

**EXXON COMPANY, U.S.A.**

POST OFFICE BOX 2180 - HOUSTON, TEXAS 77252-2180

PRODUCTION DEPARTMENT  
ALASKA INTEREST  
G.T. THEROT  
MANAGER

September 28, 1994

Mr. J. E. Eason, Director  
Alaska Department of Natural Resources  
Division of Oil and Gas  
P. O. Box 107034  
Anchorage, Alaska 99510-7034

Dear Mr. Eason:

Exxon, as Unit Operator and on behalf of the Working Interest Owners, submits the enclosed Twelfth Plan of Further Development and Operation for the Point Thomson Unit for your review and approval. This submittal includes a progress report on our work activities under the 11th POD.

The activities under the 12th POD complete a three year reservoir description and engineering review in accordance with the schedule set forth in the 10th POD in 1993. As we have discussed, this initiative, along with the consensus mapping effort undertaken in 1992 (9th POD), represents the work that is necessary to gain a thorough understanding of the Thomson Sand reservoir while maintaining significant "shelf life" into the future pending the availability of an off-slope gas delivery system and favorable development economics.

In your December 17, 1993, letter approving the 11th POD, you requested that the 12th POD contain a discussion of efforts to market hydrocarbons from the Point Thomson Unit (PTU). Your request specifically focused on liquid deliveries to TAPS, local Alaska North Slope (ANS) gas markets, and supply of miscible injectant for enhanced oil recovery (EOR). Under the terms of the PTU Operating Agreement, the marketing of hydrocarbons is an individual owner responsibility, not a Unit function. Therefore, we are reluctant to address this issue from a Unit perspective within the context of the 12th POD. However, Exxon, as an individual PTU Working Interest Owner, offers the following discussion to address the marketing issues raised in your December 17 letter.

A DIVISION OF EXXON CORPORATION



PTU Rec\_010480

Exc. 000171

Mr. J. E. Eason, Director

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September 28, 1994

**Liquid Deliveries to TAPS**

On June 23, 1993, the PTU Owners reviewed gas cycling project economics with the DNR. The key conclusion from this evaluation was that gas cycling is not an economically viable development opportunity at this time.

**Local ANS Gas Market**

The total volume of local ANS gas sales, which include sales to TAPS and Norgasco, was approximately 36 million cubic feet per day for 1993 as estimated by the Alaska DNR<sup>1</sup>. Given this relatively small volume of gas, the number of potential suppliers with the ability to meet these demands (in whole or in part), and the significant costs to deliver PTU gas to these markets, it is not a viable development option for PTU at this time.

**Miscible Injectant**

At this time, other sources of miscible injectant (MI), if needed by other ANS fields, would offer cost advantages over PTU. While PTU gas could be used to manufacture limited volumes of MI, the cost of field development, gas processing, and MI delivery, without the associated revenues of an off-slope gas sale, in all likelihood would render PTU MI non-competitive with other sources from existing operations.

**Summary**

In summary, the above referenced markets, either individually or in combination, are insufficient to justify the development of PTU. Exxon believes that the most likely way to commercialize ANS gas, other than the relatively small volume of gas for local sales, will be through a large scale delivery system, to an off-slope market. Exxon, BPX, and ARCO are engaged in a study to evaluate the potential to export LNG to the Far East. This study suggests that an LNG sale for ANS gas is not commercially viable at this time. However, the study participants believe that the results to date suggest further study is warranted to continue to define a potential LNG export project.

With regard to this study, it should be noted that neither PTU nor any other ANS gas reserves, except Prudhoe Bay Unit (PBU), are large enough to justify a separate off-slope gas delivery system. While PBU gas is the focus for the Exxon/BPX/ARCO study, synergistic effects from PTU development ultimately will need to be considered. Since PTU is burdened with full field development costs, PTU development will require a higher sales price than PBU gas. Accordingly, even if an off-slope delivery system is justified based on PBU gas sales, PTU development and sales will likely not be economic until some later point in time.

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<sup>1</sup>p. 29, February 1994 Alaska DNR Historical Projected Oil and Gas Consumption Report for North Slope Gas Sold (excluding NGLs and other volumes).

PTU Rec\_010481

Exc. 000172

Mr. J. E. Eason, Director

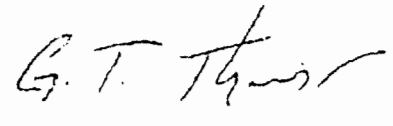
- 3 -

September 28, 1994

Governor Hicfel, DNR Commissioner Noah, and the AOGCC have received periodic briefings on the progress of this study. Additionally, the PTU Owners were briefed in June 1993 and an update is planned for the 4Q94.

If you have any questions or need any additional information regarding either the 12th POD or the discussion of marketing issues, please call me at 713-656-7000 or Dave Story at 713-656-7111.

Sincerely,



GTT:rij  
Enclosure

PTU Rec\_010482

Exc. 000173

**Point Thomson Unit**  
**Twelfth Plan of Further Development and Operation**  
*(And an Update on the Eleventh Plan of Development and Operation)*

This Twelfth Plan of Development is submitted to the Commissioner of the Alaska Department of Natural Resources (DNR) pursuant to Article 10 of the Point Thomson Unit (PTU) Agreement and 11 AAC 83.343.

**Eleventh Plan of Development (11th POD)**

**Update**

The PTU Working Interest Owners (Owners) submitted the 11th POD on September 27, 1993. In the 11th POD, the Owners proposed to continue the multi-year Thomson Sand Reservoir Characterization Study (Study) commenced under the 10th POD. The Owners requested a one year term for the 11th POD. During this one year term, the Owners committed to completing the environmental facies analysis, petrographic analysis, petrophysics, geologic model construction, and the review of existing engineering data; and have work underway on the drill stem test interpretations, fluid property studies, and deliverability calculations. By letter dated December 17, 1993, the DNR approved the 11th POD for a one year term (January 1, 1994 to December 31, 1994).

The Owners, through the efforts of a Reservoir Characterization Study Committee (RCSC) made up of Exxon, Chevron, Mobil, and Phillips are making good progress towards the satisfaction of the 11th POD commitments. The environmental facies analysis and petrophysics are complete. The RCSC has compiled and reviewed the data for the petrographic analysis, and they will prepare a final petrographic/petrophysical report by year-end. The RCSC has completed the basic geologic reservoir model for the Thomson Sand; however, discussion within the RCSC continues on possible refinements and enhancements to that model. We still anticipate that the RCSC will complete their work on the geologic reservoir model by year-end. The RCSC members are currently reviewing their existing engineering data and evaluating the best method for undertaking the Study's engineering components, which include the drill stem test interpretations, fluid property studies and deliverability calculations. The most likely outcome of this evaluation will be a recommendation that one RCSC member serve as the "contractor" for this work under the direction and supervision of the entire RCSC. This work is still on schedule to begin 4Q94. An updated Study Project Schedule is attached as Exhibit "A."

PTU Rec\_010483

Exc. 000174

In addition to the Study activities carried on by the Unit, there were several other activities impacting the PTU during the 11th POD term. These activities are summarized below.

- In April 1994, BPXA completed drilling operations on the Sourdough #2 well located within the PTU on ADL #343112 (Unit Tract #32). This well was certified capable of production by the state in June 1994.
- BPXA conducted the Yukon Gold 3-D seismic program during the '94 winter season. This program also covered all or a portion of the following PTU leases:
  - ADL #28380 (Unit Tract 19)
  - ADL #28381 (Unit Tract 20)
  - ADL #28382 (Unit Tract 21)
  - ADL #28383 (Unit Tract 22)
  - ADL #28384 (Unit Tract 23)
  - ADL #28385 (Unit Tract 24)
  - ADL #47568 (Unit Tract 12)
  - ADL #47569 (Unit Tract 13)
  - ADL #47573 (Unit Tract 26)
  - ADL #343112 (Unit Tract 32)

The processing of the 3-D seismic is scheduled to be complete by year-end 1994.

- On May 11, 1994, in conjunction with a presentation by the Owners to the DNR regarding the aerial extent of the Thomson Sand reservoir, both Exxon and BPXA held proprietary discussions with the DNR regarding the Brookian Sand accumulations in and near the PTU.
- Exxon and BPXA met in July 1994 to share technical understandings on the Flaxman Sand accumulation within the PTU.
- Chevron USA Production conducted geologic field operations in the vicinity of the PTU from July 8-22, 1994. During these field operations, outcrop studies were performed on all potential reservoirs within the PTU.

These continued exploration activities, especially the apparent success of the Sourdough #2, in and near the PTU are encouraging and may lead to additional industry activity during the next several years.

### Twelfth Plan of Development (12th POD)

#### Requested Term and Work Plans

The Owners request a one year term for the 12th POD. During the term of the 12th POD, the Owners propose to complete the Reservoir Characterization Study as originally proposed in the 10th POD. This will involve the completion of the following Study components:

- Drill stem test interpretations: Analyze all Thomson Sand well tests; integrate test data with petrophysics, core analysis and environmental facies analysis.
- Fluid property studies: Analyze available fluid data to determine appropriate fluid properties to be utilized in future facility and reservoir engineering studies.
- Deliverability calculations: Integrate the drill stem test interpretations and fluid property study results with the geologic reservoir model to predict potential well deliverabilities.

Additionally, during the 12th POD term, engineering screening studies will be initiated. Although we expect these studies to be essentially completed in 1995, this activity may be periodically reactivated in the future to incorporate new data. Also, the Owners will continue to closely monitor industry activity in and near the Unit to evaluate potential impact on PTU development scenarios.

EXHIBIT 'A'  
**POINT THOMSON UNIT**  
**RESERVOIR CHARACTERIZATION STUDY**  
 (Revised September 1, 1994)

ACTIVITIES	1993												1994												1995																			
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D								
Establish Tech. Work Teams and Define Project Scope	██████████																																											
Detailed Core Description			██████████																																									
Environmental Facies Analysis						██████████																																						
Petrographic Analysis												██████████																																
Petrophysics												██████████																																
Construct Geologic Reservoir Model																		██████████																										
Review Existing Eng. Data																██████████																												
Drill Stem Test Interp.																								██████████																				
Fluid Property Studies																								██████████																				
Deliverability Calculations																												██████████																
Pre-Conceptual Eng. Studies																																██████████												

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# STATE OF ALASKA

## DEPT. OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

TONY KNOWLES, GOVERNOR

P.O. BOX 107034  
ANCHORAGE, ALASKA 99510-7034  
PHONE: (907) 762-2553

(907)762-2547

December 22, 1994


G. T. Theriot, Manager  
Alaska Interest Production Department  
Exxon Company, U.S.A.  
P. O. Box 2180  
Houston, TX 77252-2180

Via Fax (713-656-7100) and Mail

Dear Tom:

As we discussed this morning, this is to acknowledge our agreement to extend the Eleventh Plan of Development for the Pt. Thomson Unit (PTU) until April 30, 1995. The decision to extend is intended to provide an opportunity for both of us to review the discussions and the documents exchanged to date regarding our respective views on contraction of the unit area and on diligent further exploration and development of the PTU acreage.

