

Proprietary Data**Shell Exploration & Production****RECEIVED**

JUL 10 2014

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July 10, 2014

Re: Shell Offshore Inc. and Shell Gulf of Mexico Inc. request for an initial five-year Suspension of Operations for their Outer Continental Shelf oil and gas leases in the Beaufort Sea and Chukchi Sea

Dear Mr. Fesmire,

Pursuant to the Secretary of the Interior's authority under the Outer Continental Shelf Lands Act ("OCSLA"), 43 U.S.C. § 1334(a), to "administer the provisions of this subchapter relating to the leasing of the outer Continental Shelf..." and to prescribe regulations for the "suspension or temporary prohibition of any operation or activity... in the national interest, to facilitate proper development of a lease...", and Bureau of Safety and Environmental Enforcement ("BSEE") regulations at 30 C.F.R. §§ 250.168-.177, Shell Offshore Inc. and Shell Gulf of Mexico Inc. (individually and collectively "Shell") request an initial five-year Suspension of Operations ("SOO") for their Outer Continental Shelf ("OCS") oil and gas leases in the Beaufort Sea and Chukchi Sea offshore Alaska. A complete list of the leases subject to this SOO request, comprising several prospects, is attached as Exhibit A.

Summary of SOO Request

Shell acquired almost all of its Beaufort Sea lease portfolio in 2005 and 2007 lease sales, and its Chukchi lease portfolio in a 2008 lease sale. To date, Shell has committed more than \$6 billion to secure and pursue its OCS leases. As the agency has previously recognized, "Shell alone has diligently demonstrated an applied interest in and intent to pursue exploration drilling of oil and gas prospects in the Arctic frontier over the last several years." Yet, despite Shell's best efforts and demonstrated diligence, circumstances beyond Shell's control have prevented, and are continuing to prevent, Shell from completing even the first exploration well in either area.

The heavy constraints on Shell's ability to explore its leases in the Alaska OCS context differ markedly from other OCS lease operations. Regulatory restrictions on seasonal transit dates to mobilize to the leases, coupled with weather/sea ice conditions, significantly truncate opportunities to conduct operations during the 10-year primary lease term. This already compressed time period places an upfront premium on orderly planning and timely operations. Nevertheless, subsequent to lease issuance and notwithstanding Shell's considerable investment, significant additional factors

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have materialized to further constrain the available operating window, and Shell's ability to fully utilize it. These include, but are not limited to:

- multiple time-consuming federal court and administrative challenges, appeals, and remands, based upon findings that the Government had failed adequately to carry out its legal obligations, resulting in repeated prohibitions against Shell's engagement in exploratory operations, often on the eve of such operations, and often after Shell had expended hundreds of millions of dollars in preparatory work, most of which it has not been able to recoup or redeploy
- BSEE's unexpected and unprecedented determination to introduce a fixed operational time constraint on drilling into a prospective reservoir zone, specifically the September 24 cut-off in the approved Chukchi Exploration Plan
- accommodation of Alaska Native whaling season in the Beaufort Sea
- limited Arctic-viable and regulatory-compliant drilling rigs
- BSEE's announced intention to develop new, comprehensive operating regulations specific to all future drilling operations on the Alaska OCS

Circumstances Shell could not have anticipated at the time it acquired its leases significantly impede Shell's utilization of its lease rights to proceed with exploration and development of its Alaska leases before they are due to expire. Even in the event that the legal and regulatory obstacles were immediately resolved, prudent exploration is now severely challenged prior to the current lease expiration dates for Shell's lease portfolio, particularly in the Beaufort Sea where all but two leases will expire no later than 2017. This is due to the repeated erected barriers to exploratory activities, the already severe disruption to Shell's exploratory efforts, limited rig availability, brief operating windows, and the unusually long lead times required to mobilize activities in Alaska. Compounding this problem, Shell cannot feasibly "catch up" for the time lost on the Alaska OCS by simply shifting resources to the earliest-expiring leases; rather, the reality of its present situation has compelled Shell to fundamentally reconceive its plan for its overall Alaska OCS portfolio.

The above distinctions demonstrate that the OCS Alaska is a region where exploration and development must be undertaken in circumstances dramatically different than in the current Gulf of Mexico context. As such, in responding to Shell's SOO request the Secretary of the Interior and BSEE should exercise the full breadth of OCSLA's suspension authority. The requested five-year suspensions have strong justification and are readily within the scope of the agency's existing statutory and regulatory authority.

Importantly, against the backdrop of the events that have transpired to date, it would be entirely inappropriate for BSEE to wait to consider SOOs until the end of the lease terms as in the Gulf of Mexico context; the SOOs need to be granted now, when Shell must make significant financial decisions that will entail additional expenditures running into the hundreds of millions of dollars. Compared to the Gulf of Mexico OCS, the assets required for Alaska Arctic OCS exploration, both rigs and supporting logistical assets, are extremely scarce and not readily available. Multi-year lead times are required to both modify existing non-Arctic assets where possible, or to construct new assets. Furthermore, since they are specifically commissioned for the Arctic, these assets do not have a broad marketability in non-Arctic contexts, making cost recoupment risky.

