Romie

EXXON COMPANY, U.S.A.
POST OFFICE BOX 4279 · HOUSTON, TEXAS 77001

EXPLORATION DEPARTMENT
ALASKA/PACIFIC DIVISION

E D STOUT
MANAGER

RECEIVED
NOV 19 1982
DIV. OF MINERALS & ENERGY MGMT.
ANCHORAGE, ALASKA

November 16, 1982

Sixth Plan of Further
Development and Operation
Point Thomson Unit
Arctic Slope, Alaska

Ms. Kay Brown
Director
Division of Minerals and Energy Management
State of Alaska
Department of Natural Resources
555 Cordova Street
Pouch 7-005
Anchorage, Alaska 99510

Dear Ms. Brown:

The Fifth Plan of Further Development and Operation for the Point Thomson Unit was filed by letter dated September 14, 1981, and approved by Commissioner John W. Katz on September 25, 1981. This Plan called for the drilling of three wells further to explore the Unit area and surrounding State acreage and define the productive limits of previously-tested formations. Operations on the three wells now have been concluded, with the following results.

1) The Alaska State D-1 Well was drilled to a depth of 13,050' as an uncontrolled vertical hole from a surface location on the westerly end of Flaxman Island on land covered by State of Alaska Lease ADL 312866.

2) The Alaska State F-1 Well was drilled to a depth of 15,865' as a directional well from a surface location on the westerly end of North Star Island to a bottom hole location on land covered by State Lease ADL 312862.

3) The North Staines River Well No. 1 was drilled to a depth of 14,266' as a directional well, with both surface and bottom hole locations on land covered by State Lease ADL 47572.

PTU Rec_011261

Exc. 000111

Since formation of the Unit, five wells have been drilled on unitized land: the Point Thomson Unit Wells Nos. 1-4, inclusive, plus the North Staines River Well No. 1. In addition, certain of the Unit working interest owners bore the major portion of the cost of the nearby Challenge Island Well and all of the costs of the adjacent Alaska State C-1, D-1 and F-1 Wells and the Staines River State No. 1 Well. Shortly before the Unit was formed, the Alaska State A-1 Well was drilled adjacent the easterly boundary of the Unit. Total costs of these wells (excluding the two Staines River Wells on which we have no data) stand at nearly a quarter of a billion dollars.

Data from these extensive and very costly drilling activities in and near the Unit area indicate the presence in the Thomson sand of a substantial gas reservoir with a thin oil leg. However, considerable study will be required to determine feasibility, method and timing of development of the field.

The Unit Working Interest Owners and other lessees of adjacent leases presently are negotiating a cost sharing agreement which will authorize and jointly fund studies necessary for timely development of the field. These studies (part of which have been performed previously, but upon which study continues) include, but are not necessarily limited to, the following.

1982 PROJECTS

Onshore, offshore and barrier island core drilling and sampling program. Borings were obtained in a generalized grid pattern to characterize the entire area. The program included laboratory and engineering analyses for fill analysis and foundation design.

Color aerial reconnaissance photography of the Point Thomson area. Aerial photographs were taken of the Point Thomson area. These photographs now are being combined with existing photography into photomosaics which cover the entire project and pipeline corridor areas. The mosaics will be used for reference in the other area studies.

Hydrology program. The breakup of various rivers and streams in the Point Thomson development and pipeline corridor to TAPS/ANGTS areas was monitored. Observations also were made of winter ice conditions and behavior of the Canning River. The contractor currently is analyzing field data and data gathered in a literature search to prepare preliminary criteria for river, channel and land crossings.

Geophysics, physical oceanography and coastal processes programs. Summer studies presently underway include conducting an onshore and offshore shallow geophysical program to evaluate continuity of soil and permafrost characteristics; conducting physical oceanography surveys to provide input to design criteria development and to aid in current and sediment transport model development; and surveying coastal processes and sediment dynamics to establish coastal/barrier island erosion and accretion patterns.

1983 PROJECTS

Geotechnical survey. This survey is planned as follow-up to the 1982 winter and summer programs. Follow-up work will consist of obtaining additional core samples to improve interpretation of geophysical data. In addition, geophysical data may be collected at locations which were not surveyed in the 1982 program.

Hydrology study. A literature search has indicated that only a minimal amount of data is available in the study area. Therefore, in addition to expanding on problem areas identified in the 1982 survey, gathering additional hydrologic baseline data is planned.

Onshore environmental survey to collect baseline data. This survey, which will include geobotanical mapping, caribou and bird studies, will be the first of at least two years of data collection.

The foregoing study program represents a diligent and constructive plan, both in cost and in effort, by Exxon as Unit Operator and the other working interest owners toward timely development and proper conservation of the hydrocarbon and other resources of the unitized and other nearby land. We, therefore, submit this as our Sixth Plan of Further Development and Operation for the Point Thomson Unit, as required by Article 10 of the Unit Agreement, for the period January 1, 1983, to January 1, 1984, at which time another Plan shall be due.

