

ExxonMobil Production Corp
P.O. Box 2180
Houston, Texas 77252-2180

ExxonMobil
Production

September 28, 2001

Re: Point Thomson Unit, Exhibits A and B

Mr. Mark Myers, Director
Division of Oil and Gas
Alaska Department of Natural Resources
550 West 7th Avenue, Suite 800
Anchorage, Alaska 99501-3510

Dear Mr. Myers:

The Point Thomson Working Interest Owners submit the attached Exhibits A and B to the Point Thomson Unit Agreement. This is submitted to fulfil the requirement of your July 31, 2001, letter re. "Pt. Thomson Unit Expansion/Contraction Application Conditionally Approved".

Lease ownership fractions shown in the exhibits reflect the contractual alignment of interests between ExxonMobil, BP, Chevron and Phillips. Cross assignment documentation reflecting this contractual alignment will be submitted to the ADNRR for your approval in the next few weeks.

Sincerely,



W. N. Strawbridge
Chairman, PTU Owners Committee

WNS/WDM:dcw
Attachments

c: PTU WIOs

\\L-Mark Myers PTU\Exhibits\Exhibits A and B.doc

PTU Rec_0012697

PTUE01_001562

Exc. 000227

ADDRESSEE LIST
POINT THOMSON UNIT - WORKING INTEREST OWNERS
(Preferred Mailing Addresses as of 07-01-01)

Mr. D. J. Dunham/R.L. Skillern BP Exploration (Alaska) Inc. P. O. Box 196612 Anchorage, AK 99519-6612 FAX 907-564-4187 (DJD) FAX 907-564-5132 (RLS) email: dunhamdj@bp.com email: skillerl@bp.com	Mr. K. R. Hughes 16475 Dallas Parkway, Suite 440 Addison, Texas 75001 FAX 972-669-7873	Ms. J. Searls P. O. Box 4023 Odessa, TX 79760 FAX 915-333-7958
Mr. J. L. Russell Chaparral Royalty Company P. O. Box 1604 Midland, TX 79702 FAX 915-694-9381	Mr. E. H. Leede 2100 Plaza Tower One 6400 S. Fiddler's Green Circle Englewood, CO 80111 FAX 303-290-8211	Mr. W. G. Stern Sunlite, Inc. 60 Albert Court Prince Consort Road London SW7 2BH FAX 8 011 44 207 225 2463
Mr. D. T. Berlin/C.O. Woolington Chevron U.S.A., Inc. P.O. Box 36366 Houston, Texas 77236-6366 FAX 281-561-3880 (DTB) FAX 281-561-3880 (COW) email: dtbe@chevron.com email: cowo@chevron.com	Leede & Pine 2100 Plaza Tower One 6400 S. Fiddler's Green Circle Englewood, CO 80111 FAX 303-290-8211	Mr. Gary J. Endorf Phillips Alaska, Inc. ATO 2032, P. O. Box 100360 Anchorage, Alaska 99510-0360 FAX 907-265-6838 email: gjendorf@ppco.com
Mr. R. Donnelly P. O. Box 3506 Midland, TX 79702 FAX 915-498-8500	Mr. M. J. Walker Pacific Lighting Gas Development c/o Sempra Energy Resources 101 Ash Street, HQ-2 San Diego, CA 92101-3017 FAX 619-696-2094	Mr. M. R. Phillips Trans World Oil & Gas Ltd. 625 4th Ave. SW., Suite 220 Calgary, Alberta T2P 0K2 CANADA FAX 403-263-3556
Mr. W. N. Strawbridge ExxonMobil Production Company P. O. Box 2180 Houston, TX 77252-2180 FAX 713-656-9632 (JAJ) FAX 713-656-0200 (JRG) email: william.n.strawbridge@exxonmobil.com email: john.r.gallogly@exxonmobil.com	Ms. B. C. Peery, Trustee P. O. Box 4023 Odessa, TX 79760 FAX 915-333-7958	Mr. Jon L. Glass United Oil & Minerals Ltd. Partnership 1001 Westbank Drive Austin, Texas 78746 Land Fax-512-328-8188 Adm. Fax-512-328-8189 email: jglass@uominc.com
Mr. Gary E. Carlson/ Mr. Kenneth Griffin Forest Oil Corporation 310 "K" Street, Suite 700 Anchorage, Alaska 99501 FAX 907-258-8601 email: gecarlson@forestoil.com kwgriffin@forestoil.com	Mr. W. McCrocklin Devon Energy Prod. Co., L.P. P. O. Box 4616 Houston, TX 77210-4616 FAX 713-286-5737	ATOFINA Petrochemicals, Inc. 800 Gessner, #700 Houston, Texas 77024 Attn: Mr. John Davis FAX 713-647-3662
Mr. Bill McLaughlin SNG Production Company Samson Plaza Two West Second Street Tulsa, OK 74103-3103 FAX 918-591-1726	Mr. R. Searls, Jr. P. O. Box 4023 Odessa, TX 79760 FAX 915-333-7958	Murphy E & P Co. 550 W. Lake Park Blvd. Suite 1000 Houston, Texas 77079 Attn: Mr. William R. Gage, Jr. FAX 281-249-1041

Point Thomson Unit Agreement

Pt. Thomson Unit Area

Pt. Thomson (Pre-Expansion) Area

Work Commitment Area A

Expansion Areas

① Denotes Tract Numbers as listed on Exhibit "B"

① Denotes Tract Numbers as listed on Exhibit "B"

PTU Rec_0012699

PTUE01_001564

Exc. 000229

Exhibit B
Point Thomson Unit Agreement
 Revised August 29, 2001

August 1, 2001

Tract No.	Description	Acres	ADL No.	Base Royalty %/NPS %	Lessee(s) of Record	Overriding Royalty Ownership		Working Interest Ownership		
						Owner	Percent	Owner	Percent	Description
1	T10N-R24E, UPM Secs. 29, 30, 31, and 32	2,523.00	47557	12 1/2 %/None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
2	T10N-R23E, UPM Secs. 25, 26, 35, and 36	2,560.00	47558	12 1/2 %/None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
3	T10N-R23E, UPM Secs. 27, 28, 33, and 34	2,560.00	47559	12 1/2 %/None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
4	T10N-R23E, UPM Sec 32	640.00	47560	12 1/2 %/None	ExxonMobil Mobil BP Chevron Phillips AI Leede Pacific Donnelly G. Hughes Chaparral Leede and Pine Searis, Jr Peery Holbrook O'Neill Donnelly, R.R. McConnell Donnelly, R	Subject to Simasko Farm Oil provisions and subsequent Assignment of interest to ExxonMobil, et al		ExxonMobil Mobil BP Chevron Phillips AI Leede Pacific Donnelly, G. Hughes Chaparral Leede and Pine Searis, Jr Peery Holbrook O'Neill Donnelly, R.R. McConnell Donnelly, R	20.2898994% 5.8753315% 22.6912745% 17.8288585% 3.5097560% 10.0975600% 5.0000000% 0.5048780% 3.6000000% 2.2719500% 2.0185150% 1.1359750% 1.1359750% 0.7573180% 0.5048780% 0.5048780% 1.5146350% 0.7573180%	All All All All All All All All All All All All All All All All All All All
5	T10N-R22E, UPM Secs. 25, 26, 35, and 36	2,560.00	47561	12 1/2 %/None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
6	T10N-R22E, UPM Secs. 27, 28, 33, and 34	2,560.00	47562	12 1/2 %/None	ExxonMobil Mobil BP Chevron Phillips AI Pennzenergy Forest Trans World United O&M SNG Sunlife	Robert Meek Sabine Royalty Marvin D. Mangus Janet D. Fackler Nadene Pettjohn Donnell O. Wells Hilltop Community Church Peter J. Farrelly Little Sisters of the Poor	0.50000% 0.08313% 0.02771% 0.02771% 0.02771% 0.00354% 0.00236% 0.00236% 0.00236%	ExxonMobil Mobil BP Chevron Phillips AI Pennzenergy Forest Trans World United O&M SNG Sunlife	23.4221774% 6.7823430% 26.1942677% 20.5812103% 4.0515788% 10.0000000% 5.2473820% 1.3289431% 1.3289431% 0.5315773% 0.5315773%	All All All All All All All All All All All All

Exc. 000230

PTU Rec_0012700

PTUE01_001565

Exhibit B
Point Thomson Unit Agreement
 Revised August 28, 2001

August 1, 2001

Tract No.	Description	Acres	ADL No.	Base Royalty %/NPS %	Lessee(s) of Record	Overriding Royalty Ownership		Working Interest Ownership		
						Owner	Percent	Owner	Percent	Description
7	T10N-R22E, UPM Secs. 29, 30, 31, and 32	2,523.00	47563	12 1/2 None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	AI AI AI AI AI
8	T10N-R21E, UPM Secs. 25, 26, 35, and 36	2,560.00	47564	12 1/2 None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	AI AI AI AI AI
9	Contracted out of PTU									
10	T9N-R22E, UPM Secs. 5, 6, 7, and 8	2,533.00	47566	12 1/2 None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	AI AI AI AI AI
11	T9N-R22E, UPM Secs. 3, 4, 9, and 10	2,560.00	47567	12 1/2 None	ExxonMobil Mobil BP Chevron Phillips AI Pennzenergy Forest Trans World United O&M SNG Sunlite	Robert Meek Sabine Royalty Marvin D. Mangus Janet D. Fackler Nadane Pettjohn Donnell O. Wells Hilltop Community Church Peter J. Farnely Little Sisters of the Poor Subject to Simasko Farm Out Agreement providing for assignment to ExxonMobil, et al.	0.50000% 0.08313% 0.02771% 0.02771% 0.02771% 0.00354% 0.00236% 0.00236% 0.00236%	ExxonMobil Mobil BP Chevron Phillips AI Pennzenergy Forest Trans World United O&M SNG Sunlite	23.4221774% 6.7823430% 28.1942877% 20.5812103% 4.0515789% 10.0000000% 5.2473820% 1.3289431% 1.3289431% 0.5315773% 0.5315773%	AI AI AI AI AI AI AI AI AI AI AI
12	T9N-R22E, UPM Secs. 1, 2, 11, and 12	2,560.00	47568	12 1/2 None	ExxonMobil Mobil BP Chevron Phillips AI	ASRC - Secs 1 and 2 ASRC - Secs 11 and 12	0.50000% 0.25000%	ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	AI AI AI AI AI
13	T9N-R23E, UPM Secs. 5, 6, 7, and 8	2,533.00	47569	12 1/2 None	ExxonMobil Mobil BP Chevron Phillips AI	ASRC - Secs 5, 6 and 8 ASRC - Sec. 7	0.25000% 0.08333%	ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	AI AI AI AI AI
14	T9N-R23E, UPM Secs. 3, 4, 9, and 10	2,560.00	47570	12 1/2 None	ExxonMobil Mobil BP Chevron Phillips AI	ASRC	0.25000%	ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	AI AI AI AI AI

Exc. 000231

Exhibit B
Point Thomson Unit Agreement
 Revised August 29, 2001

August 1, 2001

Tract No.	Description	Acres	ADL No.	Base Royalty %/NPS %	Lessee(s) of Record	Overriding Royalty Ownership		Working Interest Ownership		
						Owner	Percent	Owner	Percent	Description
15	T9N-R23E, UPM Secs. 1, 2, 11, and 12	2,560.00	47571	12 1/2/None	ExxonMobil Mobil BP Chevron Phillips AI	ASRC	0.50000%	ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
16	T9N-R24E, UPM Secs. 5, 6, 7, and 8	2,533.00	47572	12 1/2/None	ExxonMobil Mobil BP Chevron Phillips AI	ASRC - Secs. 5, and 8 ASRC - Secs. 6 and 7	0.20000% 0.50000%	ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
17	T10N-R23E, UPM Sec. 29	640.00	50983	12 1/2/None	ExxonMobil Mobil BP Chevron Phillips AI	Subject to a 1/3 net profits interest to: Leede; Leede and Pine; Phillips; Donnelly; Chaparral; Searls, Jr.; Peery; Hughes; Pacific; Searls; Jeanne; ExxonMobil; Mobil; BP; Chevron		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
18	T10N-R23E, UPM Secs. 30 and 31	1,243.00	51667	12 1/2/None	ExxonMobil Mobil BP Chevron Phillips AI	ASRC Phillips, Leede; Leede and Pine; Donnelly, Hughes Chaparral; Searls, Jr. Peery, Pacific, Searls, Jeanne ExxonMobil, Mobil, BP, Chevron	0.08333% 6.25000%	ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
19	T9N-R23E, UPM Secs. 17, 18, 19, and 20	2,544.00	28380	12 1/2/None	ExxonMobil Mobil BP Chevron Phillips AI Woodbine	None		ExxonMobil Mobil BP Chevron Phillips AI Woodbine	28.9050000% 28.9023407% 8.3700000% 8.3692300% 32.3260000% 32.3230260% 25.3990000% 25.3966633% 5.0000000% 4.9995400% 0.0092000%	Sec. 17, 18 and 20 Sec. 19 Sec. 17, 18 and 20 Sec. 19 Sec. 17, 18 and 20 Sec. 19 Sec. 17, 18 and 20 Sec. 19 Sec. 17, 18 and 20 Sec. 19
20	T9N-R23E, UPM Secs. 15, 16, 21, and 22	2,560.00	28381	12 1/2/None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
21	T9N-R23E, UPM Secs. 13, 14, 23, and 24	2,560.00	28382	12 1/2/None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
22	T9N-R23E, UPM Secs. 25, 26, 35, and 36	2,560.00	28383	12 1/2/None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All

EXC. 000232

PTU Rec_0012702

Exhibit B
Point Thomson Unit Agreement
 Revised August 28, 2001

August 1, 2001

Tract No.	Description	Acres	ADL No.	Base Royalty %/NPB %	Lessee(s) of Record	Overriding Royalty Ownership		Working Interest Ownership		
						Owner	Percent	Owner	Percent	Description
23	T9N-R23E, UPM Sec. 27, Sec. 28, N/2 and SE/4, Sec. 34	1,760.00	28384	12%/None	ExxonMobil Mobil BP Chevron Phillips AI Woodbine	None		ExxonMobil Mobil BP Chevron Phillips AI Woodbine	28.9023407% 8.3692300% 32.3230260% 25.3966633% 4.9995400% 0.0092000%	AI AI AI AI AI AI
24	T9N-R23E, UPM Sec. 29, N/2 Sec. 30, N/2	638.00	28385	12%/None	ExxonMobil Mobil BP Chevron Phillips AI Woodbine	None		ExxonMobil Mobil BP Chevron Phillips AI Woodbine	28.9023407% 8.3692300% 32.3230260% 25.3966633% 4.9995400% 0.0092000%	AI AI AI AI AI AI
25	T10N-R24E, UPM Secs. 27, 28, 33, and 34	2,560.00	47556	12%/None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	AI AI AI AI AI
26	T9N-R24E, UPM Secs. 17, 18, 19, and 20	2,544.00	47573	12%/None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	AI AI AI AI AI
27	T10N-R22&23N, UPM TRACT C30-110 (BF-110): A PORTION OF BLOCKS 753 AND 797 AS SHOWN ON THE "LEASING AND NOMINATION MAP" FOR THE FEDERAL/STATE BEAUFORT SEA OIL AND GAS LEASE SALE, DATED 1/30/79, MORE PARTICULARLY DESCRIBED AS FOLLOWS: THOSE LANDS LOCATED IN THE S1/2 OF BLOCK 753, BEING A PORTION OF BLOCK 753 ON THE AFORESAID LEASING AND NOMINATION MAP, CONTAINING 1152.00 HECTARES, AND THOSE LANDS LYING NORTHERLY OF THE SOUTH BOUNDARY OF SECTIONS 23 AND 24, T10N, R22E, U.M., AK., AND LYING NORTHERLY OF THE SOUTH BOUNDARY OF SECTIONS 19 AND 20, T10N, R23E, U.M., AK., IN BLOCK 797 (BEING THE NORTHERLY PORTION) LISTED AS STATE AREA ON THE "SUPPLEMENTAL OFFICIAL O.C.S. BLOCK DIAGRAM" APPROVED 10/4/79, CONTAINING 1133.95 HECTARES.	5,648.68	312862	Sliding Scale 20-65/None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	AI AI AI AI AI

Exc. 000233

PTU Rec_0012703

PTUE01_001568

Exhibit B
Point Thomson Unit Agreement
 Revised August 28, 2001

August 1, 2001

Tract No.	Description	Acres	ADL No.	Base Royalty %/NPS %	Lessee(s) of Record	Overriding Royalty Ownership		Working Interest Ownership		
						Owner	Percent	Owner	Percent	Description
28	T10N-R23&24E UPM TRACT C30-114 (BF-114): A PORTION OF BLOCKS 799 AND 800 AS SHOWN ON THE "LEASING AND NOMINATION MAP" FOR THE FEDERAL/STATE BEAUFORT SEA OIL AND GAS LEASE SALE, DATED 1/30/79, MORE PARTICULARLY DESCRIBED AS FOLLOWS: THOSE LANDS LYING NORTHERLY OF THE SOUTH BOUNDARY OF SECTIONS 23 AND 24, T10N, R23E; U.M., A.K., AND LYING NORTHERLY OF THE SOUTH BOUNDARY OF SECTIONS 19 AND 20, T10N, R24E; U.M., A.K., IN BLOCK 799 (BEING THE NORTHERLY PORTION) LISTED AS STATE AREA ON THE "SUPPLEMENTAL OFFICIAL O.C.S. BLOCK DIAGRAM" APPROVED 10/4/79, CONTAINING 1081.11 HECTARES, AND THOSE LANDS LYING NORTHERLY OF THE SOUTH BOUNDARY OF SECTIONS 20, 21, AND 22, T10N, R24E; U.M., A.K., AND LYING WESTERLY OF 146 DEGREES 00'00" WEST LONGITUDE IN BLOCK 800 LISTED AS STATE AREA ON THE "SUPPLEMENTAL OFFICIAL O.C.S. BLOCK DIAGRAM" APPROVED 10/4/79, CONTAINING 916.21 HECTARES.	4,935.47	312866	20/52.352	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
29	T10N-R24E UPM Sec 22 S/2 All lying easterly of 146°00'00" west longitude Sec 23 S/2 Sec 24 S/2 Secs 25 and 26	1 970.00	343109	12 1/2/40	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
30	T10N-R24E UPM Secs 35 and 36 T9N-R24E UPM Sec 2	1 920.00	343110	12 1/2/40	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
31	T9N-R24E UPM Secs 3, 4, and 9 Sec. 10: N/2 and SW/4	2,400.00	343111	12 1/2/40	ExxonMobil Mobil BP Chevron Phillips AI	ASRC	0.50000%	ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
32	T9N-R24E UPM All, excluding ANWR, of Secs. 15, 16, 21, 28, 29, 30 31, and 32	3 446.00	343112	12 1/2/40	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
33	T10N-R22E UPM TRACT 65-015 IS A PORTION OF OCS BLOCKS 751 AND 752 AS SHOWN ON THE "LEASING AND NOMINATION MAP" FOR THE FEDERAL/STATE BEAUFORT SEA OIL AND GAS LEASE SALE, DATED 1/30/79, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: TRACT 65-015 ENCOMPASSES ALL THOSE LANDS IN THE N 1/2 OF BLOCK 751, OCS OFFICIAL PROTRACTOR DIAGRAM NR 6-4 APPROVED 4/29/75, CONTAINING 1152.00 HECTARES, AND THOSE LANDS IN THE N 1/2 OF BLOCK 752, OCS OFFICIAL PROTRACTOR DIAGRAM NR 6-4 APPROVED 4/29/75, CONTAINING 1152.00 HECTARES. THIS TRACT CONTAINS 5693.29 ACRES MORE OR LESS (2304.00 HECTARES MORE OR LESS).	5,693.29	377015	20.0 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All