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Shell remains the first and only company to have invested over \$6 billion in rigs and assets to enable exploration in the current Alaska OCS lease cycle, yet still has been precluded from achieving a single exploration well to date. To support the further investment of funds required to continue exploring in the Alaska Arctic OCS, the Government, as a responsible lessor, should provide Shell sufficient assurance that the current lease portfolio will remain available for exploration, development, and ultimately production. The Government may readily provide that needed assurance by granting the requested SOOs.

(b) (4)



Despite Its Concerted Efforts to Explore Alaska OCS Prospects, Shell Has Encountered Numerous and Unexpected Delays Ever Since Its Leases Were Issued

The Bureau of Ocean Energy Management ("BOEM") and its predecessor agencies held lease sales in the Arctic OCS (i.e., Chukchi & Beaufort Seas) in 1979, 1982, 1984, 1988, 1991, 1996, 1998, 2003, 2005, 2007, and 2008. Shell acquired all but a few of its Beaufort Sea leases in Lease Sale 195 in 2005 and Lease Sale 202 in 2007. The bonus bids paid for these leases were \$44 million and \$39 million respectively. Shell acquired its Chukchi Sea leases in Lease Sale 193 in 2008, paying approximately \$2.1 billion in bonus bids. Shell also invested substantial resources in 2D and 3D seismic survey datasets to delineate potential resources. Upon obtaining its leases, Shell invested in and intended to conduct exploratory drilling on numerous prospects in the Beaufort and Chukchi Seas.

Despite its diligent efforts, however, an interminable series of external delays forced deferral of Shell's exploratory drilling program across its Alaska Arctic OCS prospects and ultimately rendered realization of that portfolio infeasible within the leases' primary terms.

Loss of the 2007 and 2008 Drilling Seasons. Shell initially anticipated drilling its first exploration wells in 2007, on its then-newly acquired Beaufort Sea leases. An early roadblock occurred in August 2007 when the Ninth Circuit enjoined the Minerals Management Service's ("MMS") approval of Shell's Beaufort Sea Exploration Plan ("EP"), and subsequently vacated that approval in November 2008. The court ruled, *inter alia*, that MMS failed to meet its obligations under the Administrative Procedure Act and the National Environmental Policy Act ("NEPA"). *Alaska Wilderness League v. Kempthorne*, 548 F.3d 815 (9th Cir. 2008). This unexpected delay contributed to the loss of the 2007 and 2008 Beaufort Sea drilling seasons.

Loss of the 2009 Drilling Season. Additionally, in the legal challenge to the five-year program pursuant to which the Chukchi Sea leases were issued, the D.C. Circuit in 2009 found the program inadequate, and remanded it to the Department for a re-evaluation and re-ranking of the program areas' environmental sensitivities, and for a determination whether that re-ranking called for any revisions in the timing or location of OCS lease sales. *Ctr. For Biological Diversity v. U.S. DOI*, 563 F.3d 466 (D.C. Cir. 2009). The Government represented to the Court that it would not allow any drilling operations to proceed on the leases until it had performed that re-evaluation and re-ranking. This further unexpected delay ultimately contributed to the loss of the 2009 season.

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Loss of the 2010 Drilling Season. In light of the Government's statement that it was targeting completion of the new environmental sensitivity analysis by the summer of 2009, and that a final decision would be issued by the end of November 2009, Shell proceeded in good faith with its preparations to conduct exploratory drilling in 2010, during the already limited summer drilling season. This required the Company to invest heavily in retaining and securing key assets – including mobile drilling units and logistical support vessels, purchase of necessary equipment and supplies, and recruitment and training of staff and contractors for Arctic operations.

However, notwithstanding its previous representations, the Department did not issue the draft Secretarial decision until March 31, 2010 – many months after its prior indications – and invited the submittal of comments through May 3, 2010. Then, in the wake of the Deepwater Horizon oil spill, the Department announced a halt to its consideration of Shell's permits in both the Chukchi Sea and Beaufort Sea in the summer of 2010, even though that drilling would be in shallow water and such operations could and would have been carried out in an environmentally and operationally sound manner. This further unexpected delay ultimately contributed to the loss of the 2010 season. A significant proportion of Shell's expenditures in preparation for that drilling were sunk costs that can never be recovered in the ordinary course.

Loss of the 2011 Drilling Season. Yet another roadblock occurred in July 2010 when the U.S. District Court for the District of Alaska held that the Department had not fulfilled all of its NEPA obligations in connection with the 2008 Chukchi Sea lease sale, and remanded the issue to the Department to correct those deficiencies, leading the Department to suspend all Chukchi Sea leases pending completion of its obligations under the remand order. *Native Village of Point Hope v. Salazar*, 730 F. Supp. 2d 1009 (D. Alaska 2010). BOEM's subsequent delays in completing those obligations ultimately contributed to the loss of the 2011 drilling season – a fifth consecutive season being lost to unexpected delays beyond Shell's control, with very significant (several billion dollars) investment having been accrued to no avail.

Air Permitting Delays. Contributing to the loss of each drilling season from 2007 through 2011, Shell also was continually confronted by complicated processes and lengthy delays (including two remands to correct agency deficiencies) in obtaining its air permits from the Environmental Protection Agency ("EPA"), which at the time had air quality jurisdiction over the Alaska OCS. Shell encountered these delays despite its open and good faith accommodation of EPA's stated preferences for the type and content of those permits.