Very truly yours,

EXXON CORPORATION
Unit Operator

By E. D. Stout

EDS/VV:ray
D2F4

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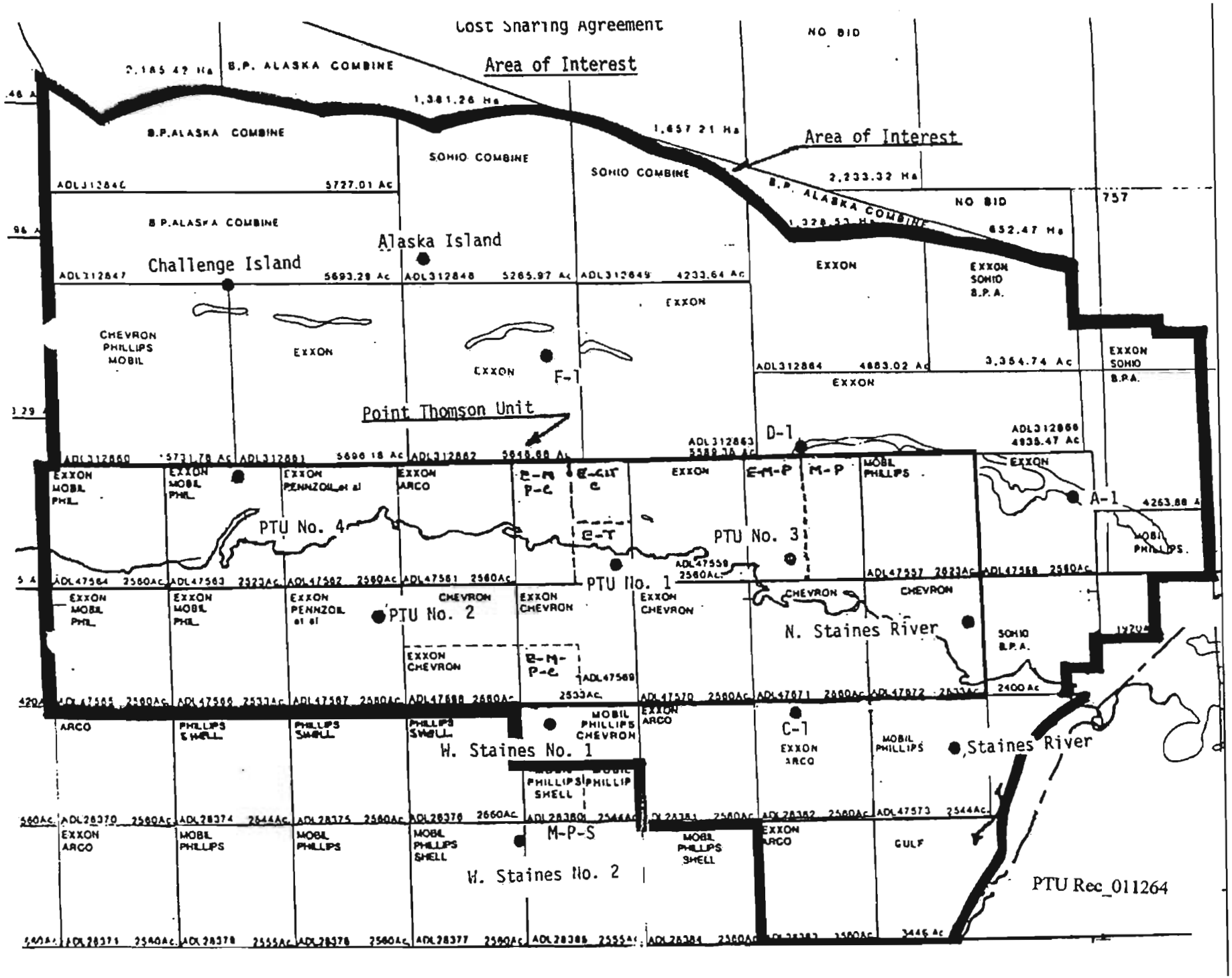
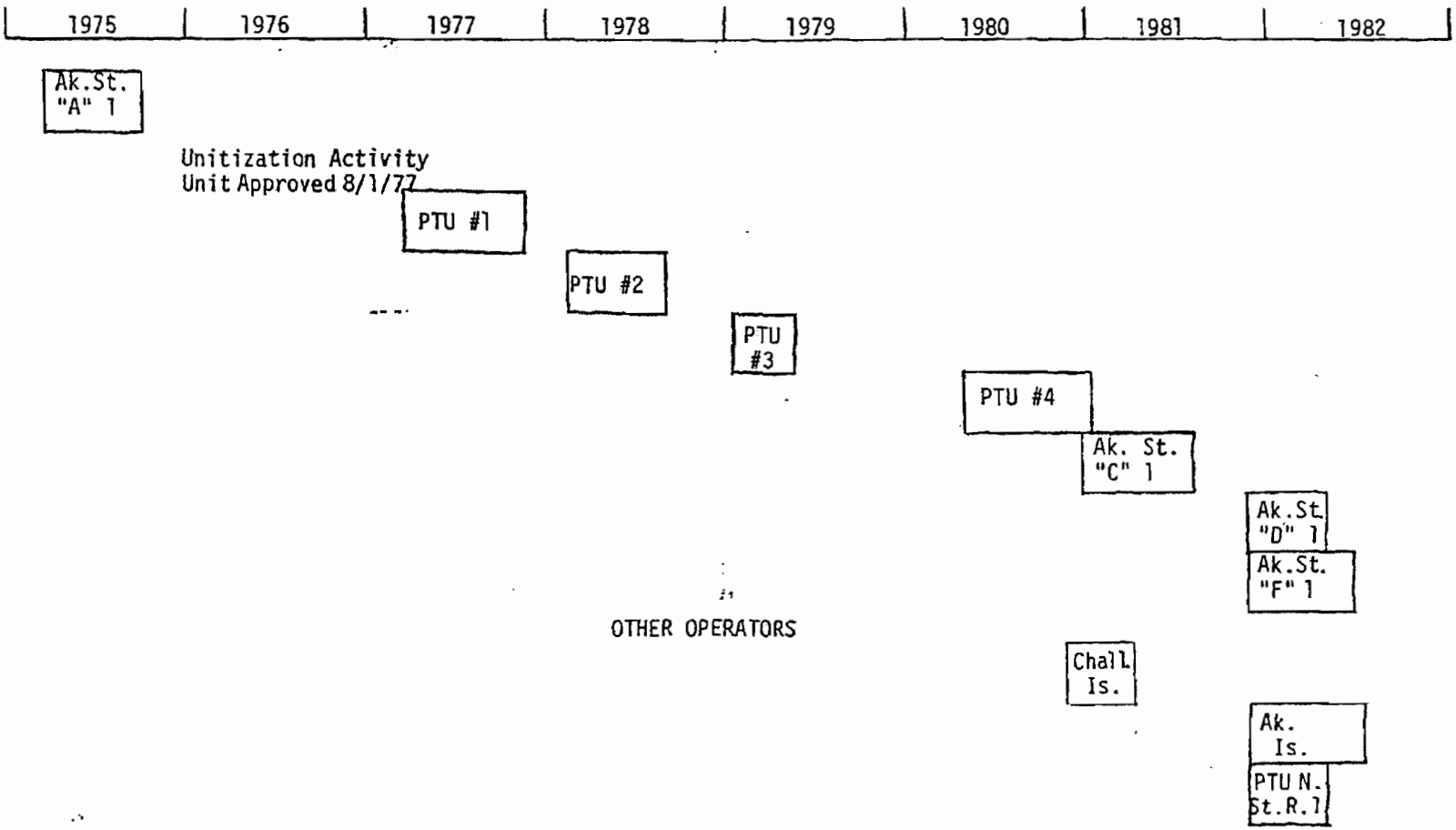

Cost Sharing Agreement
Area of Interest
Area of Interest
NO BID
B.P. ALASKA COMBINE
B.P.ALASKA COMBINE
SOHIO COMBINE
SOHIO COMBINE
B.P.ALASKA COMBINE
NO BID
Alaska Island
Challenge Island
EXXON
EXXON SOHIO B.P.A.
CHEVRON PHILLIPS MOBIL
EXXON
EXXON
F-1
EXXON
Point Thomson Unit
D-1
EXXON
A-1
PTU No. 4
PTU No. 3
PTU No. 1
PTU No. 2
N. Staines River
SOHIO B.P.A.
W. Staines No. 1
C-1
Staines River
W. Staines No. 2
M-P-S
GULF
PTU Rec_011264

Exc. 000114

POINT THOMSON UNIT EXPLORATION ACTIVITY - EXXON OPERATOR



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PTU Rec_011265

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POINT THOMSON JOINT STUDIES

POTENTIAL 1983 DEVELOPMENTAL STUDIES *

STUDY

- Terrestrial Environmental Surveys
  - + Baseline Surveys
  - + Initiate First of at Least Two Years of Data
- Marine Environmental Surveys
  - + Baseline Surveys
  - + Initiate First of at Least Two Years of Data
- Physical Oceanography Program
  - + Continue Data Collection Initiated in 1982
  - + Initiate Sediment Transport Effort
- Hydrology Program
  - + Continue Data Collection Initiated in 1982
  - + Expand on Problem Areas Defined in 1982
- Geotechnical Soil Boring Program
  - + Provide Additional Ground-truthing for 1982 Geophysical Surveys by Drilling Approximately 20-30 Holes in a Winter Program
  - + Additional Geophysics in Areas of Interest
- Development Planning Base
  - + Schedule of Activities
  - + Arctic Technology and Permitting Considerations Primary Focus
- Study Administration
  - + Manpower Support for Developmental Studies
- Design Criteria Development

*This is a preliminary list of the types of studies which are contemplated for 1983. The final list will depend upon what work the other lease holders have done and upon agreement of need among the lease owners.

HPB:rm
8-9-82

POINT THOMSON JOINT STUDIES AND COST SHARING AGREEMENT
POINT THOMSON DEVELOPMENTAL STUDIES

PRE-1982 STUDIES

- Geotechnical Surveys (Core Drilling and Analysis)
  - + Onshore Gravel Study (1980)

    Identified and prepared a plan of operations for establishing new gravel and water sources in the onshore Pt. Thomson area. Field work consisted of drilling and analyzing 118 borings in 21 general locations.
  - + Core Drilling and Soils Analysis at D.S. "D", "E", and "F" (1980)

    Surveyed locations and performed core drilling and soils analysis at 20 locations for design of gravel island foundations.
- Thermistor Probes on Barrier Island Drillsites (1980-81)

  Installed and monitored thermistor probes in gravel drillsites at Alaska State D-1 and E-1 in order to evaluate barrier island depth and permafrost character/freezefront location.
- Controlled Aerial Survey (1980)

  Conducted a controlled aerial survey of the Point Thomson and Barrier Islands area, monuments were erected and surveyed as part of the survey to simplify future field surveying in the area. Quality of photographs is such that topographic maps with 2' contour intervals can be developed.
- Pt. Thomson Wildlife Study (1980)

  Conducted a wildlife study (summer) to identify and estimate the extent of the responses of the local wildlife to a drilling rig.
- Ice Movement Studies
  - + 1979-80: Monitor ice movements near Flaxman Island in shallow water.
  - + 1980: Deploy stations at the McGuire Islands to monitor Beaufort Sea ice movements.
  - + 1981: Monitor ice movements 1) east of the eastern end of Flaxman Island, and 2) directly north of Brownlow Point.
  - + 1981: Monitor ice movements to the northeast of Brownlow Point.
- Oceanographic Measurement Program (1980)

  Deploy an ocenaographic measurement station off Bullen Point to collect wave, tide, and current measurements.