Exc. 000234

Exhibit B
Point Thomson Unit Agreement
 Revised August 29, 2001

August 1, 2001

Tract No.	Description	Acres	ADL No.	Base Royalty %/NPS %	Lessee(s) of Record	Overriding Royalty Ownership		Working Interest Ownership		
						Owner	Percent	Owner	Percent	Description
34	A <u>T10N-R21E-UPM</u> Secs. 12, E/2E/2; 13, E/2E/2, and 24, E/2E/2 <u>T10N-R22E-UPM</u> Secs. 7, 8, W/2W/2; 17, W/2W/2; 18; 19; 20, W/2W/2	2,865.89	377016 A	20.0 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
34	B <u>T10N-R21E-UPM</u> Secs. 11, E/2, E/2W/2, 12, W/2, W/2 E/2; 13, W/2, W/2E/2, 14, E/2, E/2W/2; 23, E/2 E/2W/2, and 24, W/2, W/2E/2	2,865.89	377016 B	16.667 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
35	<u>T10N-R22E-UPM</u> T. 10N., R. 22E., UMIAT MERIDIAN, ALASKA TRACT 65-017 IS A PORTION OF OCS BLOCKS 752 AND 796 AS SHOWN ON THE "LEASING AND NOMINATION MAP" FOR THE FEDERAL/STATE BEAUFORT SEA OIL AND GAS LEASE SALE, DATED 1/30/79, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: TRACT 65-017 ENCOMPASSES ALL THOSE LANDS IN THE 51/2 OF BLOCK 752, OCS OFFICIAL PROTRACTION DIAGRAM NR 6-4 APPROVED 4/29/75, CONTAINING 1152 HECTARES, AND THOSE LANDS LYING NORTHERLY OF THE SOUTH BOUNDARY OF SECTIONS 20, 21, 22 AND 23, T. 10N., R. 22E., UMIAT MERIDIAN, ALASKA IN BLOCK 796 (BEING THE NORTHERLY PORTION) LISTED AS STATE AREA ON THE "SUPPLEMENTAL OFFICIAL OCS BLOCK DIAGRAM" APPROVED 10/4/79, CONTAINING 1153.17 HECTARES. THIS TRACT CONTAINS 5696.18 ACRES MORE OR LESS (2305.17 HECTARES MORE OR LESS).	5,696.18	377017	20.0 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
36	Portions of State Lands within Beaufort Sea Area-wide Lease Sale 2000, Tract 78 Also Described As <u>T10N R25E, UPM</u> Sec. 30: W/2, Sec. 31, Sec. 32: W/2 <u>T8N R25E, UPM</u> All, excluding ANWR, of Secs. 5: W/2 and 6	1,600.00 +	389716	16.667 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All

Exc. 000235

PTU Rec_0012705

PTUE01_001570

Exhibit B
Point Thomson Unit Agreement
 Revised August 29, 2001

August 1, 2001

Tract No.	Description	Acres	ADL No.	Base Royalty %/NPS %	Lessee(s) of Record	Overriding Royalty Ownership		Working Interest Ownership		
						Owner	Percent	Owner	Percent	Description
37	<u>T10N-R23E UPM</u> TRACT 65-020T. 10N., R. 23E., UMIAT MERIDIAN, ALASKA TRACT 65-020 IS A PORTION OF OCS BLOCKS 754 AND 798 AS SHOWN ON THE "LEASING AND NOMINATION MAP" OF THE FEDERAL/STATE BEAUFORT SEA OIL AND GAS LEASE SALE, DATED 1/30/79, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: TRACT 65-020 ENCOMPASSES ALL THOSE LANDS IN THE S1/2 OF BLOCK 754 OCS OFFICIAL PROTRACTION DIAGRAM NR 6-4 APPROVED 4/29/79, CONTAINING 1152 HECTARES, AND THOSE LANDS LYING NORTHERLY OF THE SOUTH BOUNDARY OF SECTIONS 20, 21, 22 AND 23, T. 10N., R. 23E., UMIAT MERIDIAN, ALASKA IN BLOCK 798 (BEING IN THE NORTHERLY PORTION), LISTED AS STATE AREA ON THE "SUPPLEMENTAL OFFICIAL OCS BLOCK DIAGRAM" APPROVED 10/4/79, CONTAINING 1109.94 HECTARES. THIS TRACT CONTAINS 5589.35 ACRES MORE OR LESS (2261.94 HECTARES MORE OR LESS).	5,589.35	377020	20.0 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
38	<u>T9N-R24E UPM</u> T. 9N., R. 24E., UMIAT MERIDIAN, ALASKA SECTION 1, UNSURVEYED, ALL TIDE AND SUBMERGED LANDS EXCLUDING THOSE UPLANDS (ABOVE THE LINE OF MEAN HIGH WATER) WITHDRAWN AND RESERVED BY PL 96-487 AND ALSO EXCLUDING THOSE DISPUTED TIDE AND SUBMERGED LANDS WHICH ARE THE SUBJECT OF AN OWNERSHIP DISPUTE BETWEEN THE STATE OF ALASKA AND THE UNITED STATES*, 568 ACRES; SECTION 10, UNSURVEYED, SE 1/4, 160 ACRES; SECTION 11, UNSURVEYED, ALL TIDE AND SUBMERGED LANDS EXCLUDING THOSE UPLANDS (ABOVE THE LINE OF MEAN HIGH WATER) WITHDRAWN AND RESERVED BY PL 96-487 AND ALSO EXCLUDING THOSE DISPUTED TIDE AND SUBMERGED LANDS WHICH ARE THE SUBJECT OF AN OWNERSHIP DISPUTE BETWEEN THE STATE OF ALASKA AND THE UNITED STATES*, 508 ACRES; SECTION 12, UNSURVEYED, ALL TIDE AND SUBMERGED LANDS EXCLUDING THOSE UPLANDS (ABOVE THE LINE OF MEAN HIGH WATER) WITHDRAWN AND RESERVED BY PL 96-487 AND ALSO EXCLUDING THOSE DISPUTED TIDE AND SUBMERGED LANDS WHICH ARE THE SUBJECT OF AN OWNERSHIP DISPUTE BETWEEN THE STATE OF ALASKA AND THE UNITED STATES*, 136 ACRES; SECTION 14, UNSURVEYED, ALL TIDE AND SUBMERGED LANDS EXCLUDING THOSE UPLANDS (ABOVE THE LINE OF MEAN HIGH WATER) WITHDRAWN AND RESERVED BY PL 96-487 AND ALSO EXCLUDING THOSE DISPUTED TIDE AND SUBMERGED LANDS WHICH ARE THE SUBJECT OF AN OWNERSHIP DISPUTE BETWEEN THE STATE OF ALASKA AND THE UNITED STATES*, 10 ACRES; SECTION 15, UNSURVEYED, ALL TIDE AND SUBMERGED LANDS WITHIN THE NE 1/4 EXCLUDING THOSE UPLANDS (ABOVE THE LINE OF MEAN HIGH WATER) WITHDRAWN AND RESERVED BY PL 96-487 AND ALSO EXCLUDING THOSE DISPUTED TIDE AND SUBMERGED LANDS WHICH ARE THE SUBJECT OF AN OWNERSHIP DISPUTE BETWEEN THE STATE OF ALASKA AND THE UNITED STATES*, 30 ACRES. THIS TRACT CONTAINS 1,412 ACRES MORE OR LESS.	1,412.00	372256	20.0 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All

Exc. 000236

PTUE01_001571

PTU Rec_0012706

August 1, 2001

Exhibit B
Point Thomson Unit Agreement
 Revised August 29, 2001

Tract No.	Description	Acres	ADL No.	Base Royalty %/NPS %	Lessee(s) of Record	Overriding Royalty Ownership		Working Interest Ownership		
						Owner	Percent	Owner	Percent	Description
39	<u>T10N-R22E UPM</u> TRACT 86-025T. 10 N., R. 22 E., UMIAT MERIDIAN, ALASKA SECTION 1, PROTRACTED, ALL TIDE AND SUBMERGED LANDS, 640 ACRES; SECTION 2, PROTRACTED, ALL TIDE AND SUBMERGED LANDS, EXCLUDING THAT PORTION OF STATE OIL AND GAS LEASES ADL 377015 AND 312862 WITHIN THIS SECTION, 484.59 ACRES; SECTION 11, PROTRACTED, ALL TIDE AND SUBMERGED LANDS, EXCLUDING THAT PORTION OF STATE OIL AND GAS LEASES ADL 377015, 377017 AND 312862 WITHIN THIS SECTION, 14.06 ACRES; SECTION 12, PROTRACTED, ALL TIDE AND SUBMERGED LANDS, EXCLUDING THAT PORTION OF STATE OIL AND GAS LEASE ADL 312862 WITHIN THIS SECTION, 23.43 ACRES. THIS TRACT CONTAINS 1,162.08 ACRES, MORE OR LESS.	1,162.08	388425	20.0 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3980000% 5.0000000%	All All All All All
40	<u>T10N-R23E UPM</u> TRACT 86-026T. 10 N., R. 23 E., UMIAT MERIDIAN, ALASKA SECTION 5, PROTRACTED, ALL TIDE AND SUBMERGED LANDS, EXCLUDING THAT PORTION OF STATE OIL AND GAS LEASE ADL 377018 WITHIN THIS SECTION, 175.72 ACRES; SECTION 6, PROTRACTED, ALL TIDE AND SUBMERGED LANDS, 609.00 ACRES; SECTION 7, PROTRACTED, ALL TIDE AND SUBMERGED LANDS, EXCLUDING THAT PORTION OF STATE OIL AND GAS LEASE ADL 312862 WITHIN THIS SECTION, 28.12 ACRES; SECTION 8, PROTRACTED, ALL TIDE AND SUBMERGED LANDS, EXCLUDING THAT PORTION OF STATE OIL AND GAS LEASES ADL 377018, 377020 AND 312862 WITHIN THIS SECTION, 8.90 ACRES. THIS TRACT CONTAINS 821.74 ACRES, MORE OR LESS.	821.74	388426	20.0 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3980000% 5.0000000%	All All All All All
41	<u>T10N-R21E UPM</u> TRACT 65-013T. 10N., R. 21E., UMIAT MERIDIAN, ALASKA TRACT 65-013 IS A PORTION OF OCS BLOCKS 794 AND 838 AS SHOWN ON THE "LEASING AND NOMINATION MAP" FOR THE FEDERAL/STATE BEAUFORT SEA OIL AND GAS LEASE SALE, DATED 1/30/79, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: TRACT 65-013 ENCOMPASSES ALL THOSE LANDS LYING NORTHERLY OF THE NORTH BOUNDARY OF SECTION 26, T. 10N., R. 21E., UMIAT MERIDIAN, ALASKA, (BEING IDENTICAL WITH THE EAST-WEST LINE INTERSECTING THE EAST BOUNDARY OF BLOCK 794 AND PROJECTING WEST TO AN ANGLE POINT AS SHOWN ON BLOCK 794), AND LYING WESTERLY OF THE WEST BOUNDARY OF SECTIONS 26 AND 35, T. 10N., R. 21E., UMIAT MERIDIAN, ALASKA (BEING IDENTICAL WITH THE NORTH-SOUTH LINE INTERSECTING THE SOUTH BOUNDARY OF BLOCK 794 AND PROJECTING NORTHERLY TO THE ABOVE MENTIONED ANGLE POINT AS SHOWN ON BLOCK 794) LOCATED IN THE S1/2, S1/2N1/2 OF BLOCK 794 EXCLUDING 9.63 HECTARES OF THAT PORTION OF U.S. SURVEY 4307 THAT LIES WITHIN BLOCK 794, BEING A PORTION OF THE STATE AREA ON THE "SUPPLEMENTAL OFFICIAL BLOCK DIAGRAM" APPROVED 10/4/79, CONTAINING 1641.03 HECTARES, AND THOSE LANDS LYING WESTERLY OF THE WEST BOUNDARY OF SECTION 35, T. 10N., R. 21E., UMIAT MERIDIAN, ALASKA (BEING IDENTICAL WITH LINE 2-3 AS SHOWN ON BLOCK 838) AND LYING NORTHERLY OF THE SOUTH BOUNDARY OF SECTIONS 32, 33 AND 34, T. 10N., R. 21E., UMIAT MERIDIAN, ALASKA (BEING IDENTICAL WITH LINE 1-2 AS SHOWN ON BLOCK 838) EXCLUDING 117.76 HECTARES OF THAT PORTION OF U.S. SURVEY 4307 THAT LIES WITHIN BLOCK 838, BEING A PORTION OF THE STATE AREA ON THE "SUPPLEMENTAL OFFICIAL OCS BLOCK DIAGRAM" APPROVED 12/9/79, CONTAINING 272.76 HECTARES; THIS TRACT CONTAINS 4729.05 ACRES MORE OR LESS (1913.79 HECTARES MORE OR LESS).	4,729.05	377013	16.6667 / None	ExxonMobil Mobil BP Chevron Phillips AI PetroFina Murphy	None		ExxonMobil Mobil BP Chevron Phillips AI PetroFina Murphy	19.5108750% 5.6497500% 21.8200500% 17.1443250% 3.3750000% 20.0000000% 12.5000000%	All All All All All All All

PTUE01_001572

PTU Rec_0012707

Exhibit B
Point Thomson Unit Agreement
 Revised August 28, 2001

August 1, 2001

Tract No.	Description	Acres	ADL No.	Base Royalty %/NPS %	Lessee(s) of Record	Overriding Royalty Ownership		Working Interest Ownership		
						Owner	Percent	Owner	Percent	Description
42	T9N R22E, UPM Secs. 13 and 14	1,280.00	382101	12.5 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
43	T8N R24E, UPM All, excluding ANWR of Sec 3, and Sec 4. All, excluding ANWR, of Sec 9, and Sec 10.	1,062.00	375064	16.6667 / None	ExxonMobil Mobil BP Chevron Phillips AI	None		ExxonMobil Mobil BP Chevron Phillips AI	28.9050000% 8.3700000% 32.3260000% 25.3990000% 5.0000000%	All All All All All
44	T10N R21E, UPM TRACT 65-012T. 10N., R. 21E., UMIAT MERIDIAN, ALASKA TRACT 65-012 IS A PORTION OF OCS BLOCKS 750 AND 794 AS SHOWN ON THE "LEASING AND NOMINATION MAP" FOR THE FEDERAL/STATE BEAUFORT SEA OIL AND GAS LEASE SALE, DATED 1/30/79, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: TRACT 65-012 ENCOMPASSES ALL THOSE LANDS IN THE S1/2,S1/2N1/2 OF BLOCK 750, OCS OFFICIAL PROTRACTION DIAGRAMNR 6-4 APPROVED 4/29/75, CONTAINING 1728 HECTARES, AND THOSE LANDS IN THE N1/2N1/2 OF BLOCK 794, BEING A PORTION OF THE STATE AREA ON THE "SUPPLEMENTAL OFFICIAL OCS BLOCK DIAGRAM" APPROVED 10/4/79, CONTAINING 576 HECTARES. THIS TRACT CONTAINS 5693.29 ACRES MORE OR LESS (2304HECTARES MORE OR LESS).	5,693.29	377012	16.6667 / None	ExxonMobil Mobil BP Chevron Phillips AI PetroFina Murphy	None		ExxonMobil Mobil BP Chevron Phillips AI PetroFina Murphy	19.5108750% 5.6497500% 21.8200500% 17.1443250% 3.3750000% 20.0000000% 12.5000000%	All All All All All All All

116,724.91

Exc. 000238

Exhibit B
Point Thomson Unit Agreement
 Revised August 29, 2001

August 1, 2001

Tract No.	Description	Acres	ADL No.	Base Royalty %/NPS %	Lessee(s) of Record	Overriding Royalty Ownership		Working Interest Ownership		
						Owner	Percent	Owner	Percent	Description
Notes										
	BP	means			BP Exploration (Alaska) Inc.					
	Chaparral	"			Chaparral Royalty Co.					
	Chevron	"			Chevron USA Inc.					
	Donnelly, R.	"			Richard Donnelly					
	Donnelly, R.R.	"			Robert R. Donnelly, Revocable					
	Donnelly, G.	"			George Donnelly, Irrevocable					
	ExxonMobil	"			Exxon Mobil Corporation					
	Forest	"			Forest Oil Corporation					
	Holbrook	"			Mary Lou Holbrook					
	Hughes	"			Kingdon R. Hughes					
	Leede	"			Edward H. Leede					
	Leede and Pine	"			Leede and Pine, a Partnership					
	McConnell	"			McConnell, Peggy D.					
	Mobil	"			ExxonMobil Oil Corporation					
	Murphy	"			Murphy Exploration and Development Company					
	O'Neill	"			Jan Donnelly O'Neill, Irrevocable					
	Pacific	"			Pacific Lighting Gas Development Company					
	Peery	"			Bernice C. Peery, Trustee					
	PennZenergy	"			PennZenergy Exploration and Production, LLC (a subsidiary of Devon Energy Prod. Co. LP)					
	PetroFina	"			Total Fina Elf E&P USA, Inc. (ATOFINA Petrochemicals Inc.)					
	Phillips Al	"			Phillips Alaska Inc.					
	SNG	"			Samson Resources Company (SNG Prod. Co.)					
	Searls, Jr	"			Robert Searls, Jr.					
	Sunkle	"			Sunkle International Inc.					
	Trans World	"			Trans World Oil and Gas Ltd.					
	United O&M	"			United Oil & Minerals Limited Partnership (formerly Two-Four-Six Exploration Inc.)					
	Woodbine	"			Woodbine Petroleum, Inc. (a subsidiary of Sunkle International Inc.)					