Sincerely,

  
James E. Eason  
Director

cc: Patrick Coughlin - ADOL

PTU.11thPOD.Extension.txt

PTU Rec\_010479

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Exc. 000178



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For File

**EXXON** COMPANY, U.S.A.  
POST OFFICE BOX 2180 - HOUSTON, TEXAS 77252-2180

PRODUCTION DEPARTMENT  
ALASKA INTEREST  
G.T. THERIOT  
MANAGER

RECEIVED

OCT 31 1995

DIV. OF OIL & GAS  
DIRECTOR'S OFFICE

October 30, 1995

Thirteenth Plan of Further  
Development and Operation  
Point Thomson Unit

VIA FAX (907-562-3852) &  
AIRBORNE EXPRESS

Mr. Kenneth A. Boyd, Director  
Alaska Department of Natural Resources  
Division of Oil and Gas  
3601 "C" Street, Suite 1380  
Anchorage, Alaska 99503-5948

Dear Mr. Boyd:

Exxon, as Unit Operator and on behalf of the Working Interest Owners (Owners), submits the enclosed Thirteenth Plan of Further Development and Operation (13th POD) for the Point Thomson Unit (PTU) for your review and approval. This 13th POD contains an update on the work activities commenced under the "extended" 11th/12th POD and sets forth the work activities planned for the 13th POD period.

Under the 13th POD, the Owners will undertake a study aimed at evaluating potential development scenarios for the PTU. Contemporaneous with this activity, Exxon, Mobil and Phillips each plan to initiate a farmout effort targeting flank PTU acreage. As communicated to the DNR during our October 4 meeting, these farmout efforts will be undertaken on an individual Owner rather than a "Unit" basis. The reason for this is two-fold: first, the flank acreage to be farmed out is not owned by all of the Owners; and secondly, it is inappropriate for the Owners to jointly farmout since each Owner has the right to farmout its interest without the joinder/approval of the other Owners. Exxon will work with the DNR to schedule a January '96 meeting to discuss the specific actions Exxon plans to take pursuant to its farmout effort.

Exc. 000179

Mr. Kenneth A. Boyd

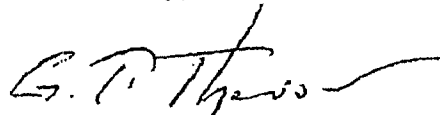
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October 30, 1995

The August 18 meeting with Commissioner Shively and the above-referenced October 4 meeting between the DNR staff and representatives of the PTU were beneficial and instructive. These meetings have helped in developing the attached 13th POD. Given the work commitments specified in the POD, the Owners believe that a multi-year POD with periodic reviews is warranted. As such, a twenty-three (23) month POD term, ending on December 31, 1997, is requested.

Should you have any questions regarding the 13th POD or require additional information, please do not hesitate to call me at 713-656-7000 or Mr. D. B. (Dave) Story at 713-656-7111.

Sincerely,



GTT:MMM  
Enclosure

c: PTU Working Interest Owners

PTUE01\_001037

Exc. 000180

**Point Thomson Unit**  
**Thirteenth Plan of Further Development and Operation**  
(And an Update on the Eleventh and Twelfth Plans of Further Development and Operation)

This Thirteenth Plan of Development is submitted to the Commissioner of the Alaska Department of Natural Resources (DNR) pursuant to Article 10 of the Point Thomson Unit (PTU) Agreement and 11 AAC 83.343.

**Eleventh and Twelfth Plans of Development (11th & 12th POD's)**

**Update**

The 11th POD was submitted on September 27, 1993 and subsequently approved by the DNR on December 17, 1993. The 11th POD covered a one year term (January 1, 1994 to December 31, 1994). On September 28, 1994, the 12th POD was submitted to the DNR. While the DNR took no formal action on the 12th POD, extensions to the 11th POD were granted, most recently on August 31, 1995, extending the term of the 11th POD to February 1, 1996. On October 4, 1995, representatives of the PTU met with the DNR to discuss possible work initiatives for the POD to be submitted on November 1, 1995. At that meeting, the DNR clarified that a 13th POD rather than a "revised" 12th POD should be submitted.

An update on the work progress made during the original 11th POD period was reviewed in the 12th POD submittal of September 28, 1994.

During the extended 11th/12th POD period (beginning January 1, 1995), the Owners have continued their efforts to complete the remaining Reservoir Characterization Study Committee (RCSC) work initiatives, as set forth in the 12th POD. The fluid property studies were completed and endorsed by the RCSC members in May 1995. The drill stem test interpretations and deliverability calculations are in the process of being finalized. Preliminary well designs tailored to three different reservoir-quality outcomes were developed as part of the deliverability study. The well design for the highest quality reservoir was then used to derive a range of potential well deliverabilities. Actual deliverabilities will be heavily dependent on facility design. Data on an analog field (Mobil's Arun Field - Indonesia) were examined and learnings therefrom have been incorporated into the deliverability model. The final results of the drill stem test/deliverability work are

being documented and will be submitted to the RCSC members for their endorsement in the near future.

As requested, a copy of the RCSC final work products will be provided to the DNR once they are available. Submission of these work products will be on a "confidential" basis as per our established practice.

All of the RCSC work is expected to be completed and endorsed by the Owners by year-end 1995, as scheduled. This work, combined with the Consensus Mapping Committee (CMC) work products developed under the 9th POD, has significantly increased the Owners technical understanding of the Thomson Sand Reservoir. The RCSC work products, like the CMC work, have long-term applicability, i.e. shelf-life. The Owners can use the CMC and RCSC study results as a foundation to initiate plan-specific development activities once a viable gas transportation plan has been developed. As the State is aware, all commercialization plans considered to date remain uneconomic.

Other than periodic reevaluations of current study data, no additional geologic studies specific to the Thomson Sand Reservoir are likely to be undertaken until a commercialization plan is adopted. Conducting additional studies prior to the adoption of a specific commercialization plan would not be justified.

### Thirteenth Plan of Development (13th POD)

#### Work Plans

During the term of the 13th POD, the Owners propose to initiate a phased study related to potential development scenarios for the PTU. While previous proprietary studies have determined that all development options are currently uneconomic, potential development activity at Badami has prompted the PTU Owners to initiate the subject study to determine if there are any synergistic benefits between the PTU and Badami and/or any other potential accumulations, e.g. Flaxman, ANWR, etc. The study scope may also include development options previously evaluated on a proprietary basis.

Phase I of the study will entail 1) defining the scope of the study, including the identification of options to be evaluated, 2) solicitation of participants, including non-PTU Owners if warranted, and 3) developing overall work plans. Screening studies will be commenced under Phase II of the study. If warranted by the results of Phase II, Phase III (more specific cost/engineering studies) would be initiated for

any promising options identified in the screening work. The Owners are committed to completing Phase I and commencing Phase II by June 1996.

In addition, Exxon, Mobil and Phillips, acting in their individual Owner capacities, will each initiate a farmout effort targeting flank PTU acreage. Initially, Unit Tracts 8, 9, and 10, which are owned entirely by Exxon, Mobil and Phillips, will be offered and promoted for farmout. The progress and extent of the above proposed study and/or response to these farmout efforts will be considered in determining when and how much additional Unit acreage will be offered. The primary goal of these efforts will be to find qualified farmees willing to commence additional exploratory drilling within the PTU and, if such drilling is successful, to commercialize the discovered resource. Implicit in this initiative is the requirement of a good faith effort by the tract Owners to negotiate a mutually acceptable trade(s); likewise, it is recognized that trades are discretionary, and the ultimate decision to accept a farmout offer lies with the individual tract Owners. Trade proposals covering tracts outside of the scope of the subject initiative will be considered and evaluated on their merits.

**Requested Term**

The Owners request a twenty-three (23) month term, February 2, 1996 to December 31, 1997, for the 13th POD.

In order to keep the DNR advised of progress relative to the above study, representatives of the PTU will meet semi-annually with the DNR (June '96, December '96 and June '97). Individual Owners involved in a farmout initiative will provide the DNR with periodic updates regarding the results of their farmout efforts. As provided in 11 AAC 83.843(d), a 13th POD annual report will be submitted to the DNR on or before December 31, 1996.

We appreciate your consideration of this Thirteenth Plan of Development and request the DNR's approval hereof.

PTUE01\_001040

Exc. 000183

PTU REC\_000318

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

TONY KNOWLES, GOVERNOR

3601 "C" STREET, SUITE 1380  
ANCHORAGE, ALASKA 99503-5948  
PHONE: (907) 269-8784

(907)269-8800

December 28, 1995

G. T. Theriot, Manager  
Alaska Interest Production Department  
Exxon Company, U.S.A.  
P O Box 2180  
Houston, TX 77252-2180

Via Fax(713-656-7100) and Mail

Subject: Point Thomson Unit  
Thirteenth Plan of Development

Dear Mr. Theriot:

The Division of Oil and Gas has reviewed the proposed Thirteenth Plan of Development for the Point Thomson Unit (PTU), dated October 30, 1995. The Thirteenth Plan is approved for the period February 2, 1996 through December 31, 1996 subject to the following conditions:

- 1) A June 1996 meeting in which the Phase 1 results of the study to evaluate the potential development scenarios (commercialization efforts) are presented to the DNR. If any Phase II studies are identified and/or initiated, the scope of these studies are to be part of the June meeting;
- 2) A further presentation during the June meeting of the results/accomplishments to date of the farmout efforts of the WIOs;
- 3) As part of the June 1996 presentations, the DNR requests written materials regarding the studies and copies of any farmout solicitations/proposals and copies of responses to the solicitations at least two weeks prior to the June meeting;
- 4) As soon as it becomes available in 1996, a copy of the RCSC final work product;
- 5) By the end of the Thirteenth Plan of Development, a report, either on a proprietary basis or unit consensus basis, regarding the gross reserves of gas, condensate and oil from the Thomson sands within the PTU;

Exc. 000184

PTU REC\_000320

Mr. Theriot  
December 28, 1995  
Page 2

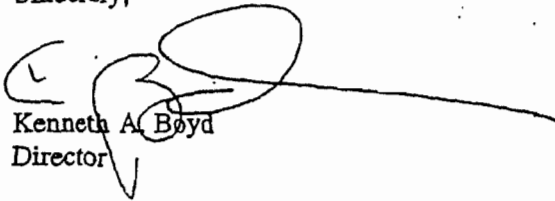
6) Finally, if not included within the scope of the phased potential development scenarios study identified in (1) above, or the RCSC final work product, the DNR requests, by the end of 1996, the unit's view of (1) the potential for gas sales and/or gas storage to the Prudhoe Bay Unit, and (2) the potential sale of gas liquids as a result of gas sales and/or gas storage options.

The division remains concerned about the lack of exploration and development work that has been conducted in the PTU. The division has stepped back from its intent to contract the unit to allow the partners to find new opportunities, including farm-in agreements, to evaluate the area outside the known Pt. Thomson sands accumulation. The division wants the acreage within or immediately adjacent to the unit explored and evaluated. To that end, the division wants the working interest owners to share data pertaining to the acreage within or immediately adjacent to the unit. The division wants the unit to function as a unit rather than as separate leases. Most importantly, the division wants a fair and honest attempt to get this acreage explored and to be appraised of efforts to develop and produce the Pt. Thomson sands accumulation itself.

I look forward to meeting with you in January 1996 to discuss the conditions of the approval, any questions the working interest owners may have, and to work to mutually acceptable long term goals for the exploration and development of the PTU. Please call me at your convenience to arrange the meeting.

Pursuant to 11 AAC 83.343(c) and Article 10 of the Unit Agreement, a Fourteenth Plan of Development for the Point Thomson Unit will be due in this office at least 90 days prior to the termination of the Thirteenth Plan, that is on or before October 1, 1996.

