether that Nuiqsut subsurface is within uplands or submerged lands) in the respective parcels of Nuiqsut subsurface in the Barrow recording district in the State of Alaska described in Exhibit A hereto to which the State has heretofore acquired title in any manner other than by virtue of the ASRC Deed described below, or may hereafter acquire title by virtue of any future change in the boundary, location, or extent of submerged lands or uplands within those respective parcels of Nuiqsut subsurface, and

(b) the applicable ASRC percentage set out in Exhibit B hereto in and to the subsurface in all those portions of the Point Lay subsurface (without regard to whether that Point Lay subsurface is within uplands or submerged lands) in the respective parcels of Point Lay subsurface in the Barrow recording district in the State of Alaska described in Exhibit B hereto to which the State has heretofore acquired title in any manner, or may hereafter acquire title by virtue of any future change in the boundary, location, or extent of submerged lands or uplands within those respective parcels of Point Lay subsurface.

3. Reservation. Pursuant to the Settlement Agreement, in making this grant, assignment, and conveyance, the State reserves and excepts to itself and its successors and assigns

(a) the applicable State percentage set out in Exhibit A in and to the subsurface in the portions of the Nuiqsut subsurface now and hereafter existing in the respective parcels of Nuiqsut subsurface described in subparagraph 2(a) above, and

(b) the applicable State percentage set out in Exhibit B in and to the subsurface in the portions of the Point Lay subsurface now and hereafter existing in the respective parcels of Point Lay subsurface described in subparagraph 2(b) above.

4. Future Changes. As provided for in the Settlement Agreement, ASRC has granted or will grant to the State one or more warranty deeds (collectively, the "ASRC Deed") conveying to the State the applicable ASRC percentage set out in Exhibit A in and to the subsurface in all those portions of the Nuiqsut subsurface (without regard to whether that Nuiqsut subsurface is within uplands or submerged lands) in the respective parcels of Nuiqsut subsurface described in Exhibit A hereto to which ASRC has heretofore acquired title, or may hereafter acquire title by virtue of any future change in the boundary, location, or extent of submerged lands or uplands within those respective parcels of Nuiqsut subsurface, reserving to ASRC the applicable ASRC percentage set out in Exhibit A in the subsurface in those portions of the Nuiqsut subsurface now and hereafter existing in those respective parcels of Nuiqsut subsurface. This patent is not intended and shall not be construed to grant to ASRC any interest in the State percentage in any Nuiqsut subsurface which has been or is conveyed from ASRC to the State pursuant to the ASRC Deed, and it is intended by the State and ASRC that, after giving effect to this patent and the ASRC Deed, the entirety of the Nuiqsut subsurface in each of the parcels described in this patent and in the ASRC Deed shall be owned by the State and ASRC in undivided interests in proportion to the applicable State percentage and the applicable ASRC percentage, respectively, set out in Exhibit A. Further, pursuant to the Settlement Agreement, and both with respect to the Point Lay subsurface and the Nuiqsut subsurface, it is expressly stipulated and provided that the

respective undivided ownership interests of ASRC (that is, the applicable ASRC percentage set out in Exhibit A as to Nuiqsut subsurface and the applicable ASRC percentage set out in Exhibit B as to Point Lay subsurface) and of the State (that is, the applicable State percentage set out in Exhibit A as to Nuiqsut subsurface and the applicable State percentage set out in Exhibit B as to Point Lay subsurface) in each respective parcel of Nuiqsut subsurface described in Exhibit A and in each respective parcel of Point Lay subsurface described in Exhibit B, respectively, will not change by virtue of any future change in the boundary, location, or extent of uplands or submerged lands within said parcel.

5. Leases. To the extent that any oil and gas lease previously granted by the State to any person and described in paragraph 2.2(d) of the Settlement Agreement is presently valid and in force and effect as to the subsurface in any parcel of the Nuiqsut subsurface described in Exhibit A, this conveyance is made subject to that oil and gas lease, and subsurface revenues payable under and in connection with that oil and gas lease as to that parcel of the Nuiqsut subsurface after the effective date of this patent shall be owned by the State and ASRC in proportion to the applicable State percentage and applicable ASRC percentage as more fully provided in the Settlement Agreement. Nothing herein is intended or shall be construed to validate or reinstate any oil or gas lease that is not otherwise valid and extant.

6. Habendum. To have and to hold the applicable undivided ASRC percentage interest set out in Exhibit A in and to the portions of the Nuiqsut subsurface now and hereafter existing in the respective parcels of the Nuiqsut subsurface described in subparagraph 2(a) of this patent and the applicable undivided ASRC percentage interest set out in Exhibit B in and to the portions of the Point Lay subsurface now and hereafter existing in the respective parcels of the Point Lay subsurface described in subparagraph 2(b) of this patent, together with all and singular the tenements, hereditaments, appurtenances, rights,

encumbrances, and actions thereto appertaining, unto ASRC and its successors and assigns, forever, subject to and in accordance with the terms and provisions of the Settlement Agreement. The State hereby binds itself and its successors and assigns, to warrant and forever defend all and singular the interests hereby conveyed unto ASRC (its successors and assigns) against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through, or under the State, but not otherwise, but subject in all respects to the Settlement Agreement and to the other matters to which this patent is made subject as set forth in it.

7. Further Assurances. The parties agree to take all further actions and execute, acknowledge, and deliver any further documents that are necessary or useful in carrying out the purposes of this patent. Without limitation to the foregoing, the State agrees to execute, acknowledge, and deliver to ASRC all additional instruments, notices, and other documents and to do all other and further acts and things as may be necessary to more fully and effectively grant, convey, and assign to ASRC the interests conveyed hereby and intended to be so conveyed.

8. Governing Law. The validity of this patent shall be governed by and it shall be construed in accordance with the laws of the State of Alaska.

9. Counterparts. This patent may be executed in any number of counterparts and each counterpart shall be deemed to be an original instrument, but all counterparts shall constitute but one conveyance.

10. Successors and Assigns. Subject to the provisions of the Settlement Agreement, this patent shall bind and enure to the benefit of the State and ASRC and the respective successors and assigns of each of them. The covenants and provisions of this patent and of the Settlement Agreement shall be covenants running with the land.

11. Prior Warranties. The State hereby assigns to ASRC with full right of subrogation, to the extent so transferable,

the benefit of and the right to enforce the covenants and warranties, if any, which the State is entitled to enforce with respect to the interests in the Nuiqsut subsurface and Point Lay subsurface provided herein to be conveyed to ASRC, including those against any assignors and other predecessors in title.

12. Patent Effective Date. Chapter \_\_\_\_ SLA 199\_\_ became effective on \_\_\_\_\_, 199\_\_, and this patent is effective and takes effect as of that date.

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES

By \_\_\_\_\_  
Director, Division of Land

THE STATE OF ALASKA                   §  
                                         §       SS.  
\_\_\_\_\_  
JUDICIAL DISTRICT   §

This is to certify that on the \_\_\_\_ day of \_\_\_\_\_, 199\_\_, before me appeared \_\_\_\_\_, the person who has been lawfully delegated the authority of \_\_\_\_\_, the Director of the Division of Land, Department of Natural Resources, State of Alaska, to execute the foregoing document; that \_\_\_\_\_ executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this certificate first above written.