* Approximate acreage

Exc. 000239

PTU Rec_0012709

PTUE01_001574

BRENA, BELL & CLARKSON, P.C.

ROBIN O. BRENA, OWNER
JESSE C. BELL, OF COUNSEL
KEVIN O. CLARKSON, OF COUNSEL
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December 21, 2001

Pat Pourchot, Commissioner
State of Alaska
Department of Natural Resources
550 West Seventh Avenue, Suite 1400
Anchorage, Alaska 99501

Hand Delivered

RECEIVED

JAN 02 2002

RE: Comments further to ExxonMobil letter dated November 29, 2001
Pt. Thomson Unit - Expansion/Contraction Decision
Our File No. 1018-001

DIV. OF OIL & GAS
DIRECTOR'S OFFICE

Dear Mr. Pourchot:

This filing is made in response to ExxonMobil's letter of November 29, 2001. Murphy recognizes that, since ExxonMobil is not a party to Murphy's appeal, ExxonMobil's letter is more in the nature of "information" than a "pleading." However, since Murphy disagrees with the conclusions reached in the letter, it is submitting this response for information purposes also.

In summary, Murphy disagrees with ExxonMobil's interpretation of Alaska law and Murphy's lease with the State of Alaska. Murphy is disappointed that ExxonMobil's response stops short of providing its position regarding the impact on Murphy resulting from the DNR's August decision attempting to expand the PTU to include the RDU. ExxonMobil's response could have provided certainty to this issue but did not. Finally, ExxonMobil's response reaffirms its position that it will not provide Murphy the information it needs to make an informed business decision that was contemplated by the DNR in its July Decision. It is fundamentally unfair to unilaterally impose obligations on a party without its consent or to expect it to voluntarily assume those obligations without being fully informed.

Murphy hereby submits the following specific comments to the items discussed in ExxonMobil's letter:

1. Certainty of Rights and Obligations - The last paragraph of Section III of ExxonMobil's letter observes that "it is clearly in the interest of . . . all Point Thomson Unit working interest owners to obtain certainty with regard to the parties' rights and obligations (emphasis added)." Murphy most certainly concurs.

DEPARTMENT OF
NATURAL RESOURCES

DEC 24 2001

PTUE01_000503
PTU Rec_010642

COMMISSIONER'S OFFICE
ANCHORAGE

Exc. 000240

Commissioner Pourchot
December 21, 2001
Page 2

However, with respect to this particular issue, Murphy would like to point out that its letter of September 10, 2001, to the Director expressed concern about this exact issue, at least as regards Murphy's leases, and asked for clarification, to wit:

Inasmuch as Murphy was never a party to the Application or the approval process, we are uncertain of the status of our leasehold interest with regard to the PTU, its Unit Agreement and its Unit Operating Agreement.

Request: Please advise of the status of Murphy's leasehold interest with regard to the PTU and corresponding agreements.

Although Murphy is aware that it has not executed or ratified either the existing PTU Unit Agreement or its Unit Operating Agreement, Murphy had expected that the Director would clarify whether Murphy would have any obligation under the decision(s) as they then stood. The Director still has not addressed this issue. Instead, the Director's response dated September 17, 2001, provided

Our records indicate that Murphy has 12.5% working interest in both ADL 377012 and ADL 377013, whose primary terms expired on July 31, 2001. The division's approval of the Pt. Thomson Unit Expansion, which included these two leases, extends the lease terms for as long as they remain committed to the unit agreement. You should consult with counsel regarding other obligations and benefits of unitization.

Obviously, Murphy was aware of its percentage leasehold ownership. What Murphy did not know, and still does not know, is what bearing the Director's August decision has on it, particularly with respect to the Applicants' undertaking to perform certain actions or pay penalties in case of nonperformance. ExxonMobil's response could have added certainty regarding this issue but its comments were fell short.

2. **Murphy Not Forced to Join the Pt. Thomson Unit** – Section I of the ExxonMobil letter asserts that Murphy's appeal is premature on the grounds that the Decision does not purport to compel Murphy to join the Pt. Thomson Unit (last sentence of first paragraph). While that may be correct, the first sentence of the fifth paragraph of the Director's July 31 decision letter indicates that the "conditions" set out in the Agreement thereto (i.e., commitment to perform or pay) would be imposed on "*all working interest owners* in the expansion and contraction area leases" (emphasis added).

PTUE01_000504

PTU Rec_010643

Exc. 000241

Inasmuch as Murphy is a working interest owner in the leases at issue and since the Decision letter(s) did not unequivocally limit the burden of performance to the Applicants or the Major Owners (however defined), ExxonMobil could attempt to argue at a later date that Murphy is in some way obligated to satisfy its alleged share of the obligations contained in the Agreement. As noted above, it is not at all clear who bears the burden of the obligations accepted by Applicants and the other Major Owners in the PTU. Again, either the Director or ExxonMobil could have clarified this issue, but didn't.

3. **Request for Data** – Section II of the ExxonMobil letter addresses the issue of disclosure of data with regard to the Pt. Thomson Unit. This issue stems from ExxonMobil's request that Murphy join the PTU and the possibility of Murphy joining in a alignment of interests throughout the PTU as most, if not all, of the Major PTU Owners are alleged to have done. ExxonMobil had requested that Murphy join the PTU based on information "to be disclosed later" and at a monetary cost. Normal prudent business practice would require making such judgements and the commitments arising from them on the basis of knowledge rather than merely trust.

With respect to the third to last paragraph of Section II, Murphy certainly does understand that oil and gas development involves the expenditure of substantial funds to acquire data. ExxonMobil is probably also aware that when one company seeks to interest another company in joining in an exploration or development undertaking, information is most commonly disclosed to justify the rational basis for such joinder. The "cost" imposed on the receiving party is that of maintaining confidentiality of the data, this being accomplished through written agreement referred to as a Confidentiality Agreement. Further, it is not uncommon for such agreements to require the return of the data and to prohibit the reproduction thereof.

Although there are no written communications with respect to the possibility of ExxonMobil (on behalf of the PTU Owners) disclosing PTU data to Murphy on a confidential basis, that possibility was specifically mentioned to ExxonMobil in a telephone conversation. ExxonMobil declined to pursue the possibility, citing a contractual requirement that all PTU owners consent to such a confidential disclosure. Assuming for discussion purposes the correctness of the statement regarding the unanimity requirement, it seems apparent that ExxonMobil has not further considered the possibility of disclosure subject to terms of confidentiality. To the best of Murphy's knowledge, ExxonMobil has not requested such unanimous consent from the multitude of PTU Owners. ExxonMobil's response further illustrates its desire not to share the data that is necessary for Murphy to make an informed decision or the Commission to force integration of interests.

In the second to last paragraph of Section II, ExxonMobil notes that it is willing to sell interests in the PTU data based on "some reasonable agreed upon participation percentage." While a sale of data is one thing, the determination of what is a reasonable percentage is another and would require prior knowledge of the contents of the data, which is, of course, the problem.

PTUE01_000505
PTU Rec_010644

Exc. 000242

Commissioner Pourchot
December 21, 2001
Page 4

With respect to the last sentence of the third to last paragraph of Section II, which asserts that Murphy could use data disclosed to compete with ExxonMobil and/or other PTU Owners at future leases' sales, it must be observed that such an action would be an impossibility unless and until any of the PTU leases might be removed or dropped from the PTU. Obviously, such a thing could not happen unless the PTU Owners failed to develop this very long-held Unit.

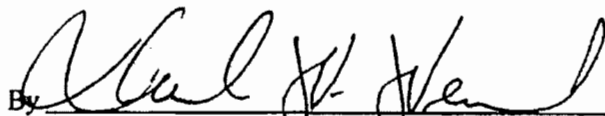
4. **Decision Should Be Upheld as to Unaffected Tracts** – Returning to Section III, specifically the last paragraph thereof, ExxonMobil requests that you rule that the order is valid and binding as to all acreage save for that in which Murphy owns an interest. Such an action would clearly generate legal challenges far beyond the present proceeding. In addition, there absolutely no legal authority for integrating less than all of the undivided interests in a leasehold interest. The DNR's July Decision was consistent with past DNR policy (including prior attorney general opinions) and Alaska law and should be reinstated.

The Director understood the limits of the DNR's authority when he imposed the original "unanimity" provision in the July 31 decision letter. Notwithstanding the requirement for only "reasonably effective control" of a Unit area, it would seem clear that there must have been good reason for the unanimity requirement of the original decision and, further, that had there been any reason for partial as opposed to complete approval of the expansion application, the Director's original decision would have so stated and made allowance therefor. Therefore, it is respectfully suggested that the expansion/contraction should stand or fall as a whole and ExxonMobil's request be declined.

Murphy respectfully requests that you consider the foregoing as you render a decision with respect to Murphy's appeal.

Very truly yours,

BRENA, BELL & CLARKSON, P.C.

By 

Robin O. Brena, AK Bar #8410089

David W. Wensel, AK Bar # 9306041

Attorneys for Murphy Exploration (Alaska), Inc.

PTUE01_000506

PTU Rec_010645

Exc. 000243

Commissioner Pourchot
December 21, 2001
Page 5

c: Mark D. Meyers, Director
State of Alaska, Department of Natural Resources
Division of Oil & Gas
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PTUE01_000507

PTU Rec_010646

Exc. 000244

POINT THOMSON UNIT

Application for the Second Expansion
and
Third Contraction of the Unit Area

May 24, 2002

Findings and Decision of the Director, Division of Oil and Gas
Under Delegation of Authority from the
Commissioner, Department of Natural Resources, State Of Alaska

PTU Rec_0012665

PTUE01_001532

Exc. 000245

Table of Contents

I.	SUMMARY OF DECISION	1
II.	BACKGROUND.....	2
	A. Unit History.....	3
	Figure 1: Map of the Pt Thomson Unit January 15, 1998	4
	B. The February 2001 Application.....	5
	Figure 2: PTU Expansion/Contraction Application Map with Work Commitment Areas.....	6
	C. Comments from the Public and Other Working Interest Owners.....	7
	D. The Amended Application	8
	Figure 3: Amended Application, Map of the PTU Boundary	10
	Table 1: Extension Provisions, Charges, and Commitment Dates.....	11
	Table 2: PA Extension Charges and Revised Royalty Rates	12
III.	ANALYSIS OF THE AMENDED APPLICATION.....	14
	A. Unit Agreement Standard for Expansion and Contraction	14
	B. DNR Regulations and Statute.....	14
	1. Economic Costs and Benefits.....	14
	2. Prior Exploration Activities and Geological and Engineering Characteristics of the Proposed Expansion and Contraction Acreage	16
	3. Plans for Exploration or Development of the Expansion Acreage.....	21
	4. Environmental Costs and Benefits of Unitized Exploration and Development	22
	5. Other Relevant Factors to Protect the Public Interest.....	23
IV.	FINDINGS	24
	A. Promote the Conservation of All Natural Resources.....	24
	B. Promote the Prevention of Economic and Physical Waste.....	24
	C. Provide for the Protection of All Parties of Interest, Including the State	25
V.	DECISION.....	26
	Attachment 1: Map of the Revised PTU Boundary	
	Attachment 2: List of Point Thomson Unit Wells	

PTU Rec_0012666

PTUE01_001533

Exc. 000246

L SUMMARY OF DECISION

On February 2, 2001, ExxonMobil Corporation (ExxonMobil), Unit Operator, applied to simultaneously expand and contract the Point Thomson Unit (PTU) boundary (the February 2001 Application). ExxonMobil submitted the February 2001 Application on behalf of itself, BP Exploration (Alaska), Inc., and Chevron U.S.A. Inc. (the Applicants). The February 2001 Application proposed adding all or portions of 16 state oil and gas leases to the PTU while contracting out all or portions of four other leases, for a revised unit area of approximately 134,000 acres within 48 leases, an increase of 59.85%. Figure 2 contains a graphic depiction of the February 2001 Application.

Over 25-years ago, lessees discovered an important gas reservoir underlying the PTU that has never been developed or put into production, the Thomson Sand Reservoir. The PTU also contains significant gas condensate and black oil resources. The Applicants have not yet determined whether PTU production would be commercially viable, and the February 2001 Application made no commitment to produce PTU oil, gas, or gas condensate. Therefore, granting the February 2001 Application as originally submitted would have simply extended the primary term of the expansion leases with no assurance of exploration or development of the expansion acreage, which would be contrary to the purpose of the PTU Agreement (the Unit Agreement) or unitization generally. In reaching this conclusion, the Department of Natural Resources, Division of Oil and Gas (DNR or Division as appropriate) reviewed the statutes, oil and gas unitization regulations, the Unit Agreement, materials supplied by the Applicants in support of the February 2001 Application, and comments received during the thirty-day public comment period.

Subsequent to the March 19, 2001 close of the public comment period and pursuant to regulation, DNR made a proposal to the Applicants under which it would grant expansion/contraction of the PTU, but on different terms than those proposed in the February 2001 Application (DNR's Initial Proposal). DNR intended that the conditions would protect the public interest, in part, by ensuring adequate exploration of the expansion areas and commencement of production within a reasonable time and modifying the royalty rate on the more prospective leases. If the Applicants failed to explore or bring the expansion areas into production within a reasonable time, DNR's Initial Proposal required contraction of the expansion areas out of the unit and payments to the State for the lost opportunity to re-offer the acreage.

DNR's Initial Proposal led to further discussion, and a series of counter proposals. Through these negotiations, DNR and the Applicants were able to reach agreement on unit expansion terms that were acceptable to both parties and that benefit the public interest.

On July 31, 2001, the Division issued a Conditional Decision approving the February 2001 Application on condition that all of the working interest owners of the expansion and contraction leases accepted the expansion terms agreed to by the Division and the Applicants in writing by August 15, 2001. These terms were set out in Attachment 1 to the Conditional Decision, which was entitled the "*Agreement Resolving All Pending Point Thomson Unit Expansion/Contraction Matters and Proceedings*" (the Agreement).

The Agreement proposed adding approximately 40,353 acres within 12 leases to the PTU, while contracting the unit boundary to exclude all or portions of 4 leases, containing approximately

7,572 acres. The revised unit area would encompass approximately 116,607 acres within 46 leases, increasing the total unit area by 39%. The Agreement identified seven Expansion Areas and one Work Commitment Area outside of the current PTU (All together referred to as "Expansion Acreage"),¹ and contained specific commitments that the PTU owners must fulfill to retain the Expansion Acreage within the unit including:

- drilling an exploration well to evaluate the western extent of the Thomson Sand Reservoir by June 15, 2003;
- commencement of development drilling in the PTU by June 15, 2006;
- completion of seven development wells within the PTU by June 15, 2008; and
- the Expansion Acreage must be allocated production within a participating area approved by DNR by date certain. The participating area commitment date is June 15, 2008, for Expansion Acreage primarily underlain by the Thomson Sand Reservoir; and June 15, 2010, for Expansion Acreage primarily underlain by a Brookian prospect.

In addition, the Agreement imposed contraction provisions and charges of up to \$27,500,000 if the PTU owners failed to meet the drilling commitments. The Agreement also increased royalty rates on eight of the twelve expansion leases; from 12.5% to 16.66667% on one lease, and from 16.66667% to 20% on the other seven leases.

All of the working interest owners of the expansion and contraction area leases, except Murphy Exploration and Production Company (Murphy), submitted timely written acceptance of the Agreement to the Division. This constituted acceptance of the Agreement by 97.63% of the working interest owners of the expansion and contraction leases and 100% of the working interests in the leases whose royalty rates were increased in the Agreement. The written acceptance of the Agreement effected an amendment of the February 2001 Application to conform to the terms of the Agreement (the Amended Application).

On August 29, 2001, the Division issued a second decision (Interim Decision), which removed the requirement for unanimous consent to the Agreement, which was in the Conditional Decision. The Interim Decision approved the Amended Application, effective July 31, 2001, with retroactive effective dates of November 30, 1998 as it applies to ADL 372256 and March 31, 2001 as it applies to ADL 375064. The Division considered the criteria provided in the Unit Agreement, statutes, and regulations; and its evaluation of the Amended Application is set out in this Findings and Decision.

II. BACKGROUND

Ongoing negotiations between DNR and the PTU working interest owners, to redefine the unit boundary, began with Exxon's submittal of an expansion application in 1998 and continued for

¹ See Figure 3, PTU Boundary by Agreement dated July 31, 2001.

nearly three years, culminating in the Interim Decision issued by the Division on August 29, 2001. This Section II Background includes four subsections. Subsection A provides a history of the PTU from its effective date in 1977, through the first unit expansion and the first and second unit contractions, through the Division's denial of Exxon's 1998 unit expansion application, and the Division's approval of the Seventeenth PTU Plan of Development. Subsection B describes the February 2001 Application, and Subsection C discusses the comments that DNR received on that application during the 30-day public comment period. Subsection D briefly discusses the subsequent negotiations and presents the terms and conditions contained in the Amended Application. DNR's evaluation of the Amended Application follows in Section III.