Loss of the 2014 Drilling Season, and Ongoing External Delays and Obstacles. Although Shell was able to conduct preliminary exploratory drilling in the 2012 drilling season, its plans to return to its leases to continue exploration drilling activities in 2014 in the Chukchi Sea have been rendered impossible by (a) the Ninth Circuit's recent ruling in January 2014 that deficiencies in the Environmental Impact Statement for the Chukchi Sea 2008 lease sale require yet another remand to BOEM for additional analysis, and (b) the practical reality that BOEM's completion of its remand and reissuance of actionable permits would not occur in time to drill in 2014. See *Native Village of Point Hope v. Jewell*, No. 12-35287, slip op. at 33 (9th Cir. Jan. 22, 2014); see also Federal Def's First Bimonthly Status Report Pursuant to Remand Order, ECF No. 284, *Native Village of Point Hope v. Jewell*, No. 1:08-cv-00004-RRB (May 23, 2014). Indeed, BOEM only accomplished the first step, issuance of a Notice of Intent to prepare an SEIS, on June 20, 2014. This represents a sixth season being lost to unexpected delays beyond Shell's control.

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In summary, as soon as its leases were issued, Shell immediately worked collaboratively with federal and State agencies and Alaska Native stakeholders. Shell has carried out its obligations as lessee diligently, expeditiously, and in good faith, spending more than \$6 billion in total in doing so. Shell has fully responded to agency requests and stakeholder concerns by amending its already robust submissions and accepting additional onerous encumbrances on its planned operations. No other company has expended this extraordinary level of effort in the Arctic OCS. Nevertheless, Shell has lost six drilling seasons largely due to the Government's failure to satisfactorily carry out its obligations in the first instance or to promptly rectify the situation. Most importantly, due to the unique circumstances in the Arctic and the sharply limited operating windows, the few short annual drilling seasons that remain are inadequate to make up for the many years that Shell has lost largely due to circumstances beyond Shell's control.

This lost time has not been adequately compensated by the limited, short-term suspensions Shell has received to date. This is because, as further discussed below, each delay did not merely defer Shell's drilling schedule by the equivalent length of time. Rather, the on-again/off-again governmental delays significantly impacted Shell's fundamental ability to execute a sustainable strategy. With each stoppage, Shell was required to reassess which (if any) prospects remained feasible for exploration within the remaining primary lease terms. Given the serial nature of Alaska OCS exploration, the loss of one drilling season effectively meant that multiple entire prospects could not be timely explored as originally planned. That is, unlike in the Gulf of Mexico, idle rigs or equipment could not simply be repurposed to another location. Shell also could not readily recommence operations and "catch up"; preparedness, investment, and asset mobilization under Arctic conditions demand decision-making and actions sometimes years in advance of actual operations. The suspensions provided to date also fail to reflect the attendant uncertainty and often additional requirements that must be absorbed to resolve the cause of the delay. Thus, for each drilling season lost in the Alaska OCS, a longer reciprocal SOO is needed to restore the value of that time period.

The limited remaining primary terms and lack of certainty on whether additional time may be granted on the leaseholds pose a significant challenge to Shell's ability to continue to invest in Alaska OCS. Suspending the leases for five years now would provide Shell assurance that any further investment of the billions of dollars and effort to proceed with exploration and development will not be lost due to expiration of the remaining lease portfolio that would be necessary to support a commercial development.

The Delays Have Been Exacerbated by Alaska OCS Conditions Differing Markedly from the Gulf of Mexico and Warranting Separate Consideration

BSEE cannot apply its typical Gulf of Mexico SOO approach to leases in the Arctic Alaska OCS because the conditions Shell faces in the Beaufort Sea and the Chukchi Sea are dramatically different than those in any other OCS area. Due to sea ice conditions most of the year, any exploration drilling activity is limited to at most three to four months per year. Some years the sea ice precludes any drilling operations at all. While this sharply abbreviated drilling window significantly differentiates the Gulf of Mexico OCS, the Alaska OCS limitations do not stop there. Rather, at the time Shell acquired its leases, Shell could not have predicted the multiple additional restrictions unique to the Alaska OCS, including new regulatory requirements, which would further significantly impair Shell's ability to conduct its exploratory drilling campaign across its various prospects.

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For example, in Shell's previously-approved EP for the Chukchi Sea, BOEM has introduced an effective 38-day "Blackout Period" precluding drilling into hydrocarbon zones during the latter few weeks of the available drilling season. In a year of suboptimal ice conditions, this limitation may dramatically reduce the available Chukchi season and means it now could take two seasons to drill to hydrocarbon-bearing zones for each well undertaken. This limitation that BOEM included for the first time - ever, anywhere - in Shell's Chukchi Sea EP approval constitutes a significant operational constraint.

For Shell's Beaufort Sea leases, the available drilling season has been abbreviated further due to Shell's accommodation for Native community traditional whaling activities. This accommodation significantly reduces the already limited drilling season. Shell has also accommodated the Alaska Native stakeholders' strong request for "zero discharge" operations in Camden Bay in the Beaufort Sea. This places an additional lead time burden on associated upgrades to any rigs that would be considered for the Beaufort Sea. BSEE should account for this factor in considering Shell's SOO request.