LAPR:slf
#4 A-28 7/30/82

POINT THOMSON JOINT STUDIES AND COST SHARING AGREEMENT
POINT THOMSON DEVELOPMENTAL STUDIES

PRE-1982 STUDIES

TITLE

- Geotechnical Surveys (Core Drilling and Analysis)
  - + Onshore Gravel Study (1980) -- 21 Core Locations, 118 Borings
  - + D.S. "D" (1980) -- 5 Borings
  - + D.S. "E" (1980) -- 5 Borings
  - + D.S. "F" (1980) -- 10 Borings
- Thermistor Probes on Barrier Island Drillsites (1980-81) -- D-1 and E-1
- Controlled Aerial Survey: Point Thomson, Including Barrier Islands (1980)
- Pt. Thomson Summer Wildlife Study (1980)
- Ice Movement Studies
  - + 4th Station Near Flaxman (1979-80)
  - + McGuire Islands (1980)
  - + Brownlow Point/Flaxman Island (1981)
  - + Camden Bay (1981)
- Oceanographic Measurement Program -- Bullen Point (1980)
- Study Administration (Manpower)

1982 STUDIES

TITLE

Environmental Scoping Study

Hydrology Survey

Geotechnical (Core Drilling and Analysis) Survey

Geophysics, Oceanography, and Coastal Processes Surveys

Aerial Reconnaissance

Study Administration (Manpower)

PTU Rec_011268

Exc. 000118

~~Jim~~
~~Lassa~~
Unit file

December 10, 1982

Mr. E. D. Stout
Exxon Company, U.S.A.
P.O. Box 4279
Houston, Texas 77001

Re: Sixth Plan of Development and Operation
Point Thomson Unit, Arctic Slope, Alaska

Dear Mr. Stout:

I have reviewed your request for approval of the Sixth Plan of Further Development and Operation for the Point Thomson Unit dated November 16, 1982. Although the application describes the extent to which the previously approved plan was achieved, the department feels that the activities proposed for the time period covered by the Sixth Plan of Further Development and Operation do not significantly contribute to the further delineation and understanding of the reservoir(s) and unit area as required in 11 AAC 83.343(a)(1), and in the Unit Agreement.

The primary interests of the department in reviewing and approving unit plans of development and operation are to ensure that the engineering and geologic studies characterizing the underlying reservoir(s) are progressing, and that orderly and timely development of commercial hydrocarbon reservoirs occurs. In the case of Point Thomson, the department is particularly interested in the on-going studies, as no new wells are proposed to be drilled in the unit area at this time.

I hereby approve the Sixth Plan of Further Development and Operation for Point Thomson Unit. In order that the department can continue to monitor unit development, it is requested that a list of both completed and ongoing geological and engineering studies designed to further delineate and assess the Point Thomson reservoir(s) be submitted. A meeting between Exxon and department staff to discuss some of the specific information and data acquired from the completed studies and informational updates on the on-going studies would be beneficial. As the Seventh Plan of Further Development and Operation will be due on or before January 1, 1984, September or October of 1983 would be a good time to hold such a meeting.

Sincerely,

Ray Brown, Director

0818s

PTU Rec_011258

Exc. 000119

EXXON COMPANY, U.S.A.
POST OFFICE BOX 4279 · HOUSTON, TEXAS 77001

EXPLORATION DEPARTMENT
ALASKA/PACIFIC DIVISION

E.D. STOUT
MANAGER

October 28, 1983

Seventh Plan of Further
Development and Operation
Point Thomson Unit, Alaska

Ms. Kay Brown
Director
Division of Minerals
and Energy Management
Pouch 7-034
555 Cordova Street
Anchorage, Alaska 99510

Dear Ms. Brown:

The Sixth Plan of Further Development and Operation for the Point Thomson Unit covering calendar year 1983 was approved by you on December 10, 1982. The winter geotechnical program, the hydrology study and the terrestrial environmental study proposed by the Plan for 1983 have been conducted and the results have been presented to and discussed with your staff and you.

Current results of studies of available well and seismic data also have been discussed with you. Such studies, based on present data to which we are privy, principally from four Unit wells and eight other wells on adjacent or nearby leases, have confirmed our preliminary findings that the Unit area and other adjacent and nearby lands are underlaid by a large gas field with a thin oil leg, commercially developable at such time as transportation facilities for gas production to market are assured.

In connection with the development of a pipeline transportation system, Exxon and other Point Thomson Unit working interest owners have been diligently working to ensure that such a system will be constructed so as to develop the North Slope gas resources in a timely manner. Since the discovery of Prudhoe Bay Field, Exxon and other working interest owners have been in the forefront of efforts to arrange for the transportation of North Slope gas resources to market. Over the past fifteen years, Exxon, in particular, has exhaustively studied this issue, both through its own independent assessments and as a participant in joint industry evaluations. Exxon was one of the earliest members of the Canadian Arctic Gas Study, Limited consortium formed in the early 1970's.

Passage of a "Waivers-of-Law" package by both Houses of Congress in December 1981 allowed producers to participate in the equity financing and project management for the North Slope Conditioning Plant and Alaskan segment of the pipeline. (As you know, the State of Alaska participates on the Design and Engineering Board of this project.) Exxon, other North Slope producers, and nine pipeline companies have since been actively working to ensure the earliest practicable start-up date for this transportation system. Industry to date has expended over $400 million on this project, of which over $70 million has been spent by Exxon alone.

Point Thomson Unit working interest owners and lessees of neighboring leases to date have expended more than $700 million on acquisition and maintenance of leases and exploration of lands involving the Point Thomson field. Sufficient drilling has been accomplished to establish within reason the area and potential commerciality of the field. Further development prior to commencement of construction of a pipeline to market would constitute economic waste through premature expenditure of funds which otherwise could be utilized for exploratory or development activity on other Alaska areas and leases. Additionally, wells drilled and suspended far in advance of commencement of sustained production frequently deteriorate physically to the extent of requiring expensive reworking or even redrilling. It is not in the best interests of the lessees or the State to waste or otherwise divert investment capital in such a manner.

For this reason, Exxon and the other working interest owners believe that a decision to propose no further drilling activities at this time will best promote the State goals of properly conserving the natural resources of the Unit and preventing unnecessary economic and physical waste. Exxon, as Unit Operator in behalf of the working interest owners, hereby proposes that the Seventh Plan of Further Development and Operation for the Point Thomson Unit consist of

(a) continued evaluation and analysis of available well and seismic data to determine the pattern of future drilling and refine existing knowledge of the reservoir and the areal limits of the field; and

(b) continued study of all available alternatives by which gas production from the Unit Area can be transported to market.

It is proposed that the duration of this Plan be for five (5) years or until contracts for actual construction of a feasible transportation system for the gas are let, whichever is earlier. Progress reports

will be made to you annually during the tenure of this Plan. Upon execution of such contracts, the next Plan of Further Development and Operation will be submitted to you.

Very truly yours,

EXXON CORPORATION
Unit Operator

E. D. Stout

EDS/ray
D1F4

unit file

November 29, 1983

7th POD is effective 1/1/84 - 12/31/88

Exxon Company, U.S.A.
P.O. Box 4279
Houston, TX 77001

Attn: E. D. Stout

Ref: Point Thompson Unit

Dear Mr. Stout:

The Seventh Plan of Further Development and Operation as submitted in your letter of October 28, 1983 is approved with the following additional terms and conditions made part of the plan.

1. Approval of the seventh plan does not relieve any lessee of a drilling commitment or other work commitment that may be attached to the lease as a condition for approval of an expansion of the Point Thomson Unit to include the lease in the unit area.

2. The seventh plan also expires if contracts for construction of a transportation system for crude oil or natural gas liquids off the unit area are let.

If expansion of the unit area does take place during 1984, I encourage the unit working interest owners to exchange subsurface data in order that a better reservoir description can be developed over the next few years.

Sincerely,

for Ray Brown
Director

This approval covers the period 1/1/84 - 12/31/88

KB/BVD/rh#3339Z

PTU Rec_011250

Exc. 000123

EXXON COMPANY, U.S.A.
POST OFFICE BOX 4279 · HOUSTON, TEXAS 77001

EXPLORATION DEPARTMENT
ALASKA/PACIFIC DIVISION

E D STOUT
MANAGER

December 15, 1983

Point Thomson Unit

Ms. Kay Brown
Director
State of Alaska
Department of Natural Resources
Minerals and Energy Management
Pouch 7-034
Anchorage, Alaska 99510

Dear Ms. Brown:

Thank you for your letter of November 29, 1983, approving, with additional terms and conditions, our Seventh Plan of Further Development and Operation for the Point Thomson Unit. Exxon, as Unit Operator, hereby accepts such additional terms and conditions.

Please be assured that we will commence establishment of a common data base and study of the reservoir early in 1984.

Very truly yours,

E. D. Stout

EDS/kd

EXXON COMPANY, U.S.A.
POST OFFICE BOX 4279 • HOUSTON TEXAS 77001

EXPLORATION DEPARTMENT
ALASKA/PACIFIC DIVISION

December 13, 1984

Ms. Kay Brown, Director
State of Alaska
Division of Oil and Gas
Department of Natural Resources
Pouch 7-034
555 Cordova Street
Anchorage, Alaska 99510

Dear Ms. Brown:

In January of 1984, Exxon and other Working Interest Owners of the Point Thomson Unit asked that the Unit be expanded. The State gave its approval with two conditions: 1) that the Unit Agreement be amended to include the provisions set out in the Decision and Findings of the Commissioner, Department of Natural Resources, dated March 26, 1984; and 2) that all the Working Interest Owners ratify such Amendments to the Unit Agreement by January 1, 1985.