Sincerely,

  
Kenneth A. Boyd  
Director

cc: John Shively

PTU.13thPOD.txt

PTUE01\_001035

Exc. 000185

PTU REC\_000321

TONY KNOWLES, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

3601 "C" STREET, SUITE 1380  
ANCHORAGE, ALASKA 99503-5948  
PHONE: (907) 269-8784

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

FAX: M. Michael McNulty  
(713) 656-1512

October 8, 1997

Exxon Company, U.S.A.  
L. R. Howard, Manager  
Production Department, Alaska Interest  
P.O. Box 2180  
Houston, TX 77252-2180

RE: Point Thomson Unit  
15<sup>th</sup> Plan of Development

Dear Mr. Howard:

The Department of Natural Resources, Division of Oil and Gas (DNR) received the 15<sup>th</sup> Plan of Development (POD) for the Point Thomson Unit on October 1, 1997. The proposed POD, submitted by Exxon Company U.S.A. (Exxon), does not comply with the requirements of 11 AAC 83.343 and is deemed to be incomplete. 11 AAC 83.343(c).

Under 11 AAC 83.343(a) the plan must include, to the extent available information exists

- (1) long-range proposed development activities for the unit, including plans to delineate all underlying oil or gas reservoirs, bring the reservoirs into production, and maintain and enhance production once established;
- (2) plans for the exploration or delineation of any land in the unit not included in a participating area;
- (3) details of the proposed operations for at least one year following submission of the plan; and
- (4) the surface location of proposed facilities, drill pads, roads, docks, causeways, material sites, base camps, waste disposal sites, water supplies, airstrips, and any other operation or facility necessary for unit operations.

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Exc. 000186

PTU REC\_000323



Exxon Company, U.S.A.  
Point Thomson Unit  
October 8, 1997  
Page 2

In previous plans Exxon proposed numerous studies of various aspects of development for the Point Thomson Unit. To better understand the extent that available information exists, we request a list of all of the studies done to date in the unit area whether at the request of the unit operator or other working interest owners. These studies may include the following issues: geology and geophysics, engineering, environmental, economics, pipelines, facility siting, and facility sharing. Please provide a synopsis of the results from each study. After we review this information we may request copies of any reports that were produced from the studies. Specifically, on May 15, 1997, the Point Thomson unit owners commissioned Parsons Process Group Inc. to prepare a Development Screening Study of Facility Designs and Cost Estimates. Please provide a copy of Parsons' report to DNR.

Exxon's POD concentrates on gas/condensate development from the Thomson Sandstone Reservoir. The 15<sup>th</sup> POD must also include an evaluation of the oil rim component from the Thomson Sandstone Reservoir. Exxon must estimate the volume of oil in place and the volume of recoverable oil and formulate a plan to further delineate and develop the oil component of the Thomson Sandstone Reservoir.

The working interest owners have explored other reservoirs within the Point Thomson Unit besides the Thomson Sandstone Reservoir. BP and Chevron publicly announced a discovery with an estimated 100 mmb of recoverable oil from the Sourdough prospect within the Point Thomson Unit. And, Exxon's A-1 well discovered the Flaxman oil accumulation within the Point Thomson Unit area. The proposed POD did not include plans for developing either of these known prospects or exploration for additional reservoirs within the unit area. We encourage the working interest owners and the unit operator to work together to delineate and develop all potential hydrocarbon accumulations within the Point Thomson Unit area. The unit Plan of Development must include a schedule to evaluate the geology of the multiple reservoirs in the entire unit area and perform an integrated economic analysis of the unit. This evaluation should at a minimum incorporate the Thomson condensate, oil rim, Upper Cretaceous through Eocene turbidites, and fractured basement potential.

The unit owners have negotiated various agreements for the exploration and delineation of the unit area. We request a list of all agreements relating to the Point Thomson Unit and a brief explanation of the rights and obligations of the parties to each agreement. The proposed POD discusses a farmout agreement with ARCO to acquire a 3D seismic survey covering Unit Tracts 7, 8, 9, and 10. Northern Geophysical completed acquisition of the survey on March 30, 1997, and processing of the data should be completed by year-end. We request a 3D seismic data in the first quarter of 1998.

Exxon Company, U.S.A.  
Point Thomson Unit  
October 8, 1997  
Page 3

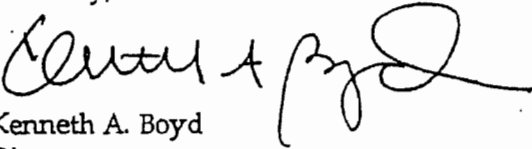
Additional delineation wells will be necessary to evaluate the geology of the unit area. The 15<sup>th</sup> POD timeline should include site selection and permitting for an exploratory well to be drilled within the unit area in 1999. Further delineation wells in the Sourdough prospect will not qualify for this commitment.

Exxon has 30 days from receipt of this letter to submit a revised POD for the Point Thomson Unit. The revised plan must set forth a schedule to submit the following items (suggested dates are listed after each item):

1. A list of studies done to date and a synopsis of each one (by 3/31/98)
2. A list of all agreements among Point Thomson Unit owners relating to exploration and development of the unit area and a brief explanation of each agreement (by 3/31/98)
3. A presentation of the 3D seismic data from the ARCO farmout (by 3/31/98)
4. A plan to delineate all reservoirs within the unit area (by 6/30/98)
5. A plan to develop oil reserves within the unit area (by 6/30/98)
6. A plan to perform an integrated economic analysis of oil and gas potential in the unit (by 6/30/98)
7. Preliminary planning for an exploration well to be drilled in 1999 (by 6/30/98)
8. A report on the oil potential in the Thomson Sands (by 9/30/98)

Please contact Carol Lee, Unit Manager at (907) 269-8813 if you have any questions concerning this decision.

Sincerely,

  
Kenneth A. Boyd  
Director

cc: BP Exploration (Alaska) Inc.  
Chevron U.S.A. Inc.  
Mobil Oil Corporation  
Oxy U.S.A. Inc.  
Phillips Petroleum Company  
Arco Alaska Inc.

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DIV. OF OIL & GAS  
DIRECTOR'S OFFICE

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**EXXON COMPANY, U.S.A.**  
POST OFFICE BOX 2180 • HOUSTON, TEXAS 77252-2180

PRODUCTION DEPARTMENT  
ALASKA INTEREST

L. R. HOWARD  
MANAGER

November 6, 1997

15th Plan of Development  
Point Thomson Unit

VIA FAX (907-562-3852) & FEDERAL EXPRESS

Mr. Kenneth A. Boyd, Director  
Division of Oil and Gas  
Alaska Department of Natural Resources  
3601 "C" Street, Suite 1380  
Anchorage, Alaska 99503-5948

Dear Mr. Boyd:

By letter dated October 8, 1997, the Department of Natural Resources, Oil and Gas Division (DNR) advised Exxon that the 15th Plan of Development (POD) for the Point Thomson Unit (PTU) was incomplete. The DNR requested a revised 15th POD be submitted within 30 days receipt of the subject letter and that such POD provide for certain additional information and various plans, including a preliminary plan to drill an exploratory well in 1999.

Given the current status of exploration and development within the PTU, the Unit's working interest owners (Owners) believe the submitted 15th POD is complete and therefore should be approved. The subject POD addresses the considerable work accomplished under the 14th POD and sets forth 1998 work commitments which are reasonable given the results from Phase I of the Unit's development screening study. The principal obligation of the Owners is to develop the PTU in a manner consistent with that of a reasonably prudent operator. The Owners have and continue to satisfy this requirement.

While the Owners acknowledge the DNR's desire for additional exploration within the PTU, the request for an exploratory well in 1999 is not appropriate given the substantial exploration effort heretofore undertaken by the Owners. A total of 17 exploration and/or delineation wells have been drilled in or around the PTU. Collectively, these wells have encountered and to some extent tested all of the known prospective formations common to the PTU. To date, none of the accumulations encountered by these wells have been determined to be commercial. Yet, additional exploration activity and technical evaluation continues. This summer, BP conducted a proprietary, offshore 3-D seismic program in the Central Beaufort Sea, including the area near Flaxman Island. In March of this year, BP completed acquisition of a 3-D seismic survey over the western portions of the PTU; the survey was part of a larger seismic program in which ARCO also participated. In 1996, BP and Chevron drilled the Sourdough #3 well, confirming the results of their Sourdough discovery. The Owners have conducted four (4) major consensus studies since 1991, all of which have resulted in an enhanced understanding of the area. As

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reflected by Exxon's own Unit-related investment of \$400+ million, and the continued exploration investments by others, the Owners have demonstrated their willingness to commit significant capital to the evaluation of the PTU when there is a technical and economic basis for doing so.

As mentioned in the 15th POD submittal, certain Owners, principally BP and Chevron, are discussing the possibility of drilling additional wells in or near the PTU. In fact, BP has begun permitting five possible surface locations, four of which are within the PTU. In addition, under the terms of the farmout agreements granted to ARCO by Exxon, Mobil and Phillips, ARCO has the option, but not the obligation, to drill a farmout well on Unit Tracts 7 - 10 by March 31, 1999. While Exxon, as Unit Operator, cannot commit the Owners to a future well or guarantee that a farmout well will be drilled, it is anticipated that one or more wells will be commenced in or near the PTU during the 1999/2000 drilling season.

As to the DNR's request for a review of the 3-D seismic survey acquired pursuant to the above-referenced farmout agreements, ARCO is the appropriate party to provide this review. Although Exxon, Mobil and Phillips will receive a copy of a portion the 3-D survey, per the terms of the farmout agreements such parties may not disclose the data to third parties.

The DNR has encouraged the Owners to work together to delineate and develop all potential hydrocarbon accumulations within the PTU. It has requested the submission of a plan to delineate and develop all reservoirs by June 1998. For the reasons discussed below, the Owners cannot comply with the DNR's request at this time. The basis upon which a joint evaluation of the Thomson Sand was conducted is not present for the other accumulations. Unlike the Thomson Sand reservoir which contains significant hydrocarbon reserves and which is areally extensive and essentially contiguous, the other prospective accumulations within the PTU are small by comparison and scattered. The Owners' current viewpoints vary widely on the issue of whether such remote, scattered accumulations can be commercially produced. Another impediment to convening a joint study is that certain Owners possess proprietary well and seismic data which they cannot reasonably be expected to make available to the other Owners unless appropriately compensated and protected. If critical well and seismic data cannot be shared, the incentives for conducting a joint study are greatly diminished. The Owners will continue to look for ways to jointly evaluate the remaining prospective accumulations within the PTU and will apprise the DNR of any progress in this regard. It should be noted that some of the Owners have or will be undertaking their own proprietary studies of Brookian-age oil accumulations in the greater Point Thomson Area.

Specific plans to develop known oil accumulations within the PTU will be pursued once the owners of these accumulations have decided to commercialize them. If BP and Chevron make the decision to move forward with the commercial development of the Sourdough Prospect, a development plan will be prepared. Based upon the current interpretation of the Flaxman accumulation, which incorporates the results of both the Exxon - State of Alaska A-1 well and the Exxon - State of Alaska G-2 well, additional development of this accumulation cannot be justified at this time. As part of the Geologic and Reservoir Modeling Committee (GRMC) effort, the oil rim of the Thomson Sand reservoir was mapped and the interpretation incorporated into the GRMC's 3-D geologic model. Full-field model simulations yielded low recoveries from

Mr. Kenneth A. Boyd

-3-

November 6, 1997

the oil rim, primarily due to a small column height and low API gravity oil. Consequently, development of the oil rim cannot be supported at this time.