The Gulf of Mexico is different in other ways that warrant tailored considerations for the grant of an SOO for Shell's Alaska leases. Even for what would be considered "frontier operations," basic infrastructure exists in the Gulf of Mexico - frontier areas are just in deeper water or deeper target depths (b) (4)

[Redacted]

The immense logistics to drill in the Alaska OCS also dwarf those required in the Gulf of Mexico. (b) (4)

[Redacted]

[Redacted]

(b) (4)

The delay in drilling the first exploration well in both the Beaufort Sea and Chukchi Sea areas necessarily has delayed drilling all subsequent wells/leases. A Gulf of Mexico lessee can plan its drilling queue well in advance with measurable and certain timing and cost. In Alaska there remain only three drilling seasons from now to lease expiration in 2017 in the Beaufort Sea, and only six before lease expiration in 2020 in the Chukchi Sea. But there is one pair of Arctic-capable rigs now (both of which have been made available by Shell alone). Even if BOEM and BSEE were to promptly approve EPs and APDs, further challenges to those approvals are

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anticipated. Without the requested SOOs, Shell's operational opportunities would be significantly constrained.

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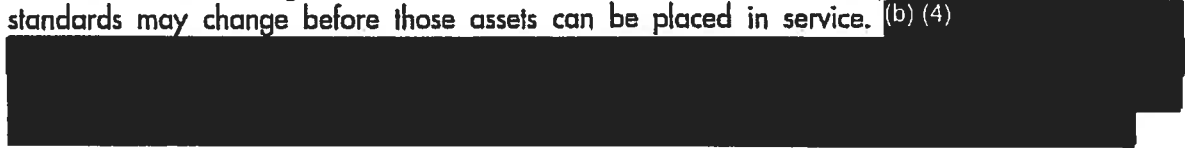


Beyond the initial exploration well on a given prospect, an operator will typically require additional appraisal wells to establish commercial viability. (b) (4)



Thus, Shell must retain the flexibility that a large lease inventory provides in both of the Alaska frontier areas since the exact prospects that will be drilled will likely change as the exploratory drilling program progresses. There are also future efficiencies to be gained by obtaining valuable experience in drilling initial wells. The planning and operational requirements for drilling in the Alaska OCS only heighten the need for deliberate decision-making in selecting optimal initial well locations and avoiding the drilling of unnecessary exploration wells. Shell had specifically designed an efficient exploration and appraisal strategy, but it is no longer viable due to the six seasons lost to circumstances beyond Shell's control. Even if more rigs and assets were somehow available it would not be operationally efficient to have three, four, or more rigs drilling concurrently against the ticking of the lease expiration clock, with drilling of unnecessary wells. SOOs will enable responsible and efficient exploration and appraisal on the currently leased Alaska OCS blocks. After discoveries are made, Shell can reduce the scope of its lease inventory and use exploratory/development units to preserve prospects with Suspensions of Production to provide the time necessary to commence production.

Lastly, as a further example of the significant differences and uncertainties faced by Alaska OCS lessees compared to those operating in the Gulf of Mexico, BSEE has announced an intention to issue new operating regulations for Arctic Alaska. This further warrants an SOO for Shell's leases at this time. Shell cannot reasonably be expected to proceed with long-term contracting, or design and construction, of new rigs and other vessels and equipment when the specifications or operating standards may change before those assets can be placed in service. (b) (4)



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BSEE Has Existing Authority to Grant Shell's Requested Suspensions

OCSLA provides the Secretary with broad authority to suspend the terms of OCS leases in the national interest. This authority has no express time limitation. Specifically, OCSLA authorizes the Secretary to "administer the provisions of this subchapter relating to leasing of the outer Continental Shelf" and, in particular, to issue regulations "for the suspension... of any operation or activity, including production, pursuant to any lease or permit (A) at the request of a lessee, in the national interest, to facilitate proper development of a lease... by a period equivalent to the period of such suspension...." A granted suspension stops the running of the initial lease term for the period of the suspension. 43 U.S.C. § 1334(a)(1).

BSEE regulations at 30 C.F.R. §§ 250.168-177 implement the Secretary's OCSLA suspension authority. The first section provides BSEE with broad suspension authority: "You may request approval of a suspension... for all or any part of a lease or unit area." 30 C.F.R. § 250.168. The common theme in BSEE's suspension regulations and various granted suspensions is the agency's recognition that lease terms should be suspended for periods when a lessee cannot enjoy its lease rights for reasons beyond its control. That is certainly the case here. As an illustrative example, 30 C.F.R. § 250.172(e) addresses suspensions for inordinate delays encountered in obtaining required permits or consents, including those caused by administrative or judicial *challenges*. (This is a different justification than § 250.172(a) and reflects the delays and uncertainties caused by the challenges themselves, regardless of their outcomes.) The occurrence of the multiple challenges Shell has endured to date, and the delay and uncertainty they occasion, as well as delays in obtaining required consents from EPA and BOEM/BSEE, collectively meet this justification for a suspension.