In order to satisfy these conditions, Exxon hereby submits to the State five copies of the Unit Agreement Amendments which, except for three minor editorial changes, are exactly the same as those proposed by the State in Appendix B of the Decision and Findings of the Commissioner, March 26, 1984. Those three modifications are as follows:

1. On the first page of Appendix B (page 1 of Exxon's version of the Unit Amendments), the asterisk has been changed to a 1.

2. On page two of Appendix B (page 2 of Exxon's version of the Unit Amendments), [ALSO SHALL], which was inadvertantly omitted in the Decision and Findings, has been added to line 17 of Article 11 after the word "schedule,".

3. The format of the execution, page 6 of Appendix B (page 5 of Exxon's version of the Unit Amendments) has been changed.

Also submitted are executed ratifications of said Amendments in quintuplicate by all the Working Interest Owners.

Sincerely,

William R Moore

William R. Moore
Senior Landman

AGREEMENT TO AMEND THE

POINT THOMSON UNIT AGREEMENT

The Point Thomson Unit Working Interest Owners and the Department of Natural Resources, State of Alaska, hereby agree to amend the Point Thomson Unit Agreement as follows[1]:

(1) Revise the third paragraph of Article 2 by adding as the last sentence to this paragraph the following:

> All references to the "Director" in this agreement and amendments to it shall be construed to refer to, and all authority and responsibility to administer the agreement and amendments to it shall be vested in, the Commissioner; however the Commissioner may delegate the authority and responsibility to administer the agreement and amendments to it to the Director of the Division of Oil and Gas or other official in the Department of Natural Resources.

(2) Amend Article 7, starting with the third sentence, as follows:

> Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement [AND IN CASE OF ANY INCONSISTENCY OR CONFLICT BETWEEN THE UNIT AGREEMENT AND THE UNIT OPERATING AGREEMENT THIS UNIT AGREEMENT SHALL PREVAIL].
>
> Any revision of the unit operating agreement must be submitted to the Director before it takes effect. The unit agreement shall control the respective rights and obligations of the Unit Operator, the working interest owners, the State of Alaska, and royalty interest owners other than the State of Alaska in case of conflict between the unit agreement and the unit operating agreement. Where conflicts exist solely between working interest owners, the unit operating agreement shall control.
>
> Three (3) true copies of any unit operating agreement executed pursuant to this section shall be filed with the Director within ninety (90) days after the effective date of this unit agreement or such later date as may be agreed to by the parties hereto and the Commissioner. In the event copies of the unit operating agreement are not filed as herein above provided, this unit shall terminate.

(3) Amend Article 11 as follows:

> 11. PARTICIPATION AFTER DISCOVERY. At least ninety (90) days prior to commencement of production of unitized substances into a pipeline or other means of transportation to market, the Unit Operator shall submit for approval by the Director a schedule based on subdivisions of the public land survey or aliquot parts thereof of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director are to constitute a participating area, effective as of the date such production commences or the effective date of the unit agreement, whichever is later. The acreages of both state and non-state lands shall be based upon approved protraction diagrams or appropriate computations from the courses and distances

[1] Wording to be added to the existing Point Thomson Unit Agreement is underlined; wording to be deleted from the existing Point Thomson Unit Agreement is capitalized and enclosed in brackets.

shown on the last approved protraction diagram or public land survey as of the effective date of the initial participating area or computed with reference to the last approved protraction survey or grids. Said schedule [ALSO SHALL], which will be attached as Exhibit C to this agreement, shall also:

(a) set forth the percentage of unitized substances to be allocated as provided in this agreement to each unitized tract with a royalty of other than one-eighth or net profit share lease tract in the participating area so established and shall govern the allocation of production for the purpose of calculating royalty and net profit payments [FROM AND AFTER THE DATE THE PARTICIPATING AREA BECOMES EFFECTIVE] for said tracts;

(b) set forth the percentage of costs to be allocated to each net profit share lease tract in the participating area so established and shall govern the allocation of costs for the sole purpose of calculating net profit payments for said tracts; and

(c) set forth the percentage of unitized substances and costs to be allocated to all other tracts.

In the event the State of Alaska is the sole royalty owner of all tracts in the participating area, the portion of said schedule referenced in (a) and (b) above or any revision of said portion must be approved by the Director in writing before the allocation takes effect. In the event the State of Alaska is not the sole royalty owner of all tracts in the participating area, the allocation of unitized substances and/or costs or any revision thereto for all tracts in which the State of Alaska owns a royalty interest must be approved by the Director in writing before the allocation takes effect. The affected lessees shall submit to the Director relevant production, costs, geologic and engineering data for all tracts in the participating area to enable the Director to evaluate said schedule.

A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the State of Alaska, which shall be determined by the Director for state lands and the amount thereof deposited, as directed by the Director, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as state royalty on the basis of such approved participating area.

Upon the request of the Unit Operator or working interest owners, the Director shall hold confidential as provided by law any engineering, geophysical, or 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.

Whenever it is determined, subject to the approval of the Director, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

(4) Amend Article 12 as follows:

12. ALLOCATION OF PRODUCTION AND COSTS. All unitized substances produced from each participating area established under this agreement except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Director, or unavoidably lost, shall be deemed to be produced [EQUALLY ON AN ACREAGE BASIS FROM THE SEVERAL TRACTS OF UNITIZED LAND OF THE PARTICIPATING AREA ESTABLISHED FOR SUCH PRODUCTION AND, FOR THE PURPOSE OF DETERMINING ANY BENEFITS ACCRUING UNDER THIS AGREEMENT, EACH SUCH TRACT OF UNITIZED LAND SHALL HAVE ALLOCATED TO IT SUCH PERCENTAGE OF SAID PRODUCTION AS THE NUMBER OF ACRES OF SUCH TRACT INCLUDED IN SAID PARTICIPATING AREA BEARS TO THE TOTAL ACRES OF UNITIZED LAND IN SAID PARTICIPATING AREA, EXCEPT THAT ALLOCATION OF PRODUCTION HEREUNDER FOR PURPOSES OTHER THAN FOR SETTLEMENT OF THE ROYALTY, OVERRIDING ROYALTY, OR PAYMENT OUT OF PRODUCTION OBLIGATIONS OF THE RESPECTIVE WORKING INTEREST OWNERS, SHALL BE ON THE BASIS PRESCRIBED IN THE UNIT OPERATING AGREEMENT WHETHER IN CONFORMITY WITH THE BASIS OF ALLOCATION HEREIN SET FORTH OR OTHERWISE] on the basis prescribed in Exhibit C. If there is a separate division of interest or allocation formula among any of the parties holding an interest in the unit that is different from Exhibit C, the parties to the separate division of interest or allocation formula that has not been approved by the Director must submit a copy of that formula to the Director and a statement explaining the reasons for the different allocations. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided

[HEREIN] in Exhibit C of this agreement regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

(5) Amend the first sentence of Article 18 (f) as follows:

(f) Where some portion of a lease is included within the final participating area as provided in Paragraph 2(e) of this agreement, the following shall apply as to the area of the lease not so included: that area of lease lands not so included in the final participating area shall be eliminated as in Paragraph 2(e) of this agreement and shall terminate after the expiration of 90 days unless annual rentals at the rate specified in the original lease shall have been paid within the said 90 days.

(6) Amend Article 20(c) as follows:

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land [WITHIN ANY PARTICIPATING AREA ESTABLISHED HEREUNDER] and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

(7) Amend the second paragraph of Article 21 as follows:

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than [FIFTEEN (15)] thirty (30) days from notice, and shall not be exercised in a manner that would (i) require any increase in the rate of prospecting, development or production in excess of that required under good and diligent oil and gas engineering and production practices; or (ii) alter or modify the rates of production from the rates provided in the approved plan of development and operations then in effect or, in any case, curtail rates of production to an unreasonable extent, considering unit productive capacity, transportation facilities available, and conservation objectives; or (iii) prevent this agreement from serving its purpose of adequately protecting all parties in interest hereunder, subject to applicable conservation laws and regulations.

(8) Amend Article 30 as follows:

30. ALASKA RESIDENT HIRE: [ALL STATE OF ALASKA LEASES COMMITTED TO SAID AGREEMENT ARE HEREBY ALTERED TO REQUIRE THAT THE LESSEE AND UNIT OPERATOR SHALL COMPLY WITH ALL VALID AND APPLICABLE LAWS AND REGULATIONS WITH REGARD TO HIRE OF ALASKA RESIDENTS. QUALIFIED ALASKA RESIDENTS SHALL BE HIRED AS REQUIRED IN AS 38.40; LESSEE SHALL NOT DISCRIMINATE AGAINST ALASKA RESIDENTS AS PROHIBITED BY AS 38.40 AND OTHER APPLICABLE LAWS AND REGULATIONS OF THE STATE OF ALASKA.] The State of Alaska encourages, to the extent legally permissible, the Unit Operator and any working interest owner conducting operations under this agreement to hire Alaska residents to perform

work done on the Unit Area to the extent they are available and qualified.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall constitute on and the same instrument.