\_\_\_\_\_  
Notary Public in and for Alaska  
My Commission Expires: \_\_\_\_\_

ACCEPTANCE

Arctic Slope Regional Corporation accepts title to the applicable ASRC percentage in the subsurface in the above-described property subject to the obligations set forth in this patent.

Dated this \_\_\_\_\_ day of \_\_\_\_\_,  
199\_\_.

ARCTIC SLOPE REGIONAL CORPORATION

By \_\_\_\_\_  
Jacob Adams, President

THE STATE OF ALASKA        §  
                                 §        ss.  
\_\_\_\_\_ JUDICIAL DISTRICT §

This is to certify that on the \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_, before me appeared Jacob Adams, the person who has been lawfully authorized as the President of Arctic Slope Regional Corporation, a corporation organized and existing under the laws of the state of Alaska, to execute the foregoing document; that Jacob Adams executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this certificate first above written.

\_\_\_\_\_  
Notary Public in and for Alaska

My Commission Expires: \_\_\_\_\_

EXHIBIT A  
TO PATENT NO. \_\_\_\_\_  
FROM THE STATE OF ALASKA TO  
ARCTIC SLOPE REGIONAL CORPORATION

1. All of section \_\_\_\_\_, T \_\_\_\_\_ N, R \_\_\_\_\_ E, Umiat Meridian ("UM"), in the Barrow recording district, state of Alaska.

State percentage—\_\_\_\_%; ASRC percentage—\_\_\_\_%.

2. The following described portion of section \_\_\_\_\_, T \_\_\_\_\_ N, R \_\_\_\_\_ E, UM, in the Barrow recording district, state of Alaska: \_\_\_\_\_

INSERT DESCRIPTION

State percentage—\_\_\_\_%; ASRC percentage—\_\_\_\_%.

General Format: Each section or portion of a section to be described separately with State percentage and ASRC percentage to be set out separately for each section or portion of a section.

All references in this Exhibit A and in the foregoing patent to a "section" of land containing Nulqsut subsurface refer to the entirety of the area (including any area now or hereafter situated within the Beaufort Sea) encompassed within a full square or rectangular section (protracted or projected to the extent, if any, it is within the Beaufort Sea) containing approximately 640 acres.

SIGNED FOR IDENTIFICATION

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT B  
TO PATENT NO. \_\_\_\_\_  
FROM THE STATE OF ALASKA TO  
ARCTIC SLOPE REGIONAL CORPORATION

1. All of section \_\_\_\_\_, T \_\_\_\_\_ N, R \_\_\_\_\_ E, Umiat Meridian ("UM"), in the Barrow recording district, state of Alaska.

State percentage—\_\_\_\_%; ASRC percentage—\_\_\_\_%.

2. All of section \_\_\_\_\_, T \_\_\_\_\_ N, R \_\_\_\_\_ E, UM, in the Barrow recording district, state of Alaska.

State percentage—\_\_\_\_%; ASRC percentage—\_\_\_\_%.

General Format: Each section to be described separately with State percentage and ASRC percentage to be set out separately for each section.

All references in this Exhibit B and in the foregoing patent to a "section" of land containing Point Lay subsurface refer to the entirety of the area (including any area now or hereafter situated within the Chukchi Sea or the Kasegaluk Lagoon) encompassed within a full square or rectangular section (protracted or projected to the extent, if any, it is within the Chukchi Sea or the Kasegaluk Lagoon) containing approximately 640 acres.

SIGNED FOR IDENTIFICATION

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT I

STATE OF ALASKA

PATENT NO. \_\_\_\_\_

This patent is made from the State of Alaska, through its Department of Natural Resources ("State"), whose mailing address is Chief, Title Administration Section, Division of Land, State of Alaska, Department of Natural Resources, 3601 C Street, Suite 960, Anchorage, Alaska 99503, pursuant to chapter \_\_\_\_ SLA 199\_\_, to Arctic Slope Regional Corporation, an Alaska corporation ("ASRC"), whose mailing address is P. O. Box 129, Barrow, Alaska 99723.

W I T N E S S E T H :

This patent is made pursuant to the "1991 Settlement Agreement Between Arctic Slope Regional Corporation and the State of Alaska" ("Settlement Agreement"), which was ratified and approved by the Alaska Legislature in chapter \_\_\_\_ SLA 199\_\_ and to which reference is here made for all purposes. The Settlement Agreement has been recorded in the recording office of the Barrow recording district and has been noted in the land records system maintained by the State's Department of Natural Resources.

Now, therefore, in consideration of the premises, the mutual covenants and agreements contained herein and in the Settlement Agreement, and other good and valuable consideration (the receipt and sufficiency of which are all hereby acknowledged), ASRC and the State hereby agree as follows:

1. Definitions. In this patent, the following definitions apply:

(a) "**Subsurface**" means all interests in oil, gas, or other minerals, now known or discovered in the future in, on, or under land (including all depths, formations and horizons), together with all rights, privileges, benefits and powers conferred upon the owner of that interest with respect to the use and occupation of the surface of, and subsurface depths under,

the lands that may be necessary, convenient, or incidental to the possession and enjoyment (including, without limitation, exploring, drilling, developing, producing, mining, saving, handling, treating, transporting, marketing and operating oil, gas, or other minerals). However, "**subsurface**" does not include any "mineral" that on January 3, 1959, was subject to location under the mining laws of the United States, does not include sand and gravel (whether or not of an uncommon variety), and does not include water.

(b) "**State percentage**" means, as to each different section or portion of a section of Nuiqsut subsurface described in Exhibit A hereto, the undivided percentage interest described as the "**State percentage**" following the description of such particular section or portion of a section in Exhibit A.

(c) "**ASRC percentage**" means, as to each different section or portion of a section of Nuiqsut subsurface described in Exhibit A hereto, the undivided percentage interest described as the "**ASRC percentage**" following the description of such particular section or portion of a section in Exhibit A.

(d) "**Parcel**" means, as to each entire section of Nuiqsut subsurface described in Exhibit A, the entirety of that section; and as to less than all of a section of Nuiqsut subsurface described in Exhibit A, "parcel" means only that portion of the section so described.

(e) "**Nuiqsut subsurface**" means the subsurface in all the uplands and submerged lands now and hereafter existing in the lands described in subsection 11.16 of the Settlement Agreement (subject, if applicable, to the provisions of paragraph 2.3(b) of the Settlement Agreement).

(f) "**Subsurface revenues**" means all bid deposits, bonuses, rents, net profits, royalties, the proceeds of sales or exchanges, benefits, or any other thing of value that is received and is attributable to or generated from the exploration, development, production, or other exploitation of, or lease, sale, exchange, or other disposition of any interest in the

Nuiqsut subsurface, except as otherwise expressly provided in paragraph 7.3(b) of the Settlement Agreement. **"Subsurface revenues"** includes all rents, profits, and royalties, the proceeds of sales or exchanges, benefits, or any other thing of value that is received and is attributable to or generated from the oil and gas leases described in section 9 of the Settlement Agreement attributable to any part of the Nuiqsut subsurface. When **"subsurface revenues"** are received in a form other than cash or cash equivalents, the cash fair market value at the time of the receipt will be included in and considered as **"subsurface revenues."**

**"Subsurface revenues"** does not include taxes of any kind owed to the State by any person, including ASRC.

**"Subsurface revenues"** also does not include the customary fees charged by the State in connection with the filing of any application for a permit, lease, license, or mining claim, mining lease, or mining leasehold application that are generally applicable to all such applications and are not limited to or different in amount with respect to applications pertaining to Nuiqsut subsurface as compared to other subsurface areas, or other like generally applicable fees customarily charged by the State for authorizations, publications, or services.