Demonstrating the breadth and flexibility of its statutory suspension authority, BSEE has recognized the need to grant suspensions in a variety of circumstances. For example:

- BSEE broadly granted requested suspensions for dozens of deepwater lessees that were potentially subject to operating delays following the Deepwater Horizon incident. BSEE did so without strict adherence to its normal SOO process and criteria.
- BSEE's authority to suspend the Alaska Arctic OCS leases due to annual sea ice limitations and accommodation of hunting and wildlife issues is analogous to that recognized by the Interior Board of Land Appeals and federal courts, *i.e.*, when a seasonal operating restriction limits when lease operations may be conducted, then the lease is suspended for the duration of the restriction. *Copper Valley Machine Works, Inc. v. Andrus*, 653 F.2d 595 (D.C. Cir. 1981).
- BSEE regularly suspends the running of the terms of numerous OCS leases in the Eastern Gulf of Mexico when the lessees are prohibited from enjoying their lease rights during military exercises.

The historical and present circumstances impeding Shell's exploratory efforts similarly warrant the exercise of BSEE's existing statutory and regulatory authority to grant SOOs.

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SOOs Should Be Granted Now

For Gulf of Mexico leases, BSEE prefers that operators wait until lease expiration is imminent before requesting an SOO since circumstances may change that will eliminate the need for a suspension before the lease expires. That is not a statutory limitation or regulatory requirement, however. Rather, BSEE's timing preference is guidance embodied in NTL 2000-G17 that has a logical foundation for the types of suspension requests typically submitted by operators in the Gulf of Mexico. This context and logic are not appropriate for the Alaska OCS.

The unanticipated delays and unique Alaska Arctic OCS conditions have substantially prejudiced Shell's plans to explore its prospects within existing primary lease terms. The current timeframe for the Beaufort prospects is very short, almost all leases will expire in 2017. The circumstance in the Chukchi Sea is not substantially different; Shell has a portfolio covering several prospects with at best six abbreviated drilling seasons before those leases expire. In both the Beaufort Sea and the Chukchi Sea, there has been a history of multiple delays beyond Shell's control. The Government should now use its suspension authority to provide Shell with reasonable assurance that Shell will be able to complete sufficient exploratory activities to make development decisions within its portfolio. This concern is further compounded because there is no assurance that future Arctic OCS lease sales will occur.

Shell is therefore requesting the certainty of a five-year suspension for its Alaska OCS portfolio, now, in order to provide adequate opportunity for proper exploration of its portfolio, including several prospects of high interest, and for subsequent development of any commercially viable discoveries.

Developing the Arctic Alaska OCS's potentially enormous reserves is plainly in the national interest. In addition to the additional domestic oil and gas resources, Arctic production will provide high-paying and long-term jobs, significant local, State, and federal tax and royalty revenues, and a new source of oil for a throughput-starved Trans-Alaska Pipeline System.

(b) (4)



Conclusion

The short-term suspensions Shell has received to date for the Alaska OCS do not begin to reflect the extent of the actual delays Shell suffered resulting from court decisions and agency delays. In Shell's circumstances, the totality of all the various delays and unanticipated circumstances has precluded, and likely will further thwart, Shell's ability to exercise its lease rights and proceed with exploration and development before most of those leases expire. BSEE has the authority to grant suspensions, in the national interest, for the proper development of Shell's leases, and in keeping with its obligation to act in good faith in its dealings with its counterparty Shell. Granting Shell's SOO request now for its Beaufort Sea and Chukchi Sea leases is entirely consistent with and promotes OCSLA's purposes.

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If you have any questions please contact me at (907) 646-7210 or at Pete.Slaiby@Shell.com.

Sincerely,



Peter E. Slaiby
Vice President, Shell Alaska

Attachments:

Exhibit A- List of Chukchi and Beaufort Sea Leases

Exhibit B- (b) (4)

Exhibit A
List of Chukchi and Beaufort Sea Leases

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Prospect	Lessor Name	Lease Number
Blizzard	POSEY 6151	Y2171
Blizzard	POSEY 6259	Y2185
Blizzard	POSEY 6261	Y2187
Blizzard	POSEY 6359	Y2204
Blizzard	POSEY 6360	Y2205
Blizzard	POSEY 6409	Y2212
Blizzard	POSEY 6410	Y2213
Blizzard	POSEY 6459	Y2220
Blizzard	POSEY 6508	Y2226
Blizzard	POSEY 6558	Y2233
Blizzard	POSEY 6608	Y2241
Blizzard	POSEY 6658	Y2248
Blizzard	POSEY 6708	Y2251
Blizzard	POSEY 6757	Y2274
Blizzard	POSEY 6807	Y2290
Blizzard	POSEY 6856	Y2304
Blizzard	POSEY 6905	Y2317

Prospect	Lessor Name	Lease Number
Bluefoot	KARO 6363	Y2021
Bluefoot	KARO 6364	Y2022
Bluefoot	KARO 6413	Y2026
Bluefoot	KARO 6414	Y2027
Bluefoot	KARO 6415	Y2028
Bluefoot	KARO 6462	Y2031
Bluefoot	KARO 6463	Y2032
Bluefoot	KARO 6464	Y2033
Bluefoot	KARO 6465	Y2034
Bluefoot	KARO 6512	Y2038
Bluefoot	KARO 6513	Y2039
Bluefoot	KARO 6514	Y2040
Bluefoot	KARO 6515	Y2041
Bluefoot	KARO 6516	Y2042
Bluefoot	KARO 6562	Y2048
Bluefoot	KARO 6563	Y2049
Bluefoot	KARO 6564	Y2050
Bluefoot	KARO 6565	Y2051
Bluefoot	KARO 6612	Y2057
Bluefoot	KARO 6613	Y2058
Bluefoot	KARO 6614	Y2059

