

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

TONY KNOWLES, GOVERNOR

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

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

August 28, 2002

R. F. Buckley
ExxonMobil Production Company
PO BOX 4876
Houston, TX 77210-4876


RE: Point Thomson Unit
Nineteenth Plan of Development

Dear Mr. Buckley,

On August 8, 2002, the Division of Oil and Gas (Division) received the proposed Nineteenth Plan of Development (19th POD) for the Point Thomson Unit (PTU). The PTU Operator, ExxonMobil Production Company (ExxonMobil) provided an update of the Eighteenth Plan of Development and described the activities planned during the one-year term of the 19th POD. The Division approved an application for expansion and contraction of the PTU on July 31, 2001, and the 18th POD incorporated the commitments contained in the "Agreement Resolving All Pending Point Thomson Unit Expansion/Contraction Matters and Proceedings" (the Agreement) attached to that decision.

ExxonMobil and the PTU working interest owners decided not to deepen the Red Dog exploration well as planned, due to higher costs than initially estimated and prospectivity lower than originally anticipated. Under terms of the Agreement, the PTU working interest owners will pay the State of Alaska \$940,000 and relinquish the three WCA leases for failing to meet the drilling commitment. However, during the 18th POD, ExxonMobil continued to pursue facility design, engineering and geological studies, and environmental analysis toward development of the Thomson Sands Reservoir. The PTU Operator initiated the permitting process for the proposed gas cycling project by submitting an Environmental Report to the major permitting agencies in 2001. The Environmental Protection Agency (EPA), the lead agency for review of the project, issued a Notice of Intent to conduct an Environmental Impact Statement (EIS) in April 2002, and outlined the EIS process in a June 20, 2002 Memorandum of Understanding. ExxonMobil initiated a move from conceptual engineering to front-end engineering and facility design in support of the permitting activities.

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

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PTU22P_000905

Exc. 000286

PTU REC_00156

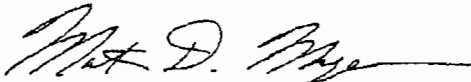
R. F. Buckley, ExxonMobil
PTU 19th POD
Page 2

The focus of the 19th POD is on seeking the necessary permits and executing Front-End Engineering Design (FEED) in parallel with the permitting process. The PTU Owners completed pre-stack depth migration processing of the merged 3D seismic surveys over the redefined unit area during the 18th POD, and plan to complete the structural and stratigraphic interpretation of the data and update the Thomson Sand geologic model during the 19th POD. The updated geologic model, FEED results, and permitting requirements will impact progress toward PTU development. ExxonMobil plans to continue evaluating the commercial viability of both gas cycling and gas sales in preparation of the next phase funding decision.

The Division considered the criteria in 11 AAC 83.303 and finds that the 19th POD protects the public interest. I approve the 19th POD for the period September 31, 2002 through September 30, 2003. Under 11 AAC 83.343 the Twentieth Plan of Development for the PTU is due 90 days before the 19th POD expires, on or before, July 2, 2003. This decision only approves the general unit plan of development and does not constitute approval of any permits that may be required under 11 AAC 83.346, the Alaska Coastal Zone Management Program, or 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. You may obtain a copy of 11 AAC 02 from any regional information office of the Department of Natural Resources.

Sincerely,



Mark D. Myers
Director

cc: Richard Todd, DOL

MDM:cdl

PTU22P_000906

Exc. 000287

PTU REC_00156

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

ExxonMobil
Development

January 21, 2003

Mr. Mark D. Myers, Director
Division of Oil and Gas
Alaska Department of Natural Resources
550 West 7th Avenue, Suite 800
Anchorage, Alaska 99501-3560

Point Thomson Unit
Proposed Changes to Expansion/Contraction Approval

Dear Mr. Myers:

This is in response to your October 3, 2002, letter regarding the changes that have been proposed to the Findings and Decision of the Director of the Division of Oil and Gas dated May 24, 2002, which approved the application for Second Expansion and Third Contraction of the Point Thomson Unit (the "Decision"), Exxon Mobil Corporation ("ExxonMobil"), as operator of the Point Thomson Unit, on behalf of itself, BP Exploration (Alaska) Inc., Chevron U.S.A. Inc., and ConocoPhillips Alaska, Inc. (collectively these four companies shall be referred to herein as the "Major Working Interest Owners") hereby proposes that such Decision be modified subject to the following terms and conditions:

1. Notice is hereby given that the Major Working Interest Owners have made a final decision not to drill the exploratory well in the PTU Work Commitment Area as provided in Paragraph 2 on Page 11 of the Decision.
2. The Major Working Interest Owners agree that: (a) ADL377012 and ADL377013 may immediately be contracted out of the PTU; (b) they will pay the \$940,000 Drilling Extension Charge provided for in Paragraph 3 on Page 11 of the Decision on or before July 1, 2003; (c) they will not appeal the contraction of ADL377012 and ADL377013 out of the Unit or the payment of the Drilling Extension Charge as provided in (a) and (b), above; and (d) ADL389728 will be transferred out of the WCA and into Expansion Area One.
3. The Major Working Interest Owners acknowledge that the decision of whether to approve the inclusion of ADL389728 in Expansion Area One is at the discretion of the Division, and the Major Working Interest Owners further acknowledge that, if the Division does approve the expansion of Expansion Area One, it will be on the following terms without appeal or subsequent challenge: (a) the royalty rate for ADL389728 will increase from 16.66667 percent to 20 percent; and (b) the PA Extension Charge set out on Table Two on Page 12 of the Decision will be increased from \$17,031,000 to \$21,289,000.

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PTU REC_000377

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NO. 773 P. 3

Mr. Mark D. Myers, Director

-2-

January 21, 2003

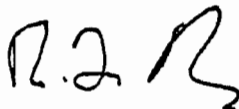
4. The Decision will be modified to eliminate the \$4,495,000 PA Extension Charge provided for in Table Two on Page 12 of the Decision, which was to be applicable if WCA leases were not included in a participating area by June 15, 2008.

Except as expressly modified hereby, all of the terms and conditions of the Decision shall continue to apply and be binding on the parties that agreed thereto.

ExxonMobil has obtained the agreement of all of the working interest owners in ADL377012, ADL377013 and ADL389728 to the terms hereof except Murphy Exploration (Alaska), Inc. ("Murphy"). ExxonMobil does not anticipate being able to obtain the agreement of Murphy to these terms; however, as indicated in prior filings regarding the Murphy appeal, it is the position of ExxonMobil that Murphy, having not agreed to the Decision, is not bound by any of its terms. Thus, Murphy's interest in ADL377012 and ADL377013 was never committed to the Unit pursuant to the terms of the Decision. That being the case, and pursuant to the terms of the November 27, 2002, final decision of the Commissioner of the DNR regarding the Murphy appeal, where Murphy agreed to be bound by the expansion and contraction conditions with respect to ADL377012 and ADL377013, Murphy is in no position to object to the proposed agreement hereof between the Department of Natural Resources and the Major Working Interest Owners that said leases be contracted out of the Unit.

ExxonMobil proposes that an order reflecting the above terms be issued.

Very truly yours,



R. F. Buckley:jfs

c: Point Thomson Working Interest Owners
Marty Rutherford, Acting Commissioner DNR
Richard Todd, Department of Law
Mark A. Gregory, TotalFinaElf E&P USA, Inc.
Bob Gage, Murphy Exploration & Production Co.

Exc. 000289

PTU REC_000378

STATE OF ALASKA

FRANK H. MURKOWSKI
GOVERNOR

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

550 WEST 7TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501-3560
PHONE: (907) 269-8800
FAX: (907) 269-8938

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

January 29, 2003

R. F. Buckley, Chairman PTU Owners Committee
ExxonMobil Development Company
P.O. Box 4867
Houston, TX 77210-4876

RE: Point Thomson Unit
Proposed Changes to Expansion/Contraction Approved

Dear Mr. Buckley:

On January 21, 2003, ExxonMobil Corporation, the Point Thomson Unit (PTU) Operator, submitted a proposal to the Alaska Department of Natural Resources on behalf of ExxonMobil, BP Exploration (Alaska), Inc., Chevron USA Inc., and Phillips Alaska Inc. (the Applicants). ExxonMobil proposed an amendment to the Findings and Decision of the Director, Division of Oil and Gas (the Division) dated May 24, 2002, which approved the *Application for the Second Expansion and Third Contraction of the Unit Area* (the Decision).

The Applicants decided, contrary to the terms of the Decision, not to drill an exploratory well in the PTU Work Commitment Area (WCA). The Applicants agree that as a result of their decision not to drill, oil and gas leases ADL 377012 and ADL 377013 contracted out of the PTU effective January 21, 2003, and that the Applicants will submit the \$940,000 drilling extension charge to the State on or before July 1, 2003. The Applicants also agree that since these leases are no longer within the unit, they will expire because they are beyond their primary term. In addition, The Applicants agree not to appeal contraction of the leases or payment of the drilling extension charge.

The Applicants also requested that ADL 389728 be transferred into Expansion Area 1. DNR finds that the Applicants have provided sufficient geological and geophysical data to support transferring lease ADL 389728 out of the WCA and into Expansion Area 1. ADL 389728 will remain committed to the PTU under the following terms required by DNR and agreed to by the Applicants:

Conservation and Enhance Natural Resources for Present and Future Alaskans."

Exc. 000290

PTU REC_000380

R. F. Buckley
January 29, 2003
Changes to Expansion/Contraction Approved
Page 2

1. The applicable royalty rate for the ADL 389728 increases from 16.66667% to 20%.
2. The PA Extension Charge set out in the Decision for Expansion Area 1 increases from \$17,031,000 to \$21,289,000.

In addition, the Applicants remain bound by all other expansion conditions set out in the Decision with the sole exception that Applicants are no longer subject to the \$4,495,000 PA Extension Charge originally due if the WCA were not included in a participating area by June 15, 2008.

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

Sincerely,



Mark D. Myers
Director

cc: Tom Irwin, DNR Commissioner
Richard Todd, Department of Law
John L. Davis, TotalFinaElf E&P USA, Inc.
Bob Gage, Murphy Exploration & Production Company

MM:cdl

STATE OF ALASKA

FRANK H. MURKOWSKI,
GOVERNOR

DEPARTMENT OF NATURAL RESOURCE
DIVISION OF OIL AND GAS

550 WEST 7TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501-3560
PHONE: (907) 269-8800
FAX: (907) 269-8938

CERTIFIED MAIL 7099 3220 0004 9021 7052
RETURN RECEIPT REQUESTED

July 14, 2003

R. F. Buckley, Chairman
PTU Owners Committee
ExxonMobil Production Company
PO BOX 4876
Houston, TX 77210-4876

RE: Point Thomson Unit
Twentieth Plan of Development Approved
Unit Contraction Election Deadline Extended

Dear Mr. Buckley,

On July 31, 2001, the Division of Oil and Gas (Division) approved an application for expansion and contraction of the Point Thomson Unit (PTU), which included a number of commitments that constitute elements of a long-term plan of development for the PTU (Unit Expansion Approval). On July 2, 2003, ExxonMobil Corporation (ExxonMobil), the PTU operator, submitted the proposed PTU Twentieth Plan of Development (20th POD) for the period October 1, 2003 through September 30, 2004.

Work Commitment Area Dropped -- Under the terms of the Unit Expansion Approval, the PTU Owners committed to select a location and contract a drilling rig by September 30, 2002, to deepen the Red Dog exploration well or drill a delineation well in the Work Commitment Area during the 2002 - 2003 winter season. However, on August 12, 2002, ExxonMobil submitted the proposed Nineteenth Plan of Development (19th POD), which stated "As this well will not be drilled, the Owners plan to pay the Drilling Extension Charge of \$940,000 to the State of Alaska, and relinquish the western Red Dog leases as prescribed in the Unit Expansion Approval." On January 29, 2003, the Division approved a proposed amendment to the Unit Expansion Approval, which transferred ADL 389728 from the Work Commitment Area to Expansion Area 1. ADL 377012 and ADL 377013 contracted out of the PTU and the working interest owners relinquished the leased acreage effective January 21, 2003. The Division received a \$940,000 check from ExxonMobil on June 24, 2003, as payment of the Drilling Extension Charge.

Contraction Election Deadline Extended -- On April 24, 2003, ExxonMobil requested a two-year extension of the next three deadlines in the Unit Expansion Approval. Those three deadlines were: 1) one-time election to contract the unit by June 15, 2003, 2) commence

Exc. 000292

PTU REC_000414

R. F. Buckley, ExxonMobil
Unit Contraction Election Deadline Extended
PTU 20th POD Approved
July 14, 2003
Page 2

development drilling by June 15, 2006, and 3) complete seven development wells by June 15, 2008. On May 15, 2003, the Division approved a one-month extension of the contraction election deadline, but felt it was premature to consider extending the other two commitment deadlines. On June 20, 2003, the PTU Owners requested an additional six-month extension of the contraction election deadline. The Division amends the Unit Expansion Approval to extend the unit contraction election deadline until January 15, 2004, as follows:

- a) On or before July 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 in the Decision. The Extension Charge will be due on August 1, 2003.
- b) Notwithstanding the foregoing, the above described deadline for election is hereby extended for a period of six months, until January 15, 2004, in exchange for an increase of the Extension Charge by the sum of \$2,000,000, provided that, at any time during such six-month extended period, the PTU Owners may provide notification of their election hereunder, in which event the total Extension Charge of \$10,000,000 shall be reduced by an amount equal to 1/12 of \$4,000,000 for each full month of such six-month period remaining.

Twentieth Plan of Development Approved -- The 20th POD provides an update of activities performed during the one-year term of the 19th POD and those planned for the next year. The PTU owners are proceeding on two parallel paths to meet the next commitments in the Unit Expansion Approval; commence development drilling by June 15, 2006, and complete seven development wells by June 15, 2008. ExxonMobil is acquiring the necessary permits and approvals for the PTU gas cycling project, and evaluating the Thomson reservoir structure and reserve estimates simultaneously. Estimating reasonable costs through the permitting process and reserves through the technical evaluation will enable the PTU owners to determine whether the PTU gas cycling option is a commercially viable project. When they determine that the project is commercially viable, they will have the necessary permits to proceed with development.

ExxonMobil and the major PTU owners made significant progress toward accomplishing the goals set out in the 19th POD, and plans to continue working on all aspects during the 20th POD. In 2002, the Environmental Protection Agency (EPA) selected CH2M Hill to prepare an Environmental Impact Statement (EIS) for the PTU gas cycling project. EPA plans to issue the draft EIS in February 2004, and will incorporate comments that they receive in the final EIS. In September 2002, ExxonMobil executed a Memorandum of Understanding with the State of Alaska to facilitate the permitting process, and will continue to pursue State permits during the

R. F. Buckley, ExxonMobil
Unit Contract Election Deadline Extended
PTU 20th POD Approved
July 14, 2003
Page 3

20th POD. ExxonMobil proceeded with Front End Engineering Design (FEED) of the surface facilities during the 19th POD, which EPA will incorporate in the EIS process. During the 20th POD, ExxonMobil will continue with FEED to optimize facility design and support the permitting activities. The PTU owners completed prestack depth migration of the PTU seismic data, generated new maps of the top and base Thomson Sand, and presented the current stratigraphic and structural interpretation to Division staff on June 24, 2003. During the term of the 20th POD, they will complete technical evaluations of the reservoir quality, fault seal, and structural framework; and analyze the Pre-Mississippian section that underlies the Thomson sand. Proceeding with the permitting process and the technical evaluation will progress the project toward the next phase of funding approval.