A. Unit History

The PTU is located on the North Slope of Alaska. The western unit boundary is approximately 3 miles east of the Badami Unit and 30 miles east of the Prudhoe Bay Unit. The eastern unit boundary abuts the Arctic National Wildlife Refuge at the Staines River. The southern boundary of the PTU is on-shore, and the northern boundary is offshore in the Beaufort Sea, adjacent to or near the three-mile territorial sea boundary that separates state from federal Outer Continental Shelf (OCS) lands. The state owns the entire surface estate of the unit area.

DNR approved the Unit Agreement effective August 1, 1977, with a five-year Initial Plan of Exploration. The original unit area included 18 state oil and gas leases comprising approximately 40,768 acres. On November 4, 1977, the Division certified the Point Thomson Unit #1 well (PTU1) capable of producing in paying quantities. The Division approved the PTU First Plan of Development on May 28, 1978, and drilling continued with favorable results. DNR certified seven wells on seven leases in the PTU as capable of producing in paying quantities under 11 AAC 83.361, which indefinitely extends the terms of oil and gas leases in accordance with 11 AAC 83.135.

On January 13, 1984, Exxon applied to expand the PTU area (1st Expansion). The Division was concerned that the supporting geologic data was insufficient to justify expanding the PTU to include the area proposed in the 1st Expansion Application. Recognizing the paucity of available data and information, DNR sought drilling commitments to obtain additional well data and protect the state's interests. On March 26, 1984, DNR conditionally approved the 1st Expansion Application subject to the lessees' commitments to drill two wells, amend the economic terms in five of the expansion leases, and amend certain provisions in the Unit Agreement. The PTU Working Interest Owners (Owners) committed to drill two wells to delineate the reservoir underlying the expansion areas with contraction provisions if they failed to meet those commitments.

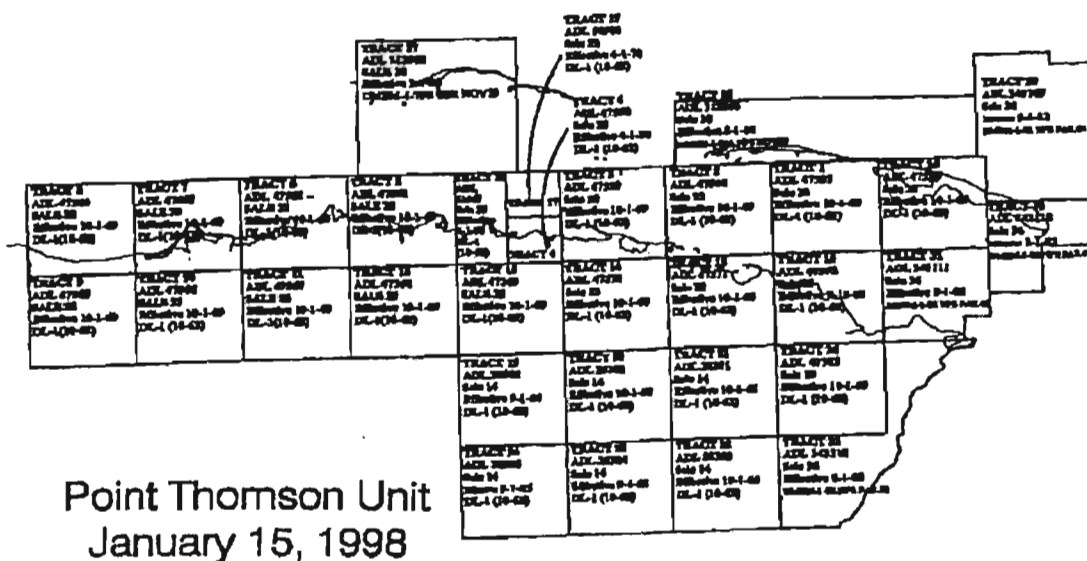
The Owners agreed to drill a well on one of the two southern expansion leases by March 31, 1985, or those two leases would contract out of the PTU (1st Drilling Commitment). They also committed to drill a well on one of the ten northern expansion leases by February 1, 1990, or those leases would also contract out of the unit (2nd Drilling Commitment). DNR's approval of the 1st Expansion added approximately 94,152 acres within 25 leases, more than doubling the total unit area to include approximately 134,920 acres within 43 leases.

The Owners failed to meet both the 1st and 2nd Drilling Commitments; therefore, the two southern leases contracted out of the PTU, effective April 1, 1985 (1st Contraction), and nine of

the northern expansion leases contracted out of the PTU, effective February 1, 1990 (2nd Contraction). The tenth lease, ADL 312862, remained committed to the PTU because in 1982 DNR certified the Exxon Alaska State F1 well, located on that lease, as capable of producing in paying quantities.

As of April 1, 1985, the PTU included 32 state oil and gas leases encompassing approximately 83,825 acres. Notwithstanding the express primary term included in those leases, commitment to the PTU extends the lease terms indefinitely. DNR issued six of the PTU leases in 1965, seventeen in 1969, three in 1970, two in 1980, and the last four leases in 1982. (See lease details in Figure 1 below.) All of the PTU leases are well beyond their 10-year primary term, but under 11 AAC 83.361 they will not expire so long as they are committed to the unit and there is no violation of the Unit Agreement or applicable law. Although some of the leases are more than 30 years old, the Unit Operator has not yet determined if production from the PTU is economic.

Figure 1: Map of the Pt Thomson Unit January 15, 1998



On August 18, 1998, Exxon applied to expand the PTU area to include one additional lease, ADL 372256, which was due to expire on November 30, 1998 (the 1998 Application). Exxon submitted the 1998 Application as the owner of 100% of the working interest in that lease because a ballot of the Owners did not receive enough support for Exxon to apply as the Unit Operator. The 1998 Application indicated a lack of cooperation among the PTU Owners. The Division denied the 1998 Application because Exxon did not commit to explore the proposed expansion area or develop the oil and gas reserves underlying the PTU. In addition, DNR requested that any expansion of the PTU be comprehensive and consistent with the current well and geophysical data, which indicated that much of the PTU and adjacent acreage is underlain, or potentially so, by a combination of natural gas, gas condensate, and oil deposits. The data also

indicated that part of the unit area is not underlain by hydrocarbons, and therefore, that acreage is not justified to remain within the PTU. DNR wanted the working interest owners to propose a modification of the unit area, which would expand it to include more of the leases underlain by hydrocarbons and contract it to exclude areas which were not underlain by hydrocarbons.

Exxon appealed the Division's decision to the DNR Commissioner. DNR proposed offering the acreage previously within ADL 372256 in the Beaufort Sea 1999 Areawide Lease Sale (BS1999). Exxon requested reconsideration of the BS1999 sale notice. DNR postponed BS1999 and withheld the acreage from the state's Beaufort Sea 2000 lease sale due to the pending appeal.

On July 30, 1999, Exxon submitted the PTU Sixteenth Plan of Development (16th POD), which included the working interest owners' commitment to diligently advance conforming the PTU boundaries to the consensus maps of the potential reservoirs. During the term of the 16th POD the Owners developed consensus structure and isochore maps of the Thomson Sand Reservoir and five potential Brookian accumulations; and initiated unit expansion discussions with adjacent leaseholders. The Owners also committed to submit a proposal to redefine the PTU boundaries in the next unit plan of development.

The Division's August 17, 2000 approval of the PTU Seventeenth Plan of Development (17th POD) stated in part, "The new unit configuration may involve a combination of expansion and contraction. The Owners should be prepared to discuss work commitments in conjunction with any proposed unit expansion." The February 2001 Application's proposed redefinition of the PTU boundaries fulfilled the commitment in the 17th POD, and including the acreage previously within ADL 372256 in the expanded PTU area, resolved Exxon's pending appeal of the Division's denial of the 1998 Application as well as the subsequent request for reconsideration of DNR's sale notice for BS1999.

B. The February 2001 Application

On February 2, 2001, ExxonMobil, as the PTU operator, submitted the February 2001 Application pursuant to 11 AAC 83.306, 11 AAC 83.356 and Article 2 of the Unit Agreement. The February 2001 Application included the following attachments: 1) Exhibit A, a Map of the proposed PTU Expansion/Contraction with Work Commitment Areas; 2) Exhibit B1, a Map of the proposed PTU Unit Area (PTU Exhibit A) (See Figure 2); 3) Exhibit B2, schedule of tract ownership and legal descriptions (PTU Exhibit B); 4) Notice and Invitation to Join Proposed Expansion/Contraction; 5) Affidavit that all Proper Parties had been invited to join the February 2001 Application; and 6) the \$500.00 application filing fee. The Unit Operator also submitted pertinent geological, geophysical, and well data, in support of the February 2001 Application as required by 11 AAC 83.356. DNR will keep all technical data submitted in support of the February 2001 Application confidential in accordance with 11 AAC 82.810. DNR received additional information to supplement the February 2001 Application on February 7 and 9, 2001.

The Applicants proposed that the February 2001 Application be approved effective February 1, 2001, except they requested a retroactive effective date of November 1, 1998, as it applied to the acreage previously within ADL 372256.

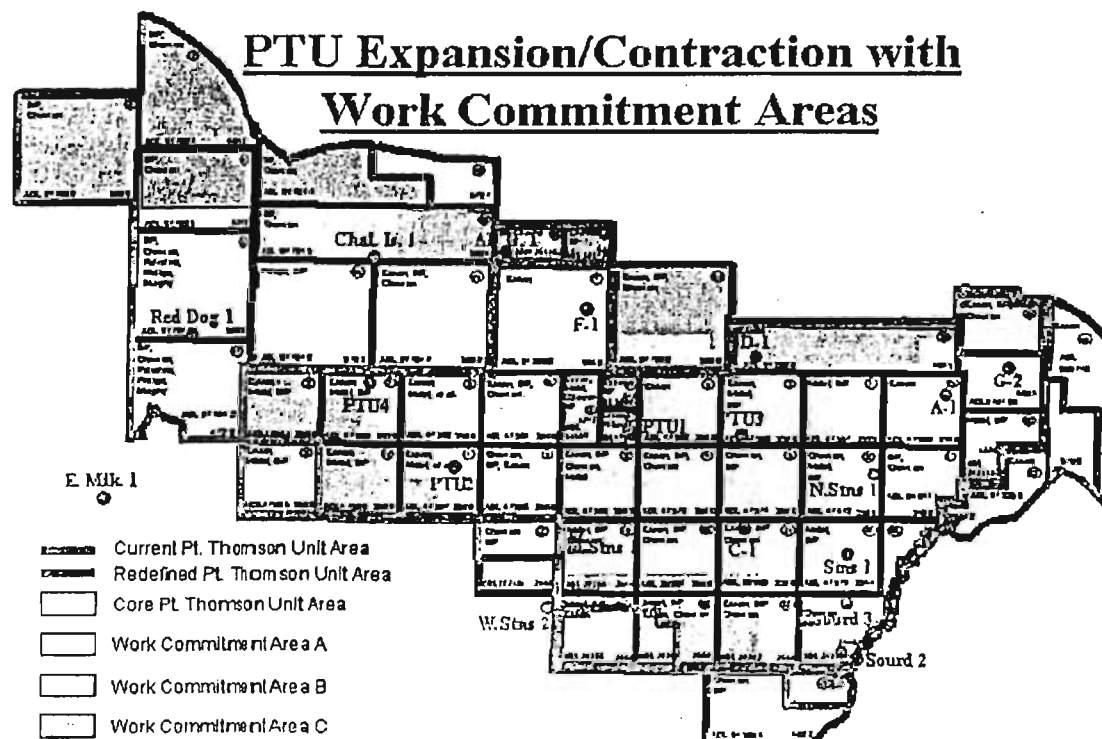
The February 2001 Application proposed to redefine the PTU area to encompass portions of the Thomson Sand and Brookian Reservoirs by expanding the PTU boundary to the north, south,

east and northwest while simultaneously contracting acreage in the south and northeast out of the unit area. The majority of the acreage proposed for inclusion was committed to the PTU in the 1st Expansion, and subsequently contracted out when the working interest owners failed to fulfill the drilling commitments.

If DNR had approved the February 2001 Application as submitted, it would have added acreage within sixteen leases to the PTU. The primary term of all except one of the proposed expansion leases², were due to expire on or before December 31, 2004. The primary term of one of the proposed expansion leases expired in 1998³; and ten others would expire by July 31, 2001⁴.

The February 2001 Application described five groups of leases: the Core PTU Area, Work Commitment Area A (WCA A), Work Commitment Area B (WCA B), Work Commitment Area C (WCA C), and the Contraction Area. These areas are depicted on Exhibit A to the February 2001 Application set out in Figure 2 below, which shows that many of the leases straddle more than one area.

Figure 2: PTU Expansion/Contraction Application Map with Work Commitment Areas



² DNR issued ADL 389716 effective June 1, 2001. With 7-year primary terms, the expiration dates are as follows: ADL 389716 May 31, 2008, ADL 382101 June 30, 2003; and ADL 388425, ADL 388426, and ADL 377013 December 31, 2004.

³ ADL 372256 expired on November 30, 1998, and was the subject of an appeal to the DNR Commissioner.

⁴ ADL 375064 expired March 31, 2001. The expiration date for ADL 377012, ADL 377014, ADL 377015, ADL 377016, ADL 377017, ADL 377020, ADL 377033 ADL 377034, and ADL 377035 was July 31, 2001.

C. Comments from the Public and Other Working Interest Owners

DNR published notice of the February 2001 Application in the *Anchorage Daily News* on Sunday, February 11, 2001, and in the *Arctic Sounder* on Thursday, February 15, 2001, pursuant to 11 AAC 83.311. The Division also provided copies of the public notice to interested parties in conformance with 11 AAC 83.311⁵. The notice invited the public to submit comments on the February 2001 Application by Monday, March 19, 2001.

DNR received several written responses to the public notice. Most comments received from minority working interest owners supported approval of the February 2001 Application⁶ while others entered their non-objection.⁷ One member of the public objected to the inclusion of ADL 372256 in the expansion because the lease had expired in 1998.⁸

ATOFINA Petrochemicals, Inc. (API) objected to the February 2001 Application because the Applicants failed to include six leases that API holds to the north of the existing PTU (API Leases).⁹ Although previous draft applications included portions of three API Leases, they were not included in the February 2001 Application, because the Applicants held no interest in the API Leases and would not commit to do work on them or pay charges if the work commitments were not carried out.¹⁰ On March 6, 2001, API sent a *Notice of Proposed Expansion* to the PTU working interest owners and interested parties. "API's proposed expanded unit outline conforms to ExxonMobil's recently filed Expansion/Contraction of the PTU except for the inclusion of API's six (6) leases north of ExxonMobil's proposed expanded/contracted unit boundary."¹¹ However, on May 10, 2001, API notified the PTU working interest owners and Interested Parties that it would not be submitting an application for expansion of the PTU after all.

⁵ DNR provided copies of the public notice to the North Slope Borough ("NSB"), the City of Barrow, the City of Kaktovik, Arctic Slope Regional Corporation, Kaktovik Inupiat Corporation and other interested parties in conformance with 11 AAC 83.311. DNR also provided public notice to the Alaska Department of Environmental Conservation ("ADEC"), Alaska Department of Fish and Game ("ADF&G"), and the Alaska Oil and Gas Conservation Commission ("AOGCC").

⁶ In a letter dated February 12, 2001, Kingdon Hughes wrote "I support ExxonMobil's Application for the expansion of the PTU. ... To deny their Application could deny the current owners the ability to commercialize the Unit leases. Chaparral Royalty Company provided its support in a letter dated February 13, 2001, as follow: "As an owner in the current Point Thomson Unit (PTU), I want you to know that I support ExxonMobil's Application for the expansion of the PTU, and further consider it to be in my best interest, as well as the interest of the State of Alaska, as proposed." DNR received comments from Leede & Pine and Edward H. Leede, working interest owners, on February 14, 2001, supporting the Application.

⁷ In a letter dated March 9, 2001, Donnell O. Wells wrote that he had "no objection to the proposal."

⁸ Richard E. Wagner, Fairbanks, objected to the February 2001 Application contending that inclusion of an expired lease (ADL 372256) violated 11 AAC 83.306. This lease was the subject of the Division's denial of the 1998 Application, which Exxon appealed to the Commissioner of DNR.

⁹ ATOFINA owns an interest in six leases north of the PTU: ADL's 377018, 388427, 388429, 388430, 388461, and 388462. DNR received a comment from ATOFINA on March 13, 2001, "We respect ExxonMobil's desire to efficiently develop the Point Thomson Unit, but must object to the exclusion of our northern leases from the expanded/contracted unit. Consequently, API is preparing an application to file with the ADNRR to expand the Point Thomson Unit to include all of its northern leases."

¹⁰ Application at Page 2 "The proposed Expansion Outline in Exhibit "A" does not include any portion of ADLs 377018, 388427, and 388430. The Owners have no working interest in these leases and cannot commit to the drilling of two (2) wells on them, or to the payment of a penalty if the wells are not drilled, as suggested by the ADNRR in its letter of December 12, 2000."

¹¹ Notice of Proposed Expansion of the Point Thomson Unit letter to ExxonMobil, unit operator and interested parties, March 6, 2001, p.1.

API and Murphy¹² also expressed concern that the February 2001 Application did not address the determination of unit equities and participating areas. The Applicants responded that it was not an appropriate time to work out equity shares and participating areas. The objections of API and Murphy regarding participating areas, equity shares and cost allocation, do not preclude granting the February 2001 Application at this time because formation of a participating area and allocation of production can only occur after delineation of a producing area. When there is an application to form a participating area, DNR will review the supporting information regarding equity and cost sharing and approve an appropriate allocation of production.¹³ 11 AAC 83.351 and 371.

API and Murphy also expressed concern about the Applicants' terms for access to the PTU Common Database of geological and geophysical information. The Applicants represented that they were willing to include the API Leases in the PTU provided that API assumed responsibility for any associated work commitments and monetary charges.¹⁴

D. The Amended Application

After the public comment period closed on March 19, 2001, the Division considered the standards and criteria for unitization set out in the statutes and regulations, and determined that the February 2001 Application did not meet the criteria in 11 AAC 83.303.