The DNR has requested a list and summary of all prior, Unit-related studies and a copy of the Parsons report on screening facility designs and cost estimates. Prior PODs have identified and summarized key studies undertaken by certain Owners. Where appropriate, the DNR has been provided with copies of the study results and/or given a presentation thereof. The major studies conducted recently have been those by the Consensus Mapping Committee (CMC), the Reservoir Characterization Study Committee (RCSC), the GRMC and the Development Steering Committee (DSC); these studies have been reviewed with the DNR in some detail. If additional information on a particular study is desired, the Owners will work with the DNR in this regard. The Owners are willing to meet with DNR staff as soon as possible to: 1) review the final results from the development simulations modeled on Thomson gas and oil rim development; and 2) discuss the conclusions from the Parsons report. The DNR's request for a copy of the Parsons report, however, must be declined.

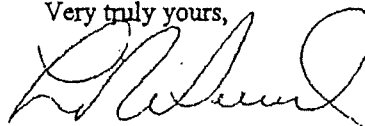
The Owners are agreeable to meeting with the DNR in June of next year to review updated work and economic conclusions about prospective developments.

The agreements controlling the exploration and development of the PTU are the Point Thomson Unit Agreement, the Point Thomson Unit Operating Agreement and the leases subject to both. The DNR has copies of these agreements. Farmout agreements and/or other agreements (i.e., data trade agreements, etc.) which exist between certain Owners and/or third parties are private agreements which do not alter the Owners' existing obligations to the State. The Owners must decline the DNR's request for copies of these private agreements.

In summary, the Owners believe the submitted 15th POD is consistent with conservation objectives and fully complies with POD requirements. Exxon, as Unit Operator and on behalf of the Owners, again requests approval of the 15th POD for the PTU. The Owners commit to meet with the DNR to review the final GRMC and DSC results, as well as economic conclusions concerning potential developments within the PTU, at the times specified above.

Should you have any questions regarding the foregoing, please call Raul Huerta (713.656.7111) or the undersigned (713.656.7000).

Very truly yours,



L. R. Howard

LRH:MMM  
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cc: PTU Working Interest Owners.

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**EXXON** COMPANY, U.S.A.  
POST OFFICE BOX 2180 • HOUSTON, TEXAS 77252-2180

PRODUCTION DEPARTMENT

July 28, 1999

Sixteenth Plan of Development  
Point Thomson Unit  
E. North Slope, Alaska

VIA FACSIMILE (907-269-8938) & FEDERAL EXPRESS

Mr. Kenneth A. Boyd, Director  
Division of Oil & Gas  
Alaska Department of Natural Resources  
550 West 7th Avenue, Suite 800  
Anchorage, Alaska 99501-3510

RECEIVED  
JUL 30 1999  
DIV. OF OIL & GAS  
DIRECTOR'S OFFICE

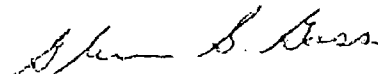
Dear Mr. Boyd:

Exxon, as Unit Operator and on behalf of the Working Interest Owners (Owners), hereby submits for your approval the attached Sixteenth Plan of Further Development and Operation (16th POD) for the Point Thomson Unit.

The 16th POD contains an update on the 15th POD as well as the Owners' work plans for the next 12-month period.

Should you have any questions, please feel free to call me at 713-656-1343.

Sincerely,



Glenn S. Goss  
Development Planning Manager

GSG:bbt  
Attachment

c: PTU Working Interest Owners

A DIVISION OF EXXON CORPORATION

PTU Rec\_011758

PTUE01\_000827



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## POINT THOMSON UNIT

### **Sixteenth Plan of Further Development and Operation And Update on the Fifteenth 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 Sixteenth Plan of Further Development and Operation (POD 16) for the Point Thomson Unit (PTU) along with an update of the 15th POD. Both are submitted by Exxon as Unit Operator and on behalf of the Working Interest Owners (Owners).

#### Overview

The Point Thomson Field was discovered in 1975 with the successful completion of the Alaska State A-1 oil well in the Brookian sequence. In 1977, the Point Thomson Well #1 discovered gas in the Thomson sand and was certified as capable of producing in paying quantities on November 4, 1977. By 1983 a total of 15 wells had been drilled within or immediately adjacent to the PTU and had confirmed the presence of a significant gas field. Including lease bonus and exploratory wells, Unit Owners have spent over \$600 million to acquire/define the existing resource base and to evaluate development alternatives without accruing any economic return to date. In addition, all of the major Owners have dedicated a significant amount of internal technical staffing to complete a wide range of reservoir/facility/drilling studies to assess development potential. Unfortunately, the absence of an accessible gas market and transportation system has continued to frustrate the Owners' efforts to develop this important resource.

In addition to the primary Thomson sand gas resource, exploratory drilling along with extensive 3D seismic data have defined several oil accumulations contained within the PTU. These include the oil rim associated with the Thomson gas reservoir and other accumulations in the Brookian sequence. All exploratory wells have penetrated the Brookian at Point Thomson and well tests have been conducted in the Brookian in nine of these wells. Early studies by the Owners were not encouraging relative to oil development independent of gas sales. As explained in this Plan, the current focus on Brookian and Thomson oil rim developments are linked to the commerciality of a Thomson gas cycling project.

Because of the lack of a gas sales market and transportation system for the Thomson gas accumulation, and because of the higher uncertainty of the Brookian, in recent years the Owners have focused on studying the viability of gas cycling operations to develop Point Thomson's liquid reserves in the relative

near-term while preserving the option to develop other resources and to sell gas later. Due to high drilling and development costs, concerns with reservoir continuity, and the technical challenges of conducting high-pressure gas cycling operations, previous studies indicated that gas cycling was uneconomic. However, the Owners recognize that this scenario is the lead case for near-term Unit development and, therefore, have continued to study the gas cycling development alternative during POD 15.

Results of facility optimization, reservoir, and drilling studies during POD 15, which will be discussed in more detail below, have encouraged the Owners that a gas cycling project may be viable at Point Thomson if further studies and technology advancements result in additional cost reductions and reduced reservoir and geological uncertainty. To date, advances in the technology of extended reach drilling, high rate/high pressure compression, and 3D seismic have contributed to this improved outlook.

In addition to continued study of gas cycling scenarios, significant effort and resources have gone into improving the Unit's shared understanding of Brookian oil accumulations during POD 15 to assess what role these potential resources could play in PTU development. This will be discussed below. While the Brookian potential will continue to be assessed, the PTU Owners believe the economics of gas cycling will drive PTU commerciality. However, any ultimate depletion plan will allow for the exploitation of the Brookian and take advantage of any development synergies.

#### **Update of the Fifteenth Plan of Further Development and Operation**

During POD 15 the primary focus of PTU Owners was directed at improving the confidence in our predictions of Thomson and Brookian reservoir performance, mapping Brookian oil accumulations, refining the facility requirements and cost estimates of implementing a gas cycling project in the Thomson gas sand, and evaluating Brookian development synergies with the Thomson gas cycling project. Technical studies were coordinated by the Development Steering Committee, a Unit workgroup consisting of participants from all major PTU Owners. Accomplishments under POD 15 are outlined below.

#### **Common Database:**

To provide for a consensus approach to PTU studies, in April 1999 the major Owners completed a trade of all remaining data necessary to establish a common database sufficient for completion of the PTU commerciality assessment. The information exchanged in April included extensive 3D seismic data, well data, core data, environmental surveys, drilling cost studies, and studies related to integrated Brookian/Thomson development. Technical discussions are ongoing within the Development Steering Committee to share



interpretations of the recently traded data to achieve a common level of understanding of all relevant data.

### Thomson Gas Cycling:

Owners completed the Phase II facility screening study during the Plan period. The focus of this work was on further refining development scenarios and on further analyzing key development components and associated costs. This study narrowed the range of potential scenarios under consideration and increased the Owners' understanding of the technical and commercial issues associated with high pressure gas cycling technology. The study identified potential cost reduction/optimization concepts that will be analyzed by the Owners.

The scenario resulting from this study (which is currently being used by Unit Owners for planning purposes) is included to provide the Alaska DNR with a clearer understanding of the focus of Owner activities. During POD 16, the Working Interest Owners will further optimize the elements of this scenario. The current planning scenario consists of the following elements:

- + Drill eight gas producers from two onshore drill sites to produce one billion cubic feet per day (GCF/D) of wet gas. One drill site will be located on the east end of the field with the other on the west side. The location and number of wells and the project offtake rate are subject to optimization. Both higher and lower offtake rates will be considered.
- + Separate condensate from gas production for export to TAPS Pump Station # 1. The resulting initial condensate rate will be dependent upon final determination of fluid composition and the cycling pattern but may vary from 50 to 70 thousand barrels per day (KB/D).
- + Compress and re-inject lean gas into the Thomson gas cap through 7 injection wells (from one centrally located onshore drill site) to partially maintain reservoir pressure and to recover retrograde liquids via vaporization. Injected gas will remain available for sale when a gas market and transportation system become available. Much of the field infrastructure ultimately required for gas sales will be the same as installed for the gas cycling project.
- + In-field infrastructure includes gathering, injection, and fuel gas pipelines, construction and operating camps, dock, airstrip, and power generation. The current planning case does not include a road to Prudhoe Bay.

One of the major uncertainties affecting the economic outlook of the gas cycling project is the estimate of condensate yield over the life of the project. To improve Owner confidence in these predictions, several activities were undertaken during POD 15. The Owners worked together to improve the ability to predict the reservoir behavior of fluids during production. To this end, the Owners conducted two Fluid Property Workshops to share each company's models and

understanding of the fluid data and its interpretation. The Owners initiated the development of a comprehensive fluid characterization of the Thomson gas. This work is being conducted for the Unit at Exxon's upstream research company. This characterization will be incorporated into compositional models and will lead to a better prediction of condensate yield over the field's producing life.

Additionally, several gas processing scenarios were evaluated to optimize recovery potential as part of the Phase II facility study. Based on the results of the planned compositional modeling, additional facility optimization may be warranted during POD 16 and beyond.

Preliminary studies and data gathering associated with an environmental assessment of the Point Thomson area were other areas of major progress during POD 15. The Unit initiated, and will complete during POD 15, a study to define project permitting requirements and related costs. The Unit also will conduct a second year of environmental baseline surveys during 1999 to acquire data to support the permitting process and to prepare a future Environmental Assessment for PTU development. This survey work builds upon data acquired by BP and Chevron in 1998. The 1998 data along with a permitting plan analysis conducted by BP and Chevron were shared as part of the April 1999 data trade.

#### **Point Thomson Oil Development:**

Considerable progress was made by PTU Owners during POD 15 in evaluating the oil accumulations that have been delineated within the Unit to determine if these resources can be exploited commercially.

THOMSON OIL RIM: The Unit conducted (and is continuing to conduct) simulation studies of the Thomson oil rim. These studies used optimistic reservoir parameters to test highside potential. Predicted performance was disappointing, suggesting that oil recovery would likely be insufficient to payout the cost of dedicated oil rim wells. Results from these studies were reviewed with the Alaska DNR on September 30, 1998. Planned future studies will focus on determining if the gas cycling project can be modified to allow some gas cycling through the oil rim to target this resource in a cost-effective manner.

One concern identified regarding the Thomson oil rim was the presence of a heavy oil or tar dispersed throughout the oil accumulation. This was indicated by geochemical analysis of rock samples from the PTU - #1 well. The results of this work were also reviewed with the Alaska DNR on September 30, 1998. The presence of the tar could potentially reduce the outlook for recovery relative to our model studies which, to date, have ignored the occurrence of heavy oil or tar. Additional geochemical analysis of the Mobil Staines River #1 will be carried out

under POD 15. Review of this data will improve our understanding of the presence and distribution of the tar material.