Over twenty companies or individuals hold working interest ownership in the PTU. Four companies: ExxonMobil, BP Exploration (Alaska) Inc., Chevron U.S.A. Inc., and ConocoPhillips Alaska, Inc., hold over 98% of the PTU with various interests in individual leases. ExxonMobil, BP, and Chevron agreed to align their interests across the unit effective August 31, 2000, and subsequently ConocoPhillips committed to the alignment agreement. However, the alignment agreement is not effective until the Division approves cross-assignment applications. In accordance with 11 AAC 82.615(a)(1), the PTU working interest owners must submit assignment applications to the Division for approval within 90 days after signing a transfer of ownership. The deadline for the major PTU owners to file assignment applications is long past. The Division requests a written explanation for the delay in completing the assignments and the date when you expect to submit them, which in no case should be more than 90 days from issuance of this decision.

The major PTU owners agreed on many of the terms of the PTU Unit Operating Agreement, but need to resolve several key provisions before executing the final agreement and obtaining approval by the remaining PTU working interest owners.

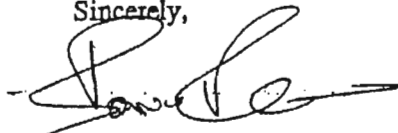
The Division considered the criteria in 11 AAC 83.303 and finds that the 20th POD protects the public interest. I approve the 20th POD for the period October 1, 2003 through September 30, 2004. Under 11 AAC 83.343 the Twenty-first Plan of Development for the PTU is due 90 days before the 20th POD expires, on or before, July 2, 2004. This decision only approves the general unit plan of development and does not constitute approval of any permits that may be required under 11 AAC 83.346, the Alaska Coastal Management Program, or by any other law or governmental entity.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040 (c) and (d), and may be mailed or delivered to Thomas E. Irwin, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1 (907) 269-8918; or sent by electronic mail to dnr_appeals@dnr.state.ak.us. This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the

R. F. Buckley, ExxonMobil
 Unit Contract Election Deadline Extended
 PTU 20th POD Approved
 July 14, 2003
 Page 4

department on the 31st day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,



Mark D. Myers
 Director

cc: Richard LeFebvre, Deputy Commissioner
 James Cowan, Resource Evaluation
 Richard Todd, Department of Law

U.S. Postal Service CERTIFIED MAIL REC <small>(Domestic Mail Only. No Int'l)</small>		Return to Lease Admin. CAROL LEE	
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Total Postage & Fees	\$ 465		
Name (Please Print Clearly) (To be completed by addressee) R.F. BUCKLEY SOUTH CENTRAL REGION			
Street, Apt. No., or PO Box No. PO Box 4876			
City, State, ZIP+4 HOUSTON TX 77210-4876			
PS Form 3800, July 1999 See Reverse for Instructions			

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1. Article Addressed to:
 R.F. BUCKLEY, CHAIRMAN
 PTU OWNERS COMMITTEE
 EXXON MOBIL PROD. CO.
 PO BOX 4876
 HOUSTON, TX
 77210-4876

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ExxonMobil Production Company
800 Bell, Suite 1458
Houston, Texas 77002

Rob: Schilhab
Manager
Joint Interest - Lower 48

ExxonMobil
Production

August 31, 2004

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

Re: Pt. Thomson Unit POD 21

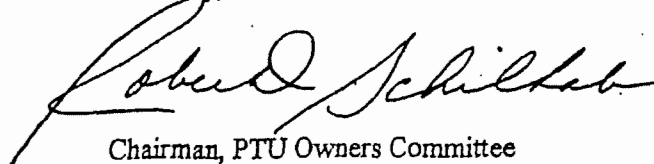
Dear Dr. Myers:

ExxonMobil, as Point Thomson Unit (PTU) Operator and on behalf of the PTU Working Interest Owners (Owners), hereby submits the enclosed Twenty-first Plan of Further Development and Operation (POD 21) for your review and approval. POD 21 is submitted in accordance with Article 10 of the Point Thomson Unit Agreement (PTUA) and all other applicable regulations.

This POD contains an update on the work activities commenced/completed under the 20th POD and a summary of the Owners' work plans under POD 21 for the ensuing twelve-month period. It is anticipated that during the course of this year that a large amount of data and interpretations covering geophysics, geology, reservoir modeling and economic analysis will be transferred to the ADNR under the terms of an anticipated memorandum of understanding covering the confidentiality of this data. This data is to be provided to the ADNR to satisfy all applicable regulations and to support the Departments' more complete understanding of the Pt. Thomson development alternatives and in anticipation of our working together to establish a reasonable course forward for field development that will accomplish the objectives of both the State of Alaska and the Unit Owners.

We would like to thank you and your staff as well as Commissioner Irwin and Deputy Commissioner Rutherford for taking the time to meet with us over the last three months. Please feel free to call me at 713-656-6145 or Doug Morgan at 713-656-9656 if you have any questions.

Sincerely,


Chairman, PTU Owners Committee

RECEIVED
SEP 07 2004
DIVISION OF
OIL AND GAS

c: PTU WIO

Exc. 000296

PTU REC_000419

POINT THOMSON UNIT

Twenty-first Plan of Further Development and Operation and Update on the Twentieth 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 Twenty-first Plan of Further Development and Operation (POD 21) for the Point Thomson Unit (PTU) together with the Update on the PTU Twentieth Plan of Further Development and Operation (POD 20). Exxon Mobil Corporation ("ExxonMobil") as Unit Operator is submitting both the update to POD 20 and POD 21 on behalf of the Working Interest Owners of PTU (Owners).

Update of the Twentieth Plan of Further Development and Operation

During POD 20, the primary focus of the PTU Owners was to complete a comprehensive, multi-functional cost reduction and execution optimization effort, begun in POD 19, in an effort to define a commercially viable project. As reviewed with the ADNR on April 8 and May 20, 2004, the Point Thomson Unit Owners expended significant resources over the past year; however, the Owners have not been able to identify a viable Gas Injection Project under current fiscal terms.

During the one-year term of POD 20, the Owners spent in excess of 8 million dollars, representing approximately 20 staff-years of technical work to advance the Unit's effort toward commercializing the PTU hydrocarbon resource. This brings the total expenditure for this phase of activity to more than \$55M. Additionally, the Unit Owners continued to gather and analyze environmental baseline and technical data from the PTU area, completed numerous technical studies, and continued to identify and evaluate project risk reduction opportunities.

POD 20 enumerated five specific work areas that would be pursued by the Owners. Comments on each are provided below.

1. *Pursue receipt of major permits needed for development and construction of the project. Continue engineering and environmental studies in support of the permitting process. Pursue permitting terms that do not degrade the commercial viability of the project.*

In support of permitting and the federal EIS process, ExxonMobil responded to formal requests for technical, operational, environmental and economic information by local, state and federal agencies. These activities continued until a decision was made to suspend permitting activity due to project scope, design and feasibility uncertainties. This decision was formally conveyed to the ADNR and EPA in the third quarter of 2003. Permitting resources continued to be involved in support of internal cost and risk reduction efforts directed towards identifying a viable Gas Injection Project.

Additionally, pre-sufficiency review comments were received from ADEC on the draft Oil Discharge Prevention and Contingency Plan submitted under POD 19, and responses to agency comments on the export pipeline Draft Design Basis were provided to the SPCO. Drafting of all other permit applications was completed and they are being maintained for potential future use. The Owners worked with the EPA and CH2M Hill to assure complete EIS data and information retention for potential future use. Consultation continued with the North

Slope Borough, ICAS, and the Village of Kaktovik with emphasis on land access, hunting and other subsistence impact issues identified in the PTU area.

In addition, field surveys at PTU were completed in the summer of 2003, including environmental baseline studies and hydrology and geo-technical surveys. Environmental field studies for the 2004 summer season were planned and budgeted, and resources have been mobilized.

2. *Continue with FEED to progress and optimize the facility design and provide support for permitting activities.*

Significant work was completed by the FEED team during POD 20 to evaluate Gas Injection Project design alternatives in an effort to identify a viable project. Specifically, in a focused effort to reduce capital costs in light of a smaller condensate resource, a cost reduction and execution optimization study initiated under POD 19 was completed. This study evaluated the potential for aggressive reduction in project costs. Significant cost reduction potential was identified; however, it was not sufficient to yield a commercially viable Gas Injection Project and further engineering work on the resulting cost reduction case (identified as Project Description Revision B") was suspended. A thorough review of the results of this study and remaining risks and uncertainties were provided to the ADNR during subsequent consultation on the Gas Injection Project in April and May, 2004.

During POD 20, FEED resources were also engaged in continued permitting and EIS support. FEED efforts were subsequently focused on further identification and scoping of technical and execution risks associated with the aggressively reduced cost Gas Injection Project case as reviewed with the ADNR in May, 2004. However, the technical feasibility of key cost reduction opportunities assumed in this case has not been verified. Engineering deliverables from FEED work are being maintained for potential future use.

3. *Complete technical studies that have been initiated for the Point Thomson reservoir to evaluate reservoir quality, fault seal, and structural framework. The Pre-Mississippian section underlying the Thomson sand will also be analyzed. Use the completed reservoir model for depletion planning and well placement activities.*

Numerous technical studies of the Thomson Sand were completed during POD 20. In general, the results of these recent studies suggest higher risk and resource uncertainty than previously understood. A comprehensive study of reservoir quality, including additional laboratory and mineralogy testing on remaining core, was performed. Understanding the distribution of reservoir quality remains difficult. The fault seal study indicates fault throws in the Thomson Sand are insufficient to completely offset, or seal, the reservoir but likely will result in some degree of baffling to gas flow during production. Extensive studies of transient pressure tests and pore pressure predictions were completed, which identified some peripheral compartmentalization in the reservoir. Additionally, a well operability study was conducted which identified lower strength zones in the reservoir and a higher risk for sand production. The results of these reservoir technical studies were generally obtained subsequent to the cost reduction and execution optimization study, consequently the current cost reduction case does not fully incorporate these learnings.

The planned Pre-Mississippian evaluation was deferred after the Owners concluded that the Gas Injection Project was not commercially viable.

Geologic and reservoir simulation models were constructed during POD 20 to assess production rates and optimize well placement for a Gas Injection Project. The reservoir simulation model was used to assess performance impacts of the cost reduction initiatives identified in the cost reduction and execution optimization study, to evaluate potential risk reduction opportunities, and to develop depletion plans for the cost reduction case.

Risk assessment and uncertainty analyses were also conducted to quantify the recovery impact of key resource uncertainties. Thomson Sand maps and in-place volumes were presented to the ADNR in October, 2003. In late fall, a comprehensive subsurface technical review was conducted, with peer expert participation, on the resource assessment, study findings, and Gas Injection Project depletion plans. Subsequent to this technical review, a review of the reservoir model, uncertainty analysis, and updated recovery predictions for the Gas Injection Project was provided to the ADNR in April, 2004.

4. Progress the project toward the next phase of funding.

During POD 20, the Owners completed their assessment of the Gas Injection Project commercial viability incorporating new cost and resource information obtained during POD 19. The Point Thomson Unit Owners have expended significant resources in an effort to identify a viable way to design, construct and operate this project. These efforts include numerous technical studies focused on reservoir quality, structure and depletion planning as well as a comprehensive, multi-functional cost reduction and execution optimization study as described above. Despite these efforts, the Owners have not been able to identify an economically viable Gas Injection Project under current fiscal terms.

The Owners initiated consultation with the ADNR regarding the PTU resource and project status to facilitate substantive discussion on future development plans.

This includes a series of presentations to the ADNR, including a general project overview in April, 2004, an updated resource evaluation in October, 2003 and April, 2004, and a technical review of the work effort and results of the cost reduction and execution optimization study in May, 2004.

5. Advance final negotiations by the aligned working interest owners toward a new Unit Operating Agreement with the objective of securing approval by both the aligned Owners and the smaller interest Owners.

The Major Owners have continued to work to reach consensus on all provisions for the new PTU UOA. A new draft incorporating results of negotiations to date will be provided to the major Owners prior to the close of POD 20 in an effort to further advance final negotiations.

Twenty-first Plan of Further Development and Operation (POD 21)

ExxonMobil Corporation ("ExxonMobil"), as Unit Operator, requests, on behalf of the Working Interest Owners ("Owners") that POD 21 encompasses a one year period, from October 1, 2004 through September 30, 2005.

1. The Point Thomson Owners will share with the ADNR results of evaluations and other work associated with potential hydrocarbon resources within the unit area, including the Brookian and Pre-Mississippian reservoirs to include reserve estimates, distributions and mapping.
2. Consult with the ADNR and review the Economic Spreadsheet Model of PTU Gas Injection Project, including assumptions on rates of oil (condensate) and gas production, costs (finding, development, and production) with related spreadsheet equations, economic parameters that drive the model, and results of the model. ExxonMobil will hold economic workshops with ADNR staff to review the spreadsheet calculations and results.
3. Provide the ADNR with existing technical information, costs, and other fiscal assumptions (including government take ramifications) necessary to assist the ADNR in completion of their economic analysis of the Gas Injection Project. To that end, the Owners will provide ADNR with the following under the provisions of confidentiality contained in a memorandum of understanding to be executed between the ADNR and the PTU Owners and contained in all applicable statutes and regulations:
 - a) The pre-stack depth migrated seismic data set in SEGY format (8 millimeter, DLT or DVD) with deconvolution and without deconvolution; full stacks plus velocities. XY's are provided in a digital file of bin centers with a 3D-inline map in a .cgm file.
 - b) Access to the results of the seismic interpretation, the geologic model, and the reservoir simulation at ExxonMobil offices in Houston, Texas, including all information used in the in-place volumetrics and recoverable reserve estimates for all reservoirs or potential reservoirs evaluated to this point.
 - c) Data and interpretations of recent core studies that address potential sanding of the Thomson sand.
 - d) Well and facility construction cost estimates.
4. Activity during POD 21 will include work on progressing technical and commercial evaluations necessary to assure the Owners will be in a position to participate in a future open season for major gas sales from the North Slope of Alaska. ExxonMobil, BP, and ConocoPhillips are major working interest owners in Point Thomson, and comprise the Sponsor Group that has submitted an application under the Stranded Gas Development Act (SGDA) addressing a major gas pipeline. The Sponsor Group, as well as Chevron Texaco, depends on PTU resources to underpin firm supply commitments for major gas sales. The Point Thomson Owners possess both the capability and North Slope

experience necessary to develop and reliably operate the Point Thomson Unit and to overcome its associated technical challenges.

- a) Develop a conceptual gas sales depletion plan. Work will include reservoir simulation to enhance production and recovery predictions under various gas sales scenarios; initial identification of sales rates and well placement along with associated optimizations; assessment of the impact of the Pre-Mississippian on gas sales performance; and uncertainty analysis to assess the impact of reservoir connectivity and sand control issues.
 - b) Conduct screening evaluations of Point Thomson gas sales production facilities. Planned activities include evaluation of PTU gas separation, compression and conditioning alternatives, export pipeline design concepts, and identification of infrastructure and alternatives requirements. The Owners plan to work with the Prudhoe Bay Unit (PBU) Owners to conduct a screening evaluation of gas receiving facility options at PBU.
 - c) Identify and implement additional PTU gas sales planning and technical work necessary to support SGDA negotiations and consistent with the schedule outlined by the gas pipeline Sponsor Group.
 - d) Share results from a through c above with the ADNR as available, but no later than July 1, 2005.
5. In addition to sharing with ADNR the Economic Spreadsheet Model for the gas injection only scenario (Item #2 above), the Owners will carry out an economic evaluation of a gas sales only scenario based on the information developed under item #4 above.
- a) The Owners will also carry out a preliminary economic evaluation of a gas injection followed by gas sales scenario.
 - b) The Owners will present the results of their evaluation of all three scenarios, and their sensitivities with respect to gas and liquids screening analysis, to ADNR during the term of POD 21. ExxonMobil will hold additional workshops with ADNR staff to review the economic spreadsheet calculations and other related model results.
6. Continue participation in baseline environmental surveys in the Point Thomson area. Activities include cooperative funding of Polar Bear denning surveys and report preparation, a Beaufort Sea waterfowl breeding report, a report on large animal (Caribou) use of riparian zones, and a report on experimental gravel re-vegetation plots.
7. Advance final negotiations toward a new Unit Operating Agreement with the objective of securing approval by the aligned Owners and the smaller interest Owners.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

FRANK H. MURKOWSKI
GOVERNOR

550 WEST 7TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501-3560
PHONE: (907) 269-8800
FAX: (907) 269-8938

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

September 23, 2004

Robert D. Schilhab, Chairman
PTU Owners Committee
ExxonMobil Production Company
800 Bell, Suite 1458
Houston, TX 77002

RE: Point Thomson Unit
Conditional Approval of the
Twenty-first Plan of Development

Dear Mr. Schilhab,

On September 7, 2004, the Division of Oil and Gas (the Division) received the proposed Twenty-first Plan of Development (21st POD) submitted by ExxonMobil Corporation (ExxonMobil), the Point Thomson Unit (PTU) operator. During the past year, ExxonMobil and the PTU Working Interest Owners (PTU Owners) completed a number of technical studies to evaluate Thomson Reservoir quality, fault seal, and structural framework; which indicated a chance of greater compartmentalization and a higher risk of sand production. The PTU Owners also studied alternative facility designs and identified cost reduction measures for a Gas Injection Project. The PTU Owners stated that a Gas Injection Project is not commercially viable. The Division is in the process of evaluating the commerciality of a PTU Gas Injection Project. The PTU Owners suspended all PTU permitting activities, deferred evaluation of the Pre-Mississippian formation that underlies the Thomson Reservoir, and plan to focus on potential gas sales opportunities during the one-year term of the 21st POD.