If the commissioner determines that the provisions of 11 AAC 83.303 are not met, the commissioner will, in his discretion, propose modifications which, if accepted by the parties to the proposed unit agreement, would qualify the agreement for approval. 11 AAC 83.316(b).

The commissioner may, with the consent of the holders of leases involved, establish, change, or revoke drilling, producing, and royalty requirements of the leases . . . in connection with the institution and operation of a cooperative or unit plan as the commissioner determines necessary or proper to secure the proper protection of the public interest. AS 38.05.180(p).

DNR's Initial Proposal, dated May 2, 2001, presented terms and conditions that would make expansion/contraction of the PTU acceptable to the state. The Applicants rejection of DNR's Initial Proposal led to further discussion and a series of counter proposals. On July 6, 2001, the Applicants proposed revised work commitments for the PTU expansion areas. By letter dated July 19, 2001, the Applicants reduced the proposed area within WCA A, and deleted WCA B

¹² Murphy had no objection to expanding the PTU to include two leases (ADL's 377035 and 377016) in which it holds an interest.

¹³ A participating area may include only land reasonably known to be underlain by hydrocarbons and known or reasonably estimated through the use of geological, geophysical, or engineering data to be capable of producing or contributing to the production of hydrocarbons in paying quantities. 11 AAC 83.351(a).

¹⁴ February 20, 2001 letter from ExxonMobil to DNR states, "As was shown in our initial Draft application, ExxonMobil supports including ATOFINA's three (3) northern leases (ADLs 377018, 388427, and 388430) in the Expanded PTU Outline. This has also been communicated to ATOFINA. However, as we also indicated in our application, when the ADNDR suggested drilling two (2) wells in this area, or paying a non-performance penalty, the "Owners" (BP, Chevron and ExxonMobil) could not support this obligation, and since we owned no interest in these leases, we could not commit to it. Thus, these tracts were removed from the application."

from the February 2001 Application. By July 31, 2001, the Applicants and the Division had agreed to terms and conditions under which expansion/contraction of the PTU would be granted.

DNR regulations require a written decision approving or disapproving a unit expansion or contraction application within 60 days after the close of the public comment period, which would have been by May 18, 2001 (11 AAC 83.316(a)). However, on May 10, 2001, the Applicants agreed to extend the decision due date to June 15, 2001, and on May 30, 2001, the Applicants agreed to a further extension to July 31, 2001. Therefore, DNR was to consider the provisions of 11 AAC 83.303 and state the basis for its decision by July 31, 2001, the date many of the proposed expansion leases were due to expire absent unitization.

Negotiations between the Division and the Applicants continued up to the July 31, 2001 deadline. Therefore, on July 31, 2001, the Division issued the Conditional Decision approving the February 2001 Application and extending those lease terms under unitization provided that the working interest owners' accepted the terms and conditions set out in an attached agreement (the Agreement) as follows:

Approval of the Application under the terms set forth in the Agreement is expressly conditioned on uniform written acceptance of the attached terms and conditions by all working interest owners in the expansion and contraction area leases within fifteen days of issuance of this decision. If all working interest owners in the expansion and contraction acreage do not unequivocally manifest their written agreement to those terms by August 15, 2001, the Application is denied, and the terms set forth in the Agreement are withdrawn and may not later be accepted.

The Division planned to issue the Commissioner's Findings and Decision after August 15, 2001, as the Division's evaluation would depend on whether the working interest owners had accepted the Agreement by that date.

On August 13, 2001, the Division granted Murphy's request to extend the deadline for its written acceptance of the Agreement until August 30, 2001. The Division received written acceptance of the Agreement from all of the other working interest owners in the expansion/contraction leases on August 15, 2001, thereby amending the February 2001 Application (Amended Application). In addition to accepting the Agreement, all of the other working interest owners in the expansion/contraction leases agreed to continue to be bound by the terms and conditions in the Amended Application even if Murphy did not accept the Agreement by August 30, 2001. For the subsequent discussion in this decision, "the Applicants" refers to all of the working interest owners in the expansion/contraction leases except Murphy.

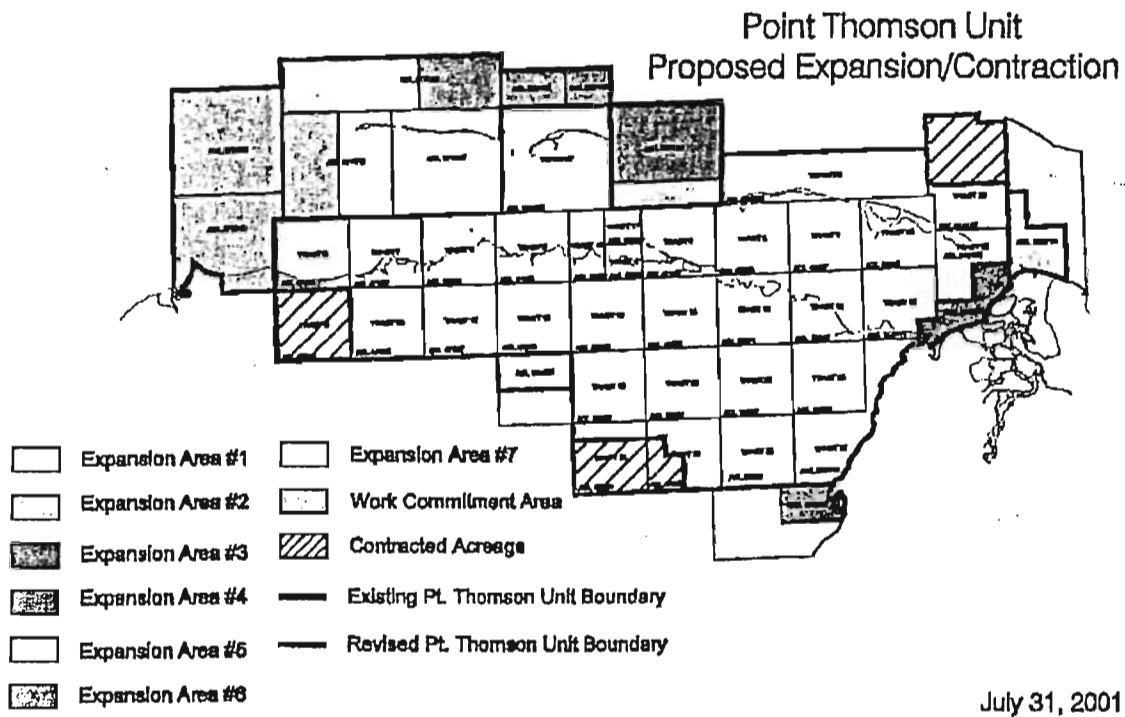
On August 29, 2001, the Division issued an Interim Decision that amended the Conditional Decision by removing the unanimity requirement, and approved the Amended Application as follows:

The Division may approve the Application without unanimous acceptance of the Agreement by all of the working interest owners in the expansion and contraction leases. The working interest owners who have accepted the terms set forth in the Agreement have sufficient interest in the expansion leases to have reasonably

effective control of unit operations. In addition, all of the working interest owners who have an interest in expansion leases with revised royalty rates have accepted the amended lease terms in the Agreement. Therefore, the Division approves the Application pursuant to the terms and conditions in the Agreement.

The Amended Application identified seven Expansion Areas and one Work Commitment Area outside of the current PTU, as well as contracting all or portions of four leases out of the PTU.

Figure 3: Amended Application, Map of the PTU Boundary



There is a high probability that the Expansion Areas contain hydrocarbon resources, but there is a lesser probability that the Work Commitment Area is also underlain by oil and gas. Therefore, the Amended Application does not contain site-specific drilling commitments for the individual Expansion Areas, but the Applicants committed to drill a delineation well in the Work Commitment Area and seven development wells within the revised unit area. The Amended Application includes commitments made by the Applicants to justify including the Expansion Acreage in the PTU, which are summarized as follows:

1. On or before June 15, 2003, the Applicants may elect to contract all of the Expansion Acreage out of the PTU, pay the State of Alaska \$8,000,000 to compensate for the unrealized bonus payments during the period that the acreage was withheld from leasing (Extension Charge), and be released from the remaining obligations in the Amended Application. If they elect to contract the Expansion Acreage out of the PTU by June 15, 2003, the Extension Charge will be due on July 1, 2003.

2. The Applicants must complete drilling a well through the Thomson Sand interval within the Work Commitment Area by June 15, 2003, or the Work Commitment Area acreage will automatically contract out of the PTU on that date. Drilling a new well or deepening the Red Dog #1 well will fulfill the drilling commitment for the Work Commitment Area.
3. If the Applicants fail to complete drilling a well within the Work Commitment Area by June 15, 2003, the acreage will automatically contract out of the PTU, as specified in Paragraph #2 above, and the Applicants will pay the State of Alaska an amount to compensate for the unrealized bonus payments during the period that the acreage was withheld from leasing (Drilling Extension Charge). The Drilling Extension Charge in the amount of \$940,000 will be due on July 1, 2003.
4. Development drilling in the PTU must begin by June 15, 2006, or all of the Expansion Acreage will automatically contract out of the unit effective that date, and the Applicants will pay the State of Alaska \$20,000,000 by July 1, 2006, to compensate for the unrealized bonus payments during the period that the Expansion Acreage was withheld from leasing.
5. The Applicants must complete drilling seven development wells in the PTU by June 15, 2008, or all of the Expansion Acreage will automatically contract out of the unit effective that date, and the Applicants will pay the State of Alaska \$27,500,000 by July 1, 2008, to compensate for the unrealized bonus payments during the period that the Expansion Acreage was withheld from leasing.
6. A development well is defined as either a producer or injector, drilled from a permanent drill site structure after the effective date of this decision that penetrates the Thomson Sand interval, and excludes the Work Commitment Area delineation well.

Table 1 below summarizes the extension provisions, charges, commitment dates, and payment due dates discussed in Paragraphs 1 – 6 above.

Table 1: Extension Provisions, Charges, and Commitment Dates

Expansion Area	Extension Provision	Extension Charge	Commitment Date	Payment Due Date
All including WCA	Elect Contraction	\$8,000,000.00	June 15, 2003	July 1, 2003
Work Commitment Area	Drilling Extension	\$940,000.00	June 15, 2003	July 1, 2003
All including WCA	Development Drilling	\$20,000,000.00	June 15, 2006	July 1, 2006
All including WCA	7 Development Wells	\$27,500,000.00	June 15, 2008	July 1, 2008

7. Production allocation factors must be assigned to leases in each Expansion Area and the Work Commitment Area under a participating area approved by DNR, by the date specified for each area in Paragraph #10 below, or the acreage in that Expansion Area or Work Commitment Area will automatically contract out of the PTU effective that date. If any portion of an expansion lease is included in an approved participating area, by the date specified, the entire lease will remain within the PTU. However, if no portion of an

expansion lease is included in an approved participating area by the date specified, the entire lease will contract out of the PTU effective on such date.

8. Any Expansion Area or Work Commitment Area lease not having a portion of the lease included in an approved participating area by the date specified in Paragraph 10 below, contracts out the PTU, and the Applicants will pay the State of Alaska an amount to compensate for the unrealized bonus payments during the period that the acreage was withheld from leasing (PA Extension Charge). The PA Extension Charge will be due on the first day of the month following the date that the acreage contracts out of the PTU. If only a portion of an Expansion Area or a portion of the Work Commitment Area is contracted out of the PTU, the Applicants will pay the State a prorated share of the PA Extension Charge based on the number of acres within the contracted area.
9. If following the drilling of a well in the Work Commitment Area, but prior to any automatic contraction, the Applicants contract and relinquish all or a portion of the Work Commitment Area by December 1, 2003, it will not be necessary to include the relinquished acreage in a participating area or pay the PA Extension Charge for that acreage in 2008.
10. If the Expansion Acreage were available for leasing in the next Areawide Lease Sale, DNR would impose a higher royalty rate on some of the acreage. Therefore, the Applicants agreed to increase the royalty rates in the leases in Expansion Areas 1, 2, 3, 4, and 6.

Table 2 below summarizes the participating area commitments and revised royalty rates specific to Expansion Areas #1 through #7 and the WCA:

Table 2: PA Extension Charges and Revised Royalty Rates

Expansion Area	PA Date	PA Extension Charge	Current Royalty Rate	Revised Royalty Rate
#1, Challenge Island	June 15, 2008	\$17,031,000	16.66667%	20%
#2, North of PTU	June 15, 2008	\$1,452,000	16.66667%	20%
#3, East of PTU	June 15, 2008	\$484,000	16.66667%	20%
#4, Sourdough Prospect	June 15, 2010	\$275,000	12.5%	16.66667%
#5, Lynx Prospect	June 15, 2010	\$28,000	12.5%	Unchanged
#6, North of #1 and #2	June 15, 2008	\$3,735,000	16.66667%	20%
#7, ADL 389716	June 15, 2008	None	16.66667%	Unchanged
Work Commitment Area	June 15, 2008	\$4,495,000	16.66667%	Unchanged
Total PA Extension Charge		\$27,500,000		

11. The Amended Application contracts all of ADL 47565 and portions of ADL 28384, ADL 28385, and ADL 343109 from the PTU, effective July 31, 2001. The Applicants waived the 11 AAC 83.140 extension provision, acknowledged that the notice and hearing provisions of 11 AAC 83.374 shall not be applicable to leases contracted out of the PTU Area beyond their primary term, and automatically surrendered the contracted

PTU Rec_0012678

PTU Expansion/Contraction

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Page 12

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leases effective July 31, 2001. The Applicants further agreed that they would not apply for consideration under 11 AAC 83.374 in this matter.

12. The Amended Application added portions, but not all of, the following leases to the PTU: ADL 375064, ADL 382101, and ADL 389716. When a unit expands to include a portion of a lease, but not the whole lease, it constitutes a severance of the lease. The non-unitized portion of the lease will be treated as a separate and distinct lease having the same effective date and term as the original lease and may be maintained thereafter only in accordance with the terms and conditions of the original lease, statutes, and regulations. 11 AAC 83.373. The unitized portions of the segregated leases retain their original ADL numbers, and the Division assigned new ADL numbers to the non-unitized leases. Article 18(e) of the PTU Agreement will not apply to the non-unitized portions of the leases.

13. Additionally, the Applicants agreed to sever the following leases upon unitization: ADL 377015 (Expansion Areas 1 and 6), ADL 377016 (Expansion Area 1 and the Work Commitment Area), and ADL 377020 (Expansion Areas 2 and 6). The Division assigned new ADL numbers to portions of the severed leases.
14. The Applicants agreed that the terms set forth in the Amended Application supersede any inconsistent provisions in the leases or the PTU Agreement for said Expansion Area or Work Commitment Area leases. The Applicants waived the benefit of any inconsistent provisions of the applicable leases, Unit Agreement, and regulations.
15. The Applicants may request and DNR may agree to extend any deadline provided herein. If DNR does not agree to extend a deadline, the deadline shall not be extended.
16. The Amended Application fully resolved Exxon's January 4, 1999, appeal to the DNR Commissioner of the Director's decision denying the 1998 Application (Appeal Code OG113098) and Exxon's July 16, 1999, Request for Reconsideration of the Beaufort Sea 1999 Areawide Lease Sale Notice (Appeal Code CO071699BS 1999.035) to the satisfaction of all parties to the Amended Application and proceedings. The Applicants agreed not to appeal any aspect of the expansion requested in the February 2001 Application but not included in the Amended Application. The Applicants agreed that the 1999 expansion appeal and motion for reconsideration are closed. The Applicants also agreed not to challenge or appeal any term of the Amended Application.

On October 4, 2001, Murphy appealed the Director's Interim Decision to the DNR Commissioner. Murphy submitted supplemental material in support of its appeal on October 24, November 13, and again on December 21, 2001. The Commissioner has not yet issued a decision on Murphy's appeal.

The Division's Interim Decision approved the Amended Application but it did not include a discussion of the basis for the decision. The Division presents its evaluation of the Amended Application under the criteria provided in the Unit Agreement, statute and regulations in Section III below.

III. ANALYSIS OF THE AMENDED APPLICATION

A. Unit Agreement Standard for Expansion and Contraction

The Unit Agreement provides for expansion or contraction of the unit area:

Expansion/Contraction – [The] unit area shall, when practical, be expanded to include therein any additional tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform to the purposes of this agreement. Expansion or contraction shall be affected in the following manner: . . .¹⁵

The stated purpose of the PTU Agreement is:

to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations set forth. . . .¹⁶

The expansion/contraction provision of the unit agreement supports approval of the Amended Application, which includes definite commitments to explore and develop the revised unit area.

B. DNR Regulations and Statute

State statute and DNR regulations set out the standards and criteria for unitization. Pursuant to AS 38.05.180(p)¹⁷, the DNR Commissioner or his designee may approve a unit expansion or contraction if he determines it is necessary or advisable in the public interest.¹⁸ DNR approved the Amended Application upon finding that it would: 1) promote the conservation of all natural resources; 2) promote the prevention of economic and physical waste; and 3) provide for the protection of all parties of interest, including the state. 11 AAC 83.303(a)¹⁹. Subsection 303(b) sets out six factors that the Division considered in evaluating the Amended Application.

1. Economic Costs and Benefits

The cost to the state and the public of expanding the PTU as proposed is that the Expansion Acreage will not be available for releasing. Approval of the Amended Application extended twelve leases beyond their primary term by adding them to the PTU. The expansion will deprive

¹⁵ PTU Agreement page 3, para. 2.

¹⁶ PTU Agreement Page 1.

¹⁷ This statute provides, in part, that the proposed unit action must be necessary or advisable in the public interest: "To conserve the natural resources of all or part of an oil or gas pool, field, or like area, the lessees and their representatives may unite with each other, or jointly or separately with others, in collectively adopting or operating under a cooperative or unit plan of development or operation of the pool, field, or like area, or part of it, when determined and certified by the commissioner to be necessary or advisable in the public interest."

¹⁸ By memorandum dated September 30, 1999, the Commissioner approved a revision of Department Order 003 that delegated this authority to the Director of the Division of Oil and Gas.