Unit Operator
EXXON CORPORATION

EXXON CORPORATION

By: E. D. Stout

Title: Attorney-in-Fact

Date: August 31, 1984

Address: 440 Benmar - Room 280
Houston, Texas
77060-3105

STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned, a Notary Public in and for said county and state, on this day personally appeared E. D. Stout known to me to be the person whose name is subscribed to the foregoing Agreement to Amend the Point Thomson Unit Agreement, who, by me duly sworn, did acknowledge that he is the attorney-in-fact of Exxon Corporation thereto as principal and his own name as Alaska/Pacific Exploration Manager of Exxon Company, U.S.A. (a division of Exxon Corporation), and that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors for the purposes and consideration therein stated, and that the execution of the foregoing instrument was the free act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 31st day of August, 1984.

Kathleen D. Dukich
Notary Public in and for the
State of Texas

KATHLEEN D. DUKICH
MY COMMISSION EXPIRES DECEMBER 3, 1988

My commission expires: _____

(SEAL)

APPENDIX III

January 21, 1985

Exxon Company, U.S.A.
P.O. Box 4279
Houston, TX 77210-4279

Attn: E. D. Stout
Manager

Subject: Point Thomson Unit
1985 Unit Agreement Amendment

Dear Mr. Stout:

As provided in Article 11 of the Point Thomson Unit Agreement and in 11 AAC 83.385, the Point Thomson Unit Agreement may be amended with the State's approval. Your Amendment to the Point Thomson Unit is hereby approved as submitted by Exxon and ratified by the Working Interest Owners. The amendment will be effective as of 12:01 a.m., January 22, 1985. The Decision and Approval binding the State to the amended Unit Agreement is attached.

Sincerely,

Kay Brown
Director

Attachment: Decision and Approval, Amendment to the Point Thompson Unit Agreement, January 21, 1985

KB/KF/rh@02141

DETERMINATION AND APPROVAL

Under the authority vested in the Commissioner of the Department of Natural Resources of the State of Alaska in Title 38 of the Alaska Statutes, as amended, and the Alaska Administrative Code, I do hereby approve an amendment to Articles 2, 7, 11, 12, 18(f), 20(c), 21, and 30 of the Point Thomson Unit Agreement, attached and identified as "Attachment 1," effective as of 12:01 a.m. January 22, 1985.

Other than the amendment as identified above, the Point Thomson Unit Agreement shall remain as written.

James P. Brown, Deputy Director
Kay Brown, Director

January 21, 1985
Date

For: Esther C. Wunnicke, Commissioner
Alaska Department of Natural Resources

Attachments: Amendments to Articles 2, 7, 11, 12, 18(f), 20(c), 21, and 30 of the Point Thomson Unit Agreement (Attachment 1)

Delegation of Authority from Commissioner, Department of Natural Resources, to Director, Division of Oil and Gas

2050A

Re: Contr

4/1/85 Contraction

April 9, 1985

Exxon Company U.S.A.
225 W. Hillcrest Drive
P.O. Box 5025
Thousand Oaks, CA 91359

Attn: Mr. Alan Justice
Division Unitization Manager

Subject: Point Thomson Unit - Exclusion of Leases ADL 28386 and 28387
Contraction of Unit Area

Dear Mr. Justice:

In the application for expansion of the Point Thomson Unit, filed with the State on January 13, 1984 and approved by the Director of the Division of Oil and Gas on March 26, 1984, the lessees of leases ADL 28386 and 28387 agreed to commence a well on those lands to test the Thomson Sands on or before March 31, 1985. As of this date, that well has not been commenced, and I understand from Mobil's letter of March 12, 1985 that the Working Interest Owners do not intend to drill the required well. Therefore, under Finding 2(C) of the "Decision and Findings of the Commissioner, Department of Natural Resources on the Point Thomson Unit, First Expansion of the Point Thomson Unit Area," these leases are no longer committed to the Point Thomson Unit, effective 12:01 a.m. April 1, 1985, and the Point Thomson Unit is hereby contracted to exclude them from the Unit Area.

Exhibits "A" and "B" of the Point Thomson Unit Agreement must be revised to reflect these exclusions. Please prepare three copies of these revised exhibits, and forward them to this office within 60 days. If you have any questions on this contraction, please contact Catherine Fortney of my staff at (907) 265-4198.

Sincerely,

Kay Brown
Director

cc: Mr. Guy Parkerson, Mobil Oil Company

bcc: Carol W., Lease Adjudication
Dan Smith, Unit Map Update.

PTUE01_001174

PTU Rec_010025

Exc. 000133

EXXON COMPANY, U.S.A.
P.O. BOX 5025 • THOUSAND OAKS, CALIFORNIA 91359-5025 • (805) 494-2380

PRODUCTION DEPARTMENT
WESTERN DIVISION

J A JUSTICE
DIVISION UNITIZATION MANAGER

September 19, 1985

Point Thomson Unit
Drilling Obligation

Ms. Kay Brown
Director, Division of Oil & Gas
Department of Natural Resources
Pouch 7-034
Anchorage, Alaska 99510

Dear Kay:

Thank you again for the time you and your staff took to meet with Exxon on September 11, 1985 to discuss Point Thomson development planning activities. I hope our meeting cleared up any questions you may have had regarding the pending data trade and gave you a clear understanding of our development plans. This letter is to follow-up on our conversation regarding additional drilling plans for the Point Thomson Unit.

To reiterate, Exxon, as Point Thomson Unit Operator, is making preparations to be in a position to commence a well in the 1985/1986 winter drilling season. The purpose of this well would be to confirm reserves sufficient to prove commerciality of the reservoir (additional delineation wells may be required). It is requested that if this well bottoms on any of the following leases and is drilled to a depth sufficient to test the Thomson Sands in that area it will meet the February 1, 1990 drilling obligation for those leases as discussed in Section V. 2(c) of the March 26, 1984 Decision and Findings for the first Point Thomson Unit expansion:

ADLs 312846, 312847, 312848, 312849, 312860, 312861, 312862, 312863, 312864, and 343113.

Further, should the well satisfy the February 1, 1990 obligation, the lessees of these leases would be obligated to drill another well on lands covered by those leases prior to February 1, 1995. This second required well would be drilled at a location to be determined jointly by the State and the lessees.

As discussed with you, current plans call for establishment of a participating area and start-up of production for a gas cycling/ condensate recovery development as early as 1992. It is anticipated the second required well would be drilled in an area outside of that participating area. A drilling obligation date of February 1, 1995 would provide the owners the opportunity to gather additional data to better determine the need and location for exploratory drilling outside of the established participating area.

Your early attention to this matter would be appreciated. As discussed with you, we plan to meet with the other working interest owners in early October to discuss the planned well. The probability of gaining support sufficient to drill the well this winter season would be enhanced if the well could serve the dual purpose of delineating the development area as well as meeting the 1990 drilling obligation.

Please feel free to call me if you have any questions regarding this matter.

Sincerely,

LAPR/lf

fill: Pt Thom 1st exp.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

BILL SHEFFIELD, GOVERNOR

POUCH 7-034
ANCHORAGE, ALASKA 99510

October 4, 1985

Alan Justice
Division Unitization Manager
EXXON Company, U.S.A.
P.O. Box 5025
Thousand Oaks, California 91359-5025

Dear Mr. Justice,

This letter responds to your September 19, 1985 letter in which you requested confirmation that an exploratory well proposed to be drilled by Exxon during the winter 1985-86 season would meet the February 1, 1990 drilling obligation for those leases addressed in Section V. 2(C) of the March 26, 1984 Decision and Findings for the first Point Thomson Unit expansion. In your letter you requested that the well fulfill the March 26, 1984 requirement if the proposed well bottoms on any of the following leases:

ADLs 312846, 312847, 312848, 312849, 312860, 312861, 312862, 312863, 312864, and 343113.

The March 26, 1984 Decision and Findings states that:

(C) Lessees of the following leases explicitly agree to commence a well on lands covered by those leases prior to February 1, 1990. The required well is to be drilled at a location to be determined jointly by the State and the lessees at a later date, and will be drilled to a depth sufficient to adequately test the Thomson Sands in that area:

ADLs 312846, 312847, 312848, 312849, 312860, 312861, 312862, 312863, 312864, and 343113.