ExxonMobil scheduled several meetings over the past year for the PTU Owners to present the various studies to the Division staff. The Division appreciates the informative presentations and the opportunity to discuss the PTU Owners' interpretations. The PTU Owners agreed to share the results of the PTU studies with the Division during the term of the proposed 21st POD including reserve estimates, distributions, and mapping for the Thomson Reservoir as well as the Brookian and Pre-Mississippian reservoirs within the PTU. The 21st POD also proposes to provide financial and technical information so the Division can complete an economic evaluation of the Gas Injection Project. Although the PTU Owners agreed to provide some of the requested data under a memorandum of agreement on confidentiality, the proposed 21st POD only offers to

Exc. 000302

PTU REC_000426

Robert D. Schilhab, ExxonMobil
Point Thomson Unit
Conditional Approval of the 21st POD
September 23, 2004
Page 2

provide the Division with access to certain data at ExxonMobil's office in Houston, Texas. The Division can only render a decision on the 21st POD based on information in its possession or information that it can reasonably expect to receive.

The Division must determine if the proposed 21st POD is in the public interest.¹ The 21st POD focuses on gas sales, which may not be the best alternative, especially considering the unknown timing of a gas sales pipeline. A prudent unit operator should evaluate all alternatives to develop the unitized substances including: gas injection followed by gas sales, gas sales followed by gas injection, simultaneous gas sales and gas injection projects, and the combined economics of developing gas and oil from the Thomson Reservoir along with oil from the Pre-Mississippian and Brookian reservoirs within the PTU. The Division cannot adequately review the proposed plan without the technical data, assumptions, and interpretations that went into the PTU Owners' evaluation of the Gas Injection Project. Article 10 of the PTU Agreement, Plan of Further Development and Operations, supports the Division's data request as follows:

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Director may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area, and ...

The Division is required by statute² and regulation³ to hold technical data confidential when that data is submitted in support of a unit plan of development. In addition, Article 11 of the PTU Agreement includes the following provision:

Upon the request of the Unit Operator or working interest owners, the Director shall hold as confidential any engineering, geophysical, geological data including but not limited to drilling logs, daily drilling reports or any other data of like or similar nature which may be requested or required by or provided to the Director for any purpose of this agreement.

¹ Oil and Gas Regulation 11 AAC 83.343. "...A unit plan of development must contain sufficient information for the commissioner to determine whether the plan is consistent with the provisions of 11 AAC 83.303."

² Alaska Statute 38.05.035 "(a) The director shall ... (9) maintain such records as the commissioner considers necessary, administer oaths, and do all things incidental to the authority imposed; the following records and files shall be kept confidential upon request of the person supplying the information: ... (C) all geological, geophysical and engineering data supplied, whether or not concerned with the extraction or development of natural resources;(D) except as provided in AS 38.05.036, cost data and financial information submitted in support of applications, bonds, leases and similar items;"

³ Oil and Gas Regulation 11 AAC 82.810. "(a) Geological, geophysical, and engineering data, including well and bore hole data, and interpretations of those data, will be kept confidential at the written request of the person supplying the information. Cost data and financial information submitted in support of applications, bonds, leases, and similar items will be kept confidential at the written request of the person supplying the information except as

Robert D. Schilhab, ExxonMobil
Point Thomson Unit.
Conditional Approval of the 21st POD
September 23, 2004
Page 3

Therefore, it is not necessary, or in my opinion appropriate, to negotiate a memorandum of agreement on confidentiality before submitting the requested data to the Division.

The Division considered the criteria in 11 AAC 83.303 and approves the proposed 21st POD for the period October 1, 2004 through September 30, 2005, on condition that by November 15, 2004, ExxonMobil provides the Division with existing technical information, costs, and other fiscal assumptions (including government take ramifications) necessary for the Division to complete its economic analysis of the Gas Injection Project. The PTU Owners will provide the Division with the following:

- a) The pre-stack depth migrated seismic data set in SEG-Y format (8 millimeter, DLT or DVD); with deconvolution and without deconvolution; full stacks plus velocities. XY's will be provided in a digital file of bin centers with a 3D-inline map in a .cgm file.
- b) Digital files (ASCII) of the xyz grids that represent the results of the seismic interpretation, geologic model, and the reservoir simulation, and the centerline faults for these interpretations, including all information used in the in-place volumetrics and recoverable reserve estimates for all reservoirs or potential reservoirs evaluated to this point.
- c) Access to the results of the seismic interpretation, the geologic model, and the reservoir simulation at ExxonMobil offices in Houston, Texas.
- d) Data and interpretations of recent core studies that address potential sanding of the Thomson sand.
- e) Well, facility, and infrastructure construction cost estimates (including sequence and timing) and operating cost estimates.

Failure to submit the requested data to the Division by November 15, 2004, is grounds for default.⁴

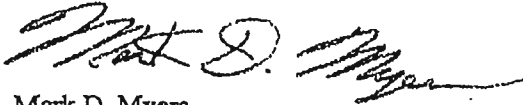
This conditional approval of the proposed 21st POD does not relieve the PTU Owners of any of the conditions under which the Division approved the Second Expansion of the PTU. Development drilling in the PTU must begin by June 15, 2006, or all of the Expansion Acreage will automatically contract out of the PTU and the PTU Owners will pay \$20 million to the State of Alaska. The PTU Twenty-second Plan of Development (22nd POD), which is due on July 1, 2005, must contain specific plans for development drilling within the PTU.

⁴ Oil and Gas Regulation 11 AAC 83.374. "(a) Failure to comply with any of the terms of an approved unit agreement, including any plans of exploration, development, or operations which are a part of the unit agreement, is

Robert D. Schilhab, ExxonMobil
Point Thomson Unit
Conditional Approval of the 21st POD
September 23, 2004
Page 4

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

Sincerely,



Mark D. Myers
Director

cc: Marty Rutherford, Deputy Commissioner DNR
James Cowan, Resource Evaluation
Richard Todd, Department of Law

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Robert D. Schilhab, Chairman PTU Owners Committee ExxonMobil Production Company 800 Bell, Suite 1458 Houston, TX 77002	
or instructions	

Exc. 000305

PTU REC 000429

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES

Office of the Commissioner
550 W. 7th Avenue, Suite 1400
Anchorage, Alaska 99501
Fax: (907) 269-8918

Appeal of Exxon Mobil Corporation)
of the Decision of the Director,)
Division of Oil and Gas,)
dated September 23, 2004,)
entitled Point Thomson Unit)
Conditional Approval of the)
Twenty-first Plan of Development)

APPEAL OF DIRECTOR'S DECISION, REQUEST FOR HEARING, NOTICE OF
INTENT TO SUBMIT ADDITIONAL MATERIALS AND REQUEST FOR STAY

Exxon Mobil Corporation ("ExxonMobil"), as Point Thomson Unit Operator on behalf of itself and the other Point Thomson Unit Owners, appeals from the letter decision of the Director of the Division of Oil and Gas, dated September 23, 2004, entitled Point Thomson Unit Conditional Approval of the Twenty-first Plan of Development ("Decision"). This appeal is made pursuant to 11 AAC 02.010(e) and the terms of the Decision.

ExxonMobil submitted the Twenty-first Plan of Further Development and Operation ("POD 21") for the Point Thomson Unit on September 1, 2004. The Director, by letter dated September 23, 2004, approved POD 21 for the period from October 1, 2004 through September 30, 2005. In the Decision, the Director imposed certain additional conditions beyond the activities and undertakings set forth in POD 21 and required that requested data called for in the enumerated conditions of the Decision be submitted by November 15, 2004.

PTU Rec_0012075

Exc. 000306

ExxonMobil either previously had accomplished or proposed to undertake during the term of POD 21 certain of the enumerated conditions and thus is not challenging those conditions. Imposition of a deadline of November 15, 2004, to submit the requested data called for in the enumerated conditions, however, is unreasonable. The Decision sets forth certain conditions that go beyond the undertakings set forth in the POD 21 submittal and ExxonMobil is appealing those conditions. Finally, the Director also asserted certain matters that must be included in the PTU Twenty-second Plan of Development ("POD 22") to be submitted by July 1, 2005. There is no basis for the Director to include such conditions in approval of POD 21.

In compliance with the procedural requirements set forth in 11 AAC 02.030, ExxonMobil states the following.

Decision Being Appealed - 11 AAC 02.030(a)(7). ExxonMobil hereby appeals to the Commissioner the items referenced above contained in the September 23, 2004 letter decision by the Director of the Division of Oil and Gas entitled Point Thomson Unit Conditional Approval of the Twenty-first Plan of Development ("Decision"). A copy of the Decision is attached as Exhibit A to this appeal.

Basis upon Which Decision is Challenged and Material Facts Disputed by Appellant - 11 AAC 02.030(a)(8) and (a)(9). It was error for the Director of the Division of Oil and Gas to condition approval of the Twenty-first Plan of Further Development and Operations for the Point Thomson Unit by requiring that certain data be submitted by November 15, 2004, and to impose additional conditions beyond those set forth in the POD 21 submittal.

1. The Decision is inconsistent with and fails to apply the terms and standards for approval of a plan of development set forth in the Point Thomson Unit Agreement and in applicable regulations of the Department of Natural Resources to approval of POD 21 for the Point Thomson Unit. The work plans set forth in POD 21 as submitted by ExxonMobil satisfy the requirements of the Point Thomson Unit Agreement and applicable requirements of 11 AAC 83.343 and 11 AAC 83.303.

2. The Decision improperly requires submittal of data and proprietary interpretive information not authorized by the lease, Unit Agreement, statute or regulations. For instance, condition (b) of the Decision provides that the PTU Owners are to provide the Division with the following: "Digital files (ASCII) of the xyz grids that represent the results of the seismic interpretation, geologic model, and the reservoir simulation, and the centerline faults for these interpretations, including all information used in the in-place volumetrics and recoverable reserve estimates for all reservoirs or potential reservoirs evaluated to this point." ExxonMobil and the PTU Owners have reviewed the results of their analyses with Division personnel and have assisted Division personnel in developing their own tools for analyzing Point Thomson. Interpretive, proprietary data and techniques of the nature and in the form set forth in condition (b), or other data and information that the Division might consider necessary to complete its analysis, goes beyond the data and information that must be provided the Division and is not required.

3. The Decision does not provide adequate protections and confidentiality arrangements for information and material provided to the Division. ExxonMobil has proposed a number of review sessions where highly proprietary information, processes and techniques will be shown to Division personnel. Moreover, the Decision seeks to require that certain digital files and proprietary interpretive information be provided to the Division. Such interpretive information is susceptible to manipulation and modification and it is unclear how this information, or any Division-generated work product or derivative interpretations resulting from such interchange, might be handled. Security protocols for handling any software, processes and routines, as well as the electronic data, would need to be established.

As recognized by the Director in his reference in the Decision to the conditions under which the Division approved the Second Expansion of the PTU, there is the potential for certain leases currently within the Point Thomson Unit to contract out of the PTU and to be available for lease. The requested data and interpretations encompass the acreage of these referenced leases and adjacent acreage that is currently unleased. This underscores the need to ensure the

confidentiality of information provided to the Division regarding the geologic, reservoir and development considerations regarding the Thomson Sand and other potential hydrocarbon resources within the PTU.

4. The Decision improperly requires submittal of data and information by November 15, 2004. In POD 21, ExxonMobil set forth proposed work plans that address a number of the enumerated conditions set forth in the Decision, as well as a number of other activities. In certain instances, it is logical and efficient to address issues in a sequential, iterative process. As such, it is not reasonable to require that submittal of all requested data, and the conduct of related work sessions, occur by November 15, 2004, and to provide that failure to accomplish the activity by that date is grounds for default.

5. The Decision improperly places conditions upon the content of the PTU Twenty-second Plan of Development. The Decision states that "The PTU Twenty-second Plan of Development, which is due on July 1, 2005, must contain plans for development drilling within the PTU." The content of POD 22 is a matter to be discussed and addressed at the time of submittal of POD 22. Moreover, it is improper for the Director to condition the plan of development for the entire Point Thomson Unit by including terms set forth in the July 31, 2001 letter decision entitled "Pt. Thomson Unit Expansion/Contraction Application Conditionally Approved" that were agreed to by certain Working Interest Owners and that relate only to the "Expansion Acreage." While it may not be necessary to appeal inclusion of this language in the approval of POD 21, ExxonMobil is including this basis for appeal to ensure there is no claim or assertion of any waiver of the right to challenge any action taken by the Division in this regard with respect to approval of POD 22.

Remedy Requested - 11 AAC 02.030(a)(10). ExxonMobil requests that condition (b) be rescinded and removed from the Decision; that the date for submittal of the requested data called for in the enumerated conditions be removed from the Decision; and that the penultimate paragraph of the Decision be deleted.

Address for Notices or Decisions - 11 AAC 02.030(a)(11). Any notice or decision regarding this appeal should be sent to the following:

Richard J. Owen, Alaska Production Manager
ExxonMobil Production Company
3301 C Street, Suite 400
Anchorage, Alaska 99503
Facsimile: (907) 564-3789

with a copy to:

C. Stephen Luna
Law Department
Exxon Mobil Corporation
800 Bell Street, Suite 1707J
Houston, Texas 77002
Facsimile: (713) 656-6123

Affected Agreements and Leases - 11 AAC 02.030(a)(12). This appeal concerns the Point Thomson Unit Agreement and the State of Alaska leases subject thereto.

Request for Hearing - 11 AAC 02.030(a)(13). ExxonMobil requests a hearing on the issues involved in this appeal. The factual and legal issues to be decided are whether the Plan of Development for the Point Thomson Unit should include the referenced conditions and a date for compliance with such conditions. ExxonMobil requests that the hearing process include the opportunity to present testimony, to cross-examine witnesses and to file post-hearing briefs.

Notice of Intent to Submit Additional Written Material - 11 AAC 02.030(d). ExxonMobil intends to submit additional written material, which may include exhibits and legal argument, in support of this appeal.

Request for Stay - 11 AAC 02.030(f). ExxonMobil requests a stay of each of the conditions involved in this appeal. The public interest requires a stay. Unless a stay is imposed during the

Commissioner's consideration of the appeal, any modification or remand of the Decision would be of uncertain consequence.

The work plans set forth in POD 21 submitted by ExxonMobil, and activity undertaken to date by the PTU Owners, represent significant effort by the PTU Owners to develop the resources within the PTU. This activity would continue during consideration of this appeal. The Director, however, has asserted that failure to submit the requested data by November 15, 2004 is grounds for default under 11 AAC 83.374. A stay would allow the PTU Owners to pursue a challenge of the conditions involved in this appeal without facing the prospect of default, notwithstanding the substantial work activity being undertaken in POD 21. To the extent the Director has exceeded proper authority and imposed improper conditions, a lessee should not be presented with the potential of jeopardizing existing lease rights in order to appeal such improper conditions.