(g) **"Person"** means a natural person and all types of private or governmental entities, including but not limited to all entities listed in AS 01.10.060(7), and any corporate subsidiary or joint venture.

(h) **"Fair market value"** means the amount of money that an informed purchaser, willing but not obligated to buy, would pay an informed seller, willing but not obligated to sell, for particular property, goods, or services.

2. Conveyance. Pursuant to the Settlement Agreement, the State hereby grants, assigns, and conveys to ASRC and its successors and assigns the applicable ASRC percentage set out in Exhibit A hereto in and to the subsurface in all those portions of the Nuiqsut subsurface (without regard to whether that Nuiqsut

subsurface is within uplands or submerged lands) in the respective parcels of Nuiqsut subsurface in the Barrow recording district in the State of Alaska described in Exhibit A hereto to which the State has heretofore acquired title in any manner other than by virtue of the ASRC Deed described below, or may hereafter acquire title by virtue of any future change in the boundary, location, or extent of submerged lands or uplands within those respective parcels of Nuiqsut subsurface.

3. Reservation. Pursuant to the Settlement Agreement, in making this grant, assignment, and conveyance, the State reserves and excepts to itself and its successors and assigns, the applicable State percentage set out in Exhibit A in and to the subsurface in the portions of the Nuiqsut subsurface now and hereafter existing in the respective parcels of Nuiqsut subsurface described in paragraph 2 above.

4. Future Changes. As provided for in the Settlement Agreement, ASRC has granted or will grant to the State one or more warranty deeds (collectively, the "ASRC Deed") conveying to the State the applicable ASRC percentage set out in Exhibit A in and to the subsurface in all those portions of the Nuiqsut subsurface (without regard to whether that Nuiqsut subsurface is within uplands or submerged lands) in the respective parcels of Nuiqsut subsurface described in Exhibit A hereto to which ASRC has heretofore acquired title, or may hereafter acquire title by virtue of any future change in the boundary, location, or extent of submerged lands or uplands within those respective parcels of Nuiqsut subsurface, reserving to ASRC the applicable ASRC percentage set out in Exhibit A in the subsurface in those portions of the Nuiqsut subsurface now and hereafter existing in those respective parcels of Nuiqsut subsurface. This patent is not intended and shall not be construed to grant to ASRC any interest in the State percentage in any Nuiqsut subsurface which has been or is conveyed from ASRC to the State pursuant to the ASRC Deed, and it is intended by the State and ASRC that, after giving effect to this patent and the ASRC Deed, the entirety of

the Nuiqsut subsurface in each of the parcels described in this patent and in the ASRC Deed shall be owned by the State and ASRC in undivided interests in proportion to the applicable State percentage and the applicable ASRC percentage, respectively, set out in Exhibit A. Further, pursuant to the Settlement Agreement, it is expressly stipulated and provided that the respective undivided ownership interests of ASRC (that is, the applicable ASRC percentage set out in Exhibit A) and of the State (that is, the applicable State percentage set out in Exhibit A) in each respective parcel of Nuiqsut subsurface described in Exhibit A will not change by virtue of any future change in the boundary, location or extent of uplands or submerged lands within said parcel.

5. Leases. To the extent that any oil and gas lease previously granted by the State to any person and described in paragraph 2.2(d) of the Settlement Agreement is presently valid and in force and effect as to the subsurface in any parcel of the Nuiqsut subsurface described in Exhibit A, this conveyance is made subject to that oil and gas lease, and subsurface revenues payable under and in connection with that oil and gas lease as to that parcel of the Nuiqsut subsurface after the effective date of this patent shall be owned by the State and ASRC in proportion to the applicable State percentage and applicable ASRC percentage as more fully provided in the Settlement Agreement. Nothing herein is intended or shall be construed to validate or reinstate any oil or gas lease which is not otherwise valid and extant.

6. Habendum. To have and to hold the applicable undivided ASRC percentage interest set out in Exhibit A in and to the portions of the Nuiqsut subsurface now and hereafter existing in the respective parcels of the Nuiqsut subsurface described in paragraph 2 of this patent, together with all and singular the tenements, hereditaments, appurtenances, rights, encumbrances, and actions thereto appertaining, unto ASRC and its successors and assigns, forever, subject to and in accordance with the terms and provisions of the Settlement Agreement. The State does

hereby bind itself and its successors and assigns to warrant and forever defend all and singular the interests hereby conveyed unto ASRC (its successors and assigns) against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under the State, but not otherwise, but subject in all respects to the Settlement Agreement and to the other matters to which this patent is made subject as set forth in it.

7. Further Assurances. The parties agree to take all such further actions and execute, acknowledge and deliver such further documents that are necessary or useful in carrying out the purposes of this patent. Without limitation to the foregoing, the State agrees to execute, acknowledge and deliver to ASRC all such other additional instruments, notices and other documents and to do all such other and further acts and things as may be necessary to more fully and effectively grant, convey and assign to ASRC the interests conveyed hereby and intended to be so conveyed.

8. Governing Law. The validity of this patent shall be governed by and it shall be construed in accordance with the laws of the State of Alaska.

9. Counterparts. This patent may be executed in any number of counterparts and each counterpart shall be deemed to be an original instrument, but all such counterparts shall constitute but one conveyance.

10. Successors and Assigns. Subject to the provisions of the Settlement Agreement, this patent shall bind and enure to the benefit of the State and ASRC and the respective successors and assigns of each of them. The covenants and provisions of this patent and of the Settlement Agreement shall be covenants running with the land.

11. Prior Warranties. The State hereby assigns to ASRC with full right of subrogation, to the extent so transferable, the benefit of and the right to enforce the covenants and warranties, if any, which the State is entitled to enforce with

respect to the interests in the Nuiqsut subsurface provided herein to be conveyed to ASRC, including those against any assignors and other predecessors in title.

12. Patent Effective Date. This patent is effective and takes effect as of \_\_\_\_\_, 199\_\_, the date the parcels (whether one or more) of Nuiqsut subsurface described in Exhibit A became "**Fully Conveyed Sections**" as defined in the Settlement Agreement.

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES

By \_\_\_\_\_  
Director, Division of Land

THE STATE OF ALASKA                   §  
                                         §       ss.  
\_\_\_\_\_ JUDICIAL DISTRICT   §

This is to certify that on the \_\_\_\_ day of \_\_\_\_\_, 199\_\_, before me appeared \_\_\_\_\_, the person who has been lawfully delegated the authority of \_\_\_\_\_, the Director of the Division of Land, Department of Natural Resources, State of Alaska, to execute the foregoing document; that \_\_\_\_\_ executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this certificate first above written.

\_\_\_\_\_  
Notary Public in and for Alaska  
My Commission Expires: \_\_\_\_\_

ACCEPTANCE

Arctic Slope Regional Corporation accepts title to the applicable ASRC percentage in the subsurface in the above-described property subject to the obligations set forth in this patent.

Dated this \_\_\_\_\_ day of \_\_\_\_\_,  
199\_\_.