Prospect	Lessor Name	Lease Number
HotDog	POSEY 6671	Y2255
HotDog	POSEY 6721	Y2269
HotDog	POSEY 6672	Y2256
HotDog	POSEY 6722	Y2270
HotDog	POSEY 6771	Y2286

Prospect	Lessor Name	Lease Number
Hon argulde	TISON 6819	Y1959
Hon argulde	TISON 6820	Y1960
Hon argulde	TISON 6821	Y1961
Hon argulde	TISON 6822	Y1962
Hon argulde	TISON 6868	Y1963
Hon argulde	TISON 6869	Y1964
Hon argulde	TISON 6870	Y1965
Hon argulde	TISON 6871	Y1966
Hon argulde	TISON 6872	Y1967
Hon argulde	TISON 6918	Y1968
Hon argulde	TISON 6919	Y1969
Hon argulde	TISON 6920	Y1970
Hon argulde	TISON 6921	Y1971
Hon argulde	TISON 6922	Y1972
Hon argulde	TISON 6968	Y1973
Hon argulde	TISON 6969	Y1974
Hon argulde	TISON 6970	Y1975
Hon argulde	TISON 6971	Y1976
Hon argulde	TISON 6972	Y1977
Hon argulde	TISON 7018	Y1978
Hon argulde	TISON 7019	Y1979
Hon argulde	TISON 7020	Y1980
Hon argulde	TISON 7021	Y1981
Hon argulde	TISON 7022	Y1982
Hon argulde	TISON 7023	Y1983
Hon argulde	TISON 7068	Y1984
Hon argulde	TISON 7069	Y1985
Hon argulde	TISON 7072	Y1986

Prospect	Lessor Name	Lease Number
Burger	POSEY 6713	Y2266
Burger	POSEY 6714	Y2267
Burger	POSEY 6715	Y2268
Burger	POSEY 6761	Y2277
Burger	POSEY 6762	Y2278
Burger	POSEY 6763	Y2279
Burger	POSEY 6764	Y2280
Burger	POSEY 6765	Y2281
Burger	POSEY 6766	Y2282
Burger	POSEY 6811	Y2293
Burger	POSEY 6812	Y2294
Burger	POSEY 6813	Y2295
Burger	POSEY 6814	Y2296
Burger	POSEY 6815	Y2297
Burger	POSEY 6816	Y2298
Burger	POSEY 6817	Y2299
Burger	POSEY 6862	Y2308
Burger	POSEY 6863	Y2309
Burger	POSEY 6864	Y2310
Burger	POSEY 6865	Y2311
Burger	POSEY 6866	Y2312
Burger	POSEY 6912	Y2321
Burger	POSEY 6913	Y2322
Burger	POSEY 6914	Y2323
Burger	POSEY 6915	Y2324
Burger	POSEY 6916	Y2325
Burger	POSEY 6962	Y2334
Burger	POSEY 6963	Y2335
Burger	POSEY 6964	Y2336
Burger	POSEY 6965	Y2337

Prospect	Lessor Name	Lease Number
Calico	KARO 6105	Y1987
Calico	KARO 6106	Y1988
Calico	KARO 6155	Y1990
Calico	KARO 6156	Y1991

Prospect	Lessor Name	Lease Number
Caramel	KARO 6712	Y2074
Caramel	KARO 6761	Y2084
Caramel	KARO 6762	Y2085
Caramel	KARO 6810	Y2094
Caramel	KARO 6811	Y2095
Caramel	KARO 6860	Y2107
Caramel	KARO 6861	Y2108

Prospect	Lessor Name	Lease Number
Freezit	POSEY 6114	Y2167
Freezit	POSEY 6115	Y2168
Freezit	POSEY 6163	Y2172
Freezit	POSEY 6164	Y2173
Freezit	POSEY 6165	Y2174
Freezit	POSEY 6213	Y2180
Freezit	POSEY 6214	Y2181
Freezit	POSEY 6215	Y2182
Freezit	POSEY 6263	Y2189
Freezit	POSEY 6264	Y2190
Freezit	POSEY 6265	Y2191

Prospect	Lessor Name	Lease Number
Iron Thunder	POSEY 6220	Y2183
Iron Thunder	POSEY 6270	Y2192
Iron Thunder	POSEY 6271	Y2193
Iron Thunder	POSEY 6321	Y2200
Iron Thunder	POSEY 6322	Y2201
Iron Thunder	POSEY 6371	Y2210
Iron Thunder	POSEY 6372	Y2211
Iron Thunder	POSEY 6422	Y2218
Iron Thunder	POSEY 6423	Y2219
Iron Thunder	HANNA SHOAL 6352	Y2342
Iron Thunder	HANNA SHOAL 6401	Y2343
Iron Thunder	HANNA SHOAL 6402	Y2344
Iron Thunder	HANNA SHOAL 6452	Y2345
Iron Thunder	HANNA SHOAL 6453	Y2346
Iron Thunder	HANNA SHOAL 6503	Y2347
Iron Thunder	HANNA SHOAL 6504	Y2348
Iron Thunder	HANNA SHOAL 6554	Y2349
Iron Thunder	HANNA SHOAL 6604	Y2350