Dated this 15th day of October, 2004, at Houston, Texas.


C. Stephen Luna
Counsel for
Exxon Mobil Corporation

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES OFFICE OF THE COMMISSIONER

FI K. H. MURKOWSKI, GOVERNOR

400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400
FAX: (907) 465-3886

550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

November 24, 2004

Richard J. Owen, Alaska Production Manager
ExxonMobil Production Company
3301 C Street, Suite 400
Anchorage, AK 99501
Facsimile: (907) 564-3789

C. Stephen Luna, Law Dept.
Exxon Mobil Corporation
800 Bell Street, Suite 1707J
Houston, Texas 77002
Facsimile: (713) 656-6123

FINAL ORDER AND DECISION

Exxon Mobil Corporation (Exxon), Operator of the Point Thomson Unit (PTU), on behalf of itself and the other PTU Owners, appealed the Director's decision dated September 23, 2004, entitled *Point Thomson Unit Conditional Approval of the Twenty-first Plan of Development* (the Decision). Exxon appealed the portion of the Decision that conditions approval of the Twenty-first Plan of Development (21st POD) on Exxon providing the Department of Natural Resources, Division of Oil and Gas (the Division) with specific technical data by November 15, 2004.

The primary question in this appeal is whether the Division is entitled to a copy of the data that was the basis for Exxon's proposed 21st POD and the Decision. After considering all material submitted in support of the appeal, it is my conclusion that the conditions imposed in the Decision are appropriate and necessary to allow the Division to discharge its responsibilities and to protect the State's interest. Therefore, the Director's decision is affirmed.

BACKGROUND

DNR approved the PTU Agreement effective August 1, 1977. On November 4, 1977, the Division certified the Point Thomson Unit #1 well (PTU1) capable of producing in paying quantities. Over 27-years ago, lessees discovered the Thomson Sand Reservoir underlying the PTU. They also found that the PTU contains significant gas condensate and black oil reserves. Yet, none of these unitized substances have ever been developed or put into production.

On February 2, 2001, Exxon applied to simultaneously expand and contract the PTU boundary. In connection with that application, the PTU Owners made specific PTU development commitments to protect the State's interests. The PTU owners did not commit to develop the individual expansion leases, but they committed to commence development drilling in the PTU by June 15, 2006, and to complete seven development wells within the PTU by June 15, 2008. In addition, the PTU owners agreed to contract the expansion leases out of the unit and to pay the

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

PTU Rec_0012268

Exc. 000312

state monetary charges of up to \$27,500,000 if they failed to meet those commitments. The PTU Owners also agreed that the expansion leases would contract out of the unit if they were not included in an approved participating area by a specific date. The Division approved the Second Expansion and Third Contraction (2nd Expansion) of the Unit Area effective July 31, 2001, which resulted in approximately a 39% increase in the PTU area.

One of the tools the Division uses to manage oil and gas units is the unit plan of development, which discloses how the lessees intend to develop the unitized substances. Under 11 AAC 83.343,

. . . a unit plan of development 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.

Exxon, as PTU operator, periodically files a plan of development with the Division for approval as required by Article 10 of the PTU Agreement, which states:

Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Director an acceptable plan of development and operation for the unitized land which, when approved by the Director, shall constitute the further drilling and operation obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time, before the expiration of any existing plan the Unit Operator shall submit for the approval of the Director a plan for an additional specified period for the development and operation of the unitized land. The Unit Operator expressly covenants to develop the unit area as a reasonably prudent operator in a reasonably prudent manner.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Director may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area, and ...

PTU Rec_0012269

Exc. 000313

Exxon has filed 21 plans of development for the PTU since 1977. For the past several years, the PTU Owners focused on developing the PTU through a gas cycling project in which Exxon planned to produce natural gas, remove the condensates from the gas, and ship them through the existing Trans-Alaska oil pipeline for sale. Exxon planned to re-inject the dry gas back into the reservoir for later production. The PTU Owners incorporated well and seismic data into geologic, geophysical, engineering, and economic models to evaluate the reservoirs underlying the PTU. The PTU Owners developed their current interpretation of the PTU reserves based on the available data and certain assumptions that they incorporated into the various models.

From their analysis of the model results, the PTU Owners determined that the gas cycling project is not commercially viable, and future development would focus on producing natural gas for sale through a gas pipeline instead of gas cycling. The PTU Owners showed their revised interpretation of the Thomson Reservoir to the Division staff in several presentations held over the past year, in compliance with the previous Twentieth Plan of Development (20th POD).

The proposed 21st POD was due on July 1, 2004, 90 days before the 20th POD was due to expire.¹ Exxon submitted a draft 21st POD on June 21, 2004, that focused on gas sales rather than gas cycling and condensate sales. On June 23, 2004, Division staff met with the PTU Owners to discuss the draft 21st POD. The Division requested that the 21st POD include plans to evaluate all potential hydrocarbon resources within the unit area and to evaluate alternate development scenarios. The Division also requested that the PTU Owners provide specific technical data it needed to complete its economic analysis of the gas cycling project and provided Exxon with draft wording describing the type of data needed. The PTU Owners submitted a revised draft 21st POD on July 13, 2004, which included most of the Division's requested changes. Exxon's revised draft 21st POD included plans to evaluate oil reserves in the Thomson Reservoir and Brookian accumulations within the PTU and alternate development scenarios over the next year.

The PTU Owners and Division staff met again on July 21, 2004, to discuss the detailed plans and data submittals to be included in the 21st POD. The Division reiterated its need for certain technical data to evaluate the PTU Owners' interpretation of the gas cycling project. Exxon agreed to allow the Division access to its geologic, reservoir, and economic models at Exxon's office in Houston, Texas, and following the July 21 meeting, Exxon proposed further revisions to the 21st POD to accommodate the Division's requests. Although the PTU Owners agreed to provide some technical data, including digital data and interpretations, the proposed plan did not commit to provide all of the technical data that the Division needed to adequately review the plan of development and ensure consistency with 11 AAC 83 and AS 38.05.

¹ 11 AAC 83.343 (c) "The unit plan of development must be updated and submitted to the commissioner for approval at least 90 days before the expiration date of the previously approved plan, as set out in that plan."

On July 30, 2004, the Division sent Exxon another revised draft 21st POD that specified the additional data needed to qualify the plan for approval, which included the following:

Digital files (ASCII) of the xyz grids that represent the results of the seismic interpretation, geologic model, and the reservoir simulation plus any other information that went into the in-place and recoverable volumetric calculations for all reservoirs or potential reservoirs evaluated to this point. Digital file (ASCII) of the centerline faults for these interpretations.

The Division received the final 21st POD on September 1, 2004. Exxon's cover letter addressed to Division Director Mark Myers, dated August 31, 2004, stated in part:

ExxonMobil, as Point Thomson Unit (PTU) Operator . . . submits the enclosed Twenty-First Plan of Further Development and Operation (POD 21) for your review and approval. POD 21 is submitted in accordance with Article 10 of the Point Thomson Unit Agreement (PTUA) and all other applicable regulations.

This POD contains an update on the work activities commenced/completed under the 20th POD and a summary of the Owners' work plan under POD 21 for the ensuing twelve-month period. It is anticipated that during the course of this year that a large amount of data and interpretations covering geophysics, geology, reservoir modeling and economic analysis will be transferred to the ADNR under the terms of an anticipated memorandum of understanding covering the confidentiality of this data. This data is to be provided to the ADNR to satisfy all applicable regulations and to support the Department's [sic] more complete understanding of the Pt. Thomson development alternatives and in anticipation of our working together to establish a reasonable course forward for field development that will accomplish the objectives of both the State of Alaska and the Unit Owners.

(Exxon Letter dated August 31, 2004).

During the preceding year, under the 20th POD, the PTU Owners completed the PTU studies and analysis that led Exxon to decide not to pursue the gas cycling project:

During POD 20, the primary focus of PTU Owners was to complete a comprehensive multi-functional cost reduction and execution optimization effort, begun in POD 19, in an effort to define a commercially viable project. As reviewed with ADNR on April 8 and May 20, 2004, the Point Thomson Unit Owners expended significant resources over the past year,

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however, the Owners have not been able to identify a viable Gas Injection Project under current fiscal terms.

....

Additionally, the Unit Owners continued to gather and analyze environmental, baseline and technical data from the PTU area, completed numerous technical studies, and continued to identify and evaluate project risk reduction opportunities.

....

A comprehensive study of reservoir quality, including additional laboratory and mineralogy testing on remaining core, was performed. Understanding the distribution of reservoir quality remains difficult.²

....

During POD 20, the Owners completed their assessment of the Gas Injection Project commercial viability incorporating new cost and resource information obtained during POD 19. The Point Thomson Unit Owners have expended significant resources in an effort to identify a viable way to design, construct and operate this project. These efforts include numerous technical studies focused on reservoir quality, structure and depletion planning as well as a comprehensive, multi-functional costs reduction and execution optimization study as described above. Despite these efforts, the Owners have not been able to identify an economically viable Gas Injection Project under current fiscal terms.

(POD 20 Update, Page 3)

In the proposed 21st POD, Exxon committed to provide the Division with a restricted review of the information the Division had requested. During the proposed 21st POD, the PTU Owners would prepare for a future open season for major gas sales from the North Slope of Alaska. The 21st POD provided in part:

Exxon Mobil Corporation ("ExxonMobil"), as unit Operator, requests, on behalf of the Working Interest Owners ("Owners") that POD 21 encompasses a one year period, from October 1, 2004 through September 30, 2005.

² POD 20 Update, pages 1 and 2. Exxon listed the following other items in POD 20 accomplishments: 1. Deciding to suspend the permitting process after some progress Exxon had concluded that the cycling project is not commercially viable; 2. Consideration of alternative engineering plans to reduce gas cycling costs; 3. Completion of many technical studies on the PTU reservoir and economic, geologic, depletion and other models.

1. The Point Thomson Owners will share with the ADNR results of evaluations and other work associated with potential hydrocarbon resources within the unit area, including the Brookian and Pre-Mississippian reservoirs to include estimates, distributions and mapping.
2. Consult with the ADNR and review the Economic Spreadsheet Model of PTU Gas Injection Project, including assumptions on rates of oil (condensate) and gas production, costs (finding development, and production) with related spreadsheet equations, economic parameters that drive the model, and results of the model. ExxonMobil will hold economic workshops with ADNR staff to review the spreadsheet calculations and results.
3. Provide the ADNR with existing technical information, costs, and other fiscal assumptions (including government take ramifications) necessary to assist the ADNR in completion of their economic analysis of the Gas Injection Project. To that end, the Owners will provide ADNR with the following under provisions of the confidentiality contained in a memorandum of understanding to be executed between ADNR and the PTU Owners and contained in all applicable statutes and regulations:
 - a) The pre-stack depth migrated seismic data set in SEGY format (8 millimeter, DLT or DVD); with deconvolution and without deconvolution; full stacks plus velocities. XY's will be provided in a digital file of bin centers with a 3D-inline map in a .cgm file.
 - b) Access to the results of the seismic interpretation, the geologic model, and the reservoir simulation at ExxonMobil offices in Houston, Texas, including all information used in the in-place volumetrics and recoverable reserve estimates for all reservoirs or potential reservoirs evaluated to this point.
 - c) Data and interpretations of recent core studies that address potential sanding of the Thomson sand.
 - d) Well and facility construction cost estimates.

(21st POD, page 4, emphasis added)

The 21st POD contained two significant changes from the drafts that the Division had previously discussed with the PTU Owners. The PTU Owners proposed to provide the Division with only a portion of the data the Division had requested, and although they would not provide a copy of the remaining data for the Division's files, they offered to make it available for review in

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Exc. 000317

Houston, Texas. The PTU owners also indicated that the Division would need to execute a memorandum of agreement regarding confidentiality before any information would be provided to the Division.

On September 23, 2004, the Division issued a conditional approval of the 21st POD. The Division approved the plan on condition that Exxon provide the Division with copies of all the data requested by the Division no later than November 15, 2004, without executing a memorandum of agreement regarding confidentiality of the data. The Decision was conditioned on provision of the following information:

- a) The pre-stack depth migrated seismic data set in SEG Y format (8 millimeter, DLT or DVD); with deconvolution and without deconvolution; full stacks plus velocities. XY's will be provided in a digital file of bin centers with a 3D-inline map in a .cgm file.
- b) Digital files (ASCII) of the xyz grids that represent the results of the seismic interpretation, geologic model, and the reservoir simulation, and the centerline faults for these interpretations, including all information used in the in-place volumetrics and recoverable reserve estimates for all reservoirs or potential reservoirs evaluated to this point.
- c) Access to the results of the seismic interpretation, the geologic model, and the reservoir simulation at ExxonMobil offices in Houston, Texas.
- d) Data and interpretations of recent core studies that address potential sanding of the Thomson sand.
- e) Well, facility, and infrastructure construction cost estimates (including sequence and timing) and operating cost estimates.

(Decision, Page 3)

The basic difference between the data Exxon offered to provide and the data listed in the Decision was the addition of condition (b). The Decision also stated that the PTU Twenty-second Plan of Development (22nd POD) "must contain specific plans for development drilling within the PTU."

On October 15, 2004, Exxon appealed the conditions imposed in the Decision requiring it to provide technical data to the Division by November 15, 2004, and the requirement the 22nd POD include specific plans to fulfill the drilling commitment by June 15, 2006. Exxon requested that I stay the Decision pending a decision on this appeal and requested a hearing on this appeal. Exxon stated the issue for hearing as follows:

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Exc. 000318

The factual and legal issues to be decided are whether the Plan of Development for the Point Thomson Unit should include the referenced conditions and a date for compliance with such conditions.

On October 27, 2004, I denied Exxon's request for stay and postponed a decision on Exxon's request for a hearing until receipt of any additional material in support of appeal. Exxon submitted additional written material supporting its appeal on November 7, 2004, and requested that I reconsider my denial of Exxon's request for stay. "At a minimum, the Commissioner should require that any data required by condition (b) of the Decision be submitted to the Commissioner under seal and not be distributed to any Division personnel until a decision on this appeal is issued by the Commissioner."

On November 10, 2004, I verbally agreed that Exxon could submit the confidential data to fulfill condition (b) in a sealed envelope, and the Division would not review it before I issue a decision on the appeal. I agreed that if I found for the Division, Division personnel could review the information; if I found for Exxon, then the Division would return the envelope unopened.

On November 15, 2004, Exxon hand delivered a box of technical data to the Division to fulfill the conditions contained in the Decision. Included with the box of data was a sealed envelope, purportedly containing the information requested under condition (b), which remains unopened. Exxon also proposed a protocol for handling confidential data provided to the DNR under the 21st POD, and requested that the Division concur with the protocol before creating a backup of any of the data files or placing the data on a network connected workstation.

DECISION

The department may hold a hearing to resolve factual questions if the appellant requests a hearing in accordance with 11 AAC 02.030(a)(13).³ The issue specified for hearing was whether the Division should have included a requirement that Exxon provide the Division with the requested information by November 15, 2004. A hearing would not help me resolve this type of issue. Therefore, Exxon's request for hearing is denied.

The DNR clearly has the discretion to require modifications to a proposed unit plan of development under 11 AAC 83.343 (c).

The commissioner will approve the updated unit plan of development if it complies with the provisions of 11 AAC 83.303. If the proposed update of a unit plan of development is disapproved, the commissioner will, in his

³ 11 AAC 02.030(a)(13). "An appeal or request for reconsideration under this chapter must ... (13) include a request for an oral hearing, if desired; in the appeal or request for reconsideration, the appellant may include a request for any special procedures to be used at the hearing; the appeal or request for reconsideration must describe the factual issues to be considered at the hearing."

discretion, propose modifications which, if accepted by the unit operator, would qualify the plan for approval.