¹⁹ Applicants rely on this regulation, and the unit agreement is not inconsistent with this regulation: "Lands Act AS 38.05.005 – 370 and all existing or hereafter issued regulations governing drilling or producing operations not inconsistent with the terms hereof or Alaska law are made part of this agreement." PTU Agreement Page 2.

the state of bid bonuses, potentially higher royalties, new lessees who may approach development in a manner different than the Applicants, and the opportunity to impose new lease work requirements. These costs can not be easily quantified, but overall, there is a cost to the State in adding additional acreage to the PTU.

If DNR had re-offered the Expansion Acreage for lease, it could have attracted bid bonuses significantly in excess of \$9,000,000, based on the historical bid bonuses received on the expansion leases adjusted to 2001 dollars. The lessees acquired additional technical information over the unit area, including 3-D seismic data that provides a better understanding of the amount and nature of the probable hydrocarbon accumulations underlying the PTU and surrounding area, than was available the last time that DNR offered the Expansion Acreage for bid. Based on the information and data submitted by the Applicants, DNR estimated the volume and value of oil, gas, and gas condensate reserves in the Thomson Sand Reservoir and Brookian formations underlying the proposed Expansion Acreage. ~~DNR also considered rising demand for domestic oil and gas, and the positive impact construction of a North Slope gas pipeline would have on bid bonuses if DNR re-offered the Expansion Acreage in the near future.~~

The State and the public's primary interest in oil and gas leases is in potential production. The Amended Application includes commitments to begin development drilling in the PTU by June 15, 2006, and complete seven development wells in the PTU by June 15, 2008. The working interest owners also committed to allocate production under an approved participating area by June 15, 2008, for Expansion Areas 1, 2, 3, 6, 7, and the WCA; and by June 15, 2010, for Expansion Areas 4 and 5.

Another benefit the state could realize by re-offering the Expansion Acreage is the potential for increased royalty rates. If DNR allowed the expansion leases to expire, and re-offered the acreage in Expansion Areas 1 through 4, it would likely impose higher royalty rates, increasing them from 16.66667% to 20% on Expansion Areas 1 through 3, and from 12.5% to 16.66667% on Expansion Area 4. When DNR proposed offering the acreage previously under ADL 372256 in the 2000 Beaufort Sea Areawide Lease Sale it was subject to a 20% royalty provision. The royalty rates in Expansion Area 5 and the WCA would probably remain the same due to likely smaller reserves or higher production costs. The Applicants agreed to revise the royalty provisions for the more prospective leases in the Expansion Areas, ensuring that the State will receive the benefit of higher royalties on production from the existing leases without releasing the acreage.

The field cost issue has been a subject of much debate between the State and working interest owners in other units. The working interest owners do not have the right to deduct field costs from the state's royalty share of oil and gas produced from the leases within the Expansion Acreage. Provisions in the Expansion Acreage leases resolve the field cost issue to the benefit of the State and protect the State's interest.

Re-offering the Expansion Acreage might attract new lessees who may bring new ideas and energy as well as new geologic interpretations, engineering and marketing perspectives to develop the leases. In addition, if DNR re-offered the Expansion Acreage, it would also have the

PTU Rec_0012681

PTU Expansion/Contraction

PTUE01_001548

Page 15

Exc. 000261

opportunity to impose work commitments in the new leases.²⁰ The Amended Application includes significant exploration and development commitments that are similar to or greater than the State would have imposed if it re-offered the Expansion Acreage in a competitive lease sale.

In summary, the economic benefits of including the Expansion Acreage in the PTU outweigh the costs of not having the acreage available for re-offer in the state's competitive leasing program. The Applicants made meaningful commitments to explore and develop the Expansion Acreage by drilling adequate exploration and development wells by dates certain, and agreed to increased royalty rates for some of the Expansion Areas to compensate the state for lost opportunities to re-lease the acreage. If the Applicants fail to follow through with these commitments, the Expansion Acreage automatically contracts out of the unit, and the Applicants must compensate the State for the lost opportunity to receive bonus payments in past lease sales. Therefore, DNR's evaluation of the economic criteria in section 11 AAC 83.303(b)(5) supports approval of the Amended Application.

2. Prior Exploration Activities and Geological and Engineering Characteristics of the Proposed Expansion and Contraction Acreage

The Thomson Sand Reservoir is the primary reservoir in the PTU, consisting of the Lower Cretaceous Thomson Sand interval trending generally west-northwest across the unit, and between approximately -12,780' and -13,128' tvdss²¹ in PTU1. The PTU also contains other potential reservoirs including Lower Tertiary turbidite sands within the Brookian sequence above the Thomson Sand Reservoir, and what are informally referred to as the "pre-Mississippian" carbonates that lie below the Thomson Sand Reservoir. All three horizons are over-pressured throughout much of the PTU.

The working interest owners drilled 18 wells in and around the unit area between 1970 and 1999: 14 within the current unit boundary, 4 within the Expansion Acreage, and 1 just outside of the revised unit boundary.²² They began exploration drilling in the area in 1970, completing the following three wells before applying to form the PTU: West Staines State #1 in 1970, West Staines State #2 in 1971, and Alaska State A-1 in 1975. Exxon completed Alaska State A-1 on September 6, 1975, and DNR certified the well as capable of production in paying quantities based on test rates from approximately 120 feet of a Lower Tertiary sandstone reservoir.

DNR approved the formation of the PTU effective August 1, 1977, and AOGCC classified the PTU1, which Exxon completed on December 8, 1977, as the discovery well for the Thomson Sand Reservoir. The working interest owners drilled another fourteen wells within and around the area after unitization including: Alaska Island #1, Alaska State C-1, Alaska State D-1, Alaska State F-1, Alaska State G-2, Challenge Island #1, Staines River State #1, North Staines River #1, Point Thomson Unit #2 (PTU2), Point Thomson Unit #3 (PTU3), Point Thomson Unit #4 (PTU4), Sourdough #2, Sourdough #3, and Red Dog #1. DNR certified seven of the fourteen

²⁰ "The Commissioner may include terms in any oil and gas lease imposing minimum work commitment on the lessee. These terms shall be made public before the sale, and may include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment." AS 38.05.180 (h).

²¹ Total vertical depth subsurface (below sea level).

²² Attachment 1 depicts the locations of wells drilled in the PTU. Attachment 2 lists the wells and identifies those that DNR certified as capable of production in paying quantities or granted extended confidentiality.

wells in the PTU as capable of production in paying quantities under 11 AAC 83.361, and granted extended confidentiality to five of the wells under 20 AAC 25.537(d).

The Applicants also acquired extensive seismic data over the unit and the proposed Expansion Acreage. They merged and began prestack depth migration processing of four 3D seismic surveys, which cover essentially all the redefined unit area: the Point Thomson Unit, Flaxman Lagoon, Island Corridor West, and Challenge Island surveys. Merging the seismic data sets produced a more refined interpretation of the extent of the Thomson Sand over the greater unit area. The well and geophysical data indicate that much of the PTU and adjacent acreage is underlain or is potentially underlain by natural gas and gas condensate deposits in the Thomson Sand Reservoir, and by Brookian oil deposits. There also appears to be a thin discontinuous oil leg at the bottom of the Thomson Sand Reservoir. The Applicants incorporated the well and seismic data into the PTU Common Database, which is the basis for the Owners' Thomson Sand Reservoir Simulation Model. Interpretation of the model outputs supports including the Expansion Acreage in the PTU while contracting out acreage with no potential for hydrocarbon production.

The available well and seismic data provides the following description of the Thomson Sand Reservoir. Very fine-grained sand along the southern margin of the unit coarsens northward to a conglomeratic facies, exhibiting an average porosity of about 16%. Permeability within the Thomson Sand Reservoir varies from 10 millidarcies (md) to more than 1,000 md. ExxonMobil estimates that the Thomson Sand Reservoir contains approximately 8 trillion cubic feet (TCF) of gas and over 200 million barrels (MMB) of recoverable gas condensate with a discontinuous heavy-oil rim. The reservoir pressure is extremely high, around 13,000 pounds per square inch (psi).

A discussion of prior exploration activity and the geological and geophysical characteristics of each expansion and contraction area follow, starting with Expansion Area #1 in the northwest and continuing clockwise around the unit ending with the Work Commitment Area (See Attachment 1).

a. Expansion Area #1

Expansion Area #1 in the northwest contains approximately 12,030 acres including the western portion of ADL 377015, the eastern portion of ADL 377016, and all of ADL 377017. Interpretation of the available data supports the Applicants' proposal to divide ADL 377015 between Expansion Area #1 and Expansion Area #6; and ADL 377016 between Expansion Area #1 and the Work Commitment Area. The Applicants agreed to sever both ADL 377015 and ADL 377016. The western portion of ADL 377015, in Expansion Area #1, retains the original lease number; and DNR assigned a new lease number, ADL 389727, to the eastern portion of ADL 377015, which lies within Expansion Area #6. This reflects the different geologic characteristics of the Thomson Sand beneath the original ADL 377015. The eastern portion of ADL 377016, in Expansion Area #1, retains the original lease number; and DNR assigned a new lease number, ADL 389728, to the western portion of ADL 377016, which lies within the Work Commitment Area.

Three wells provide information relative to Expansion Area #1: PTU4, Challenge Island #1, and Alaska Island #1. Exxon completed PTU4 on December 20, 1980. Located across the southern boundary of Expansion Area #1, within PTU Tract 7, PTU4 encountered approximately 185 feet of poor reservoir quality rock and tested wet. PTU4 appears to have tested shaled out strata south of the depositional thick centered over the southwestern portion of Expansion Area #1. On February 11, 1981, Sohio drilled Challenge Island #1 on ADL 312847²³ (now ADL 377015), to a total depth of 13,587' MD (13,094' TVD), and encountered approximately 64 feet of gross Thomson Sand, but lost circulation in the pre-Mississippian interval and could not effectively log or test the well. On April 22, 1982, Sohio drilled Alaska Island #1 on ADL 388425, east of Expansion Area #1, and within Expansion Area #6. Drilled to a total depth of 15,222' MD (13,093' TVD), Alaska Island #1 encountered a very thin section, approximately 6 feet, of Thomson Sand, which appeared to be in the gas column. The existence of Thomson Sand in these wells and the available seismic data indicate the main Thomson Sand Reservoir probably continues northwesterly beneath Expansion Area #1.

b. Expansion Areas #6 and #2

Expansion Area #6, abutting the eastern boundary of Expansion Area #1 and northwest of the PTU area, is comprised of the eastern portion of ADL 377015, the northern portion of ADL 377020, and all of ADLs 388425 and 388426, for a total of approximately 7,812 acres. Interpretation of the available data supports the Applicants' proposal to divide ADL 377015 between Expansion Area #1 and Expansion Area #6, and ADL 377020 between Expansion Areas #2 and #6. The Applicants agreed to sever ADL 377015, as described in section a. above, and ADL 377020. DNR assigned a new lease number, ADL 389730, to the northern portion of ADL 377020, which lies within Expansion Area #6, while the southern portion of ADL 377020, within Expansion Area #2, retains the original lease number. Expansion Area #2 is comprised of approximately 1,910.00 acres remaining in ADL 377020.

Dividing ADL 377020 into two geologically distinct areas, Expansion Areas #6 and #2 is appropriate. Expansion Area #6 encompasses the northern flank of a ridge-like structural feature constraining the Thomson Sand accumulation in the PTU area. While Thomson Sand thickness is uncertain in Expansion Area #6, seismic and well data indicate the probability that the Thomson Sand Reservoir is present on the north flank of the feature and will contribute to production when drilled and developed. Drilling results from two wells, Alaska Island #1, discussed above, and Alaska State F-1 contribute to DNR's evaluation of Expansion Area #6. Expansion Area #6 abuts the northern and eastern boundaries of ADL 312862 (PTU Tract 27). Alaska State F-1, located on ADL 312862, encountered approximately 47 feet of Thomson Sand that flowed gas and gas condensate, which is what we would likely expect to encounter drilling in Expansion Area #6. Seismic interpretation indicates the 100-foot Thomson

²³ On March 26, 1984, DNR approved the First Expansion, which included oil and gas lease ADL 312847 in the PTU, but it and eight other leases contracted out of the unit and expired effective February 1, 1990, because the working interest owners failed to fulfill the 2nd Drilling Commitment. DNR re-leased the acreage previously under ADL 312847 in 1991 and Chal. Is. 1 is now located on ADL 377015.

Sand isochore roughly parallels the southern boundary of ADL 377020 thinning to 25 feet or less at the northern edge of Expansion Area #2.

c. PTU Tract 29 Contraction

Interpretation of the available data supports the Applicants' proposal to contract the northeastern unit boundary to exclude approximately 2,294 acres from PTU Tract 29, with approximately 1970 acres remaining in ADL 343109. The lease is beyond its primary term, and the lessees agreed to surrender the non-unitized acreage. Exxon completed the Alaska State G-2 well in Tract 29 on August 19, 1983. DNR granted the Alaska State G-2 well extended confidentiality in accordance with 20 AAC 25.537(d), and cannot discuss the well results herein.

d. Expansion Areas #3 and #7

Expansion Areas #3 and #7 flank the eastern edge of the known Thomson Sand Reservoir. Expansion Area #3 includes all 1,412 acres within ADL 372256, which DNR issued effective December 1, 1988, and was the subject of the 1998 Application and subsequent appeal. The Applicants proposed expanding the PTU to include approximately 1,474 acres within the southwestern portion of ADL 389716, designated Expansion Area #7. Issued effective June 1, 2001, DNR severed ADL 389716, in accordance with 11 AAC 83.373, and assigned ADL 389729 to the 3,426.78 non-unitized acres. Since ADL 389729 is within its primary term, it will continue in accordance with the terms and conditions of the original lease, statutes and regulations.

Additional 3D seismic data, which the Applicants acquired over the area between 1997 and 1999, indicates the Thomson Sand Reservoir extends beyond the eastern unit boundary, and supports including all of ADL 372256 and a portion of ADL 389716 in the PTU, Expansion Areas #3 and #7 respectively.

e. Expansion Area #4

The Applicants proposed including the northeastern portion of ADL 375064 in the PTU. Expansion Area #4, south of the current unit boundary, includes approximately 1,062 acres in ADL 375064. DNR severed ADL 375064 in accordance with 11 AAC 83.373, and the lessees agreed to surrender the 3,260 non-unitized acres that was beyond its primary term.

Well data and seismic interpretations support a southern expansion of the unit to include Expansion Area #4. Sourdough #2 and #3 wells are both located on PTU Tract 32, ADL 343112, which abuts the northern boundary of Expansion Area #4. BP drilled Sourdough #2 to a total depth of 12,600' MD (12,562' TVD) on March 25, 1994, and Sourdough #3 to a total depth of 12,436' MD (12,425' TVD) on March 15, 1996. DNR granted both wells extended confidentiality in accordance with 20 AAC 25.537(d), and cannot discuss the well results herein.

PTU Rec_0012685

PTU Expansion/Contraction

PTUE01_001552

Page 19

Exc. 000265

f. PTU Tracts 23 and 24 Contraction

Interpretation of the available data supports the Applicants' proposal to contract the southern unit boundary to exclude approximately 800 acres from ADL 28384, PTU Tract 23 and approximately 1,918 acres from ADL 28385, PTU Tract 24; with approximately 1,760 acres and 637 acres remaining in each tract respectively. Both leases are beyond their primary term, and the lessees agreed to surrender the non-unitized acreage. The results from two wells drilled adjacent to PTU Tract 24 helped determine the revised unit boundary within ADL 28384 and ADL 28385.

West Staines #1 well, located on ADL 28380 (PTU Tract 19) is approximately two miles north of PTU Tract 24. On July 16, 1970, Mobil completed West Staines #1 to a total depth of 13,329' MD (13,266' TVD), and encountered approximately 124 feet of gross Thomson Sand interval that proved to be of non-reservoir quality. However, West Staines #1 also encountered approximately four thin lower Tertiary (Brookian) sand intervals that appeared to be oil-bearing. On May 21, 1971, Mobil completed West Staines #2 on ADL 28377 (Now ADL 382102), outside of the PTU, and west of PTU Tract 24. West Staines #2, which attained a total depth of 13,171' MD (13,169' TVD), encountered approximately 58 feet of silted out, non-reservoir Thomson Sand interval. Mobil did not encounter any productive lower Tertiary (Brookian) sands in West Staines #2.

g. Expansion Area #5

The Applicants proposed including the northern portion of ADL 382101 in the PTU. Expansion Area #5, southwest of the current unit boundary, includes approximately 1,280 acres in ADL 382101. DNR severed ADL 382101, in accordance with 11 AAC 83.373, and assigned the non-unitized acreage a new lease number, ADL 389731. Since ADL 389731 is within its primary term, it will continue in accordance with the terms and conditions of the original lease, statutes and regulations.

Interpretation of the available data supports expansion of the PTU to include Expansion Area #5. West Staines #1 and West Staines #2 are located east and south of ADL 382101 respectively. Results from the two wells, discussed above, helped determine the revised unit boundary within ADL 382101.

h. PTU Tract 9 Contraction

Interpretation of the available data supports the Applicants proposal to contract the western unit boundary to exclude approximately 2,560 acres in PTU Tract 9, ADL 47565 in its entirety. The lease is beyond its primary term, and the lessees agreed to surrender the non-unitized acreage.

i. Work Commitment Area

The Work Commitment Area contains approximately 13,375 acres within three leases including: all of ADL 377012 and ADL 377013, and the western half of ADL 377016. The Applicants proposed dividing ADL 377016 between Expansion Area #1

and the Work Commitment Area, and agreed to sever the lease. The eastern portion of ADL 377016 (approximately 2,780 acres) within Expansion Area #1 retained the original lease number, and DNR assigned a new lease number, ADL 389728, to the western portion of ADL 377016 (approximately 2,953 acres), which lies within the Work Commitment Area.