The lessees of these leases also agree that if such a well is not commenced prior to February 1, 1990, all leases not containing a well certified by the State as capable of production of hydrocarbons in paying quantities pursuant to 11 AAC 83.361 will be contracted out of the Point Thomson Unit Area effective as of February 1, 1990. In the event that such a well is timely commenced, but conditions beyond the lessees' control prevent drilling to the objective depth, the lessees may, with the Commissioner's approval, drill a substitute well.

At this time I cannot respond affirmatively to your September 19, 1985 request because of its general nature.

I would consider a request for approval of a well in the context of the March 26, 1984 Decision and Findings only when the request addresses a specific well location or locations which can be evaluated in light of the implied purpose of that decision.

At our September 11, 1985 meeting you suggested that the proposed 1985-86 well would probably be drilled from an onshore location west of the Point Thomson Unit No. 1 well. The bottomhole location of the well would probably be on ADL 312862. However, it has been and remains the intent of the division that the required well shall be one that will supply data about the as-yet poorly understood Thomson Sand characteristics in the northern portion of the unit. A well drilled from an onshore surface location such as the one proposed could not be expected to provide sufficient data about the nature of the Thomson Sand in the northern expansion area. Consequently, such a well by itself would not satisfy the February 1, 1990 drilling obligation.

I consider meeting the requirements of the March 26, 1984 Decision and Findings a priority and a remaining obligation. I also realize that it may be necessary to drill additional wells elsewhere in the unit area to evaluate those areas.

Thank you for your timely and informative presentation in our offices. I look forward to future discussions of a proposed well location.

Sincerely,

Kay Brown
Director

2309W

EXXON COMPANY, U.S.A.
P.O. BOX 5025 • THOUSAND OAKS, CALIFORNIA 91359 • (805) 494-2380

PRODUCTION DEPARTMENT
WESTERN DIVISION

J.A. JUSTICE
DIVISION UNITIZATION MANAGER

October 31, 1985

Point Thomson Unit
7th Plan of Further Development
and Operation
Annual Progress Report

Catherine S. Fortney, Unit Manager
Division of Oil and Gas
Department of Natural Resources
State of Alaska
Pouch 7-034
555 Cordova Street
Anchorage, AK 99510

Progress report will be submitted in Dec (at 12/6 mtg?)

Dear Ms. Fortney:

Exxon has received your letter dated October 14, 1985 requesting an update to the Seventh Plan of Further Development and Operation for the Point Thomson Unit ("7th Plan"). Your letter states that, pursuant to 11 AAC 83.343(c) and the terms of the Point Thomson Unit Agreement, an update to the 7th Plan was due in your office on October 1, 1985.

As discussed with you on the telephone, Exxon is not opposed to providing annual progress reports to the 7th Plan by October 1 in future years. However, consistent with our understanding of the reporting requirements of the 7th Plan and the timing of previous reports, we had intended to provide the report to you in December. Exxon's interpretation of the provisions of 11 AAC 83.343(c) and 11 AAC 83.343(d) as they relate to the 7th Plan is as follows. The 7th Plan was approved for the period starting January 1, 1984, with an expiration date of December 31, 1988. Section 11 AAC 83.343(c) requires that a plan "be updated and submitted...for approval at least 90 days before the expiration date of the previously approved plan." Exxon, therefore, intends to submit an update for your approval on or before October 1, 1988.

The terms of the 7th Plan, and the provisions of Section 10 of the Point Thomson Unit Agreement and 11 AAC 83.343(d) require the Point Thomson owners to make annual progress reports to you during the tenure of the 7th Plan. These annual progress reports do not require State approval. The last written progress report made to you was dated December 20, 1984, with a follow-up meeting on January 9, 1985.

As you know from our September 11, 1985 review meeting with the Division of Oil and Gas, Exxon is actively studying potential gas cycling/condensate recovery development of the Point Thomson area. We have held several meetings in the past few months with the working interest owners regarding feasibility of development and a trade involving several wells which are still held confidential. In light of the amount of activity currently underway and plans to meet with the working interest owners again in late November, we feel that the interests of the owners and the State would be best served if the 1985 annual progress report is not submitted until early December.

We understand the regulations in effect at the time the Unit Agreement was signed required annual updates to Plans of Further Development and Operation. However, our position when the regulations were revised in 1982 was that the interests of the State and of the owners would be best served by allowing Plans of greater than one year duration. We understood that the State agreed with this position. Therefore, we hope to follow those revised regulations pertaining to plan updates and reporting requirements. If your needs would be better served by an October 1 submittal of our progress reports, we will plan on submitting future reports under the 7th Plan by October 1 of each year, starting October 1, 1986.

Sincerely,

LAPR/1f

cc: Point Thomson Unit Owners

February 5, 1986

Exxon Company, U.S.A.
P. O. Box 5025
Thousand Oaks, CA 91359-5025

Attn: Mr. J. A. Justice
Division Unitization Manager

Subject: Point Thomson Unit
Deferral of 1990 Well Obligation

Dear Mr. Justice:

I have considered Exxon's December 6, 1985 request to defer from February 1, 1990 to February 1, 1995 the date by which a well must be spudded in the ten northernmost leases within the Point Thomson Unit. In addition, I have also reviewed your more recent request to limit participation in the required unit data trade to only those Working Interest Owners having confidential data. Although the division is not willing to grant the drilling deferral request as submitted, I am willing to offer a compromise which will grant Exxon and the other working interest owners some additional time to drill the required well, provided that the proposed Point Thomson Unit No. 5 well (PTU #5) is spudded by May 1, 1987, and a common data base is made available to all unit Working Interest Owners, not just those owning confidential data, no later than September 30, 1986.

As you will recall, a major consideration in the State's decision to grant the expansion of the Point Thomson Unit in February, 1984 was the Point Thomson Unit Working Interest Owner's assurance that such an expansion would facilitate the creation of a "common data base," which would in turn expedite exploration and development of the expanded unit area. However, to this date, the common data base has not been established, although apparently discussions to that end are continuing among the Working Interest Owners. Notwithstanding the difficulties that Exxon has experienced in facilitating this exchange of data, I still feel that the establishment of a common data base is necessary to assure expedited delineation and development of the Point Thomson Unit.

Although I can see how the well Exxon proposes to commence during the 1986/1987 drilling season will aid in the development of the gas cycling project proposed for that area, I cannot see how it will significantly contribute to the early exploration and development of the ten leases comprising the February, 1984 northern expansion of the unit. A commitment to the early exploration and development of those lands was the basis for the application for expansion of the Point Thomson Unit to include them, and I believe deferral of exploration activities on them for an additional five years does not appear to be warranted under the circumstances.

Alternatively, however, should the Point Thomson Unit working interest owners spud a well in the 1986/1987 drilling season bottom-holed on one of ADLs 47561, 51667, or 312862, as proposed in your request of December 6, 1985 (the PTU #5 well), and should the State receive evidence by September 30, 1986 of the establishment of a common data base available to all Point Thomson Unit Working Interest Owners, the State is willing to defer the spud date of the well required to test the ten northernmost expansion leases until March 1, 1993. Should the PTU #5 well not be spudded by May 1, 1987, or should the State not receive adequate confirmation that a common data base available to all of the Point Thomson Unit Working Interest Owners has been established by September 30, 1986, the required spud date for the well to test the northern expansion area will remain February 1, 1990.

Considering the provisions of the 1984 expansion of the Point Thomson Unit, I am not willing to restrict the participants of the data trade only to those parties owning confidential data within the unit. Such a data trade, being an implicit condition of the expansion of the unit, is in the interest of all of the Working Interest Owners. Any deferral of the 1990 well commencement date is predicated on the division's receipt of adequate assurance that a common data base available to all working interest owners has been completed by September 30, 1986.

If you have any questions on the foregoing, please contact Catherine Fortney or Bill Van Dyke of my staff at (907) 561-2020.

Sincerely,

Ray Brown
Director

2695A

EXXON COMPANY, U.S.A.
POST OFFICE BOX 196601 • ANCHORAGE, ALASKA 99519-6601

January 8, 1990

Ms. Elizabeth A. Benson
Division of Governmental Coordination
675 Seventh Avenue, Station H
Fairbanks, Alaska 99701-4596

Dear Ms. Benson:

On December 21, 1989, Exxon requested an extension of the consistency review schedule to January 8, 1990. During this period we have conducted further internal economic analysis and have decided not to drill the Point Thomson Unit Well No. 5. We therefore request that the project and associated permits and approvals be withdrawn from state review. This concludes a substantial effort by Exxon to meet a Unit drilling obligation to the DNR and we appreciate the state's efforts in efficiently handling our permit applications.

If you have any questions, please contact me at 564-3766.