The Division reviewed Exxon's drafts of the 21st POD and told the PTU Owners on several occasions that the plan was not acceptable without a commitment to provide all of the data needed to evaluate the gas cycling program, including the digital files specified in condition (b). During review of the draft plans, the Division indicated that modifications of the proposed 21st POD would be necessary before the plan would be acceptable. Specifically, the Division requested that the 21st POD include a commitment to provide the requested technical data.

Since the Unit Operator did not incorporate the requested modifications, the Director found the plan to be lacking, and he could have denied the 21st POD. If the Director had disapproved the 21st POD, rather than issuing a conditional approval, the PTU would not have an approved plan, which is a ground for default under the PTU Agreement.

The PTU Owners presented their interpretation of the requested technical data to the Division staff during the term of the Twentieth Plan of Development. The Division did not ask the PTU Owners to acquire any additional data or to produce new interpretations of the existing data. Therefore, the Director did not anticipate that it would take very long for Exxon to compile the requested information. The Director required submittal of the data by November 15, 2004, which gave the PTU Owners nearly two months from the Decision date to compile the information for transmittal. And, in fact, Exxon did compile the data and deliver it to the Division within the time allowed. Assuming the sealed envelope contains the information requested by the Division, Exxon timely complied with the conditions for approval of the 21st POD, and its request for stay of the conditions in the Decision during the appeal process is moot.

The Division did not intend for Exxon to schedule the proposed work sessions prior to November 15, 2004. Division staff would like an opportunity to review the technical data in-house before attending the work sessions in Texas. This will allow them to be better informed and prepared to evaluate the modeling. At a minimum, having possession of the technical data prior to the work sessions will reduce the time needed to evaluate the results.

In its appeal, Exxon relies primarily on the following statutes, regulations, and agreements that give me authority to require lessees to provide confidential data and information but not interpretations of that data: AS 38.05.180(x), 11 AAC 82.805, and Article 11 of the PTU Agreement. However, those provisions do not apply in this case.

Exxon has proffered its models, interpretations, and analysis of PTU geology, reservoirs, engineering plans, and economic factors as the basis upon which the Division should approve not only the 21st POD, but preceding plans of development. The documents on file in this matter show that Exxon is willing to share the requested information and its interpretations with the Division. Acknowledging that the Division needs access to the data and interpretations to evaluate the 21st POD, Exxon proposed that Division staff attend several work sessions in its Houston office to review the data and run different scenarios on Exxon's proprietary models.

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Exc. 000320

Exxon concedes that the Division is entitled to see the information and interpretations that Exxon is asking the Division to rely on. Therefore, the authorities Exxon cites for the proposition that the Division cannot require disclosure of interpretations of data do not apply in this case.⁴

The primary questions in this appeal are then whether the Division can require Exxon to provide copies of the requested information to the Division, whether Exxon can limit the Division's review of certain information to a field inspection in Houston, Texas, and whether Exxon can condition the Division's review of the requested information on execution of a confidentiality agreement restricting the Division's use of the information in excess of current confidentiality statutes and regulations.

Exxon contends that the gas cycling project is not commercially viable and therefore, the PTU Owners plan to focus on gas sales. Exxon based that determination on the technical data requested by the Division. The Division needs to evaluate whether gas sales will conserve the PTU reserves, prevent economic and physical waste, and protect the State's interests.⁵ The requested technical data is necessary for the Division to make those determinations. In order for the Division to have an opportunity for meaningful review of the unit operator's development decisions, the Division needs unfettered access to technical information that provides the basis for those decisions. The Division needs to be free to consider the information in due course at the Division's offices in Anchorage, and should not be restricted to viewing the information at Exxon's offices in Houston, Texas.

The Division also needs to have custody of a complete record of the basis for its decisions. If the Division is limited to reviewing information out-of-state at the lessees' office, the Division would not have a record of the information considered in its decision.

⁴ There is no preclusion against the Division having interpretative documents. Several statutory and regulatory provisions authorize the Division to have such documents and to keep them confidential including: AS 38.05.035(a)(9); AS 38.05.180(x); 11 AAC 82.810(a); and 11 AAC 83.306(4).

⁵ The commissioner must consider the criteria in 11 AAC 83.303 (a) and (b) when evaluating a plan of development: (a) The commissioner will approve a proposed unit agreement for state oil and gas leases if he makes a written finding that the agreement is necessary or advisable to protect the public interest considering the provisions of AS 38.05.180 (p) and this section. The commissioner will approve a proposed unit agreement upon a written finding that it will (1) promote conservation of all natural resources, including all or part of an oil or gas pool, field, or like area; (2) promote the prevention of economic and physical waste; and (3) provide for the protection of all parties of interest, including the state. (b) In evaluating the above criteria, the commissioner will consider (1) the environmental costs and benefits of unitized exploration or development; (2) the geological and engineering characteristics of the potential hydrocarbon accumulation or reservoir proposed for unitization; (3) prior exploration activities in the proposed unit area; (4) the applicant's plans for exploration or development of the unit area; (5) the economic costs and benefits to the state; and (6) any other relevant factors, including measures to mitigate impacts identified above, the commissioner determines necessary or advisable to protect the public interest. (c) The commissioner will consider the criteria in (a) and (b) of this section when evaluating each requested authorization or approval under 11 AAC 83.301 - 11 AAC 83.395, including (1) an approval of a unit agreement; (2) an extension or amendment of a unit agreement; (3) a plan or amendment of a plan of exploration, development or operations; (4) a participating area; or (5) a proposed or revised production or cost allocation formula. 11 AAC 83.303.

The PTU Owners requested that DNR execute a confidentiality agreement specific to the PTU data before accessing the confidential information provided to the Division. The statutes, regulations, and the PTU Agreement provide for submittal of confidential information. The Division is required to hold geological, geophysical, engineering, and economic data; and interpretations of that data confidential upon request of the lessee.⁶ In addition, the Division interprets the regulations to extend confidentiality to all work product and internal interpretations that are based on confidential data.

Although transmittal of electronic data is relatively new technology, it has become increasingly common and is not new to the Division. The Division has received confidential geological, geophysical, engineering and economic data and information in digital format for many years without incident. The State recognized the risks inherent in transferring data electronically and established security procedures. Confidential data submitted on disc or tape is stored in the Division's vault in a secure work area along with hard-copy documents provided by lessees, permittees, and operators.

The Division limits access to the vault and the secure work area to those employees who need confidential information to perform their duties. Access to confidential digital data is limited by security and permissions to only a few designated Division staff members. Security access levels are assigned by position. For example, an employee with access to the secured work area may not have access to the inner vault. The Division installed a high end firewall between the entire Division and the rest of the State's network, which also has a firewall in place. No one outside the designated staff members is permitted to access any data behind the firewall. The Division staff that handle confidential data are aware of the responsibility to maintain the security of the data and of the potential legal actions that might result from disclosure of the data and information.

Therefore, it is inappropriate for Exxon to condition provision of the requested information on the execution of a confidentiality agreement. Moreover, the Division should not be put in the position of having to bargain over the terms of confidentiality agreements with each lessee or unit operator to obtain information to evaluate their plans to develop the State's resources.

In addition, Exxon requested that the Division strike the penultimate paragraph of the Decision, which stated:

This conditional approval of the proposed 21st POD does not relieve the PTU Owners of any of the conditions under which the Division approved the 2nd Expansion. Development drilling in the PTU must begin by June 15, 2006, or all of the Expansion Acreage will automatically contract out

⁶ 11 AAC 82.810(a) Geological, geophysical, and engineering data, including well and bore hole data, and interpretations of those data, will be kept confidential at the written request of the person supplying the information. Cost data and financial information submitted in support of applications, bonds, leases, and similar items will be kept confidential at the written request of the person supplying the information except as provided in AS 38.05.036.

PTU Rec_0012278

Exc. 000322

of the PTU and the PTU Owners will pay \$20 million to the State of Alaska. The PTU Twenty-second Plan of Development (22nd POD), which is due on July 1, 2005, must contain specific plans for development drilling in the PTU.

This language alludes to drilling commitments the PTU Owners made in the 2nd Expansion. Exxon claims it is inappropriate for the Division to include this paragraph in the Decision because

...this language arguably conditions the plan of development for the entire Point Thomson Unit by including terms set forth in the approvals by DNR of expansion of the Point Thomson Unit that were agreed to by certain Working Interest Owners and that relate only to the "Expansion Acreage."

Although failing to fulfill the commitments will result in contraction of the PTU and relinquishment of the expansion acreage, it would not constitute an automatic default of the PTU Agreement.

The Division was reluctant to expand the PTU by 39% in 2001, given that no development had occurred in the unit during the preceding 24 years, and the PTU Owners had no plans to develop the known reservoirs underlying the PTU in the foreseeable future. The Division found that approving the 2nd Expansion was only in the State's interest if the PTU Owners committed to develop the Thomson Reservoir. Exxon repeatedly stated in the 21st, 20th and preceding plans that it cannot find a viable commercial development. It is very appropriate, in the face of those representations, that the Division be clear about what it is and is not approving. In this case, the Division agrees that it is appropriate for Exxon to evaluate development of the Thomson Reservoir through major gas sales from the North Slope, but Exxon is not relieved from the commitments made in connection with the 2nd Expansion.

CONCLUSION

In consideration of the foregoing, I find as follows.

- The DNR has the authority to condition its approval of a plan of development, and that it was appropriate for the Director to condition approval of the proposed 21st POD.
- The DNR has authority under the statutes, regulations, and the PTU Agreement to require submittal of the technical data supporting a plan of development.
- It is appropriate for the Division to require submittal of the requested data and information, and to set a deadline of November 15, 2004.

PTU Rec_0012279

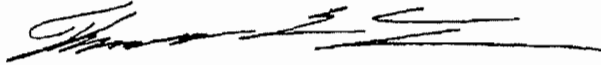
Exc. 000323

- It is not appropriate for Exxon to condition provision of technical data to the Division on the execution of a confidentiality agreement.
- The commitments contained in the 2nd Expansion are integrated into the long-term plan of development for the PTU. And, given the timeline to fulfill the drilling commitments, it is appropriate that the Division give Exxon notice that the drilling plan must be addressed in the 22nd POD.

Therefore, I affirm the Director's conditional approval of the 21st POD.

This is the final administrative order and decision of the department for purposes of an appeal to Superior Court. An appellant affected by this final order and decision may appeal to Superior Court within 30 days in accordance with the rules of the court, and to the extent permitted by applicable law.

Sincerely,



Thomas E. Irwin
Commissioner

cc: Mark D. Myers, Director DO&G
Richard Todd, Dept. of Law

PTU Rec_0012280

Exc. 000324

ExxonMobil Production Company
P.O. Box 198601
Anchorage, Alaska 99519-6601

Richard J. Owen
Alaska Production Manager
Joint Interest U.S.

July 1, 2005

ExxonMobil
Production

Dr. Mark Myers
State of Alaska
Department of Natural Resources
Division of Oil & Gas
550 West 7th Avenue, Suite 800
Anchorage, Alaska 99501-3560

RECEIVED
JUL 01 2005
DIVISION OF
OIL AND GAS

Re: Pt. Thomson Unit POD 22

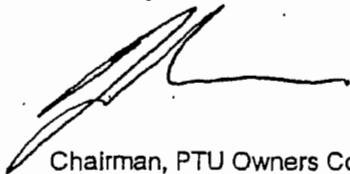
Dear Dr. Myers:

ExxonMobil, as Point Thomson Unit (PTU) Operator and on behalf of the PTU Working Interest Owners (Owners), hereby submits the enclosed Twenty-second Plan of Further Development and Operation (POD 22) for your review and approval. POD 22 is submitted in accordance with Article 10 of the Point Thomson Unit Agreement (PTUA) and applicable regulations.

This POD contains an update on the work activities commenced/completed under the 21st POD and a summary of the Owners' work plans under POD 22 for the ensuing twelve-month period.

We appreciate the attendance by you and other members of the Division at the June 29, 2005, meeting in which ExxonMobil reviewed the work performed under the 21st POD, and on June 30, 2005, in which we discussed the work proposed to be done under POD 22.

Sincerely,



Chairman, PTU Owners Committee

RJO:jpc
Attachment

xc: PTU WIO

Exc. 000325

PTU REC_000206

POINT THOMSON UNIT

Twenty-second Plan of Further Development and Operation and Update on the Twenty-first 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 Twenty-second Plan of Further Development and Operation (POD 22) for the Point Thomson Unit (PTU) together with the Update on the PTU Twenty-first Plan of Further Development and Operation (POD 21). Exxon Mobil Corporation ("ExxonMobil") as Unit Operator is submitting both the update to POD 21 and POD 22 on behalf of the PTU Working Interest Owners (Owners).

Update of the Twenty-first Plan of Further Development and Operation

During POD 21, the primary focus of the PTU Owners was to progress technical and commercial evaluations necessary to ensure the Owners will be in a position to participate in a future open season for major gas sales from the North Slope of Alaska. ExxonMobil, BP, and ConocoPhillips are major working interest owners in Point Thomson, and comprise the Sponsor Group that has submitted an application under the Stranded Gas Development Act (SGDA). The Sponsor Group, as well as Chevron, depends on PTU resources to underpin firm supply commitments for major gas sales. The facilities component of POD 21 was to conduct screening designs and prepare cost estimates for facilities needed to produce the Point Thomson reservoir to a major gas sales pipeline. Geological and reservoir studies are progressing to evaluate the Thomson and Pre-Mississippian intervals in more detail as required to understand the reservoir dynamics under a gas sales development and evaluate production flowstreams and economics of the new higher definition cases. A significant effort was also expended in providing the ADNR with data on the Gas Injection Project, the gas sales project and potential combinations of gas injection and gas sales projects. Several workshops were held with the ADNR to review the data, methodologies and results. A comprehensive technical review was held with the ADNR staff on June 29, 2005 to review the work done on the Pre-Mississippian formation and to satisfy the requirements of Section 4 of POD 21.

During the one-year term of POD 21, the Owners spent in excess of four million dollars, representing approximately 10 staff-years of technical work to advance efforts toward commercializing the PTU hydrocarbon resource. The Unit Owners continued to participate in environmental baseline surveys and development of technical data from the PTU area, completed numerous technical studies and reports, and continued to identify and evaluate project risk reduction opportunities.

POD 21 enumerated seven specific work areas that were to be pursued by the Owners. Comments on each are provided below. During POD 21, the Owners submitted an extensive amount of data on potential PTU developments to the ADNR. A major data submittal was made on November 15, 2004, which provided data as required in Sections 1 and 3 of POD 21, on studies related to the Brookian Formation reservoirs and the Gas Injection Project. A second submission was made on April 8, 2005 and was in response

to Governor Murkowski's and Dr. Myers' letters requesting data on gas sales projects and gas sales combined with gas injection projects, etc. Additional data and information submittals occurred in conjunction with specific meetings and workshops as discussed below.

1. *The Point Thomson Owners will share with the ADNR results of evaluations and other work associated with potential hydrocarbon resources within the unit area, including the Brookian and Pre-Mississippian reservoirs to include reserve estimates, distributions and mapping.*

The existing data on the Brookian reservoir was included in the November 15, 2004 data package, Exhibit 5, and was further addressed in the April 8, 2005 data submission, Exhibit 8. The Brookian was also reviewed extensively at the June 13-15 subsurface workshops that are discussed under Item 3. As discussed in these data packages and at the workshop, there are significant hurdles to be overcome in achieving commercially viable development of the Brookian reservoirs in the PTU area, most notable among these is the reservoir connectivity/recovery uncertainty.

The Pre-Mississippian reservoir has been the subject of extensive new work in the POD 21 timeframe. Specific activities have included reassessment of all well tests; review of all cores and core studies; review of the drilling history; seismic interpretation that includes mapping of Pre-Mississippian faults and surfaces; and geological interpretation including fracture characterization. Results of the Pre-Mississippian 3-D studies were incorporated into the 2005 combined Thomson/Pre-Mississippian 3-D geologic model. Screening simulation studies were performed in parallel using information from the Pre-Mississippian studies. The results of the Pre-Mississippian work, including interim reserves estimation and distribution, were reviewed with the staff of the ADNR on June 29, 2005.