BROOKIAN OIL: A considerable portion of the Unit's geoscience effort during POD 15 was directed at improving the resource definition of the Brookian oil accumulations. The Unit formed the Brookian Assessment Team (BAT) to guide joint geoscience studies. Geoscientists from all major PTU Owners worked together to examine/describe all available core data. This led to the development of a common terminology of the Brookian lithofacies and an improved understanding of reservoir characterization and key parameters including well performance and producibility.

The BAT met several times during the Plan period primarily to further the Brookian mapping effort. With the availability of the common database (described above), the BAT has access to 3D seismic coverage of the Brookian formation over almost 95% of the PTU. This allowed continued refinement of Brookian potential.

The BAT jointly defined the limits of known and potential accumulations for five Brookian areas within the PTU and by the end of POD 15 will have developed consensus reservoir maps for each, along with a consensus estimate of the range of oil-in-place based on Monte Carlo simulation. Maps and resource estimates of these five Brookian targets will be reviewed with the Alaska DNR on or before September 30, 1999.

Facility scoping studies have estimated costs for stand-alone Brookian development. Further studies will estimate costs for integrated development scenarios with the Thomson gas cycling project. Studies conducted by BP and Chevron in 1998 were acquired by all other major PTU Owners in April 1999. In October 1998, BP invited representatives from the PTU Development Steering Committee to tour the Badami Field facilities. This tour provided an increased understanding of the potential facility requirements and operational challenges for PTU Brookian development.

#### Sixteenth Plan of Further Development and Operation (POD 16)

It is requested that POD 16 extend from September 30, 1999 to September 30, 2000. During this period, the following activities will be pursued by the PTU Working Interest Owners.

1. Reprocess selected portions of the existing seismic data as necessary to improve the imaging and to increase confidence in the depth/time conversion and the resulting structural interpretation of the Thomson reservoir. Based on

this work, the need for the acquisition of additional seismic data will be assessed.

2. Complete capillary pressure measurements on cores selected during POD 15 to reduce uncertainty in the variation in water saturation estimates in the Thomson gas cap.
3. Complete experimental measurements of rock strength to assess the risk of sand production from the anticipated high rate gas producers.
4. Diligently advance environmental surveys and studies necessary to prepare an Environmental Assessment of PTU development within the anticipated duration of the 17th POD if project commerciality is demonstrated.
5. Complete geoscience studies needed to refine the existing detailed full field geologic model of the Thomson reservoir. This effort includes integrating all 3D seismic and well information, including data obtained in the April 1999 data exchange, and will incorporate the results of the data reprocessing described in Work Item 1 above.
6. Evaluate the need for additional appraisal drilling to assist the Owners' assessment of project commerciality.
7. Diligently advance subsurface and surface optimization studies and cost reduction studies necessary to lead to the selection of a base development plan during the anticipated duration of the 17th POD. This plan will be used by the Owners in completing a preliminary assessment of project commerciality.
8. Diligently advance Unit activities to enable the submittal to the DNR, during the anticipated duration of the 17th POD, a proposal to redefine the appropriate Unit boundaries for PTU development.

Unit Owners will provide the DNR a presentation summarizing all of the above Plan elements by September 30, 2000.

JUN. 20. 2001 10:44AM

ExxonMobil Production Company  
Post Office Box 2180  
Houston, Texas 77252-2180

**ExxonMobil**  
Production

June 19, 2001

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

Dear Mr. Myers:

The major Working Interest Owners ("Owners") in the Point Thomson Unit would like to express our appreciation to you and your staff for meeting with us to discuss the Point Thomson Expansion/Contraction Application on May 30<sup>th</sup>. As agreed at that meeting, we are sending you our response to your May 1, 2001 letter.

The Owners have endeavored in the attached response to unambiguously demonstrate our commitment to the development of the Point Thomson Unit. We are committing to an aggressive work program and the expenditure of substantial funds that will put us in a position to initiate project execution activities as early as is possible. Specifically, the Owners have agreed to pursue immediately the expedited permitting process envisioned in the National Energy Policy and to accelerate the start of Preliminary Engineering in order to move the PTU more quickly toward project start up. These work commitments will require an estimated expenditure of \$35 million over the period September 2001 to September 2003. In addition, the Owners commit to drilling a Thomson Sand appraisal well, or deepening the Red Dog well, in Work Area A during the 2002-2003 winter drilling period. Thus, the owners are committing to undertake work that is estimated to cost in excess of \$50 million over the two-year period beginning in September 2001.

Carrying out these work commitments will provide the Owners the flexibility to either independently develop Point Thomson for gas cycling, while maintaining the ability to sell gas at a later date, or provide for early gas sales should that be the most advantageous development option for both the State and the Owners.

A longer-term commitment can also be made by the Owners to begin continuous development drilling by mid-2006, estimated to cost in excess of \$300 million, should Preliminary Engineering confirm commerciality and should we be successful in receiving permits that do not contain stipulations that are prohibitive.

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JUN. 20. 2001 10:44AM

Mr. Mark Myers, Director

-2-

June 19, 2001

We would also like to confirm that the Owners and the ADNR have agreed to have an Understanding of Terms in place by June 30, 2001, with a final decision issued no later than July 31, 2001, so as to ensure that no proposed expansion leases expire prior to a final decision on expansion. Further we confirm that the POD 18 will be submitted to the ADNR by July 18, 2001.

Sincerely,



J. A. Justice

JAJ:WDM:daw  
Attachment

c: PTU Working Interest Owners

PTU22P\_000843

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PTU REC\_001503

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS

650 WEST 7<sup>TH</sup> AVENUE, SUITE 800  
ANCHORAGE, ALASKA 99501-3510  
PHONE: (907) 269-8800  
FAX: (907) 269-8938

July 31, 2001

VIA FACSIMILE (713) 656-9632

Bill Strawbridge  
Reservoir Evaluation Manager  
ExxonMobil Production Company  
P.O. Box 2180  
Houston, TX 77252-2180

RE: Pt. Thomson Unit Expansion/Contraction  
Application Conditionally Approved

Dear Mr. Strawbridge:

On February 2, 2001, ExxonMobil Corporation (ExxonMobil), Unit Operator, applied to simultaneously expand and contract the Point Thomson Unit (PTU) to add all or portions of 16 state oil and gas leases while excluding all or portions of four other state oil and gas lease out of the PTU (the Application). ExxonMobil submitted the Application on behalf of itself, BP Exploration (Alaska), Inc., and Chevron U.S.A. Inc. (the Applicants).

The Department of Natural Resources (DNR) reviewed the statutes, oil and gas unitization regulations, the PTU Agreement, materials supplied by ExxonMobil in support of the application, and comments received during the thirty-day public comment period. Subsequent to the close of the public comment period and pursuant to regulation, DNR made a proposal to the Applicants under which expansion/contraction of the PTU would be granted, but on different terms than those proposed in the Application (DNR's Initial Proposal). The Applicants rejection of DNR's Initial Proposal led to further discussion and a series of counter proposals. The Applicants and DNR came to an agreement, and the Application is approved under the terms and conditions set out in Attachment 1 to this decision (the Agreement), provided that all working interest owners in the expansion and contraction acreage unequivocally agree to those terms in writing.

The Agreement is intended to protect the public interest, in part, by ensuring that the expansion areas will be adequately explored and brought into production within a reasonable time with a more appropriate royalty rate on the more valuable leases. If the Applicants fail to timely explore or bring the expansion areas into production, the Agreement requires that the expansion areas

PTUE01\_001621

*"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."*

PTU Rec\_0012757

Exc. 000201

10/13/01  
Conditionally Approved

Bill Strawbridge, Exxon Oil Production Company  
PTU Expansion/Contraction  
Application Conditionally Approved  
July 31, 2001  
Page 2

contract out of the unit and that the Applicants pay DNR for the lost opportunity to re-lease the expansion acreage.

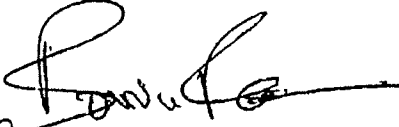
The Application, with the conditions contained in the Agreement, meets the criteria in 11 AAC 83.303. Conditional approval of the Application is necessary and advisable in the public interest to conserve natural resources, avoid waste, and protect the interest of all interested persons including the state and the public. Because negotiations between DNR and the working interest owners continued through July 31, 2001, the date that many of the proposed expansion leases were due to expire, DNR is issuing this decision today to extend those lease terms under unitization, and will issue a complete evaluation of the Application and the Agreement after August 15, 2001.

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. If all of the working interest owners timely agree to the terms and conditions set forth in the attached Agreement, this decision shall become effective as of 12:01 a.m. July 31, 2001, except that it will be effective on November 30, 1998 as it applies to ADL 372256, and on March 31, 2001 as it applies to ADL 375064.

On July 19, 2001, DNR received a draft Eighteenth Plan of Development for the PTU (18<sup>th</sup> POD). ExxonMobil must submit the final 18<sup>th</sup> POD for approval by August 15, 2001. Within thirty days after acceptance of the Agreement, the unit operator must submit revised Exhibits A and B to the PTU Agreement that reflect the revised legal descriptions and royalty rates of the leases in the approved unit area.

A person adversely affected by this decision may appeal this decision, in accordance with 11 AAC 02, to Pat Pourchot, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501-3561. Any appeal must be received at the above address, or by fax to 1-907-269-8918, within 30 calendar days after the date of "delivery" of this decision, as defined in 11 AAC 02.040. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,

  
for Mark D. Myers  
Director

PTU Rec\_0012758

PTUE01\_001622

Exc. 000202



Bill Strawbridge, Exxon Oil Production Company  
PTU Expansion/Contraction  
Application Conditionally Approved  
July 31, 2001  
Page 3

Attachment 1, Agreement Resolving All Pending Point Thomson Unit Expansion/Contraction  
Matters And Proceedings  
Attachment 2, Map of the Proposed PTU Expansion/Contraction Area

MM:cdl

cc: Pat Pourchot, DNR Commissioner  
Richard Todd, Department of Law  
John L. Davis, TotalFinaElf  
Bob Gage, Murphy Exploration & Production Company  
Richard Wagner

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PS Form 3800, July 1999 See Reverse for Instructions

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BOB DAVIS TotalFinaElf  
Street, Apt. No., or PO Box No.  
City, State, ZIP+4

PS Form 3800, July 1999 See Reverse for Instructions

Restricted Delivery Fee  
(Endorsement Required)

Total Postage & Fees \$

Name (Please Print Clearly) (To be completed by mailer)  
BOB GAGE MURPHY  
Street, Apt. No., or PO Box No.  
City, State, ZIP+4

PS Form 3800, July 1999 See Reverse for Instructions

7099 3220 0004 9022 7136  
7099 3220 0004 9022 7143

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Exc. 000203

<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><b>COMPLETE THIS SECTION ON DELIVERY</b></p>	
<p>1. Article Addressed to:</p> <p><b>BILL STRAWBRIDGE EXXONMOBIL PRODUCTION COMPANY PO BOX 2180 HOUSTON, TX 77252-2180</b></p>		<p>A. Received by (Please Print Clearly)</p>	<p>B. Date of Delivery <b>AUG - 7 2001</b></p>
		<p>C. Signature <b>X [Signature]</b></p>	<p><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p>
		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</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>4. Restricted Delivery? (Extra Fee)    <input type="checkbox"/> Yes</p>	
<p>2. Article Number (Copy from service label) <b>7099 3220 0004 9022 7129 PTJ</b></p>			
<p>PS Form 3811, July 1999</p>		<p>Domestic Return Receipt</p>	
<p>102595-09-44-1799</p>			