Very truly yours,

for R. G. Dragnich

BER/sjm/185

c: Mr. Jerry Brossia (DNR)
Mr. James Eason (DNR)
Mr. Warren Matumeak (NSB)
Mr. William McGee (DEC)
Mr. Al Ott (DFG)

PTU File

PTU Rec_011463

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPT. OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

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

(907) 762-2547

January 3, 1992

Exxon Company, U.S.A.
P.O.Box 2180
Houston, Texas 77252-2180

Attn: G. T. Theriot
Alaska Interest Manager

Subject: Point Thomson Unit
Ninth Plan of Development

Dear Mr. Theriot:

The Division of Oil and Gas appreciates Exxon's presentations of August 29, 1991 and October 23, 1991 on the proposed Ninth Plan of Development and assessment of the commercialization options for the Point Thomson Unit, and additional perspectives of North Slope gas commercialization from Exxon's point of view.

In its review of the proposed Ninth Plan of Development, the division notes that the Eighth Plan of Development for the PTU, approved by the division on October 6, 1988 for a three year period, anticipated the preparation of unit consensus maps for each of the currently known reservoirs (Pre-Mississippian, Thomson, and Flaxman). The consensus maps were to be prepared during the period of the Eighth Plan and were to assist in the assessment of the unit's development potential and contribute to the further delineation and understanding of the reservoir(s) and unit area as required in 11 AAC 83.343(a)(1), and in the Unit Agreement.

The consensus mapping by the unit owners was not accomplished as proposed during the term of the Eighth Plan, and the division remains concerned with some of the rational given for delaying the consensus mapping program (see September 25, 1991 correspondence). The division is further concerned with the length of time to accomplish the mapping program and the adverse impacts of this delay for making the detailed technical analysis for the orderly and timely development of the hydrocarbons in the Point Thomson Unit Area.

Based upon the discussions at the October 23, 1991 meeting, a review of the activities contemplated under the proposed Ninth Plan, and its desire for the unit working interest owners to take advantage of any and all windows of opportunity that may have an impact upon the Point Thomson area, the division feels that it is essential that the working interest owners expedite the consensus mapping efforts in order to evaluate all Point Thomson development opportunities.

It is with this in mind that the division will approve the proposed Ninth Plan for a one year period only. During this one year period, the Point Thomson Working Interest Owners can proceed with the consensus mapping program, and the division can better maintain its ability to understand the circumstances and conditions under which the Point Thomson area reservoir(s) can be developed. At the conclusion of the Ninth Plan period, Exxon should be prepared to convene a joint meeting of all working interest owners and the Division of Oil and Gas to discuss progress under the Ninth Plan and potential development options and schedules.

I look forward to future discussions with you and the other working Interest owners regarding the proposed activities of the Ninth Plan of Development, and the other technical issues that may affect Point Thomson development.

Pursuant to 11 AAC 83.343(c) and Article 10 of the Unit Agreement, a Tenth Plan of Development for the Point Thomson Unit will be due in this office at least 90 days prior to the termination of the Ninth Plan, that is on or before October 1, 1992.

Sincerely,

James E. Eason
Director

cc: Harold C. Heinze - Commissioner

PTU.9thPOD.Txt

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPT. OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

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

(907)762-2547

December 17, 1993

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

Subject: Point Thomson Unit
Eleventh Plan of Development

Dear Mr. Theriot:

The Division of Oil and Gas has reviewed the proposed Eleventh Plan of Development for the Point Thomson Unit (PTU). The Eleventh Plan is hereby approved for the period January 1, 1994 through December 31, 1994.

By copy of this letter I am informing Exxon, the PTU operator, of my intent to contract the unit boundary effective January 1, 1995. 11 AAC 83.356(e) requires that I give the unit operator notice and an opportunity to be heard prior to eliminating tracts from the unit area under that regulation. This letter also serves as that notice. If Exxon or any of the other PTU working interest owners desire an opportunity to be heard prior to the contraction of the unit boundary, they may submit comments in writing to me by March 31, 1994 or contact me directly to arrange a meeting on or before that date.

Little exploration work has been conducted on tracts within the unit boundary in the past few years. No explicit exploration work was conducted under the tenth plan nor is any contemplated under the eleventh plan. The tracts identified in Attachment #1 to this letter have not been shown to overlay any hydrocarbon reservoir. Absent significant and actual on-the-ground exploratory activity on the tracts identified in Attachment #1 on or before December 31, 1994, pursuant to 11 AAC 83.356(e) and 11 AAC 83.343(b), I plan at this time to contract the unit boundary effective January 1, 1995.

PTUE01_001086

PTU Rec_011735

As a second notice to the PTU operator and working interest owners, I am informing you that should any of the tracts identified on Attachment #1 be allowed to continue in the unit beyond December 31, 1994, substantial exploratory activity on those tracts must be included in the the twelfth plan of development, or I will not approve the twelfth plan of development. As provided for in the regulations and unit agreement, I will require the tracts listed in Attachment #1 be eliminated from the unit prior to approval of the twelfth plan of development.

The twelfth plan should also contain a discussion of the efforts Exxon and the other PTU working interest owners have undertaken to market hydrocarbons from the unit during the eleventh plan and what marketing activities are contemplated for the twelfth plan. At a minimum this discussion should cover at least the following: (1) efforts to market gas to the respective owners of the Trans Alaska Pipeline, the Prudhoe Bay Unit, and Norgasco, (2) efforts to market hydrocarbon liquids at Pump Station #1, and (3) efforts to market "miscible injectant" to the Prudhoe Bay Unit, the Duck Island Unit and the Kuparuk River Unit. Copies of any written materials supporting these marketing efforts should be provided to the division.

Pursuant to 11 AAC 83.343(c) and Article 10 of the Unit Agreement, a Twelfth Plan of Development for the Point Thomson Unit will be due in this office at least 90 days prior to the termination of the Eleventh Plan, that is on or before October 1, 1994.

Sincerely,

James E. Eason
Director

attachment

PTU.11thPOD.txt

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE

POINT THOMSON UNIT

STATE OF ALASKA

FOURTH JUDICIAL DISTRICT

This document is a compilation of the following, as approved by the Alaska Department of Natural Resources:

(1) Original Point Thomson Unit Agreement effective as of August 1, 1977

(2) Amendment effective as of April 16, 1982.

(3) Amendment effective as of January 22, 1985.

Compiled as of February 8, 1994

BPXA Ex. 12

DL 244
Updated June, 1976

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE

POINT THOMSON UNIT

STATE OF ALASKA

FOURTH JUDICIAL DISTRICT

THIS AGREEMENT, entered into as of the 1st day of March, 1977, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty or other oil and gas interests in the unit area subject to this agreement; and,

WHEREAS, the Commissioner of the Department of Natural Resources, State of Alaska, is authorized by Alaska Statute 38.05 and appropriate state regulations to consent to or approve this agreement on behalf of the State of Alaska, insofar as it covers and includes lands and mineral interests of the State of Alaska; and,

WHEREAS, the parties hereto hold sufficient interests in the Point Thomson Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and,

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth; and,

WHEREAS, State lands, as that term is used in this agreement, means those lands title to which is vested or that become vested in the State of Alaska and lands which have been tentatively

approved after state selection and are not covered by an existing Federal oil and gas lease at such time as any right or authority is exercised;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below-defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. The Alaska Land Act (AS 38.05.005-370) and all valid and pertinent oil and gas statutes and regulations including the oil and gas operating statutes and regulations in effect as of the effective date hereof or hereafter issued thereunder governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of Alaska are hereby accepted and made a part of this agreement.

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 40,768 acres, more or less. Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator.

Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party.

Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Director, Division of Lands of the Department of Natural Resources, hereinafter referred to as the "Director", and four (4) copies thereof shall be filed with the Director. All references to the "Director" in this agreement and amendments to it shall be construed to refer to, and all authority and responsibility to administer the agreement and amendments to it shall be vested in, the Commissioner; however the Commissioner may delegate the authority and responsibility to administer the agreement and amendments to it to

the Director of the Division of Oil and Gas or other official in the Department of Natural Resources.

The above described unit area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be affected in the following manner:

(a) Unit Operator, on its own motion, or on demand of the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Director and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Director, evidence of mailing of the notice of expansion or contraction, and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, become effective as of the date prescribed in the notice hereof.

(e) All legal subdivisions of unitized lands (i. e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this

agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement except as provided in Paragraph 18 (f), unless at the expiration of said five-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than six (6) months time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator, as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after the first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "unavoidable delay" time shall be made by Unit Operator and subject to approval of the Director. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and promptly notify all parties in interest.