On March 26, 1999, BP drilled the Red Dog #1 well on ADL 377013, reaching a total depth of 19,400' MD (12,379' TVD) in the Upper Cretaceous Hue Shale/Shale Wall interval. The Lower Cretaceous Point Thomson interval was not penetrated nor was it an objective in the original well plan. Although the Point Thomson interval was not penetrated, the depth to key stratigraphic horizons in the Red Dog #1 well helps refine seismic projections for the actual depth of the top Point Thomson horizon. The primary objective of the well was a series of deep water deposits contained within the Upper Cretaceous Canning Formation. BP encountered a series of very fine to fine-grained, thin bedded sandstones between 16,845'-18,885' MD (10,190-11,888' TVD) that demonstrate good gas and oil shows on mudlog recordings. Overall, reservoir quality of these sands appears poor to fair. Some well and seismic information is available, but additional delineation drilling is necessary to justify expanding the PTU to include the WCA. DNR agreed to this westward expansion of the PTU on condition that the Applicants either deepen Red Dog #1 or drill a new well to evaluate the western extent of the Thomson Sand Reservoir.

To be included in a unit, property must include part of one or more oil or gas reservoirs, or potential hydrocarbon accumulations. 11 AAC 83.356(a). The well and geophysical data provided with the Amended Application, and otherwise available to DNR, indicate that the Expansion Acreage contains sufficient actual or potential hydrocarbons to qualify for inclusion in a unit, and that unitized development and production of the underlying oil, gas, and gas condensate reservoirs is appropriate. However, the data also indicates that the proposed contraction areas are probably not underlain by one or more potential hydrocarbon accumulations and therefore do not qualify for inclusion in the unit. Therefore, the Applicants' prior exploration activities and the geological and engineering characteristics of the Expansion Acreage fulfill the criteria in 11 AAC 83.303(b)(2) and .303(b)(3), and support approval of the Amended Application.

3. Plans for Exploration or Development of the Expansion Acreage

The Unit Operator must provide exploration or development plans that justify including the Expansion Acreage in the unit area. 11 AAC 83.306(1). A plan of development must include a description of proposed development activities and plans for exploration or delineation of land in the unit not included in a participating area. 11 AAC 83.343(a). The Amended Application contains plans to delineate the western extent of the Thomson Sand Reservoir by drilling a well in the Work Commitment Area by June 15, 2003, begin development drilling within the expanded unit area by June 15, 2006, and complete seven development wells in the PTU by June 15, 2008.

On August 31, 2001, ExxonMobil submitted the Eighteenth Plan of Development for the PTU (18th POD), which included the drilling commitments discussed above and described in more detail the activities proposed during the one-year term of the 18th POD. ExxonMobil plans to

select a location within the Work Commitment Area for a delineation well and contract for a rig by June 15, 2002. Additional activities in the 18th POD include plans to file applications for necessary permits, continue environmental studies, initiate preliminary engineering, and complete reservoir simulation modeling. The Division considered the criteria in 11 AAC 83.303, found that the 18th POD protects the public interest, and on September 14, 2001, approved the plan for the period September 31, 2001 through September 30, 2002.

The Amended Application, along with the approved 18th POD, contains sufficient plans and commitments to explore and develop the Expansion Acreage to support unit expansion. It protect the interests of the public and the State by committing the Applicants to drill delineation and production wells to the primary hydrocarbon deposit in the unit, the Thomson Sand Reservoir, by dates certain. These commitments assure that there will be adequate exploration of the Expansion Acreage and commencement of development within a specified time with monetary charges and contraction provisions if the Applicants fail to meet those commitments. Therefore, the Agreement coupled with the Applicants' plans for exploration and development of the proposed unit area justify approval of the Amended Application under the criteria in section 11 AAC 83.303(b)(4).

4. Environmental Costs and Benefits of Unitized Exploration and Development

The Expansion Acreage is habitat for a variety of land and marine mammals, waterfowl and fish. Area residents may use this area for subsistence hunting and fishing. Oil and gas activity in the proposed expansion area may affect some wildlife habitat and some subsistence activity. DNR considered environmental issues during the lease sale process, and attached mitigation measures to the leases. Mitigation measures, including seasonal restrictions on specific activities, reduce the impact of oil and gas development on fish, wildlife, and human populations. Mitigation measures specifically address potential impacts to subsistence access and harvesting. This decision considers the environmental impact of unit expansion, and DNR will review the environmental issues again before approving unit plans of operations for each specific activity within the unit area.

DNR agrees with the Applicants that the proposed expansion and contraction of the PTU would optimize drilling operations thereby minimizing surface impacts by consolidating facilities and reducing activity in the field²⁴. Unitization allows the unit operator to explore for and develop the resources under a single unit plan rather than on a lease-by-lease basis. Without unitization, the lease provisions would compel the lessees to seek permits to explore and develop each individual lease. The proliferation of surface activity and the duplication of production, gathering, and processing facilities would increase the potential for environmental damage. Unitization reduces both the number of facilities required to develop reserves and the aerial extent of land required to accommodate those facilities.

Lessees' compliance with conservation orders and field pool rules issued by the AOGCC would mitigate some of the surface impacts without an agreement to unitize operations. Still, unitization is the most efficient method for maximizing oil and gas recovery, while minimizing negative impacts on other resources. After unitization, the unit operator can design and locate facilities to maximize recovery and to minimize environmental impacts, without regard to lease

²⁴ Application at 5.

boundaries. Review and approval of exploration and development plans under a unit agreement will also assure that rational surface-use decisions are made without regard for individual lease ownership or expense. The Commissioner's approval of a unit expansion is an administrative action, which by itself does not convey any authority to conduct operations on leases within the unit. Unitization does not waive or reduce the effectiveness of the mitigating measures that condition the lessee's right to conduct operations on the leases.

All exploration or development activity in the PTU is subject to an Alaska Coastal Management Program (ACMP) consistency determination, unless categorically approved under the ACMP ABC (General Concurrence) list, and must comply with both the State and the North Slope Borough (NSB) Coastal Zone Management plans. The unit operator must submit a Coastal Project Questionnaire, permit applications, and supporting information to the Alaska Division of Governmental Coordination (DGC), which will begin the permitting process to obtain approval for operations under the unit plan of development. DGC will coordinate a public and agency review process, determine which permits are required, and publish a public notice soliciting comments from federal, state, and local agencies; and the public. DGC, state resource agencies (DNR, DEC, ADF&G) and affected local governments including the NSB must determine if the proposed activity is consistent with the ACMP. After reviewing the agencies' comments, DGC may draft additional mitigation measures before issuing a Proposed Consistency Determination for public comment. In response to comments from the public, DGC may impose additional stipulations in the Final Consistency Determination.

The unit operator must also obtain DNR's approval of a unit plan of operations and permits from various state and federal agencies before beginning operations within the unit area. 11 AAC 83.346. Plans for surface activities incident to exploration and development of the unit area are more detailed in a unit plan of operations than in a unit plan of exploration or development. When reviewing a proposed unit plan of operations, the Division also considers the unit operator's ability to compensate the surface owner for any damage sustained to the surface estate and the unit operator's plans for restoration and rehabilitation of the unit area. In addition, DNR, DEC, and AOGCC have bonding and financial responsibility requirements to ensure performance by the operator and reclamation of the area. 11 AAC 96.060; 20 AAC 25.025; 18 AAC 75. After DGC issues the Final Consistency Determination, the resource agencies may also impose conditions in the individual permit approvals to ensure the proposed activity is consistent with the ACMP and NSB Coastal District Plan. In addition, all exploration and development activities must comply with local ordinances, specifically Title 19 of the NSB Land Management Regulations.

Unitization of the Expansion Acreage minimizes the environmental impacts and costs of exploration and development of the unit area, which meets the section 11 AAC 83.303(b)(1) criteria and supports approval of the Amended Application.

5. Other Relevant Factors to Protect the Public Interest

DNR must also consider if the parties to the unit agreement hold a sufficient interest in the unit area to have reasonably effective control of operations. 11 AAC 83.316(c). The Applicants have approximately 97.9% working interest ownership in the revised unit area, 96.8% working interest ownership in the proposed Expansion Acreage, and 90.2% working interest ownership in the Work Commitment Area. The remaining 2.1% working interest in the revised unit area is held

by Murphy and approximately 20 other entities and individuals. Murphy holds 12.5% working interest in ADL 377012 and ADL 377013, which equals 9.8% of the Work Commitment Area, 3.2% of the Expansion Acreage, and 1.1% of the revised unit area.

Murphy is the only working interest owner in the Expansion Acreage leases that declined to accept the terms contained in the Agreement. When Murphy indicated that it would not accept the terms and conditions agreed to by the Division and the other working interest owners, the Division issued the Interim Decision, which removed the unanimity requirement and approved the Amended Application. It was not necessary for Murphy to commit its interest in the Work Commitment Area to the Unit Agreement for the Division to approve the Amended Application because the majority of the working interest owners accepted the terms for commitment and were willing to be responsible for all of the obligations in the Agreement.

The Applicants have effective control of operations within the Work Commitment Area, the Expansion Acreage, and the revised unit area as a whole; and they agreed to be bound by the commitments in the Amended Application absent Murphy's participation. This factor meets the criteria in 11 AAC 83.303(b)(6), and supports approval of the Amended Application.

IV. FINDINGS

The Amended Application, meets the criteria in 11 AAC 83.303(a) as follows:

A. Promote the Conservation of All Natural Resources.

The Amended Application will conserve all natural resources, including hydrocarbons, gravel, sand, water, wetlands, and other valuable habitat. The unitized exploration and development of the Expansion Acreage will reduce the disruption of land and fish and wildlife habitat that would occur under individual lease development. This reduction in environmental impacts and preservation of subsistence access is in the public interest.

If exploration activities result in the discovery of a commercially producible reservoir, then there will be environmental impacts associated with reservoir development. All unit development must proceed according to an approved plan of development. Additionally, before undertaking any specific operations, the unit operator must submit a unit plan of operations to the Division and other appropriate state and local agencies for review and approval, and the lessees may not commence exploration or development operations until all agencies have granted the required permits. DNR may condition its approval of a unit plan of operations and other permits on performance of mitigation measures in addition to those in the leases, if necessary or appropriate. Compliance with the mitigation measures will minimize, reduce or completely avoid adverse environmental impacts.

B. Promote the Prevention of Economic and Physical Waste.

ExxonMobil submitted geological, geophysical, and engineering data supporting the Amended Application. The available data indicates the Expansion Acreage encompasses all or part of one or more potential hydrocarbon accumulations and justifies including the proposed lands in the PTU.

PTU Rec_0012690

PTU Expansion/Contraction

PTUE01_001557

Page 24

Exc. 000270

The exploration and development commitments in the Amended Application along with the 18th POD meet the requirements of 11 AAC 83.303 and .343. The unit operator must conduct the proposed activities in accordance with the specified timelines. The Amended Application describes the performance standards and diligence requirements, and the consequences of failure to perform any of the exploration or development activities as scheduled. The 18th POD provides details of the activities planned during the one-year term beginning September 31, 2001.

The Amended Application provides for the reasonable exploration of potential hydrocarbon accumulations in the Expansion Acreage. If the Applicants discover oil or gas in commercial quantities, the Unit Agreement will prevent the waste of oil and gas, and increase the probability of recovering more hydrocarbons from the unit area. The Unit Operator must apply for and receive DNR's approval of a participating area before commencing sustained production of hydrocarbons in commercial quantities.

C. Provide for the Protection of All Parties of Interest, Including the State

The Amended Application will expedite exploration and development of the unit area. With the conditions contained in the Amended Application, economic benefits to the state outweigh the economic costs of extending the primary terms of the leases committed to the unit.

If the Division had continued to require unanimous consent for approval of the expansion/contraction of the PTU, and Murphy declined to accept the conditions in the Amended Application, the unit area would be unchanged, and most of the Expansion Acreage, including both of Murphy's leases, would have expired. In addition, neither Murphy nor the public would benefit from the working interest owners' commitment to explore the Expansion Acreage and develop the unit area within a specified period under increased royalty rates. The Amended Application preserves Murphy's interest in the Work Commitment Area Leases.

DNR complied with the public notice requirements of 11 AAC 83.311, and the Amended Application adequately and equitably protects the public interest. The Amended Application is in the State's best interest, and it protects the State's interests thru increased royalty rates, and reasonable assurance that the lessees will develop and produce the hydrocarbons underlying the unit area in the near future. The Amended Application meets the requirements of AS 38.05.180(p) and 11 AAC 83.303.

Approval of the PTU expansion will not diminish access to public and navigable waters beyond those limitations (if any) imposed by law or already contained in the oil and gas leases covered by this Agreement.

The Unit Agreement provides for expansions and contractions of the unit area in the future, as warranted by data obtained by exploration or otherwise. The Unit Agreement thereby protects the public interest, the rights of the parties, and the correlative rights of adjacent landowners.

PTU Rec_0012691

PTU Expansion/Contraction

PTUE01_001558

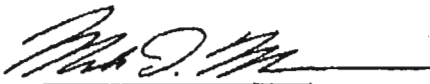
Page 25

Exc. 000271

V. DECISION

This Findings and Decision supplements the Interim Decision by providing the Division's evaluation of the Amended Application under the criteria provided in 11 AAC 83.303. The Interim Decision approved the Amended Application, effective as of 12:01 a.m. July 31, 2001, with retroactive effective dates of November 30, 1998 as it applies to ADL 372256, and March 31, 2001 as it applies to ADL 375064. The PTU Expansion Acreage encompasses approximately 40,354 acres within twelve leases, while approximately 7,572 acres within all or portions of four leases contracted out of the PTU. The revised unit area contains approximately 116,607 acres within 46 leases. The unit exhibits submitted on October 15, 2001 contain some incorrect legal descriptions. The Unit Operator shall submit revised Exhibits A and B to the Unit Agreement within 30 days of this decision that accurately reflect the approved unit area.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040 (c) and (d), and may be mailed or delivered to Pat Pourchot, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to dnr_appeals@dnr.state.ak.us. This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.



Mark D. Myers
Division of Oil and Gas

MAY 24 2002
Date

- Attachments: 1) Map of the Approved PTU with Expansion, Contraction and Work Commitment Areas
2) Point Thomson Unit Well Li

cc: Pat Pourchot, Commissioner DNR
Richard Todd, Dept. of Law
Bob Gage, Murphy

PTU Rec_0012692

PTUE01_001559

PTU Expansion/Contraction

U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)	
Article Sent To:	
Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$
Postmark Here	
BILL STRAWBRIDGE EXXONMOBIL PRODUCTION COMPANY PO BOX 2180 HOUSTON, TX 77252-2180	

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U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only. No Insurance Coverage Provided)

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Postage	\$
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Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

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CHARLES H. KANA
 MURPHY EXPL & PROD CO
 550 WESTLAKE PARK BLVD, STE 1000
 HOUSTON, TX 77079

y mailer)

or Instructions

COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Received by (Please Print Clearly) B. Date of Delivery MAY 30 2002</p> <p>C. Agent RECEIVED Agent X addressee</p> <p>D. Delivery address different from item A? <input checked="" type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No DIVISION OF OIL AND GAS</p>
<p>1. Article Addressed to:</p> <p>BILL STRAWBRIDGE EXXONMOBIL PRODUCTION COMPA PO BOX 2180 HOUSTON, TX 77252-2180</p>	<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>
<p>2. Article Number (Transfer from service label) 7099 3 220 0004 90216703 PTU</p>	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

PS Form 3811, March 2001 Domestic Return Receipt 102595-01-M-1424

PTU Rec_0012693

Exc. 000273

SEND TO		COMPLETE THIS SECTION ON DELIVERY	
<p>■ Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>		<p>A. Received by (Please Print Clearly) <u>5/30/02</u></p>	
<p>1. Article Addressed to:</p> <p>CHARLES H. KANA MURPHY EXPL & PROD CO 550 WESTLAKE PARK BLVD, STE 1000 HOUSTON, TX 77079</p>		<p>C. Signature X <u>B. B. B.</u> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If YES, enter delivery address below:</p>	
<p>2. Article Number (Transfer from service label) <u>7000 0520 0015 2562 1228 PTU</u></p>		<p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. </p>	
<p>PS Form 3811, March 2001</p>		<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p> <p>Domestic Return Receipt</p>	

K02585-01-M-1424

PTU Rec_0012694

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Attachment 2: List of Point Thomson Unit Wells