<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><b>COMPLETE THIS SECTION ON DELIVERY</b></p>	
<p>John L. Davis TotalFinaElf E&amp;P USA, Inc. 800 Gessner, Suite 700 Houston, TX 77024</p>		<p>A. Received by (Please Print Clearly)</p>	<p>B. Date of Delivery <b>8-6-01</b></p>
		<p>C. Signature <b>X [Signature]</b></p>	<p><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p>
		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</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>4. Restricted Delivery? (Extra Fee)    <input type="checkbox"/> Yes</p>	
<p>2. Article Number (Copy from service label) <b>7099 3220 0004 9022 7143 PTJ</b></p>			
<p>PS Form 3811, July 1999</p>		<p>Domestic Return Receipt</p>	
<p>102595-09-44-1799</p>			

<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><b>COMPLETE THIS SECTION ON DELIVERY</b></p>	
<p>Bob Gage Murphy Exploration &amp; Prod. Co. Frontier Exp &amp; Prod Dept. 550 Westlake Park Blvd. #1000 Houston, TX 77079</p>		<p>A. Received by (Please Print Clearly)</p>	<p>B. Date of Delivery <b>8/11/01</b></p>
		<p>C. Signature <b>X [Signature]</b></p>	<p><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p>
		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</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>4. Restricted Delivery? (Extra Fee)    <input type="checkbox"/> Yes</p>	
<p>2. Article Number (Copy from service label) <b>7099 3220 0004 9022 7136 PTU</b></p>			
<p>PS Form 3811, July 1999</p>		<p>Domestic Return Receipt</p>	
<p>102595-09-44-1799</p>			

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Exc. 000204

**Attachment 1**

**AGREEMENT RESOLVING ALL PENDING POINT THOMSON UNIT  
EXPANSION/CONTRACTION MATTERS AND PROCEEDINGS**

**Contraction Approved**

Four leases or portions of leases were proposed for contraction out of the PTU in 2001 Application for Expansion and Contraction of the Point Thomson Unit (the Application). DNR accepts the contraction of the following areas out of the PTU:

- ADL 47565, All
- ADL 28384, that portion within T. 9N, R. 23E, U.M., Section 28, unsurveyed, SW1/4; Section 33, unsurveyed, all;
- ADL 28385, that portion within T. 9N, R. 23E, U.M., Section 29, unsurveyed, S1/2; Section 30, unsurveyed, S1/2; Section 31, unsurveyed, all; Section 32, unsurveyed, all;
- ADL 343109, that portion within T. 10N, R. 24E, U.M., Section 10, protracted S1/2S1/2, lying easterly of 146° 00'00" West Longitude; Section 11, protracted S1/2S1/2; Section 12, protracted SW1/4SW1/4; Section 13, protracted all; Section 14 protracted all; Section 15, protracted, all lying easterly of 146° 00'00" West Longitude; Section 22, protracted, N1/2 lying easterly of 146° 00'00" West Longitude; Section 23, protracted, N1/2; Section 24, protracted, N1/2.

ADL 28384, ADL 28385, and ADL 343109 will be segregated; the Working Interest Owners will immediately surrender the non-unitized portions of the leases; and the non-unitized portions of the leases are now available for the state to offer in the next areawide oil and gas lease sale.

**Expansion Acreage**

DNR identified seven Expansion Areas and one Work Commitment Area, described in Paragraph #10 below, currently outside of the PTU. There is a high probability that the Expansion Areas contain hydrocarbon resources, while the Work Commitment Area may or may not be underlain by oil and gas reserves. Therefore, DNR will not impose specific drilling commitments for each Expansion Area, but DNR does require the Working Interest Owners to drill a delineation well in the Work Commitment Area and seven development wells within the revised PTU as a condition for expanding the unit area. Inclusion of the acreage within the seven Expansion Areas plus the one Work Commitment Area (Expansion Acreage) in the PTU will be conditioned as follows:

1. On or before June 15, 2003, the Working Interest Owners 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

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**Exc. 000205**

leasing (Extension Charge), and be released from the remaining obligations imposed herein. The Extension Charge will be due on July 1, 2003.

2. The Working Interest Owners 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 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 Working Interest Owners fail to complete drilling a well within the Work Commitment Area by June 15, 2003, the acreage automatically contracts out of the PTU, as specified in Paragraph #2 above, and the Working Interest Owners 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 PTU effective that date, and the Working Interest Owners 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 Working Interest Owners must complete the drilling of seven development wells in the PTU by June 15, 2008, or all of the Expansion Acreage will automatically contract out of the PTU effective that date, and the Working Interest Owners 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.
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 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 Working Interest Owners will pay the State of Alaska an amount to compensate for the unrealized bonus payments during the period that the

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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 Working Interest Owners 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 Working Interest Owners 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, as a requirement for including Expansion Areas 1, 2, 3, 4, and 6 in the PTU, the royalty rates will be increased as shown in the table below.

The conditions specific to Expansion Areas #1 through #7 and the WCA are outlined below:

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, BS2000 Lease	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		

The Work Commitment Area and Expansion Areas are briefly described as follows:

**Work Commitment Area, Red Dog**

ADL 377012, All;  
 ADL 377013, All; and  
 ADL 377016, that portion within the lease of protracted T. 10N, R. 21E, U.M., Sections 11, E1/2, E1/2W1/2; 12, W1/2, W1/2E1/2; 13, W1/2, W1/2E1/2; 14, E1/2, E1/2W1/2; 23, E1/2, E1/2W1/2; and 24, W1/2, W1/2E1/2.

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**Expansion Area 1, Challenge Island**

- ADL 377017, All;  
ADL 377015, that portion within protracted T. 11N, R. 21E, U.M., Sections 35 and 36; T. 11N, R. 22E, U.M. Sections 31 and 32; T. 10N, R. 21E, U.M. Sections 1 and 2; and T. 10N, R. 22E, U.M. Sections 5 and 6; and  
ADL 377016, that portion within the lease in protracted T. 10N, R. 21E, U.M., Sections 12, E1/2E1/2; 13, E1/2E1/2; 24, E1/2E1/2; and that portion within the lease in protracted T. 10N, R. 22E, U.M., Sections 7, all; 8, W1/2W1/2; 17, W1/2W1/2; 18, all; 19, all; and 20, W1/2W1/2.

**Expansion Area 2, North of the PTU**

- ADL 377020, that portion within protracted T. 10N, R. 23E, U.M., Section 20 - 23.

**Expansion Area 3, East of the PTU**

- ADL 372256, All.

**Expansion Area 4, Sourdough Prospect**

- ADL 375064, that portion within T. 8N, R. 24E, U.M., Section 3, unsurveyed, all excluding ANWR; Section 4, unsurveyed, all; Section 9, unsurveyed, all excluding ANWR; Section 10, unsurveyed, all excluding ANWR;

**Expansion Area 5, Lynx Prospect**

- ADL 382101, that portion within T. 9N, R. 22E, U.M., Sections 13 and 14.

**Expansion Area 6, North of Expansion Areas #1 and #2**

- ADL 388425, All;  
ADL 388426, All;  
ADL 377015, that portion within protracted T. 10N, R. 22E, U.M., Sections 3 and 4, and T. 11N, R. 22E, U.M., Sections 33 - 35;  
ADL 377020, that portion within protracted T. 10N, R. 23E, U.M., Sections 8 - 11 and 14 - 17.

**Expansion Area 7, Lease issued in BS2000 Areawide Lease Sale**

- ADL 389716, that portion within protracted T. 9N, R. 25E, U.M., Section 5, W1/2, unsurveyed, all tide and submerged lands seaward of ANWR; Section 6, unsurveyed, all tide and submerged lands seaward of ANWR; that portion within protracted T. 10N, R. 25E, U.M., Section 30, protracted, W1/2; Section 31, protracted, all; Section 32, protracted, W1/2.

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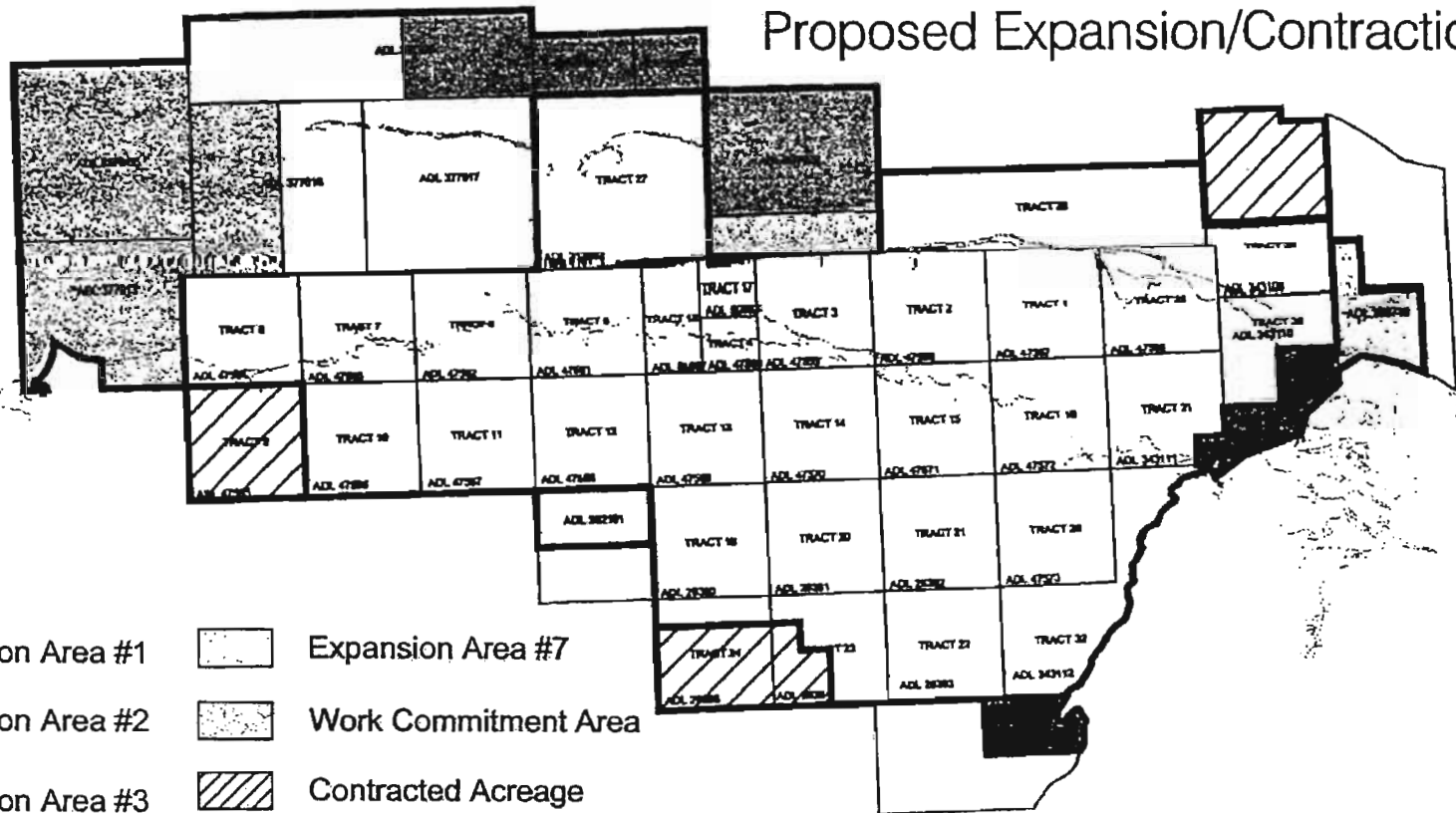
11. The Working Interest Owners waive the extension provision of 11 AAC 83.140 and acknowledge that the notice and hearing provisions of 11 AAC 83.374 shall not be applicable to leases contracted out of the PTU Area beyond their primary term, since the Working Interest Owners will automatically surrender the contracted leases, with surrender and lease expiration effective the day the leases contract out of the PTU and no default will occur. The Working Interest Owners further agree that they will not apply for consideration under 11 AAC 83.374 in this matter.
12. When a portion of a lease, but not the whole lease, is added to a unit, the lease is severed into two separate leases. Portions, but not all of, the following leases are being added to the PTU: ADLs 375064, 382101, and 389716. Upon unitization, these leases will be severed and the non-unitized portion of each 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. Article 18(e) of the PTU Agreement will not apply to the non-unitized portions of the leases.
13. Additionally, the following leases will each be severed into two 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).
14. The PTU Working Interest Owners agree that the terms set forth here supersede any inconsistent provisions in the leases or the PTU Agreement for said Expansion Area or Work Commitment Area leases. The PTU Working Interest Owners waive the benefit of any inconsistent lease or unit agreement terms.
15. The Working Interest Owners 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. This agreement fully resolves the Application; Exxon's January 4, 1999, appeal to the DNR Commissioner of the Director's decision denying Exxon's application for expansion of the PTU to include ADL 372256 (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 Application and proceedings. The Working Interest Owners agree not to appeal any aspect of the expansion requested in the Application but not included here. The Working Interest Owners agree that the 1999 expansion appeal and motion for reconsideration are closed. The Working Interest Owners also agree not to challenge or appeal any term of this agreement.