ARCTIC SLOPE REGIONAL CORPORATION

By \_\_\_\_\_  
Jacob Adams, President

THE STATE OF ALASKA       §  
                                  §       ss.  
\_\_\_\_\_ JUDICIAL DISTRICT §

This is to certify that on the \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_, before me appeared Jacob Adams, the person who has been lawfully authorized as the President of Arctic Slope Regional Corporation, a corporation organized and existing under the laws of the state of Alaska, to execute the foregoing document; that Jacob Adams executed that document under legal authority and with knowledge of its contents; and that this act was performed freely and voluntarily upon the premises and for the purposes stated in the document.

Witness my hand and official seal the day and year in this certificate first above written.

\_\_\_\_\_  
Notary Public in and for Alaska  
My Commission Expires: \_\_\_\_\_

EXHIBIT A  
TO PATENT NO. \_\_\_\_\_  
FROM THE STATE OF ALASKA TO  
ARCTIC SLOPE REGIONAL CORPORATION

1. All of section \_\_\_\_\_, T \_\_\_\_\_ N, R \_\_\_\_\_ E, Umiat Meridian ("UM"), in the Barrow recording district, state of Alaska.

State percentage—\_\_\_\_%; ASRC percentage—\_\_\_\_%.

2. The following described portion of section \_\_\_\_\_, T \_\_\_\_\_ N, R \_\_\_\_\_ E, UM, in the Barrow recording district, state of Alaska: \_\_\_\_\_

INSERT DESCRIPTION

State percentage—\_\_\_\_%; ASRC percentage—\_\_\_\_%.

General Format: Each section or portion of a section to be described separately with State percentage and ASRC percentage to be set out separately for each section or portion of a section.

All references in this Exhibit A and in the foregoing patent to a "section" of land containing Nuiqsut subsurface refer to the entirety of the area (including any area now or hereafter situated within the Beaufort Sea) encompassed within a full square or rectangular section (protracted or projected to the extent, if any, it is within the Beaufort Sea) containing approximately 640 acres.

SIGNED FOR IDENTIFICATION

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT J

NOTICE OF ASSIGNMENTS  
OF  
SUBSURFACE INTERESTS AND RIGHTS  
UNDER STATE OF ALASKA  
OIL AND GAS LEASE

TO: [NAME AND ADDRESS OF LESSEE]

This notice pertains to the following oil and gas lease  
(the "Subject Lease") issued by the State of Alaska:

Oil and Gas Lease ADL \_\_\_\_\_ [If applicable,  
add: (originally number ADL \_\_\_\_\_)]  
describing the following lands in the Barrow recording  
district, State of Alaska:

Township \_\_\_\_\_ North, Range \_\_\_\_\_ East, Umiat Meridian:

section \_\_\_\_\_: all (640 acres)  
section \_\_\_\_\_: all (640 acres)\*

Containing \_\_\_\_\_ acres, more or less (the "Lease  
Premises").

---

[\*If less than all, describe portion and acres.]

Notice is hereby given that:

1. The State of Alaska ("State") and Arctic Slope Regional Corporation ("ASRC") entered into the "1991 Settlement Agreement Between Arctic Slope Regional Corporation and The State of Alaska" ("Settlement Agreement") which was ratified and approved by the Alaska Legislature in chapter \_\_\_\_ SLA 199\_\_. The Settlement Agreement has been recorded in the recording office of the Barrow recording district and has been noted in the lands records system maintained by the State's Department of Natural Resources.

2. Pursuant to the Settlement Agreement, by warranty deed made effective as of \_\_\_\_\_, 199\_\_, ASRC conveyed to the State an undivided percentage interest (the "State Percentage") in and to all portions of the subsurface in the respective sections in the Lease Premises owned by ASRC, including both uplands and submerged lands now and hereafter existing, as follows:

Section No.

State Percentage

3. Pursuant to the Settlement Agreement, by patent no. \_\_\_\_\_ made effective as of \_\_\_\_\_, 199\_\_, the State conveyed to ASRC an undivided percentage interest (the "ASRC Percentage") in and to all portions of the subsurface in the respective sections in the Lease Premises owned by the State, including both uplands and submerged lands now and hereafter existing, as follows:

Section No.

ASRC Percentage

4. As provided in the Settlement Agreement, no change in the boundary, location, or extent of submerged lands or uplands within any section of the Lease Premises will alter, increase, or diminish the State Percentage or the ASRC Percentage of the subsurface and rentals, royalties, and other subsurface revenues in and attributable to such section owned by the State and ASRC, respectively.

5. As provided in the Settlement Agreement and notwithstanding any provision of section 14(g) of the Alaska Native Claims Settlement Act of 1971 ("ANCSA"), all rentals, royalties, and other subsurface revenues with respect to and payable on account of production of oil or gas from each section of the Lease Premises shall be owned by and payable to the State and ASRC, respectively, in proportion to the State Percentage and ASRC Percentage in that particular section and shall not be pooled or communitized with or payable to the owners of the subsurface in any other section of the Lease Premises.

6. As provided for in the Settlement Agreement, the lessee under the Subject Lease is hereby directed to pay all rentals, royalties, and other subsurface revenues becoming payable by the lessee under the Subject Lease after the effective date of the warranty deed and patent described in paragraphs 2 and 3 above, as follows:

(a) To ASRC, to the extent of the applicable ASRC Percentage in the subsurface in the particular section of the Lease Premises with respect to which such rentals, royalties, or other subsurface revenues become payable, at the following address (or such other address of which notice is hereafter given by ASRC to such lessee):

(b) To the State, to the extent of the applicable State Percentage in the subsurface in the particular section of the Lease Premises with respect to which such rentals, royalties, or other subsurface revenues become payable, at the following address (or such other address of which notice is hereafter given by the State to such lessee):

7. Notices from the lessee under the Subject Lease to the "lessor" under the Subject Lease after the effective date of the warranty deed and patent described in paragraphs 3 and 4 above are to be given both to ASRC, at the address shown in paragraph 6(a) above (or such other address of which notice is hereafter given by ASRC to the lessee) and to the State at the address shown in paragraph 6(b) above (or to such other address of which notice is hereafter given by the State to the lessee).

8. As provided in the Settlement Agreement, from and after the effective date of the warranty deed and patent described in paragraphs 2 and 3 above, and notwithstanding any contrary provision of section 14(g) of ANCSA:

(a) As to the applicable State Percentage in each respective section of the Lease Premises, the State shall have the right and responsibility, with respect only to its State Percentage interest, in its own discretion to administer and enforce directly any termination provisions, duties, obligations, and covenants, express or implied, undertaken by or imposed by virtue of the Subject Lease; and

(b) As to the applicable ASRC Percentage in each respective section of the Lease Premises, ASRC shall have the right and responsibility, with respect only to its ASRC Percentage interest, in its own discretion to administer and enforce directly any termination provisions, duties, obligations, and covenants, express or implied, undertaken by or imposed by virtue of the Subject Lease.

9. Nothing in this notice is intended or shall be construed to ratify, validate, or reinstate the Subject Lease as to any land or interest therein as to which the Subject Lease is not otherwise presently valid and in force and effect.

10. The effective date of this notice is the same date as the effective date of the deed and patent described in paragraphs 2 and 3 above.

STATE OF ALASKA

By \_\_\_\_\_  
Director, Division of Land,  
Department of Natural Resources

ARCTIC SLOPE REGIONAL CORPORATION

By \_\_\_\_\_  
(Name) \_\_\_\_\_  
(Title) \_\_\_\_\_

## A G R E E M E N T

THIS AGREEMENT entered into this 21 day of January, 1987, is by ARCTIC SLOPE REGIONAL CORPORATION ("ASRC"), a corporation authorized pursuant to Section 7 of the Alaska Native Claims Settlement Act, 85 Stat. 688, 691, 43 U.S.C. 1606 ("ANCSA"), and duly organized under the laws of the State of Alaska, and KUUKPIK CORPORATION ("Kuukpik"), a corporation authorized pursuant to Section 8 of ANCSA and duly organized under the laws of the State of Alaska. ASRC and Kuukpik are collectively referred to as "the parties".