If conditions warrant extension of the ten-year period specified in this Subsection 2 (e), a single extension of not to exceed two years may be accomplished by consent of the owners of ninety percent of the current unitized working interests and sixty percent of the current unitized basic royalty interests (exclusive of the basic royalty interests of the state) on a total nonparticipating-acreage basis, respectively, with approval of the Commissioner provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said ten-year period.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this Subsection 2 (e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR. EXXON CORPORATION, with offices at Houston, Texas is hereby designated as Unit Operator and by signature hereto as Unit Operator and as working interest owner commits to this agreement all interests in unitized substances vested in it and agrees and consents to accept the duties and obligations of Unit Operator for discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the Director as to State and privately owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence but, in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of

the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; provided that, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been filed with and approved by the Director. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this Unit Agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Unit Operating Agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement. Any revision of the unit operating agreement must be submitted to the Director before it takes effect. The unit agreement shall control the respective rights and obligations of the Unit Operator, the working interest owners, the State of Alaska, and royalty interest owners other than the State of Alaska in case of conflict between the unit agreement and the unit operating agreement. Where conflicts exist solely between working interest owners, the unit operating agreement shall control. Three (3) true copies of any unit operating agreement executed pursuant to this section shall be filed with the Director within ninety (90) days after the effective date of this unit agreement or such later date as

may be agreed to by the parties hereto and the Commissioner. In the event copies of the unit operating agreement are not filed as hereinabove provided, this unit shall terminate.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Director, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the top 100 feet of the Pre-Mississippian formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Director that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 13, 500 feet. Until the discovery of a deposit of unitized substances under this unit agreement capable of being produced in paying quantities, the Unit Operator shall commence by January 1 of each drilling season at least one well and continue drilling diligently until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Director or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Commissioner, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Commissioner may, after 15 days notice to the Unit Operator, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. 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 operating 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 shall:

(a) specify the number and location of any wells to be drilled and the proposed order and time for such drilling; and,

(b) to the extent practicable, specify the operating practices regarded as necessary and advisable for the proper conservation of natural resources .

Separate plans may be submitted for separate productive zones, subject to the approval of the Director.

Said plan or plans shall be modified or supplemented when necessary to meet changed conditions, or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Director is authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Director shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. At least ninety (90) days prior to commencement of production of unitized substances into a pipeline or other means of transportation to market, the Unit Operator shall submit for approval by the Director a schedule based on subdivisions of the public land survey or aliquot parts thereof of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director are to constitute a participating area, effective as of the date such production commences or the effective date of the unit agreement, whichever is later. The acreages of both state and non-state lands shall be based upon approved protraction diagrams or appropriate computations from the courses and distances shown on the last approved protraction diagram or public land survey as of the effective date of the initial participating area or computed with reference to the last approved protraction survey or grids. Said schedule, which will be attached as Exhibit C to this agreement, shall also:

(a) set forth the percentage of unitized substances to be allocated as provided in this agreement to each unitized tract with a royalty of other than one-eighth or net profit share lease tract in the participating area so established and shall govern the allocation of production for the purpose of calculating royalty and net profit payments for said tracts;

b) set forth the percentage of costs to be allocated to each net profit share lease tract in the participating area so established and shall govern the allocation of costs for the sole purpose of calculating net profit payments for said tracts; and

(c) set forth the percentage of unitized substances and costs to be allocated to all other tracts.

In the event the State of Alaska is the sole royalty owner of all tracts in the participating area, the portion of said schedule referenced in (a) and (b) above or any revision of said portion must be approved by the Director in writing before the allocation takes effect. In the event the State of Alaska is not the sole royalty owner of all tracts in the participating area, the allocation of unitized substances and/or costs or any revision thereto for all tracts in which the State of Alaska owns a royalty interest must be approved by the Director in writing before the allocation takes effect. The affected lessees shall submit to the Director relevant production, costs, geologic and engineering data for all tracts in the participating area to enable the Director to evaluate said schedule.

A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly.

The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the State of Alaska, which shall be determined by the Director for state lands and the amount thereof deposited, as directed by the Director, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as state royalty on the basis of such approved participating area.

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.

Whenever it is determined, subject to the approval of the Director, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established

for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION AND COSTS. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Director, or unavoidably lost, shall be deemed to be produced on the basis prescribed in Exhibit C. If there is a separate division of interest or allocation formula among any of the parties holding an interest in the unit that is different from Exhibit C, the parties to the separate division of interest or allocation formula that has not been approved by the Director must submit a copy of that formula to the Director and a statement explaining the reasons for the different allocations. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided in Exhibit C of this agreement regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party or parties hereto owning or controlling the working interests in any unitized land having thereon a regular well location may, with the approval of the Director, and subject to the nonconflicting provisions of the unit operating agreement, at such party's or parties' sole risk, costs, and expense, drill a well at such location on such land to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects

and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The State of Alaska and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Director, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with due

allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by Director as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due on account of the State of Alaska shall be computed and paid as to all unitized substances on the basis of the amounts allocated to such lands, and in accordance with appropriate statutes and regulations.

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases.

Rentals or minimum royalty on State of Alaska lands subject to this agreement shall be paid at the rates specified in the respective leases and in accordance with appropriate statutes and regulations.

With respect to any lease on non-state land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provisions of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and thereafter until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included within a participating area.

16. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to state law or regulation.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with prior consent of the Director, pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by and approved by the Director for state land leases.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Director as to state leases shall and, by his approval hereof or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of state leases committed hereto and the regulations in respect thereto and conform said requirements to the provisions of this agreement and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Commissioner or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any lease embracing land of the State of Alaska having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of Alaska having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil or gas is discovered and is capable of being produced in paying quantities from some part of the land embraced in such lease at the time of approval of the unit agreement by the State of Alaska or if at the time of approval of the unit agreement by the state the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas in paying quantities, said lease shall continue in full force and effect as to all of the lands embraced therein so long thereafter as oil or gas in paying quantities is being produced from any portion of said leases, provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof, but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities.

Any state lease having production in paying quantities, as defined in this agreement, on said lease prior to commitment to this agreement shall not be segregated. The nonunitized portion shall not participate in the unit area but shall be extended by virtue of the production on the unitized portion and so long as it produces in paying quantities. Nothing herein shall operate to excuse further development on the portion lying outside the unit area where the circumstances would require a reasonably prudent lessee to further development.

(f) Where some portion of a lease is included within the final participating area as provided in Paragraph 2 (e) of this agreement, the following shall apply as to the area of the lease not so included: that area of lease lands not so included in the final participating area shall be eliminated as in Paragraph 2 (e) of this agreement and shall terminate after the expiration of 90 days unless annual rentals at the rate specified in the original lease shall have been paid within the said 90 days. The entire lease shall continue in force and effect so long thereafter as production is allocated to a portion of said lease and so long as annual rentals are paid on the portion not within the participating area. The first rental payment is due and payable on the first day after the expiration of the above mentioned 90-day period with allowance for proration of rentals. Thereafter, annual rentals are due and payable on the anniversary date of the lease.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer or any working interest, royalty or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner or his duly authorized representative as of the date of approval by the Commissioner and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to state law or does not conform to any statewide voluntary conservation or allocation program which is established, recognized and generally adhered to by the majority of operators in such state, such authority being hereby limited to alternation or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time at his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the

interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable state law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than thirty (30) days from notice, and shall not be exercised in a manner that would (i) require any increase in the rate of prospecting, development or production in excess of that required under good and diligent oil and gas engineering and production practices; or (ii) alter or modify the rates of production from the rates provided in the approved plan of development and operations then in effect or, in any case, curtail rates of production to an unreasonable extent, considering unit productive capacity, transportation facilities available, and conservation objectives; or (iii) prevent this agreement from serving its purpose of adequately protecting all parties in interest hereunder, subject to applicable conservation laws and regulations.

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of the Department of Natural Resources of the State of Alaska and to appeal from orders issued under the regulations of said department, or to apply for relief from any said regulations or in any proceedings relative to operations before the Commissioner or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

23. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered mail or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or the ratification or consent hereof or to such other address as any such party may have furnished in writing to the party sending the notice, demand or statement.

24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or

defense as to the validity or invalidity of any law of the state or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party or any right beyond his or its authority to waive.

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or Municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) thru (7) inclusive, of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference into this agreement.

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided that, as to state land or leases, no payments of funds due the State of Alaska should be withheld, but such funds of the State of Alaska shall be deposited as directed by the Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director and the Unit Operator prior to the approval of this agreement by the Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Director of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Director.

29. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if

all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

30. Alaska Resident Hire: The State of Alaska encourages, to the extent legally permissible, the Unit Operator and any working interest owner conducting operations under this agreement to hire Alaska residents to perform work done on the Unit Area to the extent they are available and qualified.

UNIT OPERATOR AND
WORKING INTEREST OWNER

EXXON CORPORATION

Dated:

By_____
Its Attorney in Fact

Address: P. O. Box 2180
Houston, Texas 77001
Attention: Division Manager
Offshore/Alaska Division