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# Point Thomson Unit Proposed Expansion/Contraction



- |   |                   |   |                                    |
|---|-------------------|---|------------------------------------|
|    | Expansion Area #1 |    | Expansion Area #7                  |
|   | Expansion Area #2 |   | Work Commitment Area               |
|  | Expansion Area #3 |  | Contracted Acreage                 |
|  | Expansion Area #4 |  | Existing Pt. Thomson Unit Boundary |
|  | Expansion Area #5 |  | Revised Pt. Thomson Unit Boundary  |
|  | Expansion Area #6 |   |                                    |

July 31, 2001

Exc. 000210

PTU Rec\_0012766

PTUE01\_001630



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

**ExxonMobil**  
*Production*

August 15, 2001

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 21 2001

DIV. OF OIL & GAS  
DIRECTOR'S OFFICE

Re: Point Thomson Unit Expansion/Contraction

Dear Mr. Myers:

The Point Thomson Working Interest Owners have received your letter of July 31, 2001 regarding the Point Thomson Unit Expansion/Contraction Application conveying conditional approval of the Unit redefinition. The dialog that has gone into the preparation of the conditions, in order to protect the interests of the State and the PTU Owners, has allowed us to continue our plans for development of the Unit in a timely fashion.

The Owners believe that it is necessary to note for the record that acceptance of some of these terms at the Point Thomson Unit constitute a special case and are not viewed by the Owners as precedent setting in any other unit. Particularly, the increase in royalty that is agreed in this instance is viewed as an inappropriate use of the statutes and counter to the principles of unitization. Also, the imposition of performance penalties based on work commitments is believed to be more properly handled in the course of normal Unit business in the Plan of Development process. Nevertheless, due to the desire of the Owners and the State to progress the development of Point Thomson and avoid delays, the Owners, with the exception of Murphy Exploration & Production Co. which has been granted an extension until August 30, 2001 to respond, are prepared to accept these conditions in this instance.

The affected Point Thomson Unit Owners, with the noted exception, do hereby accept all the terms and conditions of the conditional approval of the Point Thomson Unit Expansion/ Contraction per your July 31, 2001 letter as witnessed by the attached approval of terms signature pages.

Sincerely,



W. N. Strawbridge  
Chairman, PTU Owners Committee

WNS/WDM:dcw  
Attachments

c: Affected PTU WIO's

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Exc. 000211

6/15/01 WIO Acceptance

**Approval of Terms – Agreement Resolving All Pending Point Thomson Unit  
Expansion/Contraction Matters and Proceedings (Attachment 1 to ADNR letter of July 31, 2001)**

The undersigned companies hereby accept all terms and conditions of the Point Thomson Unit  
Expansion/Contraction conditional approval issued by the ADNR on July 31, 2001.

**Exxon Mobil Corporation**

By: W. A. Stewart

Date: 8/15/01

**Murphy Exploration and Development Co.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**ExxonMobil Oil Corporation**

By: W. A. Stewart

Date: 8/15/01

**Woodbine Petroleum, Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**BP Exploration (Alaska) Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Chevron USA Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Phillips Alaska Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Total Fina Elf E&P USA, Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

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**Approval of Terms - Agreement Resolving All Pending Point Thomson Unit Expansion/Contraction Matters and Proceedings (Attachment 1 to ADNR letter of July 31, 2001)**

The undersigned companies hereby accept all terms and conditions of the Point Thomson Unit Expansion/Contraction conditional approval issued by the ADNR on July 31, 2001.

**Exxon Mobil Corporation**

**Murphy Exploration and Development Co.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**ExxonMobil Oil Corporation**

**Woodbine Petroleum, Inc.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**BP Exploration (Alaska) Inc.**

By: *[Signature]*

Date: *12 August 2001*

**Chevron USA Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Phillips Alaska Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Total Fina Elf E&P USA, Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Approval of Terms - Agreement Resolving All Pending Point Thomson Unit Expansion/Contraction Matters and Proceedings (Attachment 1 to ADNR letter of July 31, 2001)**

The undersigned companies hereby accept all terms and conditions of the Point Thomson Unit Expansion/Contraction conditional approval issued by the ADNR on July 31, 2001.

**Exxon Mobil Corporation**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Murphy Exploration and Development Co.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**ExxonMobil Oil Corporation**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Woodbine Petroleum, Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**BP Exploration (Alaska) Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Chevron USA, Inc.**

By: G.F. Berlin

Date: 8-7-01

**Phillips Alaska Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Total Fina Elf E&P USA, Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

CITIZENS-Mark Moran Exploration 08/01/01 Inc

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Exc. 000214

**Approval of Terms - Agreement Resolving All Pending Point Thomson Unit Expansion/Contraction Matters and Proceedings (Attachment 1 to ADNR letter of July 31, 2001)**

The undersigned companies hereby accept all terms and conditions of the Point Thomson Unit Expansion/Contraction conditional approval issued by the ADNR on July 31, 2001.

**Exxon Mobil Corporation**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Murphy Exploration and Development Co.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**ExxonMobil Oil Corporation**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Woodbine Petroleum, Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**BP Exploration (Alaska) Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Chevron USA Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Phillips Alaska Inc.**

By: *JPM*

Date: 8/10/01

**Total Fina Elf E&P USA, Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Approval of Terms - Agreement Resolving All Pending Point Thomson Unit Expansion/Contraction Matters and Proceedings (Attachment 1 to ADNR letter of July 31, 2001)**

The undersigned companies hereby accept all terms and conditions of the Point Thomson Unit Expansion/Contraction conditional approval issued by the ADNR on July 31, 2001.

**Exxon Mobil Corporation**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Murphy Exploration and Development Co.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**ExxonMobil Oil Corporation**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Woodbine Petroleum, Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**BP Exploration (Alaska) Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Chevron USA Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Phillips Alaska Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Total ~~Finx~~ E&P USA, Inc.**

By: [Signature] (F-VIAU)  
JMS  
TMS

Date: 02/13/01

PTU Rec\_0012741

PTUE01\_001605

08/08 '01 WED 09:48 FAX 0171 223 2403

AGG-07-2001(TUE) 14:06 EXXONMOBIL PRODUCTION COMPANY

0003  
P.004/0135

**Approval of Terms - Agreement Resolving All Pending Point Thomson Unit Expansion/Contraction Matters and Proceedings (Attachment 1 to ADNR letter of July 31, 2001)**

The undersigned companies hereby accept all terms and conditions of the Point Thomson Unit Expansion/Contraction conditional approval issued by the ADNR on July 31, 2001.

**Exxon Mobil Corporation**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Murphy Exploration and Development Co.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**ExxonMobil Oil Corporation**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Woodbine Petroleum, Inc.**

By: *[Signature]* CEO

Date: August 10, 2001

**BP Exploration (Alaska) Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Chevron USA Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Phillips Alaska Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Total Fin E&P USA, Inc.**

By: \_\_\_\_\_

Date: \_\_\_\_\_

ExxonMobil Production Company

PTU Rec\_0012742

PTUE01\_001606

TONY KNOWLES, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS

550 WEST 7<sup>TH</sup> AVENUE, SUITE 800  
ANCHORAGE, ALASKA 99501-3510  
PHONE: (907) 269-6800  
FAX: (907) 269-6938

VIA FACSIMILE (713) 656-9632

August 29, 2001

Bill Strawbridge, Reservoir Evaluation Manager  
ExxonMobil Production Company  
P.O. Box 2180  
Houston, TX 77252-2180

RE: Pt. Thomson Unit Expansion/Contraction  
Conditional Approval Decision Amended  
Application Approved

Dear Mr. Strawbridge:

The Division of Oil and Gas (the Division) hereby amends its July 31, 2001 Conditional Decision and approves the February 2, 2001 Point Thomson Unit (PTU) Expansion/Contraction Application. On February 2, 2001, ExxonMobil Corporation (ExxonMobil), Unit Operator, applied to simultaneously expand and contract the PTU to add all or portions of 16 state oil and gas leases while excluding all or portions of four other state oil and gas lease out of the unit (the Application). The Division believed that it was not in the State's interest to approve the Application as proposed. The Applicants and the Division agreed to terms and conditions under which expansion/contraction of the PTU would be granted. On July 31, 2001, the Division approved the Application on condition that the working interest owners accept the terms and conditions set out in Attachment I to the decision (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.

On August 13, 2001, the Division granted Murphy Exploration and Production Company's (Murphy) 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. After the

*"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."*

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Exc. 000218



Bill Strawbridge, Exxon  
PTU Expansion/Contraction  
Conditional Approval Decision Amended  
Application Approved  
August 29, 2001  
Page 2

Division extended time for Murphy to accept the Agreement, all of the other working interest owners in the expansion/contraction leases sent the Division written notice that they agree to continue to be bound by the terms and conditions even if Murphy does not accept the Agreement by August 30, 2001.

Pursuant to State regulation 11 AAC 83.316 (c), the applicants must have sufficient interest in the unit area to have reasonably effective control of unit operations. In addition, AS 38.05.180(p) provides that the commissioner may, with the lessees consent, change the royalty requirements in the leases upon unitization. I hereby amend the Division's July 31, 2001 decision, removing the unanimity requirement, and approve the 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.