### W I T N E S S E T H:

WHEREAS, ASRC desires to exercise its option under § 1431(o) of the Alaska National Interest Lands Conservation Act, 94 Stat. 2371, 2542, Pub. L. 96-487 ("ANILCA"), to acquire the subsurface estate of lands, all or part of the surface estate of which has been selected by and has been or will be conveyed to Kuukpik within the National Petroleum Reserve in Alaska ("NPR-A") (referred to hereinafter as the "ASRC Subsurface"); and

WHEREAS, the option of ASRC to acquire the ASRC Subsurface will expire on January 26, 1987, unless extended; and

WHEREAS, it is in the best interests of ASRC and Kuukpik for ASRC to exercise its option under § 1431(o) of ANILCA; and

WHEREAS, the concurrence of Kuukpik is required under § 1431(o) of ANILCA prior to the exercise of ASRC's option to acquire the ASRC Subsurface; and

WHEREAS, the parties recognized that Kuukpik may condition its concurrence under § 1431(o) of ANILCA to require its further consent for ASRC, its successors and assigns, to conduct oil and gas exploration activities that may occur with respect to the ASRC Subsurface, and to conduct any future development activities, including but not limited to oil and gas development and production and sand and gravel extraction, that may occur with respect to the ASRC Subsurface (referred to hereinafter as "Exploration and Development Activities"); and

WHEREAS, Kuukpik is willing to give its conditional concurrence to ASRC for acquisition of the ASRC Subsurface under § 1431(o) of ANILCA.

NOW, THEREFORE, in consideration of their mutual promises and for other good and valuable consideration the receipt of which is hereby acknowledged, the parties hereto consent and agree as follows:

1. Kuukpik hereby gives its concurrence for ASRC to exercise its option under § 1431(o) of ANILCA to acquire the ASRC Subsurface, but Kuukpik expressly conditions its concurrence in such acquisition of the ASRC Subsurface by reserving the right to consent to any Exploration and Development Activities that ASRC, its successors and assigns, may engage in from time to time with respect to the ASRC Subsurface.

2. ASRC agrees that it will not engage in any Exploration and Development Activities with respect to the ASRC Subsurface without first obtaining the consent referred to in Paragraph 1 of this Agreement.

ARCTIC SLOPE REGIONAL CORPORATION

Date: 1/16/87

BY Jacob Adam

KUUKPIK CORPORATION

Date: 1/21/87

BY Joe Nul. [unclear]

SCOMM

78:38

SENATE COMMITTEE REPORT  
FIRST COMMITTEE OF REFERRAL

DATE: 2/14/92

FURTHER: Resources  
Judiciary

Date of 5-Day Notice: 2/18/92  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4/14/92

Senate Special Committee  
on Oil and Gas

considered

SB 405

"An Act relating to evidence of financial responsibility provided by persons who conduct oil operations; and providing for an effective date."

and recommends:

and a majority of the  
committee recommends it  
be replaced with

[✓] replace with \_\_\_\_\_ CS SB 405 (OK)

[✓] same title  
[ ] new title  
[ ] technical  
title change  
(HB only)

[ ] attaches amendment(s)

and do pass

[✓] adopts OIA Letter of Intent

[ ] further referral to the \_\_\_\_\_

[✓] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

NEW FISCAL NOTES:

Dept/Date

[✓] zero fiscal notes DEC 2/21/92  
SB 405

[ ] fiscal notes \_\_\_\_\_

[ ] appropriation--no fiscal note

PREVIOUS FISCAL NOTES:

Dept/Date

[ ] Governor's bill with fiscal notes:

zero fiscal notes \_\_\_\_\_

fiscal notes \_\_\_\_\_

DO PASS:

OTHER RECOMMENDATIONS:

Shirley Craft  
true peace  
Huff  
1/2

Colin Sam R. G. L. Polanco  
Chair. Signature and Recommendation  
4/5

## FISCAL NOTE

No. 1Bill Version: SB 405BILL NO. (S) Publish Date: 4-15-92STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date:

Title:

Financial responsibility for  
oil operations

Sponsor:

Hoffman

Requestor:

(S) Oil and Gas

Department Affected:

EnvironmentalConservation

BRU:

Spill Prevention and Response

Component:

Spill Prevention, Planning andManagement

COMPONENT SERIAL NO.

1 4 3 0

## EXPENDITURES/REVENUES:

(Thousands of Dollars)

| OPERATING         | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 | FY 98 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| TRAVEL            |       |       |       |       |       |       |
| CONTRACTUAL       |       |       |       |       |       |       |
| SUPPLIES          |       |       |       |       |       |       |
| EQUIPMENT         |       |       |       |       |       |       |
| LAND & STRUCTURES |       |       |       |       |       |       |
| GRANTS, CLAIMS    |       |       |       |       |       |       |
| MISCELLANEOUS     |       |       |       |       |       |       |
| TOTAL OPERATING   | 0     | 0     | 0     | 0     | 0     | 0     |

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| CAPITAL |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

|              |  |  |  |  |  |  |
|--------------|--|--|--|--|--|--|
| REVENUE      |  |  |  |  |  |  |
| FUND SOURCE: |  |  |  |  |  |  |

## FUNDING: (Thousands of Dollars)

|               |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FEDERAL FUNDS |     |     |     |     |     |     |
| OTHER         |     |     |     |     |     |     |
| FUND SOURCE:  |     |     |     |     |     |     |
| TOTAL         | 0   | 0   | 0   | 0   | 0   | 0   |

## POSITIONS:

|           |     |     |     |     |     |     |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL-TIME | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PART-TIME |     |     |     |     |     |     |
| TEMPORARY |     |     |     |     |     |     |

Estimate of current year impact: none

ANALYSIS: (Attach a separate page if necessary.)

Changes in SB 405 (O+G)  
have no fiscal impact. This  
fiscal note is appropriate.  
4-15-92 Jenny Bylund  
date Comte Alde (initial)

Prepared by: Janice AdairDivision: Commissioner's OfficePhone: 465-3010Date: 2/21/92Approved by Commissioner: [Signature]Agency: Environmental ConservationDate: 2/21/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, &amp; Impacted Agency(ies).