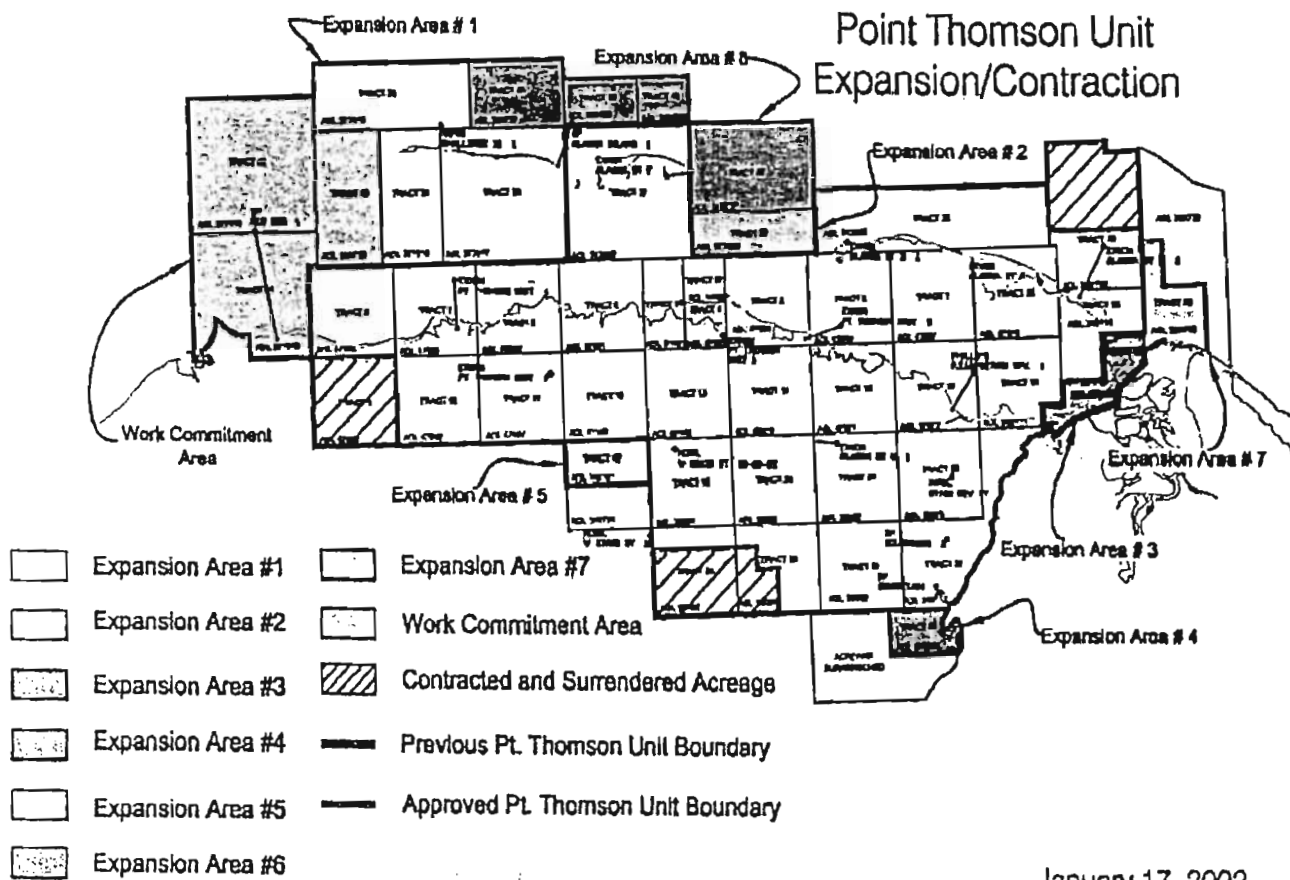
Well Name	Abbreviation	API #	Completion Date	OLD ADL	Current ADL	Unit Tract	Area	Certified Well	Extended Confidentiality
West Staines State #1	W.Stns 1	500892000100	7/16/1970		ADL 28360	PTU Tract 19	Core Unit Area		
West Staines State #2	W.Stns 2	500892000400	6/21/1971	ADL 28377	ADL 382102	-	Outside unit area		
Alaska State A-1	A-1	500892000300	9/6/1975		ADL 47558	PTU Tract 25	Core Unit Area	Y	
Point Thomson Unit #1	PTU1	500892000500	12/8/1977		ADL 47560	PTU Tract 4	Core Unit Area	Y	
Point Thomson Unit #2	PTU2	500892000600	8/12/1978		ADL 47567	PTU Tract 11	Core Unit Area	Y	
Point Thomson Unit #3	PTU3	500892000700	7/4/1979		ADL 47558	PTU Tract 2	Core Unit Area		
Staines River State #1	Stns 1	500892000800	7/21/1979		ADL 47573	PTU Tract 26	Core Unit Area	Y	Y
Point Thomson Unit #4	PTU4	500892000900	12/20/1980		ADL 47563	PTU Tract 7	Core Unit Area		
Challenge Island #1	Chal. Is. 1	500892001200	2/11/1981	ADL 312847	ADL 377016	PTU Tract 33	Expansion Area #1		
Alaska State C-1	C-1	500892001100	7/14/1981		ADL 28382	PTU Tract 21	Core Unit Area	Y	
Alaska State D-1	D-1	500892001500	2/18/1982		ADL 312968	PTU Tract 28	Core Unit Area		
Alaska Island #1	Ak. Is. 1	500892001800	4/22/1982		ADL 388425	PTU Tract 39	Expansion Area #6		
North Staines River #1	N.Stns 1	500892001700	6/16/1982		ADL 47572	PTU Tract 18	Core Unit Area		Y
Alaska State F-1	F-1	500892001900	5/30/1982		ADL 312862	PTU Tract 27	Core Unit Area	Y	
Alaska State G-2	G-2	500892002000	8/19/1983		ADL 343109	PTU Tract 29	Core Unit Area		Y
Sourdough #2	Sourd 2	500892002500	3/25/1984		ADL 343112	PTU Tract 32	Core Unit Area	Y	Y
Sourdough #3	Sourd 3	500892002800	3/15/1986		ADL 343112	PTU Tract 32	Core Unit Area		Y
Red Dog #1	Red Dog 1	500892002700	3/26/1999		ADL 377012	PTU Tract 41	Work Commitment Area		

PTU Rec_0012695

PTUE01_001561

PTU Expansion/Contraction

Exc. 000275



January 17, 2002

ExxonMobil Development Company
P.O. Box 4876
Houston, Texas 77210-4876

ExxonMobil
Development

August 5, 2002

Mr. Mark Myers, Director
Division of Oil and Gas
Alaska Department of Natural Resources
550 West 7th Avenue, Suite 800
Anchorage, Alaska 99501-3510

RECEIVED
AUG 12 2002

DIVISION OF
OIL AND GAS

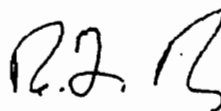
Re: Pt. Thomson Unit POD 19

Dear Mr. Myers:

ExxonMobil, as Point Thomson Unit (PTU) Operator and on behalf of the Working Interest Owners (Owners), hereby submits the enclosed Nineteenth Plan of Further Development and Operation (POD 19) for your review and approval. POD 19 is submitted in accordance with Article 10 of the Point Thomson Unit Agreement (PTUA) and all other applicable regulations.

Please feel free to call me at 281-654-4054 if you have any questions.

Sincerely,



R. F. Buckley
Chairman, PTU Owners Committee

RFB/gc
Attachments

C: PTU WIO
Attachments

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Exc. 000277

PTU REC 000383

RECEIVED

AUG 12 2002

DIVISION OF
OIL AND GAS

POINT THOMSON UNIT

**Nineteenth Plan of Further
Development and Operation
And
Update on the Eighteenth Plan
Of Further Development and Operation**

In accordance with the requirement of the Point Thomson Unit Agreement (Article 10) and all applicable regulations, provided herein is the Nineteenth Plan of Further Development and Operation (POD 19) for the Point Thomson Unit (PTU) along with an update of POD 18. Exxon Mobil Corporation ("ExxonMobil") as Unit Operator is submitting both the update to POD 18 and POD 19 on behalf of the Working Interest Owners (Owners).

Update of the Eighteenth Plan of Further Development and Operation

During POD 18, the primary focus of PTU Owners was to 1) initiate permitting with the agencies, 2) institute the Project Management Team to begin the design of the Pt. Thomson facilities and development wells as well as support the permitting process, and 3) continue engineering and geological studies directed at enhancing confidence in the technical and commercial viability of the Thomson Sand Gas Cycling Project. Additionally, the Unit Owners continued to gather and analyze environmental baseline data from the PTU Area, which will allow the Owners to move forward with its major environmental permitting efforts. During the one-year term of POD 18, the Owners will have spent in excess of 15 million dollars on PTU permitting, project design, development and environmental studies. In addition, ExxonMobil and the other Owners will have jointly dedicated more than of 30 man-years of technical effort during this period to advance the Unit's efforts toward commercializing the PTU hydrocarbon reserves.

POD 18 enumerated eleven specific work areas that would be pursued by the Owners. Comments on each are provided below along with discussion of additional activities undertaken by the Owners during POD 18.

PTUE01 000650

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PTU REC_000384

1. Select the most advantageous location for the Work Commitment Area A (WCA 'A') delineation well based on the prestack depth migrated 3D seismic survey data over the Area. Develop the drilling plan and cost estimates, and file drilling permits by third quarter 2002.

The Unit Owners developed a drilling plan and cost estimates to deepen the Red Dog-1 well to test the Thomson Sand in Work Commitment Area "A". Costs to deepen the well are now estimated to be considerably more than the initial estimates that were used to prepare POD 18. Incorporating new seismic data and interpretation into the analysis suggests that the prospectivity of the Red Dog area is less than originally anticipated. Based on these findings, the Owners cannot justify a deepening of the Red Dog-1 well.

2. Contract a drilling rig for WCA 'A' well by June 15, 2002, in preparation to drill the well through the Thomson Sand interval during the 2002-2003 winter season.

As noted above, the Owners do not plan to drill a WCA "A" well. Therefore the Owners do not plan to contract a drilling rig as was initially anticipated. As this well will not be drilled, the Owners plan to pay the Drilling Extension Charge of \$940,000 to the State of Alaska, and relinquish the western Red Dog Leases as prescribed in the Unit Expansion Approval.

3. Owners will file for all environmental permits, beginning in the third quarter 2001, which are required to proceed with Unit project execution activities. Application will be made with the following agencies for the noted permits.

<u>Federal Agencies</u>	<u>NEPA Compliance</u>
<u>U.S. Army Corps of Engineers</u>	<u>Section 404/10</u>
<u>Environmental Protection Agency</u>	<u>NPDES General Permit</u>
	<u>NPDES General Stormwater/Industrial</u>
	<u>Activity</u>
	<u>Class I Disposal Well</u>
	<u>Ocean Dumping Permit (Sec. 103)</u>
<u>National Marine Fisheries Service</u>	<u>Incidental Harassment of Marine</u>
	<u>Mammals</u>
	<u>Endangered Species Act Section 7</u>
<u>U.S. Fish and Wildlife Service</u>	<u>ESA Section 7 - Consult for Spectacled</u>
	<u>Eider and Steller's Eider</u>
	<u>Letter of Authorization for Incidental</u>
	<u>Take of Marine Mammals</u>

<u>U.S. Coast Guard</u>	<u>Oil Spill Contingency Plan</u>
<u>ADNR, State Pipeline Coord.</u>	<u>Pipeline Right-of-Way Lease</u>
<u>ADNR, DOG</u>	<u>Lease/Unit Plan of Operations Approval</u>
<u>ADNR, DOL</u>	<u>Material Sales Contract</u>
	<u>Miscellaneous Land Use (Ice Roads)</u>
	<u>Gravel Pads</u>
<u>ADNR, Mining, Land and Water</u>	<u>Water Use/ Water Rights</u>
<u>ADEC</u>	<u>Oil Discharge Prevention and</u>
	<u>Contingency Plan</u>
	<u>Air Quality Permit to Construct</u>
	<u>Title V Air Permit to Operate</u>
	<u>Section 401 Water Quality Certification/</u>
	<u>Water Quality Variance for Dock</u>
	<u>Waste Water Disposal Permit</u>
	<u>Temp. Drilling/ Waste Storage/ Solid</u>
	<u>Waste Disposal Facility (G&I)</u>
<u>Alaska Dept. of Fish and Game</u>	<u>Title 16 Fish Habitat</u>
<u>ADGC</u>	<u>Coastal Zone Consistency Review</u>
<u>AOGCC</u>	<u>Underground Injection Certification</u>
<u>North Slope Borough</u>	<u>Rezoning - Conservation District to</u>
	<u>Resource Development District and</u>
	<u>Submission of Master Plan for</u>
	<u>Approval</u>

The Pt. Thomson owners prepared a thorough Environmental Report, which was submitted to the major agencies in the third quarter of 2001. The Report has been reviewed with most of the agencies and an addendum is being prepared to address the issues that were raised in these reviews. The 404 Permit was filed with the US Army Corps of Engineers in the third quarter of 2001, however, after lengthy negotiations between several federal agencies, the lead agency for this project was changed from the Army Corps of Engineers to the Environmental Protection Agency (EPA). The pace of the permitting for this Gas Cycling Project has not progressed as quickly as the Owners would like. In April 2002 the EPA issued the Notice of Intent to conduct an Environmental Impact Statement (EIS) and the Notice has been published in the Federal Register. A Memorandum of Understanding with the EPA was reached on June 20, 2002, outlining the EIS process. The contract with the third party environmental consultant is currently under discussion and is anticipated to be finalized before the end of POD18. Other agencies, particularly the Alaska Department of Governmental Coordination, the ADNR, ADEC, ADFG and AOGCC have been engaged in preliminary discussions to familiarize these agencies with the project.

PTUE01_000652

Exc. 000280

PTU REC_000386

4. Continue engineering support of environmental permitting and initiate Preliminary Engineering in a manner consistent with the progress made on the expedited permitting process to better ensure that detailed engineering and commitments to long-lead materials are moved forward on a prudent schedule.

Engineering support, utilizing both internal and external staffing, has been greatly expanded over the course of POD 18. A group dedicated to permit support has been put in place in the ExxonMobil offices in Anchorage. Additionally, an engineering contractor has begun work to support the permitting effort and front-end engineering design (FEED) has been initiated, which is being coordinated by the Project Management Team.

5. Complete data analysis of environmental baseline studies through 2001 summer season to better ensure that all data that may be useful to expedite the permitting process are available.

The 2001 environmental surveys have been completed and final reports analyzing the data are being prepared at this time. Further field studies not originally envisioned in this POD 18 were also performed in 2002, including several baseline environmental surveys and a fishery synthesis. This has again further expanded the available data for the Pt. Thomson area.

6. Owners will seek expedited permit approvals and undertake Preliminary Engineering so as to be able to commence continuous drilling of PTU Thomson Sand development wells no later than 2006, unless otherwise agreed by the ADNRC and the Owners. For example, such extension might be beneficial to the State and the Owners in the event early gas sales from the PTU were of strategic importance to commercializing North Slope stranded gas.

The Owners have diligently sought to expedite the permitting process via numerous meetings with agencies, both formal and informal, in order to familiarize the agencies with the project and the major work items that fall under their review. Although federal activity was slower than anticipated with eight months expended between submission of the Environmental Report and issuance of the Notice of Intent, the current schedule can still allow development drilling to begin on schedule, no later than 2006.

7. Complete pre-stack depth migration processing of the merged 3D seismic surveys, The Point Thomson Unit, Flaxman Lagoon, Island Corridor West and Challenge Island 3D surveys that are the subject of the prestack depth migration processing cover essentially all the redefined Unit area.

The pre-stack depth migration processing is now complete for the entire merged data set noted above. The latest PSDM processing technology was applied to this data set at ExxonMobil Upstream Research Company. The quality of the reprocessed data is clearly improved. Post-migration processing enhancements on the pre-stack depth migrated data are currently being conducted. All participating companies have the new data set in hand.

8. Initiate the geophysical interpretation of prestack depth migrated survey. The results of the consensus geophysical interpretation will form the basis of the geologic model update.

Interpretation of the newly processed data is now underway and shows promise to enhance the current interpretation. Specifically the new data more clearly images the base of the Thomson Sand and will add confidence to the sand thickness prediction in most areas.

9. Complete reservoir simulation models to optimize development planning necessary to support Preliminary Engineering and move the project forward through the commercial analysis. Modeling results will be provided to the Alaska Gas Producers Pipeline Team to assist in the analysis of the North Slope Gas Pipeline Project and the optimum plan to develop gas sales from the fields on the slope.

Reservoir simulation models were completed to aid in all the above tasks. The project design team is now moving forward with the base case design criteria identified by these simulations. Many scenarios were evaluated to quantify uncertainties in the event that certain deviations occur from the base field characterization and design basis. Although some downside cases would not support development, the Owners have agreed to pursue and expedite receipt of all regulatory permits and continue preliminary engineering with FEED. A review of simulation modeling was provided to the ADNIR in April.

10. Finalize new Point Thomson Unit Operating Agreement with all Owners. The new Agreement will be far more consistent with the legal and technical requirements for the operation of the Unit than the current Agreement. After the major Owners have finalized the new Operating Agreement, the smaller Interest Owners will be given the opportunity to elect to participate under the new Agreement, or remain under the current Operating Agreement.

The major interest Owners have significantly progressed the new operating agreement and are preparing for internal management reviews. As noted above, the smaller interest Owners will be given the opportunity to participate under the new agreement or remain under the current operating agreement.

11. Progress economic evaluation toward a project sanction decision by combining the results of the geophysical, geological, reservoir and facilities engineering efforts and optimizing the development plan for the best benefit of the State and the Owners.

The results of the POD 18 studies have identified sufficient economic incentive for the major Owners to 1) proceed to the next level of expenditures for funding a Project Management Team and 2) begin preliminary engineering design work with a contractor. These activities will progress the Project through the submission of POD 20.

Other activities:

An additional group of environmental surveys and studies have been undertaken in the 2002 summer season. These surveys are in response to items that have been the subject of discussions with the agencies during the preliminary talks that the permitting team has had during POD 18. Analysis of this data and report generation will carry over into POD 19.

PTUE01_000655

Exc. 000283

PTU REC_000389

Nineteenth Plan of Further Development and Operation (POD 19)

Exxon Mobil Corporation ("ExxonMobil"), as Unit Operator, requests on behalf of the Working Interest Owners that POD 19 extend for one year, from September 30, 2002 to September 30, 2003. The focus of the Owners during POD 19 will be 1) to seek permits that are required to commence development of the PTU Thomson Sand (the Owners will attempt to expedite the permitting process under the National Energy Policy), and 2) to execute Front-End Engineering Design (FEED) in parallel with the permitting process. These activities are estimated to cost approximately \$40 million in total, to be spent over the course of POD 19 and will require approximately 90 man-years of work. In addition, interpretation of the prestack depth migration of the combined PTU 3D seismic data sets (Point Thomson Unit, Challenge Island, Island Corridor West and Flaxman Lagoon) will be completed in preparation for updating the new geologic model to be used in updating the new reservoir model and selecting the final development well locations.

During the proposed POD 19 period, the Owners will conduct the following specific activities:

1. Pursue and expedite receipt of major permits needed for development and construction of the project. In support of the EPA as lead federal agency, engage the EIS contractor. EPA in conjunction with cooperating agencies, to prepare the EIS with targeted completion in early 2004. Continue engineering and environmental studies in support of the permitting process. Attempt to achieve permitting terms that do not inhibit the commercial viability of the project.
2. Continue preliminary engineering with FEED to progress and optimize the facility design beyond conceptual engineering, provide support for permitting activities and progress the project toward commercial approval.
3. Complete the structural and stratigraphic interpretation of the prestack depth migrated seismic data and initiate an update of the geologic model for the Thomson Sand to improve the ability to evaluate the commercial viability of both gas cycling and ultimate gas sales. In the event gas sales from the North Slope materializes, the Point Thomson Field will be an integral part of the sales project. In this case the cycling project could be converted to gas sales which could result in a later start-up than currently planned for a cycling only project. Such a project might be beneficial to the State and the Owners.
4. Assess the project commercial viability in preparation for the decision to progress the project to the next phase of funding.

5. Complete the offering for the smaller interest owners to execute the new Unit Operating Agreement.