2. *Consult with the ADNR and review the Economic Spreadsheet Model of PTU Gas Injection Project, including assumptions on rates of oil (condensate) and gas production, costs (finding, development, and production) with related spreadsheet equations, economic parameters that drive the model, and results of the model. ExxonMobil will hold economic workshops with ADNR staff to review the spreadsheet calculations and results.*

Gas Injection Project economic model input data was provided to the ADNR in the November 15, 2004 submission, including all production flow rates and costs for what was referred to as the Rev. B" case. In the April 8, 2005 submission, similar data was provided for the Front End Engineering Design (FEED), Rev. B case. ExxonMobil reviewed the spreadsheet equations, parameters and results at a workshop on May 24, 2005 and is available to conduct additional workshops at the ADNR's request.

3. *Provide the ADNR with existing technical information, costs, and other fiscal assumptions (including government take ramifications) necessary to assist the ADNR in completion of their economic analysis of the Gas Injection Project. To that end, the Owners will provide ADNR with the following:*

- a) *The pre-stack depth migrated seismic data set in SEGY format (8 millimeter, DLT or DVD) with deconvolution and without deconvolution; full stacks plus velocities. XY's are provided in a digital file of bin centers with a 3D-inline map in a .cgm file.*
- b) *Digital files (ASCII) of the xyz grids that represent the results of the seismic interpretation, geologic model, and the reservoir simulation, and the centerline faults for these interpretations, including all information used in the in-place volumetrics and recoverable reserve estimates for all reservoirs or potential reservoirs evaluated to this point.*
- c) *Access to the results of the seismic interpretation, the geologic model, and the reservoir simulation at ExxonMobil offices in Houston, Texas.*
- d) *Data and interpretations of recent core studies that address potential sanding of the Thomson sand.*
- e) *Well, facility, and infrastructure construction cost estimates (Including sequence and timing) and operating cost estimates.*

All requested data was provided in the November 15, 2004 data submission to the ADNR as prescribed in the conditions for approval of POD 21 in the September 23, 2004 decision of the Director. The seismic information requested in paragraph a) was included in Exhibit 1 of the submission, the geologic model requested in paragraph b) including faults was included in Exhibit 2, and the Thomson Sand core studies pertaining to the potential for sanding requested in paragraph d) were included in Exhibit 3. Exhibit 4 of the package included the technical and economic input assumptions, facility design information including capital and expense costs, and tables itemizing all flowstreams, capital and expense costs, and price netback forecasts including pipeline costs as requested in paragraph e.

A workshop (teleconference) was held on May 26, 2005 to discuss the depth conversion that was made during the 2001 to 2003 timeframe and that was the basis for the gas injection project's geologic model. Prior to this review a paper entitled "A History of Top Thomson Depth Mapping (2001 to 2003) for the ADNR" was provided to the ADNR staff. A copy of the material presented on May 26 was subsequently provided to the ADNR.

A workshop was held for the ADNR in ExxonMobil's offices in Houston during June 13-15, 2005 as provided for in paragraph c. The purposes of this workshop were to provide a comprehensive technical understanding of geoscience interpretations, geologic model and reservoir simulation used for the PTU Gas Injection Project (GIP) to the ADNR and to share information used for in-place volumetrics and recoverable reserve estimate for the Thomson reservoir with the ADNR. During this workshop access to the results of the geophysical, geologic and reservoir interpretations were made available. ExxonMobil remains available to conduct additional technical workshops at the ADNR's request.

- 4. *Activity during POD 21 will include work on progressing technical and commercial evaluations necessary to assure the Owners will be in a position to participate in a future open season for major gas sales from the North Slope of Alaska. ExxonMobil,*

BP, and ConocoPhillips are major working interest owners in Point Thomson, and comprise the Sponsor Group that has submitted an application under the Stranded Gas Development Act (SGDA) addressing a major gas pipeline. The Sponsor Group, as well as Chevron Texaco, depends on PTU resources to underpin firm supply commitments for major gas sales. The Point Thomson Owners possess both the capability and North Slope experience necessary to develop and reliably operate the Point Thomson Unit and to overcome its associated technical challenges.

- a) Develop a conceptual gas sales depletion plan. Work will include reservoir simulation to enhance production and recovery predictions under various gas sales scenarios; initial identification of sales rates and well placement along with associated optimizations; assessment of the impact of the Pre-Mississippian on gas sales performance; and uncertainty analysis to assess the impact of reservoir connectivity and sand control issues.*
- b) Conduct screening evaluations of Point Thomson gas sales production facilities. Planned activities include evaluation of PTU gas separation, compression and conditioning alternatives, export pipeline design concepts, and identification of infrastructure and alternatives requirements. The Owners plan to work with the Prudhoe Bay Unit (PBU) Owners to conduct a screening evaluation of gas receiving facility options at PBU.*
- c) Identify and implement additional PTU gas sales planning and technical work necessary to support SGDA negotiations and consistent with the schedule outlined by the gas pipeline Sponsor Group.*
- d) Share results from a through c above with the ADNR as available, but no later than July 1, 2005.*

A conceptual depletion plan was developed. This depletion plan incorporated the results of the prior geologic model with updated reservoir simulation and updated facilities designs and cost estimates. As is normal with all major projects, this represents one step or phase in the project development process, as discussed below. The depletion plan will be further refined during POD 22 and subsequent phases of work.

The current status of the work performed under this Item 4 was reviewed with the ADNR on June 29, 2005. This included a review of the screening level gas sales depletion plan and the gas and condensate flowstreams that were used in the screening evaluation of Point Thomson gas sales production facilities. The overall production scheme is to produce gas from Point Thomson and deliver the gas to the Prudhoe Bay area where it can be further processed in a gas treatment plant and prepared for sales. Receiving facility design has been coordinated with the PBU Operator to ensure compatibility with PBU operations and plans for gas sales from PBU.

Reservoir simulation studies to further refine the effect of the Pre-Mississippian reservoir on PTU gas sales as well as work on an uncertainty analysis are continuing at this time. The Owners anticipate further submittal to the ADNR prior to the close of POD 21 to review the status of this work. The simulation work for POD 21 included a screening assessment of the impact of the Pre-Mississippian reservoir and Thomson aquifer influx on Thomson production and possible enhancements to the 2003 major gas sales screening study depletion plan. Due to schedule requirements and the need to progress

this screening work within the POD 21 timeframe, this work was based on the 2003 geologic model.

During POD 21, the 2003 geologic model was updated to include the Pfe-Mississippian reservoir that is in communication with the Thomson reservoir. The updated model will provide the basis for the decision quality reservoir simulation that is to be performed in the second half of 2005 and in 2006. In addition to the base case model, technical work towards construction of low and high side models is ongoing. POD 22 will address the low and high side geologic model as well as simulation of the base, low and high side models.

Several studies needed to generate this new object based geologic model have already been completed, including a seismic lineament study to construct a more detailed representation of faulting, especially in the Pre-Mississippian section, along with other Pre-Mississippian work as detailed under item 1 above. Additional depositional and structural scenarios will be incorporated to model a range of high and low side variations toward a more robust uncertainty analysis. These additional realizations will help in understanding questions of reservoir continuity, development planning, and number of wells needed. Uncertainty analysis will proceed concurrent to the geologic modeling efforts and will help define the risks and range of uncertainty inherent to the PTU reservoirs while providing input to the geologic modeling as well as forming the basis for updated resource estimates.

Studies have been done to support the SGDA negotiations and provide data to both the Owners and the State. Work included evaluation of PTU gas export pipeline costs, evaluation of production allocation to tracts for royalty purposes, and provision of extensive information to evaluate commercial viability of development alternatives.

5. *In addition to sharing with ADNR the Economic Spreadsheet Model for the gas injection only scenario (item #2 above), the Owners will carry out an economic evaluation of a gas sales only scenario based on the information developed under item #4 above.*

a) *The Owners will also carry out a preliminary economic evaluation of a gas injection followed by gas sales scenario.*

b) *The Owners will present the results of their evaluation of all three scenarios, and their sensitivities with respect to gas and liquids screening analysis, to ADNR during the term of POD 21. ExxonMobil will hold additional workshops with ADNR staff to review the economic spreadsheet calculations and other related model results.*

A review of the gas injection, gas sales, and combination cases and results of the preliminary screening analyses was held with the State's Gas Cabinet, which included the ADNR, on March 4, 2005. Input data for the preliminary economic evaluation of a gas sales only and a gas injection followed by gas sales scenario were provided to the ADNR in the April 8, 2005 data submission and the results were qualitatively discussed in that submission. The gas injection case was reviewed in more detail in the May 24, 2005 workshop. The updated facilities screening study results for a gas sales project based on POD 21 work was shared with the ADNR in the June 29, 2005 presentation.

ExxonMobil is available at the ADNR's convenience to further discuss the model and results.

6. *Continue participation in baseline environmental surveys in the Point Thomson area. Activities include cooperative funding of Polar Bear denning surveys and report preparation, a Beaufort Sea waterfowl breeding report, a report on large animal (Caribou) use of riparian zones, and a report on experimental gravel re-vegetation plots.*

The 2005 Polar Bear denning survey is currently underway and a report will be prepared at the conclusion of the survey. Reports have been finalized for the Beaufort Sea waterfowl breeding, large animal (Caribou) use of riparian zones and experimental gravel re-vegetation. These reports were distributed to the Owners and will be retained for use in future permitting efforts.

7. *Advance final negotiations toward a new Unit Operating Agreement with the objective of securing approval by the aligned Owners and the smaller interest Owners.*

Negotiations are ongoing to finalize the new Unit Operating Agreement. In the last year significant progress has been made on two major issues, gas balancing and accounting. The Owners are continuing to move forward on an agreement that can be put before management for approval.

Twenty-second Plan of Further Development and Operation (POD 22)

ExxonMobil Corporation ("ExxonMobil"), as Unit Operator, requests, on behalf of the Working Interest Owners ("Owners") that POD 22 encompass a one year period, from October 1, 2005 through September 30, 2006.

Activity during POD 22 will include further development of the Gas Sales Conceptual Depletion Plan developed during POD 21. This will include work on advancing the geologic and reservoir simulation work that was begun during POD 21 and initiating Conceptual Engineering for facilities design. Such work is necessary to allow the Owners to participate in a potential open season for major gas sales from the North Slope of Alaska. As noted previously, the Owners believe that the Point Thomson Unit resources are required to establish the level of firm-supply commitments to enable the major gas sales pipeline to be constructed. The Owners have considered the most appropriate time to begin development drilling in the PTU and have concluded that field activities associated with development drilling should begin three to three and one-half years before field startup. This will allow sufficient time to construct the gravel drilling pads and allow them to "season" to minimize problems associated with settlement, perform any necessary rig modifications for the challenging PTU development wells, and conduct sufficient development drilling to provide the necessary gas deliverability rates.

The exact timing of the open season will be dependent upon the successful completion of a fiscal contract under the Stranded Gas Development Act (SGDA). During the POD 22 period, the Owners intend to monitor progress under the SGDA and be prepared to adjust the work schedule to ensure the necessary work is conducted prior to a potential open season for nominations to an Alaska Gas Pipeline while maximizing the efficiency of the work processes and sequence. The work for POD 22 is planned to have the Point Thomson Owners prepared to participate in the open season process at the earliest potential date on which an open season could occur. There are a large number of PTU Owners that will need to individually market their gas and it will be important to allow sufficient time for this to occur. The Point Thomson gas sales project is a "world class" project that will require the combined expertise and experience of the current Owners to manage the risks and yield a successful project.

To advance these goals, the following specific work tasks are planned for the POD 22 period:

1. The Owners will continue work on the 2005 base case, low side and high side geologic models initiated in POD 21, which includes a rigorous treatment of the Thomson Sand aquifer uncertainty and the Pre-Mississippian bedded facies. Reservoir simulation work will be further advanced by incorporating results of these new models to help quantify risks associated with the gas sales project such as high rate production wells and the potential for water influx from the Thomson aquifer or the Pre-Mississippian facies. This simulation work is expected to form the basis of the Point Thomson major gas sales (MGS) depletion plan. A subsidence study to examine the possible impact of MGS depletion above ground will also be initiated.
2. More detailed facility design, commonly referred to as Conceptual Engineering, is planned to be initiated after the flowstreams are available. It is anticipated that this

may be as early as the middle of POD 22 and would be completed during the following POD. This work is anticipated to take approximately 9 to 12 months and must be completed in time to allow all Point Thomson Owners to analyze the results prior to a potential gas pipeline open season. The cost information from the Conceptual Engineering work is critical to the Owners economic analysis.

3. In conjunction with Conceptual Engineering, drilling and completion plans and costs will be updated. This will include determining optimum drillsite locations and estimating individual well locations, displacements, drilling times, and costs. This information will be important in determining estimated total project costs and timing.
4. Results from 1, 2 and 3 above will be shared with the ADNR as available at the ADNR's convenience but no later than July 1, 2006. Any work completed after July 1 will be shared with the ADNR later in the POD period.
5. The Owners will begin planning the permitting process for the Point Thomson gas sales project during POD 22. This work is expected to include a review of the permitting experience and resulting recommendations from the gas injection project, a review of potential data or future study needs, and an assessment of the interaction between Point Thomson permitting and permitting for the anticipated major gas sales pipeline project. The estimated project timeline will be updated with the results of this permitting assessment.
6. The Owners will continue the work begun in POD 21, and earlier, toward developing a new Unit Operating Agreement with the objective of securing approval by all Working Interest Owners.
7. The Owners will further assist the ADNR, as necessary, to better understand those critical issues related to the Gas Injection Project (GIP) in support of the ADNR's work initiated during POD 21 to independently assess the commercial viability of the GIP.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

FRANK H. MURKOWSKI
GOVERNOR

550 WEST 7TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501-3560
PHONE: (907) 269-8800
FAX: (907) 269-8938

Hand Delivered

July 27, 2005

Mr. Richard J. Owen, Alaska Production Manager, Joint Interests U.S.
ExxonMobil Production Company
3301 C Street, Suite 400, P.O. Box 196601
Anchorage, AK 99519-6601

RE: Point Thomson Unit
Suggested Modifications to the Proposed Twenty-second Plan of Development

Dear Mr. Owen,

ExxonMobil Corporation (ExxonMobil), the Point Thomson Unit (PTU) operator, submitted a letter dated June 21, 2005, regarding an extension of the development drilling commitments set forth in the *Agreement Resolving All Pending Point Thomson Unit Expansion/Contraction Matters and Proceedings*, dated July 31, 2001 (Expansion Agreement). All of the lessees with working interest ownership in the expansion area leases (PTU Owners) executed the Expansion Agreement. On July 1, 2005, the Division of Oil and Gas (the Division) received ExxonMobil's proposed Twenty-second Plan of Development for the PTU (22nd POD). We have reviewed the proposed 22nd POD and all other information recently conveyed to the Division by ExxonMobil and the PTU Owners.

The Division is not inclined to accept ExxonMobil's proposal to extend the drilling commitment dates and retain the expansion leases within the PTU for so long as the fiscal contract negotiations for a gas pipeline continue and for the term of any resulting contract. Moreover, the Division does not intend to relieve the PTU Owners of the work commitments made in connection with the 2nd Expansion of the PTU. Under the Expansion Agreement, the PTU Owners committed to begin development drilling in the PTU by June 15, 2006, and complete seven development wells by June 15, 2008. If the PTU Owners fail to meet the expansion commitments, the Division intends to enforce the Expansion Agreement.