Rev. 10/90

FISCAL NOTE

# FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. SE 403

Revision Date: \_\_\_\_\_ Department Affected: Environmental  
Title: Financial responsibility for  
oil operations Conservation  
Sponsor: Hoffman BRU: Spill Prevention and Response  
Requestor: (S) Oil and Gas Component: Spill Prevention, Planning and  
Management

COMPONENT SERIAL NO. 1 4 3 0

## EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING         | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 | FY 98 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| TRAVEL            |       |       |       |       |       |       |
| CONTRACTUAL       |       |       |       |       |       |       |
| SUPPLIES          |       |       |       |       |       |       |
| EQUIPMENT         |       |       |       |       |       |       |
| LAND&STRUCTURES   |       |       |       |       |       |       |
| GRANTS,CLAIMS     |       |       |       |       |       |       |
| MISCELLANEOUS     |       |       |       |       |       |       |
| TOTAL OPERATING   | 0     | 0     | 0     | 0     | 0     | 0     |

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| CAPITAL |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

|              |  |  |  |  |  |  |
|--------------|--|--|--|--|--|--|
| REVENUE      |  |  |  |  |  |  |
| FUND SOURCE: |  |  |  |  |  |  |

## FUNDING: (Thousands of Dollars)

|               |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FEDERAL FUNDS |     |     |     |     |     |     |
| OTHER         |     |     |     |     |     |     |
| FUND SOURCE:  |     |     |     |     |     |     |
| TOTAL         | 0   | 0   | 0   | 0   | 0   | 0   |

## POSITIONS:

|           |     |     |     |     |     |     |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL-TIME | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PART-TIME |     |     |     |     |     |     |
| TEMPORARY |     |     |     |     |     |     |

Estimate of current year impact: none

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Janice Adair

Division: Commissioner's Office

Phone: 465-5010

Date: 2/21/92

Approved by Commissioner: [Signature]

Agency: Environmental Conservation

Date: 2/21/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

adopted.

Revised Letter of intent to SB 405:

The Department of Environmental Conservation, the Division of Insurance within the Department of Commerce and Economic Development, and the Legislative Research Agency shall research the possibility of group pooling or other mechanisms to assist non-crude operators in meeting the state's financial responsibility requirements for oil spill pollution coverage, and shall report back to the Legislature with their findings and recommendations by February 1, 1993.

Letter of intent to SB 405:

The Department of Environmental Conservation and the Legislative Research Agency shall research the possibility of group pooling for the purposes of meeting the state's financial responsibility requirements for oil spill pollution coverage for non-crude operators, and shall report back to the Legislature with their findings and recommendations by February 1, 1993.

# Alaska State Legislature

Senator Sam Cotten Chairman  
Senator Drue Pearce, Vice-Chairman  
Senator Shirley Craft  
Senator Lyman F. Hoffman  
Senator Dick Shultz



State Capitol  
Juneau, AK 99801-1182  
(907) 465-3711

## Senate Committee on Oil and Gas

February 25, 1992

Overview on the Status of Oil Spill Statutes and Regulations  
SB 405 An act relating to evidence of financial responsibility

- I. Overview on the Status of Oil Spill Statutes and Regulations (30 minutes)
  - A. DEC- Mead Treadwell, Status and Content of Regulations (10 minutes)
  - B. Dept. of Law- Deb Behr, Status of Law regulation review, hiring of paralegal, DEC authority to certify RACs under existing statutes, amending regs. for RAC certification (10 minutes)
  - C. Questions and discussion (10 minutes)
- II. SB 405 An act relating to evidence of financial responsibility (1 hour)
  - A. Senator Hoffman (10 minutes)
  - B. DEC - Mead Treadwell, DEC proposed bill substitute (10 minutes)
  - C. Law - Jim Cantor and Breck Tostevin (10 minutes)
  - D. Foss, Crowley, Petromarine, ARECA (5 minutes each)
  - E. Questions and discussion (5 minutes)

# Senator Lyman F. Hoffman

Alaska State Senate

P.O. Box V • Juneau, Alaska 99811 • (907) 465-4453

## SB 405 FINANCIAL RESPONSIBILITY OF NONCRUDE OPERATORS Background Paper

**History:** On March 24, 1989 the *Exxon Valdez* ran aground on Bligh Reef in Prince William Sound, causing the largest crude oil spill in United States history. As a result, the Alaska Legislature and the United States Congress significantly strengthened oil spill prevention and cleanup standards. One bill, HB 567, passed in 1990, made three major changes in state oil spill protection. It 1) established new response planning standards; 2) imposed new financial responsibility requirements for contingency plan holders; and 3) allowed the Department of Environmental Conservation to give credits for incorporating prevention measures into contingency plans. These major changes were to have gone into effect on and after June 1, 1991.

Although HB 567 was passed as a result of the *Exxon Valdez* oil spill and was aimed at the crude oil industry, non-crude carriers and facilities were also subject to the changes. Regulations implementing these changes have been drafted by the Department of Environmental Conservation, and are still being reviewed by the Department of Law.

**Problem:** Smaller fuel distributors, barge lines that transport refined petroleum products, and rural electric utilities that must maintain fuel stores have found it all but impossible to meet the new financial responsibility requirements imposed by HB 567. Although these non-crude operators are able to purchase the required amounts of pollution insurance, underwriters in both the domestic and overseas markets steadfastly refuse to include the "direct action" clause in these policies that Alaska law requires.

SPONSOR STATEMENT

P.O. Box 763 • Bethel, Alaska 99559 • (907) 543-3543

Alaska's direct action requirements have been in effect since 1981. The provision allows an action to be brought in state court directly against the insurer, rather than going first to the responsible party. Ambiguities about whether insurers are limited to the face amount of the policy, plus the greatly increased amounts of coverage required since the *Exxon Valdez* spill, have combined to produce the current unavailability of direct action coverage.

When it became clear by early 1991 that insurers would not provide direct action coverage, Senator Lyman Hoffman introduced legislation to delay the effective date of HB 567's financial responsibility requirements for non-crude operators. The hope was that over the year's time, either the insurance markets would overcome their objections to providing direct action, or that perhaps a risk pool could be developed to provide such coverage. The Legislature unanimously approved Senator Hoffman's bill.

Sen. Hoffman's legislation also delayed the effective date of the enhanced oil discharge prevention and contingency plans HB 567 required of non-crude operators; most operators appear to be prepared to meet the new requirements and no further delay in complying with them is being sought at this time.

Nearly one year later, however, there has been no change in the insurance markets' position on direct action coverage, and development of an insurance pool so far has proved unfeasible. With the June 1, 1992, effective date of the financial responsibility requirements approaching, and the unavailability of direct action coverage just as complete as it was in 1991, non-crude operators once again face the prospect of either operating out of compliance with Alaska law or ceasing operations. The large crude oil operators do not face this problem, because they have sufficient assets and working capital to either self-insure or comply with the law through other means, such as surety bonds or letters of credit.

Over the past two years, DEC has given conditional waivers to some non-crude operators who have been unable to obtain direct action insurance but who in all other respects meet the state's financial responsibility requirements. Whether DEC has authority to grant such waivers is highly questionable, however, and the agency recently decided to end the practice.

**Solution:** CS SB405 (O&G) does several things:

- Section 1 clarifies that the financial responsibility of an insurer is limited to the type of risk assumed and the amount of coverage specified in the proof of financial responsibility. It also clarifies that these limits do not apply to an applicant who self-insures.
- Section 2 gives new authority to DEC to approve an applicant's proof of financial responsibility if the applicant attests in a sworn statement that direct action insurance has been diligently sought, but is determined to be unavailable; if such efforts are made and proven every six months; and if all other financial responsibility requirements are met.
- Sections 3 and 4 ratify similar exemptions made by DEC during the past year.
- Sections 5,6 and 7 calls for an immediate effective date; if that date is after June 1, 1992, makes it retroactive to June 1, 1992; and repeals the exemption law on June 1, 1994.
- Letter of intent adopted by the Senate Oil and Gas Committee directs DEC, the Division of Insurance within Commerce Department, and the Legislative Research Agency to research possible alternative solutions to assist non-crude operators in meeting the state's financial responsibility requirements for oil spill pollution coverage.