Prospect	Lessor Name	Lease Number
Crackerjack	KARO 6568	Y2053
Crackerjack	KARO 6569	Y2054
Crackerjack	KARO 6617	Y2062
Crackerjack	KARO 6618	Y2063
Crackerjack	KARO 6657	Y2068
Crackerjack	KARO 6658	Y2069
Crackerjack	KARO 6716	Y2076
Crackerjack	KARO 6717	Y2077
Crackerjack	KARO 6765	Y2086
Crackerjack	KARO 6766	Y2087
Crackerjack	KARO 6767	Y2088
Crackerjack	KARO 6813	Y2097
Crackerjack	KARO 6815	Y2099
Crackerjack	KARO 6816	Y2100
Crackerjack	KARO 6817	Y2101
Crackerjack	KARO 6863	Y2110
Crackerjack	KARO 6864	Y2111
Crackerjack	KARO 6865	Y2112
Crackerjack	KARO 6866	Y2113
Crackerjack	KARO 6912	Y2123
Crackerjack	KARO 6913	Y2124
Crackerjack	KARO 6914	Y2125
Crackerjack	KARO 6915	Y2126
Crackerjack	KARO 6916	Y2127
Crackerjack	KARO 6961	Y2136
Crackerjack	KARO 6962	Y2137
Crackerjack	KARO 6963	Y2138
Crackerjack	KARO 6964	Y2139
Crackerjack	KARO 6965	Y2140
Crackerjack	KARO 7010	Y2145
Crackerjack	KARO 7011	Y2146
Crackerjack	KARO 7012	Y2147
Crackerjack	KARO 7013	Y2148
Crackerjack	KARO 7014	Y2149
Crackerjack	KARO 7060	Y2154
Crackerjack	KARO 7061	Y2155
Crackerjack	KARO 7062	Y2156
Crackerjack	KARO 7063	Y2157
Crackerjack	KARO 7109	Y2161
Crackerjack	KARO 7110	Y2162

Prospect	Lessor Name	Lease Number
Kakapo	COLBERT 6721	Y2421
Kakapo	COLBERT 6722	Y2422
Kakapo	COLBERT 6723	Y2423
Kakapo	COLBERT 6771	Y2425
Kakapo	COLBERT 6772	Y2426
Kakapo	COLBERT 6773	Y2427
Kakapo	COLBERT 6823	Y2428

Prospect	Lessor Name	Lease Number
King	KARO 6855	Y2106
King	KARO 6905	Y2118
King	KARO 6854	Y2129
King	KARO 6955	Y2130

Prospect	Lessor Name	Lease Number
Klondike	KARO 7119	Y2163
Klondike	COLBERT 6018	Y2356
Klondike	COLBERT 6020	Y2357
Klondike	COLBERT 6067	Y2367
Klondike	COLBERT 6068	Y2368
Klondike	COLBERT 6070	Y2370
Klondike	COLBERT 6219	Y2393

Prospect	Lessor Name	Lease Number
Lowrey	KARO 6161	Y1993
Lowrey	KARO 6182	Y1994
Lowrey	KARO 6211	Y2004
Lowrey	KARO 6212	Y2005
Lowrey	KARO 6261	Y2013

Prospect	Lessor Name	Lease Number
Kryptos	KARO 6567	Y2052
Kryptos	KARO 6616	Y2060
Kryptos	KARO 6618	Y2061
Kryptos	KARO 6665	Y2066
Kryptos	KARO 6666	Y2067
Kryptos	KARO 6715	Y2075
Kryptos	KARO 6812	Y2096
Kryptos	KARO 6814	Y2098
Kryptos	KARO 6862	Y2109
Kryptos	KARO 6908	Y2119
Kryptos	KARO 6909	Y2120
Kryptos	KARO 6910	Y2121
Kryptos	KARO 6911	Y2122
Kryptos	KARO 6956	Y2131
Kryptos	KARO 6957	Y2132
Kryptos	KARO 6958	Y2133
Kryptos	KARO 6959	Y2134
Kryptos	KARO 6960	Y2135
Kryptos	KARO 7006	Y2141
Kryptos	KARO 7007	Y2142
Kryptos	KARO 7008	Y2143
Kryptos	KARO 7009	Y2144
Kryptos	KARO 7056	Y2150
Kryptos	KARO 7057	Y2151
Kryptos	KARO 7058	Y2152
Kryptos	KARO 7059	Y2153
Kryptos	KARO 7106	Y2158
Kryptos	KARO 7107	Y2159
Kryptos	KARO 7108	Y2160
Kryptos	COLBERT 6007	Y2351
Kryptos	COLBERT 6056	Y2362
Kryptos	COLBERT 6057	Y2363