The Division's conditional approval of the Twenty-first Plan of Development (21st POD) stated:

This conditional approval of the proposed 21st POD does not relieve the PTU Owners of any of the conditions under which the Division approved the 2nd Expansion. Development drilling in the PTU must begin by June 15, 2006, or all of the Expansion Acreage will automatically contract out of the PTU and the PTU Owners will pay \$20 million to the State of Alaska. The PTU Twenty-second

"Energy Alaska."

Exc. 000334

PTU REC_000216

Richard J. Owen, ExxonM. Oil
Point Thomson Unit
Suggested Modifications to the Proposed 22nd POD
Page 2

Plan of Development (22nd POD), which is due on July 1, 2005, must contain specific plans for development drilling in the PTU.

The DNR Commissioner's November 24, 2004 Decision on Appeal upheld the Division's conditional approval of the 21st POD as follows:

The commitments contained in the 2nd Expansion are integrated into the long-term plan of development for the PTU. And, given the timeline to fulfill the drilling commitments, it is appropriate that the Division give Exxon notice that the drilling plan must be addressed in the 22nd POD.

However, the proposed 22nd POD does not include plans to drill a development well in the PTU, and in fact, the June 21, 2005 letter, proposes an indefinite extension of the drilling commitments in the Expansion Agreement. ExxonMobil and the PTU Owners determined that a gas cycling project is uneconomic and the focus of the proposed 22nd POD is to prepare for a potential open season for major gas sales from the North Slope, and it states that field activities associated with development drilling should begin three to three and one-half years before field startup, which is an undetermined date likely to be eight or more years in the future.

While first and foremost, the Division would like to see PTU development commence today, we would accept an extension of the existing development drilling commitments if the PTU Owners agree to acquire additional technical data to delineate the Thomson Reservoir. The Division believes there is considerable uncertainty in ExxonMobil's interpretation of the available PTU geological and geophysical data, which makes it difficult to assess the connectivity of the reservoir, fluid contacts, and the hydrocarbon properties of the oil rim. An exploration/delineation well could provide significant information pertinent for appropriate development of the Thomson Reservoir.

ExxonMobil should begin development drilling within the PTU by June 15, 2006, as set forth in the Expansion Agreement, or if the PTU Owners concur that the geologic uncertainty is too great, ExxonMobil should drill a well to help resolve those uncertainties. The Division proposes modifications which, if accepted by the unit operator, would qualify the proposed 22nd POD for approval.

The Division proposes granting a one-year extension of the commitments contained in the Expansion Agreement, including the requirement to commence development drilling by June 15, 2006, provided that ExxonMobil modifies the proposed 22nd POD to include the following:

1. ExxonMobil shall drill an exploration/delineation well within the PTU by June 15, 2006.
2. The well must be drilled to the Mississippian basement and located to
 - a. delineate the Thomson Reservoir west of the PTU #1 well,
 - b. evaluate connectivity and continuity within the Thomson Reservoir, and
 - c. evaluate the extent of and the hydrocarbon properties within the oil rim.

Exc. 000335

PTU REC_000217

Richard J. Owen, ExxonMobil
Point Thomson Unit
Suggested Modifications to the Proposed 22nd POD
Page 3

3. ExxonMobil shall apply to the Alaska Oil and Gas Conservation Commission for Pool Rules and a depletion plan for the Thomson Reservoir.
4. ExxonMobil shall prepare a schedule of activities to obtain the necessary permits for construction of the PTU facilities and pipelines.
5. ExxonMobil shall compare core samples from the Badami wells with the appropriate PTU wells to evaluate the Brookian reservoirs within the PTU.

If ExxonMobil modified the proposed 22nd POD to include drilling an exploration/delineation well and the other commitments described above, the Division would likely approve the revised 22nd POD and grant a one-year extension of the due date to begin development drilling.

If ExxonMobil drills an exploration/delineation well by June 15, 2006, which validates its geologic interpretation in the western portion of the unit, the Division may consider extending the subsequent expansion commitments commensurate with the PTU Owners' gas sales timeline. However, if significant geologic uncertainty still remains after drilling an exploration/delineation well, the Division may require additional delineation wells. If ExxonMobil modifies the 22nd POD as suggested, but fails to drill the exploration well by June 15, 2006, all of the expansion acreage will automatically contract out of the PTU and the PTU Owners will pay \$20 million to the State of Alaska.

Please notify me with 10 days if the PTU Owners are willing to commit to these modifications of the plan. Otherwise, the Division will proceed to issue a prompt decision on the 22nd POD.

Sincerely,



Mark D. Myers
Director

cc: Thomas E. Irwin, Commissioner DNR
John Norman, Chair AOGCC
Richard Todd, Senior Assistant Attorney General

Exc. 000336

PTU REC_000218

ExxonMobil Production Company
P.O. Box 196601
Anchorage, Alaska 99519-6601

Richard Owen
Alaska Production Manager
Joint Interest U.S.

ExxonMobil
Production

August 31, 2005

Dr. Mark Myers
State of Alaska
Department of Natural Resources
Division of Oil & Gas
550 West 7th Avenue, Suite 800
Anchorage, Alaska 99501-3560

Dear Dr. Myers:

We want to thank you for your time in meeting with us and the other Point Thomson Unit Owners over the last three months to discuss the PTU Twenty-second Plan of Further Development and Operation (POD or POD 22) and for the suggestions regarding POD 22 contained in your July 27, 2005 letter. We believe the meetings and open exchange have improved our understanding of the ADNRS issues and concerns and helped us prepare the attached POD that meets both the Owners' and the ADNRS objective to develop the PTU at the earliest feasible date.

ExxonMobil, on behalf of the Point Thomson Unit Working Interest Owners, hereby submits a revised POD for the PTU. We made substantial changes to the July 1, 2005 submittal to address the ADNRS concerns and suggestions including:

- Expanding the POD to better describe the Owners' plans to evaluate all potential hydrocarbon resources within the PTU
- Including a section to discuss the Owners' overall development plans and views so the current work can be understood in that broader context
- Applying for a conservation order for field gas offtake
- Preparing a schedule of activities to obtain permits
- Comparing core samples from the Badami wells with PTU wells to evaluate the appropriate Brookian reservoirs in the PTU
- Conducting a joint work process to define the objectives of, and value that would be gained from, an exploration/delineation well.

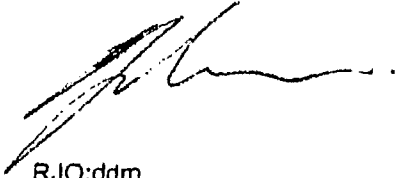
As discussed during our August 18th meeting, an exploration/delineation well cannot be justified at this time, and the necessary well planning to safely and successfully drill an exploration/delineation well into the high pressure PTU formations has not been performed.

In lieu of a near-term drilling commitment, we have proposed a joint planning effort with the ADNRS experts and our internal company experts to define the Value of the Information (VOI) that would be gained and to determine whether this value is sufficient to justify drilling an

exploration/delineation well(s). To safely and successfully drill wells into the high pressure Point Thomson formations, a thorough planning effort is mandatory. That planning cannot be completed until the well objectives are defined, which would be an outcome from the VOI process.

We thank you again for your time and would be pleased to meet and further discuss the content of the proposed POD.

Sincerely,



RJO:ddm
Attachment
Revised POD 22 Submittal 8/31/05.rtf

c: PTU Working Interest Owners

POINT THOMSON UNIT

Twenty-second Plan of Further Development and Operation August 31, 2005

In accordance with Article 10 of the Point Thomson Unit Agreement and applicable regulations, set forth herein is the proposed Twenty-second Plan of Further Development and Operation (POD or POD 22) for the Point Thomson Unit (PTU), which includes an update on the Twenty-first Plan of Further Development and Operation (POD 21). This POD includes the PTU Working Interest Owners' (Owners) plans to develop the hydrocarbon resources within the PTU. It describes overall development plans for the PTU, work performed during the past year, and work proposed to be done during the next year. Exxon Mobil Corporation ("ExxonMobil") as Unit Operator is submitting the POD on behalf of the PTU Owners and requests approval of the POD for a one year period, from October 1, 2005, through September 30, 2006.

1. PTU Resource Description and Development Plans

The Point Thomson Unit contains world class hydrocarbon resources. The Thomson Sand is expected to yield significant quantities of natural gas and condensate when developed. The Pre-Mississippian formation contains lesser quantities of gas, which will be developed in conjunction with the Thomson Sand. There are also quantities of oil in the Brookian accumulations, which may be commercially viable to develop after infrastructure for the Thomson Sand is in place.

Since formation of the PTU, the Owners have spent in excess of eight hundred million dollars and hundreds of staff-years in evaluating the PTU resources and a wide range of development options.

This POD contains development activity for all PTU hydrocarbon resources. The Owners currently believe that developing Point Thomson as part of a North Slope gas sales project will provide the most value to the State of Alaska (SoA) and the Owners. This is because a gas sales project has the greatest probability of being commercially viable, is the single development alternative that would recover the greatest percentage of the PTU hydrocarbon resources, and would provide infrastructure to facilitate later development of other reservoirs in the PTU.

ExxonMobil, BP, and ConocoPhillips are major Owners in the Point Thomson Unit and comprise the Sponsor Group that has submitted an application under the Stranded Gas Development Act (SGDA). As outlined by the Sponsor Group, once a fiscal contract is executed and ratified by the SoA, an "open season" process will be held in which the PTU Owners and others will "nominate" for capacity to ship gas through the pipeline. The PTU Owners will depend upon PTU resources to underpin firm supply commitments for a gas pipeline secured through the open season process.

Potential alternatives to a gas sales project will also be considered with a view toward being able to efficiently progress an alternative should a gas pipeline project be significantly delayed.

1.1. Thomson Sand Development Plans

During the period from approximately 2000 through 2003, the primary development focus was on a Gas Injection Project (GIP), which was determined to be not commercially viable. This determination, together with Sponsor Group activity under the SGDA, led the Owners to shift focus from an injection project to a gas sales project. Geological and reservoir engineering studies were begun in 2004 to progress the subsurface technical definition of the Pre-Mississippian and Thomson reservoirs in the detail needed to understand the reservoir dynamics under gas sales. This reservoir simulation work will model the Thomson Sand reservoir, including the aquifer and oil rim.

The facilities component of last year's work was to conduct screening designs and prepare screening level cost estimates of the facilities that will be needed to produce the PTU as a gas sales project. This screening work was needed before the Owners could proceed to the next stage of engineering, which is commonly referred to as Conceptual Engineering (CE). For the PTU Owners, CE represents a significant increase in activity and will require many staff-years of ExxonMobil and contract resources.

The subsurface and facilities work will provide the level of technical definition required by the Owners to participate in the open season process at the earliest possible date. There are a large number of PTU Owners that will need to individually market their gas and it will be important to allow sufficient time for this to occur.

1.2. Pre-Mississippian Reservoir

The Pre-Mississippian Reservoir is known to contain producible quantities of gas but it may also be prone to water production. The Pre-Mississippian was not included in the GIP evaluation work because the Pre-Mississippian would not have produced significant quantities of gas or water under the high pressures the Thomson Sand would exhibit under the gas injection process. The Pre-Mississippian could contribute volumes of gas or water during a gas sales project because the Thomson Sand reservoir pressure will decline substantially. As a consequence, the Pre-Mississippian is a focus area for geologic and reservoir engineering work.

1.3 Brookian Reservoirs

The PTU contains multiple Brookian reservoirs, which have been interpreted and mapped. These have been studied in the past and found to be not commercially viable as standalone developments. The Brookian and Thomson reservoirs will have different producing characteristics and commingled production is not practical during early field life. Accordingly, the Owners' current plans are to install facilities and develop the Thomson and Pre-Mississippian Reservoirs. After this infrastructure is in place, there will be opportunities to do further field testing of the Brookian and to utilize a portion of the then-existing Thomson Sand low pressure processing train to support Brookian development. At that time, the Owners would conduct additional development planning for Brookian facilities and wells. As described below, the Owners plan to conduct certain work on the Brookian reservoirs during the next year that would facilitate development of the Brookian reservoirs at the earliest feasible time.

2. Development Schedules

The PTU gas sales project being pursued by the Owners is a world class project that will require the combined expertise and experience of the current Owners to manage the risks and yield a successful project. This section outlines the Owners' overall plans and schedule for development of PTU and is intended to provide context for the specific work activities described in Sections 3 and 4 of this POD.

Current plans for development of PTU are tied to the development schedule for the major gas sales pipeline. Consequently, it is not possible to establish a specific development timeframe or schedule for PTU in isolation. The Owners are, however, planning for all of the activities that must be conducted before field startup can occur. The major activities that must occur include the following:

- Develop reservoir depletion plan including low and high side sensitivities
- Perform Conceptual Engineering to select a preferred facilities development option and provide cost estimates
- Participate in gas pipeline open season to secure capacity for gas shipments
- Conduct additional engineering (FEED or Front-End Engineering Design) to advance facilities design and support Environmental Impact Statement (EIS) preparation and permitting processes
- Prepare EIS and secure permits
- Conduct detailed engineering, procure equipment and materials
- Construct facilities and drill wells
- Commission facilities and wells and start production.

While these activities are generally sequential in nature, some may be performed in parallel to reduce development time.

Preliminary planning for preparation of an EIS and for obtaining permits for a PTU gas project will occur under this POD. The EIS and permitting work performed for the GIP provide a solid foundation upon which to plan for and pursue similar regulatory approvals for a PTU gas sales project. Work will continue to maintain this knowledge in a "fresh" state to allow maximum utilization of this existing work and to minimize the time required to obtain permits.

As part of the planning process, the Owners considered the most appropriate time to begin development drilling in the PTU and have concluded that field activities associated with development drilling should begin three to three and one-half years before field startup. This will provide sufficient time to construct the gravel drilling pads and allow the pads to "season" (thereby minimizing problems associated with settlement), perform any necessary rig modifications for the challenging PTU development wells, and drill sufficient wells to provide the necessary gas deliverability rates.

3. Work Performed During The Past Year

During the past year, the primary focus of the PTU Owners has been to progress the technical definition and commercial evaluations necessary for a PTU gas sales project. The near term objective is to ensure the Owners will be in a position to participate in a future open season for a gas sales pipeline from the North Slope of Alaska. The facilities technical definition for the GIP was well into FEED and the subsurface technical definition was approaching funding quality

when work was suspended. The corresponding technical definition for the gas sales project, however, was only at a pre-screening level.

The facilities component of last year's work was to conduct screening designs and prepare cost estimates for the facilities needed to produce the Point Thomson reservoir to a gas sales pipeline. This is a prerequisite to conducting Conceptual Engineering, which is a significant effort planned to begin during the 2nd half of the POD period. Conceptual Engineering is the level of technical definition required by the Owners for participation in the open season process.

Geological and reservoir studies begun last year are aimed at improving the subsurface technical definition of the Thomson and Pre-Mississippian intervals to understand the reservoir dynamics under gas sales and to evaluate production flowstreams and economics of the new higher definition gas sales cases.

A significant effort was also expended during the past year to provide the ADNR with data on the GIP, the gas sales project and potential combinations of gas injection and gas sales projects. A major data submittal was made on November 15, 2004, which provided data as required in Sections 1 and 3 of last year's POD, on studies related to the Brookian reservoirs and the GIP. A second submission was made on April 8, 2005 in response to Governor Murkowski's and Dr. Myers' letters requesting data on gas sales projects and projects in which gas sales would be combined with gas injection projects.

Several workshops were held with the ADNR to review the data, methodologies and results. A comprehensive technical review was held with the ADNR staff on June 29, 2005 to review work done during the past year. This type of information sharing is expected to continue during the next year as proposed in this POD.

During the past year, the Owners spent in excess of four million dollars representing approximately ten staff-years of technical work to advance efforts toward commercializing the PTU hydrocarbon resource. The Owners continued to participate in environmental baseline surveys and development of technical data from the PTU area, completed numerous technical studies and reports, and continued to identify and evaluate project risk reduction opportunities.

Seven specific work areas were enumerated in the prior POD to be pursued by the Owners during the period from October 1, 2004 through September 30, 2005. Comments on each are provided below.