**Solution:** SB 405 does several things:

- It clarifies that financial responsibility of an insurer is limited to the maximum amount covered by the insurance policy, except for traditional exceptions such as attorney fees, litigation costs, or bad faith failures to settle claims.
- It limits the current quasi-waiver of the "direct action" requirement to crude oil operations, which requires a minimum of \$50,000,000 of "direct action" insurance.
- It gives new authority to DEC to waive the "direct action" requirement for non-crude oil operations, with no minimum "direct action" insurance requirement.

**SB 405**  
**FINANCIAL RESPONSIBILITY**  
**OF NONCRUDE OPERATORS**  
**Opening Remarks**

Smaller fuel distributors, barge lines that transport refined petroleum products, and rural electric utilities that must maintain fuel stores have found it all but impossible to meet the new financial responsibility requirements imposed by HB 567. Although these non-crude operators *are* able to purchase the required amounts of pollution insurance, underwriters in both the domestic and overseas markets refuse to include the "direct action" clause in these policies that Alaska law requires.

Alaska's direct action requirements have been in effect since 1981. The provision allows an action to be brought in state court directly against the insurer, rather than going first to the responsible party. Ambiguities about whether insurers are limited to the face amount of the policy, plus the greatly increased amounts of coverage required since the *Exxon Valdez* spill, have combined to produce the current unavailability of direct action coverage.

When it became clear by early 1991 that insurers would not provide direct action coverage, I introduced legislation to delay the effective date of HB 567's financial responsibility requirements for non-crude operators. The hope was that over the year's time, either the insurance markets would overcome their objections to providing direct action, or that perhaps a risk pool could be developed to provide such coverage. My bill was unanimously approved by the Legislature.

My legislation also delayed the effective date of the enhanced oil discharge prevention and contingency plans HB 567 required of non-crude operators. However, since most operators appear to be prepared to meet the new requirements, I am not seeking any further delay in these.

Nearly one year later, however, there has been no change in the insurance markets' position on direct action coverage, and development of an insurance pool so far has proved unfeasible. With

the June 1, 1992, effective date of the financial responsibility requirements approaching, and the unavailability of direct action coverage just as complete as it was in 1991, non-crude operators once again face the prospect of either operating out of compliance with Alaska law or ceasing operations. The large crude oil operators do not face this problem, because they have sufficient assets and working capital to either self-insure or comply with the law through other means, such as surety bonds or letters of credit.

Over the past two years, DEC has given conditional waivers to some non-crude operators who have been unable to obtain direct action insurance but who in all other respects meet the state's financial responsibility requirements. Whether DEC has authority to grant such waivers is highly questionable, however, and the agency recently decided to end the practice.

**Solution:** SB 405 does several things:

- It clarifies that financial responsibility of an insurer is limited to the maximum amount covered by the insurance policy, except for traditional exceptions such as attorney fees, litigation costs, or bad faith failures to settle claims.

- It limits the current quasi-waiver of the "direct action" requirement to crude oil operations, which requires a minimum of \$50,000,000 of "direct action" insurance.

- It gives new authority to DEC to waive the "direct action" requirement for non-crude oil operations, with no minimum "direct action" insurance requirement.

I don't know if SB 405 as now written is necessarily the best way to solve this problem. I know that DEC has developed an alternate proposal that was given to me late last night. However, I do know that this is a problem that must be solved, and I'm open to looking at other solutions.

There are people here to testify from the major barge lines, and the electric co-ops, to testify.

## DIVISION OF LEGAL SERVICES

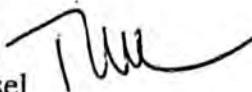
### LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

240 Main Street, Suite 500  
Juneau, Alaska 99801-2101

#### MEMORANDUM

February 24, 1992

**SUBJECT:** Sectional Analysis (SB 405)  
**TO:** Senator Lyman Hoffman  
**FROM:** Terri Lauterbach   
Legislative Counsel

Following is a sectional analysis of SB 405, a bill relating to financial responsibility laws affecting the oil industry:

Section 1 clarifies the extent of liability borne by an insurance carrier or P & I group that agrees to help an insured demonstrate financial responsibility. While the first sentence of this section (current law) demands that the financial responsibility extend to certain types of losses and assessments, the second sentence (new law) limits the amount of exposure of the insurer or group to the face amount of the policy issued or the group's agreement. Full liability for amounts above the insurance policy would be borne by the person who is insured.

This clarification is intended to address a fear that has reportedly been expressed by insurers and P & I clubs. As I understand it, they have feared that their exposure might be unlimited, regardless of what the face amount of their policy or agreement is. DEC tried to address this fear in its regulations, but the insurers and clubs have reportedly not been satisfied that DEC has such authority to interpret the law's intent.

This section is made retroactive by sec. 6. Retroactivity will have the effect of ratifying DEC's practice of requiring a "face amount" endorsement on policies and agreements since the effective date of the new financial responsibility requirements -- June 1, 1991.

Section 2 amends a subsection of current law under which DEC can accept some evidence of financial responsibility that does not allow for an action to be filed directly against the insurer as long as the applicant shows that the first \$50 million of liability is covered by "direct action" insurance. The applicant must also show that

Senator Lyman Hoffman  
February 24, 1992  
Page 2

additional "direct action" insurance is unavailable. The amendment limits the applicability of this section to crude oil operations.

Section 3 enacts a new subsection of law that applies only to noncrude oil operations. The new law would allow DEC to accept evidence of financial responsibility that does not allow for an action to be filed directly against the insurer without any minimum amount of "direct action" insurance being provided. The applicant would still have to show that "direct action" insurance is unavailable.

Section 4 repeals the new noncrude "direct action" exemption of section 3 in 1994.

Section 5 repeals a 1991 session law that provides that all of the new 1990 changes in financial responsibility laws apply on June 1, 1992, to noncrude operators. The repeal is necessary because SB 405 would make changes in the 1990 Act. If SB 405 passes, it would no longer be true that all of the 1990 changes will apply to noncrudes in 1992. They will all apply, except as amended by SB 405.

Section 6 makes sections 1 - 3 of this bill retroactive to June 1, 1991 (the effective date of the new financial responsibility laws passed in 1990). This will ratify actions taken by DEC since that date that may have been done with questionable authority with respect to "face amount" endorsements and waiver of the "direct action" requirement for noncrudes.

Section 7 ensures that the repealer of section 5 will apply as of June 1, 1992, even if the governor signs SB 405 after June 1. This will cover transmittal delays and the delay involved in reviewing bills before the governor signs them. Without this section, late signing of SB 405 could mean that for some time period the full financial responsibility changes made in 1990 would apply to noncrude operations without the amendments made by SB 405.

Section 8 gives SB 405 an immediate effective date.

I hope you find this description helpful. Please let me know if you have further questions.

TML:pl  
92-125.plm

## DIVISION OF LEGAL SERVICES

### LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

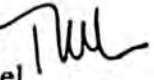
240 Main Street, Suite 500  
Juneau, Alaska 99801-2101

#### MEMORANDUM

February 12, 1992

**SUBJECT:** Financial Responsibility Laws (Work Order No. 7-LS2003)

**TO:** Senator Lyman Hoffman  
ATTN: Molly

**FROM:** Terri Lauterbach   
Legislative Counsel

Enclosed is a draft of a bill that I believe is responsive to your requests made during our meeting on Monday with the representatives of noncrude operators.