A person adversely affected by this decision may appeal this decision, in accordance with 11 AAC 02, to Pat Pourchot, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501-3561. Any appeal must be received at the above address, or by fax to 1-907-269-8918, within 30 calendar days after the date of "delivery" of this decision, as defined in 11 AAC 02.040. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,

*Original signed by Mark D. Myers*

Mark D. Myers  
Director

MM:cdl

Attachment: The Agreement

cc: Pat Pourchot, DNR Commissioner  
Richard Todd, Department of Law  
Charles H. Kana, Murphy Exploration & Production Company

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**AGREEMENT RESOLVING ALL PENDING POINT THOMSON UNIT  
EXPANSION/CONTRACTION MATTERS AND PROCEEDINGS**

**Contraction Approved**

Four leases or portions of leases were proposed for contraction out of the PTU in 2001 Application for Expansion and Contraction of the Point Thomson Unit (the Application). DNR accepts the contraction of the following areas out of the PTU:

- ADL 47565, All
- ADL 28384, that portion within T. 9N, R. 23E, U.M., Section 28, unsurveyed, SW1/4; Section 33, unsurveyed, all;
- ADL 28385, that portion within T. 9N, R. 23E, U.M., Section 29, unsurveyed, S1/2; Section 30, unsurveyed, S1/2; Section 31, unsurveyed, all; Section 32, unsurveyed, all;
- ADL 343109, that portion within T. 10N, R. 24E, U.M., Section 10, protracted S1/2S1/2, lying easterly of 146° 00'00" West Longitude; Section 11, protracted S1/2S1/2; Section 12, protracted SW1/4SW1/4; Section 13, protracted all; Section 14 protracted all; Section 15, protracted, all lying easterly of 146° 00'00" West Longitude; Section 22, protracted, N1/2 lying easterly of 146° 00'00" West Longitude; Section 23, protracted, N1/2; Section 24, protracted, N1/2.

ADL 28384, ADL 28385, and ADL 343109 will be segregated; the Working Interest Owners will immediately surrender the non-unitized portions of the leases; and the non-unitized portions of the leases are now available for the state to offer in the next areawide oil and gas lease sale.

**Expansion Acreage**

DNR identified seven Expansion Areas and one Work Commitment Area, described in Paragraph #10 below, currently outside of the PTU. There is a high probability that the Expansion Areas contain hydrocarbon resources, while the Work Commitment Area may or may not be underlain by oil and gas reserves. Therefore, DNR will not impose specific drilling commitments for each Expansion Area, but DNR does require the Working Interest Owners to drill a delineation well in the Work Commitment Area and seven development wells within the revised PTU as a condition for expanding the unit area. Inclusion of the acreage within the seven Expansion Areas plus the one Work Commitment Area (Expansion Acreage) in the PTU will be conditioned as follows:

1. On or before June 15, 2003, the Working Interest Owners 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 imposed herein. The Extension Charge will be due on July 1, 2003.

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Exc. 000220

2. The Working Interest Owners 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 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 Working Interest Owners fail to complete drilling a well within the Work Commitment Area by June 15, 2003, the acreage automatically contracts out of the PTU, as specified in Paragraph #2 above, and the Working Interest Owners 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 PTU effective that date, and the Working Interest Owners 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 Working Interest Owners must complete the drilling of seven development wells in the PTU by June 15, 2008, or all of the Expansion Acreage will automatically contract out of the PTU effective that date, and the Working Interest Owners 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.
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 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 Working Interest Owners 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

PTU Rec\_0026407

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 Working Interest Owners 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 Working Interest Owners 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, as a requirement for including Expansion Areas 1, 2, 3, 4, and 6 in the PTU, the royalty rates will be increased as shown in the table below.

The conditions specific to Expansion Areas #1 through #7 and the WCA are outlined below:

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, BS2000 Lease	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		

The Work Commitment Area and Expansion Areas are briefly described as follows:

**Work Commitment Area, Red Dog**

ADL 377012, A.II;  
ADL 377013, A.II; and  
ADL 377016, that portion within the lease of protracted T. 10N, R. 21E, U.M., Sections 11, E1/2, E1/2W1/2; 12, W1/2, W1/2E1/2; 13, W1/2, W1/2E1/2; 14, E1/2, E1/2W1/2; 23, E1/2, E1/2W1/2; and 24, W1/2, W1/2E1/2.

PTU Rec\_0026408

Exc. 000222

**Expansion Area 1, Challenge Island**

ADL 377017, All;

ADL 377015, that portion within protracted T. 11N, R. 21E, U.M., Sections 35 and 36; T. 11N, R. 22E, U.M. Sections 31 and 32; T. 10N, R. 21E, U.M. Sections 1 and 2; and T. 10N, R. 22E, U.M. Sections 5 and 6; and

ADL 377016, that portion within the lease in protracted T. 10N, R. 21E, U.M., Sections 12, E1/2E1/2; 13, E1/2E1/2; 24, E1/2E1/2; and that portion within the lease in protracted T. 10N, R. 22E, U.M., Sections 7, all; 8, W1/2W1/2; 17, W1/2W1/2; 18, all; 19, all; and 20, W1/2W1/2.

**Expansion Area 2, North of the PTU**

ADL 377020, that portion within protracted T. 10N, R. 23E, U.M., Section 20 - 23.

**Expansion Area 3, East of the PTU**

ADL 372256, All.

**Expansion Area 4, Sourdough Prospect**

ADL 375064, that portion within T. 8N, R. 24E, U.M., Section 3, unsurveyed, all excluding ANWR; Section 4, unsurveyed, all; Section 9, unsurveyed, all excluding ANWR; Section 10, unsurveyed, all excluding ANWR;

**Expansion Area 5, Lynx Prospect**

ADL 382101, that portion within T. 9N, R. 22E, U.M., Sections 13 and 14.

**Expansion Area 6, North of Expansion Areas #1 and #2**

ADL 388425, All;

ADL 388426, All;

ADL 377015, that portion within protracted T. 10N, R. 22E, U.M., Sections 3 and 4, and T. 11N, R. 22E, U.M., Sections 33 - 35;

ADL 377020, that portion within protracted T. 10N, R. 23E, U.M., Sections 8 - 11 and 14 - 17.

**Expansion Area 7, Lease issued in BS2000 Areawide Lease Sale**

ADL 389716, that portion within protracted T. 9N, R. 25E, U.M., Section 5, W1/2, unsurveyed, all tide and submerged lands seaward of ANWR; Section 6, unsurveyed, all tide and submerged lands seaward of ANWR; that portion within protracted T. 10N, R. 25E, U.M., Section 30, protracted, W1/2; Section 31, protracted, all; Section 32, protracted, W1/2.

PTU Rec\_0026409

11. The Working Interest Owners waive the extension provision of 11 AAC 83.140 and acknowledge 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, since the Working Interest Owners will automatically surrender the contracted leases, with surrender and lease expiration effective the day the leases contract out of the PTU and no default will occur. The Working Interest Owners further agree that they will not apply for consideration under 11 AAC 83.374 in this matter.
12. When a portion of a lease, but not the whole lease, is added to a unit, the lease is severed into two separate leases. Portions, but not all of, the following leases are being added to the PTU: ADL 375064, 382101, and 389716. Upon unitization, these leases will be severed and the non-unitized portion of each 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. Article 18(e) of the PTU Agreement will not apply to the non-unitized portions of the leases.
13. Additionally, the following leases will each be severed into two 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).
14. The PTU Working Interest Owners agree that the terms set forth here supersede any inconsistent provisions in the leases or the PTU Agreement for said Expansion Area or Work Commitment Area leases. The PTU Working Interest Owners waive the benefit of any inconsistent lease or unit agreement terms.
15. The Working Interest Owners 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. This agreement fully resolves the Application; Exxon's January 4, 1999, appeal to the DNR Commissioner of the Director's decision denying Exxon's application for expansion of the PTU to include ADL 372256 (Appeal Code OG113098); and Exxon's July 16, 1999, Request for Reconsideration of the Beaufort Sea 1999 Area-wide Lease Sale Notice (Appeal Code CO071699BS 1999.035) to the satisfaction of all parties to the Application and proceedings. The Working Interest Owners agree not to appeal any aspect of the expansion requested in the Application but not included here. The Working Interest Owners agree that the 1999 expansion appeal and motion for reconsideration are closed. The Working Interest Owners also agree not to challenge or appeal any term of this agreement.

PTU Rec\_0026410

Exc. 000224

TONY KNOWLES, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS

550 WEST 7<sup>TH</sup> AVENUE, SUITE 800  
ANCHORAGE, ALASKA 99501-3510  
PHONE: (907) 269-8800  
FAX: (907) 269-8938

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

September 14, 2001

Bill Strawbridge  
ExxonMobil Production Company  
PO BOX 2180  
Houston, TX 77252-2180

RE: Point Thomson Unit  
Eighteenth Plan of Development

Dear Bill,

The Division of Oil and Gas (Division) reviewed ExxonMobil Production Company's (Exxon) proposed Eighteenth Plan of Development (18<sup>th</sup> POD) for the Point Thomson Unit (PTU), dated August 31, 2001. I am pleased to see concrete plans put into motion for development of PTU reserves. During the 18<sup>th</sup> POD, Exxon plans to select a location for a delineation well and contract for a rig by June 15, 2002. Exxon also plans to file applications for necessary permits, continue environmental studies, initiate preliminary engineering, and complete reservoir simulation modeling during the one-year term of the 18<sup>th</sup> POD.

The Division considered the criteria in 11 AAC 83.303 and finds the 18<sup>th</sup> POD protects the public interest. The 18<sup>th</sup> POD is approved for the period September 31, 2001 through September 30, 2002. Under 11 AAC 83.343 the Nineteenth POD for the PTU will be due in this office on or before, July 2, 2002, 90 days before the 18<sup>th</sup> POD expires.

The 18<sup>th</sup> POD is approved with the understanding that, during its term, ExxonMobil will apply for all environmental permits required for the proposed PTU development project to proceed, and diligently pursue approval of those permits through the Alaska Coastal Management Program (ACMP) review process. The 18<sup>th</sup> POD listed several state and federal permits that may be required, however, we will not know if it is a comprehensive list until ExxonMobil submits a permit application package to the Office of the Governor, Division of Governmental Coordination (DGC) for review, and DGC issues a ACMP Final Consistency Determination. ExxonMobil will apply for any additional permits the DGC determination indicates are required. This decision approves the general unit plan of development only and does not constitute

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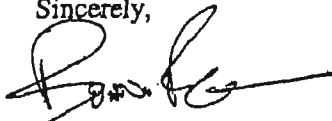
PTU REC\_000374

Bill Strawbridge  
 PTU 18<sup>th</sup> POD  
 Page 2

approval of any permits including those referred to in the 18<sup>th</sup> POD or that may be required under 11 AAC 83.346 or ACMP or that may be required by any other law or governmental entity.

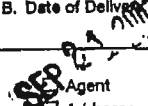
A person adversely affected by this decision may appeal this decision, in accordance with 11 AAC 02, to Pat Pourchot, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501-3561. Any appeal must be received at the above address, or by fax to 1-907-269-8918, within 30 calendar days after the date of "delivery" of this decision, as defined in 11 AAC 02.040. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,

  
 for Mark D. Myers  
 Director

cc: Richard Todd, DOL

U.S. Postal Service <b>CERTIFIED MAIL RECEIPT</b> (Domestic Mail Only; No Insurance Coverage Provided)	
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7099 3220 0004 9022 7198 Postmark Here for Instructions	

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
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1. Article Addressed to:  <b>BILL STRAWBRIDGE</b> <b>EXXONMOBIL PRODUCTION COMPANY</b> <b>PO BOX 2180</b> <b>HOUSTON, TX 77252-2180</b>	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. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes
2. Article Number (Copy from service label) 7099 3220 0004 9022 7198	PTU _____

Exc. 000226

PTU REC\_000375