- 1. The Point Thomson Owners will share with the ADNR results of evaluations and other work associated with potential hydrocarbon resources within the unit area, including the Brookian and Pre-Mississippian reservoirs to include reserve estimates, distributions and mapping.*

Existing data on the Brookian reservoir was included in the November 15, 2004 data package, Exhibit 5, and was further addressed in the April 8, 2005 data submission, Exhibit 8. The Brookian was also reviewed extensively at the June 13-15 subsurface workshops that are discussed under Item 3. As discussed in these data packages and at the workshop, there are significant hurdles to overcome in achieving commercially viable development of the Brookian reservoirs in the PTU area, most notable among these is the reservoir connectivity/recovery uncertainty.

The Pre-Mississippian reservoir has been the subject of extensive new work during the past year. Specific activities included reassessment of all well tests; review of all cores and core studies; review of the drilling history; seismic interpretation that includes mapping of Pre-Mississippian faults and surfaces; and geological interpretation including fracture characterization. Results of the Pre-Mississippian 3-D studies were incorporated into the 2005 combined Thomson/Pre-Mississippian 3-D geologic model. Screening simulation studies were performed in parallel using information from the Pre-Mississippian studies. The results of the Pre-Mississippian work, including interim reserves estimation and distribution, were reviewed with the staff of the ADNR on June 29, 2005.

2. *Consult with the ADNR and review the Economic Spreadsheet Model of PTU Gas Injection Project, including assumptions on rates of oil (condensate) and gas production, costs (finding, development, and production) with related spreadsheet equations, economic parameters that drive the model, and results of the model. ExxonMobil will hold economic workshops with ADNR staff to review the spreadsheet calculations and results.*

Gas Injection Project economic model input data was provided to the ADNR in the November 15, 2004 submission, including all production flow rates and costs for what was referred to as the Rev. B" case. In the April 8, 2005 submission, similar data was provided for the FEED, Rev. B case. ExxonMobil reviewed the spreadsheet equations, parameters and results at a workshop on May 24, 2005 and is available along with the other Owners to conduct additional workshops at the ADNR's request.

3. *Provide the ADNR with existing technical information, costs, and other fiscal assumptions (including government take ramifications) necessary to assist the ADNR in completion of their economic analysis of the Gas Injection Project. To that end, the Owners will provide ADNR with the following:*
 - a) *The pre-stack depth migrated seismic data set in SEG-Y format (8 millimeter, DLT or DVD) with deconvolution and without deconvolution; full stacks plus velocities. XY's are provided in a digital file of bin centers with a 3D-Inline map in a .cgm file.*
 - b) *Digital files (ASCII) of the xyz grids that represent the results of the seismic interpretation, geologic model, and the reservoir simulation, and the centerline faults for these interpretations, including all information used in the in-place volumetrics and recoverable reserve estimates for all reservoirs or potential reservoirs evaluated to this point.*
 - c) *Access to the results of the seismic interpretation, the geologic model, and the reservoir simulation at ExxonMobil offices in Houston, Texas.*
 - d) *Data and interpretations of recent core studies that address potential sanding of the Thomson sand.*

- e) *Well, facility, and infrastructure construction cost estimates (including sequence and timing) and operating cost estimates.*

All requested data was provided in the November 15, 2004 data submission to the ADNR as provided in the approval of last year's POD in the decision of the Director. The seismic information requested in paragraph a) was included in Exhibit 1 of the submission, the geologic model requested in paragraph b) including faults was included in Exhibit 2, and the Thomson Sand core studies pertaining to the potential for sanding requested in paragraph d) were included in Exhibit 3. Exhibit 4 of the package included the technical and economic input assumptions, facility design information including capital and expense costs, and tables itemizing all flowstreams, capital and expense costs, and price netback forecasts including pipeline costs as requested in paragraph e).

A workshop (teleconference) was held on May 26, 2005 to discuss the depth conversion that was made during the 2001 to 2003 timeframe and that was the basis for the GIP's geologic model. Prior to this review a paper entitled "A History of Top Thomson Depth Mapping (2001 to 2003) for the ADNR" was provided to the ADNR staff. A copy of the material presented on May 26 was subsequently provided to the ADNR.

A workshop was held for the ADNR in ExxonMobil's offices in Houston during June 13-15, 2005 as provided for in paragraph c). The purposes of this workshop were to provide the ADNR a comprehensive technical understanding of geoscience interpretations, geologic model and reservoir simulation used for the PTU GIP and to share information used for in-place volumetrics and recoverable reserve estimate for the Thomson reservoir. During this workshop access to the results of the geophysical, geologic and reservoir interpretations was made available. ExxonMobil remains available to conduct additional technical workshops at the ADNR's request.

4. *Activity during POD 21 will include work on progressing technical and commercial evaluations necessary to assure the Owners will be in a position to participate in a future open season for major gas sales from the North Slope of Alaska. ExxonMobil, BP, and ConocoPhillips are major working interest owners in Point Thomson, and comprise the Sponsor Group that has submitted an application under the Stranded Gas Development Act (SGDA) addressing a major gas pipeline. The Sponsor Group, as well as Chevron Texaco, depends on PTU resources to underpin firm supply commitments for major gas sales. The Point Thomson Owners possess both the capability and North Slope experience necessary to develop and reliably operate the Point Thomson Unit and to overcome its associated technical challenges.*
- a) *Develop a conceptual gas sales depletion plan. Work will include reservoir simulation to enhance production and recovery predictions under various gas sales scenarios; initial identification of sales rates and well placement along with associated optimizations; assessment of the impact of the Pre-Mississippian on gas sales performance; and uncertainty analysis to assess the impact of reservoir connectivity and sand control issues.*
- b) *Conduct screening evaluations of Point Thomson gas sales production facilities. Planned activities include evaluation of PTU gas separation, compression and conditioning alternatives, export pipeline design concepts, and identification of infrastructure and alternatives requirements. The Owners plan to work with the*

Prudhoe Bay Unit (PBU) Owners to conduct a screening evaluation of gas receiving facility options at PBU.

- c) Identify and implement additional PTU gas sales planning and technical work necessary to support SGDA negotiations and consistent with the schedule outlined by the gas pipeline Sponsor Group.*
- d) Share results from a through c above with the ADNR as available, but no later than July 1, 2005.*

A conceptual depletion plan was developed. This depletion plan incorporated the results of the prior geologic model with updated reservoir simulation and updated facilities designs and cost estimates. As is normal with major projects, this represents one step or phase in the project development process. The depletion plan will be further refined during the next year as well as in subsequent phases of work.

The work performed under this Item 4 was reviewed with the ADNR on June 29, 2005. This included a review of the screening level gas sales depletion plan and the gas and condensate flowstreams that were used in the screening evaluation of Point Thomson gas sales production facilities. The overall production scheme is to produce gas from Point Thomson and deliver the gas to the Prudhoe Bay area where it can be further processed in a gas treatment plant and prepared for sale. Receiving facility design has been coordinated with the PBU Operator to ensure compatibility with PBU operations and plans for gas sales from PBU.

Reservoir simulation studies to further refine the effect of the Pre-Mississippian reservoir on PTU gas sales as well as work on an uncertainty analysis are continuing. The Owners anticipate a further submittal to the ADNR on this work prior to September 30, 2005. The simulation work during the past year included a screening assessment of the impact of the Pre-Mississippian reservoir and Thomson aquifer influx on Thomson production and possible enhancements to the 2003 major gas sales screening study depletion plan. Due to schedule requirements and the need to progress this screening work within the past year, this work was based on the 2003 geologic model.

The 2003 geologic model was updated to include the Pre-Mississippian reservoir that is in communication with the Thomson reservoir. The updated model will provide the basis for the reservoir simulation that is to be performed in the second half of 2005 and in 2006. In addition to the base case model, technical work towards construction of low and high side models is ongoing. Work during the next year will address the low and high side geologic model as well as simulation of the base, low and high side models.

Several studies needed to generate this new object based geologic model have already been completed, including a seismic lineament study to construct a more detailed representation of faulting, especially in the Pre-Mississippian section, along with other Pre-Mississippian work as detailed under item 1 above. Additional depositional and structural scenarios will be incorporated to model a range of high and low side variations toward a more robust uncertainty analysis. These additional realizations will help in understanding questions of reservoir continuity, development planning, and number of wells needed. Uncertainty analysis will proceed concurrently with the geologic modeling efforts and will help define the risks and range of uncertainty inherent to the PTU

reservoirs while providing input to the geologic modeling as well as forming the basis for updated resource estimates.

Studies have been done to support the SGDA negotiations and provide data to both the Owners and the SoA. Work included evaluation of PTU gas export pipeline costs, evaluation of production allocation to tracts for royalty purposes, and provision of information to evaluate commercial viability of development alternatives.

5. *In addition to sharing with ADNR the Economic Spreadsheet Model for the gas injection only scenario (item #2 above), the Owners will carry out an economic evaluation of a gas sales only scenario based on the information developed under item #4 above.*
 - a) *The Owners will also carry out a preliminary economic evaluation of a gas injection followed by gas sales scenario.*
 - b) *The Owners will present the results of their evaluation of all three scenarios, and their sensitivities with respect to gas and liquids screening analysis, to ADNR during the term of POD 21. ExxonMobil will hold additional workshops with ADNR staff to review the economic spreadsheet calculations and other related model results.*

A review of the gas injection, gas sales, and combination cases and results of the preliminary screening analyses was held with the State Gas Cabinet, which included the ADNR, on March 4, 2005. Input data for the preliminary economic evaluation of a gas sales only and a gas injection followed by gas sales scenario were provided to the ADNR in the April 8, 2005 data submission and the results were qualitatively discussed in that submission. The gas injection case was reviewed in more detail in the May 24, 2005 workshop. The updated facilities screening study results for a gas sales project based on work during the past year was shared with the ADNR in the June 29, 2005 presentation. ExxonMobil is available at the ADNR's convenience to further discuss the model and results.

6. *Continue participation in baseline environmental surveys in the Point Thomson area. Activities include cooperative funding of Polar Bear denning surveys and report preparation, a Beaufort Sea waterfowl breeding report, a report on large animal (Caribou) use of riparian zones, and a report on experimental gravel re-vegetation plots.*

The 2005 Polar Bear denning survey is currently underway and a report will be prepared at the conclusion of the survey. Reports have been finalized for the Beaufort Sea waterfowl breeding, large animal (Caribou) use of riparian zones and experimental gravel re-vegetation.

7. *Advance final negotiations toward a new Unit Operating Agreement with the objective of securing approval by the aligned Owners and the smaller interest Owners.*

Negotiations are ongoing to finalize the new Unit Operating Agreement. In the last year significant progress has been made on two major issues, gas balancing and accounting. The Owners continue to move forward on an agreement that can be presented to management for approval.

4. Work Planned For The Next Year

The PTU Twenty-second Plan of Further Development and Operation (POD or POD 22) is focused on advancing a comprehensive gas sales reservoir depletion plan. As previously noted, during 2004 the primary focus of the Owners' work shifted to development of the PTU as part of a North Slope gas sales project. The primary goal for the next year is to progress the technical and commercial evaluations necessary to ensure the Owners will be in a position to participate in a future open season to nominate shipments on a major gas sales pipeline from the North Slope of Alaska. Having flow streams and cost information is critical to the Owner's economic analyses.

The timing of the open season process will be dependent upon successful completion of a fiscal contract between the Sponsor Group and the SoA under the Stranded Gas Development Act (SGDA). During the next year, the Owners will monitor progress of the contract negotiations under the SGDA and be prepared to adjust the work schedule to ensure the necessary work is conducted in sufficient time to allow the Owners to prepare for an open season for an Alaska gas pipeline while maximizing the efficiency of the work processes and sequence.

To advance the PTU development plan as outlined in this POD, the following specific work tasks are planned for the next 12-month period (October 1, 2005 - September 30, 2006):

1. The Owners will continue work to advance the technical definition of the base case, low side and high side geologic models initiated in the past year, which includes a rigorous treatment of the Thomson Sand aquifer uncertainty and the Pre-Mississippian bedded facies. Reservoir simulation work will be further advanced by incorporating results of these new models to help identify potential upside gas production from the Pre-Mississippian as well as to quantify risks associated with the gas sales project, such as high rate production wells and the potential for water influx from the Thomson aquifer or the Pre-Mississippian facies. This simulation work is expected to form the basis for an updated Point Thomson gas sales depletion plan. A subsidence study to examine the possible impact of gas sales depletion above ground will also be initiated.
2. More detailed facility design, commonly referred to as Conceptual Engineering, is planned to be initiated after the flowstreams are available. It is anticipated that this activity may commence as early as April 2006. Conceptual Engineering requires approximately 9 to 12 months, and it must be completed in time to allow all Owners to prepare to make nominations in a potential gas pipeline open season.
3. In conjunction with Conceptual Engineering, drilling and completion plans and costs will be updated. This will include determining optimum drillsite locations and estimating individual well locations, displacements, drilling times, and costs. This information will be important in determining estimated total project costs and timing.
4. Results from 4.1, 4.2, and 4.3 above will be shared with the ADNR as available at the ADNR's convenience but no later than July 1, 2006. Any work completed after July 1 will be shared with the ADNR later in the POD period.
5. The Owners will begin planning for the permitting process for a Point Thomson gas sales project. This work is expected to include a review of the permitting experience and

resulting recommendations from the GIP, a review of potential future data or study needs, and an assessment of the interrelationship between Point Thomson permitting and permitting for a contemplated Alaska gas pipeline project. The estimated project timeline will be updated with the results of this permitting assessment. A schedule of activities to obtain the necessary permits for the drilling of PTU wells and construction and operation of PTU facilities and pipelines will be prepared.

6. The Owners will apply to the Alaska Oil and Gas Conservation Commission (AOGCC) for a conservation order to address gas offtake from the Thomson Sand reservoir, which will include discussion of the depletion plan for PTU. The Owners will work with the AOGCC to define the appropriate time to apply for other conservation orders that may be needed to develop PTU and will include the results in the schedule of activities for permitting of the PTU wells and facilities (see Item 5.).
7. The Owners will continue developing a new Unit Operating Agreement with the objective of securing approval by all Working Interest Owners.
8. The Owners will continue evaluation of the Brookian resources within the PTU and planning for potential development of these resources. During the next period, the Owners will:
 - 8.1 Compare core samples from Badami wells with the appropriate PTU wells to improve the understanding of the Brookian reservoirs within the PTU and their productive capacity
 - 8.2 Include provisions for subsequent Brookian development in Conceptual Engineering designs.
9. The Owners will evaluate drilling one or more exploration/delineation wells to further the understanding of and reduce the uncertainty associated with the Thomson Reservoir. Drilling such a well(s) would require the commitment of significant resources, monetary and otherwise, and it is important to define the potential value to be gained from any such well and understand how any information would be used in decision making or to otherwise assist in development of the reservoir. Toward that end, the Owners would encourage ADNR's participation in this effort. The following subtasks are planned.
 - 9.1. A Value of Information (VOI) workshop will be held by the Owners with the ADNR to define potential exploration/delineation (data gathering) well(s) that would benefit potential PTU development and to define the potential value that would be gained if one or more wells were drilled. Drilling extended reach wells into the high pressure Thomson Sand requires extensive planning to safely and successfully carry out the operation. The VOI workshop will include evaluation of the following objectives for an exploration/delineation well:
 - Penetration of the Pre-Mississippian formation
 - Delineation of the Thomson Reservoir west of the PTU #1 well
 - Evaluation of connectivity and continuity within the Thomson Reservoir
 - The extent of and the hydrocarbon properties within the oil rim.
 - 9.2. The Owners will propose a scope and timing for the workshop by November 1, 2005.

- 9.3. The Owners will prepare a schedule of activities for permitting and drilling one or more exploration/delineation well(s).
10. The Owners will continue the work begun in the last period to further assist the ADNR to better understand those critical issues related to the GIP in support of the ADNR's work to independently assess the commercial viability of the GIP.