Section 1 is intended to address the "face amount" controversy. You will note that I have limited it to insurers and groups of insureds (P & I's), but if the same issue is arising with respect to sureties or guarantors, perhaps you might wish to expand the new language to cover them. Also, I'm not sure if this is an issue with letters of credit.

Section 2 limits the current quasi-waiver of the "direct access" requirement to crude oil operations.

Section 3 enacts new authority for DEC to waive the "direct access" requirement for noncrude oil operations. It is like section 2, except that there is no minimum amount of "direct access" insurance that must be shown.

Section 4 makes the new waiver authority of sec. 3 expire in 1994.

Section 5 repeals the provision of temporary law enacted in 1991 that said all the financial responsibility requirements enacted in 1990 apply to noncrude oil operators on June 1, 1992. (This was last year's "fix" for the noncrudes.) This would not be accurate if the enclosed bill takes effect, i.e., not all of the 1990 amendments would apply after June 1 because the enclosed draft makes further changes, so the draft repeals the 1991 "fix." However, I assume you do not want to speed up the applicability of any of the 1990 amendments, so the 1991 provision that delays their applicability is not repealed until June 1, 1992.

Senator Lyman Hoffman  
February 12, 1992  
Page 2

Section 6 makes the first three sections of the bill retroactive to last year so that DEC's "waivers" since then for noncrudes are ratified and their required endorsement that limits policy liability to the "face amount" for both crudes and noncrudes is also ratified.

Section 7 is intended to make sure that the bill takes effect June 1, 1992, (when, under current law the delay for noncrudes expires) even if the governor does not sign the bill by May 31, 1992.

I hope you find this description helpful. Please let me know if I can be of further assistance.

TML:gc  
92-122.glc

Enclosure

Hunny:

4-3-92

4:15 pm

- Jim Cantor, 269-5274
- 1) not there next week
  - 2) Working draft SB405  
looks like includes  
all DEC requested  
w/exception of proposed  
subsection (p).  
TYPO: subsection (K)  
In (K) refers to subsection  
(j) which should be (e)

Janet

ALTERNATIVE PROPOSAL FOR ADDITION TO DEPARTMENT OF  
ENVIRONMENTAL CONSERVATION DRAFT AMENDMENTS TO AS 46.04.040  
(CONCERNING SE 405)

(b) The commissioner may contract with one or more insurance companies to provide individual or group coverage required under this section provided

(1) all costs of such insurance are borne by the applicants;  
and

(2) the State does not incur costs or liabilities as an insurer.

3/12/92

PROPOSAL FOR ADDITION TO DEPARTMENT OF  
ENVIRONMENTAL CONSERVATION DRAFT AMENDMENTS TO AS 46.04.040  
(CONCERNING SB 405)

(o) Notwithstanding the requirements of (j) of this section, the department may, with respect to noncrude operations, approve proof of financial responsibility by a person other than the applicant who does not agree to be subject to direct action in the state or to appoint an agent for service of process if:

(1) the applicant provides proof of financial responsibility in the form required by (d) of this section and in the amounts specified in (a), (b), and (c) of this section;

(2) the applicant provides and the department accepts a sworn statement that the applicant has diligently attempted to obtain a form of financial responsibility which would provide for direct action or service of process, describing the steps the applicant has taken to obtain a form of financial responsibility which would provide for direct action or service of process, and stating that a form of financial responsibility which would provide for direct action or service of process is unavailable;

(3) the applicant continues its diligent efforts to obtain a form of financial responsibility which would provide for direct action or service of process and provides a sworn statement every four months for acceptance by the department containing the information required in (n)(2) of this section;

(4) approval of proof of financial responsibility as set forth in this section shall not be granted to an applicant for more than two years, inclusive of all renewals.

(p) The commissioner may by regulation establish a mandatory or voluntary joint arrangement for applicants to pool contributions in order to assume risks from losses to the participants on a group basis or purchase coverage for the participants in the group to meet some or all of the requirements of this section.

(o) same

(1) same ; and

(2) same ; and —

*and which has been  
certified as reasonable by  
the Director of the Division  
of Insurance.*

(3) the Director of the Division of Insurance, Department of Commerce and Economic Development, in a finding issued semi-annually, concurs that no such form of direct action insurance is available at reasonable rates through an underwriter of good repute and financial standing; and

(4) sunset in 2 years..

(p) - eliminate.

use Dept. of Law language concerning limits of liability.

7-LS2003V  
Lauterbach  
4/13/92

CS FOR SENATE BILL NO. 405 ( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATOR HOFFMAN

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to evidence of financial responsibility provided by persons who conduct  
2 oil operations; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 46.04.040(e) is amended to read:

5 (e) Financial responsibility may be demonstrated by (1) self-insurance, (2) insurance, (3)  
6 surety, (4) guarantee, (5) letter of credit approved by the department, or (6) other proof of  
7 financial responsibility approved by the department, including proof of financial responsibility  
8 provided by a group of insureds who have agreed to cover pollution risks of members of the  
9 group under terms the department may prescribe. An action brought under AS 46.03.758,  
10 46.03.759, 46.03.760(a) or (e), 46.03.822, or as 46.04.030(g) may be brought in a state court  
11 directly against the insurer, the group, or another person providing evidence of financial  
12 responsibility; however, the liability under this section of a third-party insurer is limited to  
13 the type of risk assumed and the amount of coverage specified in the proof of financial  
14 responsibility furnished to and approved by the department. The applicant, and an insurer,

1 surety, guarantor, person furnishing an approved letter of credit, or other group or person  
2 providing proof of financial responsibility approved by the department shall appoint an agent for  
3 service of process in the state. For purposes of this subsection, an insurer, other than a group  
4 of insureds whose agreement has been approved by the department, must either be authorized by  
5 the Department of Commerce and Economic Development to sell insurance in the state or be an  
6 unauthorized insurer listed by the Department of Commerce and Economic Development as not  
7 disapproved for use in the state. In this subsection, "third-party insurer" means a third-party  
8 insurer, surety, guarantor, person furnishing a letter of credit, or other group or person  
9 providing proof of financial responsibility on behalf of an applicant under this section;  
10 "third-party insurer" does not include the applicant.

11 \* Sec. 2. TEMPORARY LAW APPLICABLE TO NONCRUDE OIL OPERATIONS.

12 Notwithstanding AS 46.04.040, the Department of Environmental Conservation may, with respect to  
13 noncrude oil operations, approve proof of financial responsibility by a person, other than the applicant,  
14 who does not agree to be subject to a direct action in the state or to appoint an agent for service of  
15 process if the applicant

16 (1) provides proof of financial responsibility in the form and amounts otherwise required  
17 under AS 46.04.040;

18 (2) provides a sworn statement that

19 (A) is acceptable to the department;

20 (B) attests that the applicant has diligently attempted to obtain a form of proof  
21 of financial responsibility that would provide for a direct action and appointment of an agent for  
22 service of process;

23 (C) describes the steps the applicant has taken to obtain a form of proof of  
24 financial responsibility that would provide for a direct action and appointment of an agent for  
25 service of process;

26 (D) states that a form of proof of financial responsibility that would provide for  
27 a direct action and appointment of an agent for service of process is unavailable to the applicant;

28 (3) continues diligent efforts to obtain a form of proof of financial responsibility that  
29 would provide for a direct action and appointment of an agent for service of process and provides a  
30 sworn statement every six months that is acceptable to the department, containing the information  
31 required in (2) of this section.