Prospect	Lessor Name	Lease Number
Shoehorn Shoot	COLBERT 6560	Y2412
Shoehorn Shoot	COLBERT 6561	Y2413
Shoehorn Shoot	COLBERT 6609	Y2414
Shoehorn Shoot	COLBERT 6610	Y2415
Shoehorn Shoot	COLBERT 6611	Y2416
Shoehorn Shoot	COLBERT 6658	Y2417
Shoehorn Shoot	COLBERT 6659	Y2418
Shoehorn Shoot	COLBERT 6660	Y2419
Shoehorn Shoot	COLBERT 6709	Y2420
Shoehorn Shoot	COLBERT 6759	Y2424

Prospect	Lessor Name	Lease Number
Sockeye	KARO 6705	Y2072
Sockeye	KARO 6706	Y2073
Sockeye	KARO 6753	Y2080
Sockeye	KARO 6754	Y2081
Sockeye	KARO 6755	Y2082
Sockeye	KARO 6756	Y2083
Sockeye	KARO 6803	Y2091
Sockeye	KARO 6804	Y2092
Sockeye	KARO 6805	Y2093
Sockeye	KARO 6853	Y2104
Sockeye	KARO 6854	Y2105
Sockeye	KARO 6903	Y2116
Sockeye	KARO 6904	Y2117
Sockeye	KARO 6953	Y2128

Prospect	Lessor Name	Lease Number
Takaha	KARO 6418	Y2029
Takaha	KARO 6419	Y2030
Takaha	KARO 6467	Y2035
Takaha	KARO 6468	Y2036
Takaha	KARO 6469	Y2037
Takaha	KARO 6517	Y2043
Takaha	KARO 6518	Y2044
Takaha	KARO 6519	Y2045

Exhibit A

List of Chukchi and Beaufort Sea Leases

Proprietary Data

Prospect	Lessor Name	Lease Number
Sivulliq	FLAXMAN ISLAND 6657	Y1804
Sivulliq	FLAXMAN ISLAND 6658	Y1805
Sivulliq	FLAXMAN ISLAND 6659	Y1806
Sivulliq	FLAXMAN ISLAND 6707	Y1807
Sivulliq	FLAXMAN ISLAND 6708	Y1808
Sivulliq	FLAXMAN ISLAND 6709	Y1809
Sivulliq	FLAXMAN ISLAND 6757	Y1812
Sivulliq	FLAXMAN ISLAND 6758	Y1813

Prospect	Lessor Name	Lease Number
Slippery Rock	BEECHEY POINT 6307	Y1776
Slippery Rock	BEECHEY POINT 6308	Y1777
Slippery Rock	BEECHEY POINT 6309	Y1778
Slippery Rock	BEECHEY POINT 6360	Y1786

Prospect	Lessor Name	Lease Number
Anago West	BEECHEY POINT 6356	Y1783
Anago West	BEECHEY POINT 6358	Y1784

Prospect	Lessor Name	Lease Number
Kuvlum	FLAXMAN ISLAND 6712	Y1810
Kuvlum	FLAXMAN ISLAND 6713	Y1811
Kuvlum	FLAXMAN ISLAND 6764	Y1816
Kuvlum	FLAXMAN ISLAND 6814	Y1822
Kuvlum	FLAXMAN ISLAND 6815	Y1923

Prospect	Lessor Name	Lease Number
Olympia	FLAXMAN ISLAND 6773	Y1820
Olympia	FLAXMAN ISLAND 6774	Y1821
Olympia	FLAXMAN ISLAND 6822	Y1826
Olympia	FLAXMAN ISLAND 6823	Y1827
Olympia	FLAXMAN ISLAND 6824	Y1828
Olympia	FLAXMAN ISLAND 6873	Y1833
Olympia	FLAXMAN ISLAND 6874	Y1834
Olympia	FLAXMAN ISLAND 6923	Y1837
Olympia	FLAXMAN ISLAND 6924	Y1838
Olympia	BARTER ISLAND 6751	Y1839
Olympia	BARTER ISLAND 6752	Y1840
Olympia	BARTER ISLAND 6801	Y1841
Olympia	BARTER ISLAND 6802	Y1842
Olympia	BARTER ISLAND 6851	Y1843
Olympia	BARTER ISLAND 6901	Y1844

Prospect	Lessor Name	Lease Number
Cornell	HARRISON BAY 6222	Y1743
Cornell	HARRISON BAY 6223	Y1744
Cornell	HARRISON BAY 6272	Y1745
Cornell	HARRISON BAY 6273	Y1746
Cornell	BEECHEY POINT 6251 & 630	Y1765
Cornell	BEECHEY POINT 6252	Y1766
Cornell	BEECHEY POINT 6302	Y1771
Cornell	HARRISON BAY 6221	Y1857

Prospect	Lessor Name	Lease Number
Candlestick	HARRISON BAY 6173	Y1742
Candlestick	BEECHEY POINT 6152	Y1761
Candlestick	BEECHEY POINT 6202	Y1762
Candlestick	BEECHEY POINT 6203	Y1763
Candlestick	BEECHEY POINT 6204	Y1764
Candlestick	BEECHEY POINT 6253	Y1767
Candlestick	BEECHEY POINT 6254	Y1768
Candlestick	BEECHEY POINT 6255	Y1769
Candlestick	BEECHEY POINT 6256	Y1770
Candlestick	BEECHEY POINT 6304	Y1773
Candlestick	BEECHEY POINT 6305	Y1774
Candlestick	BEECHEY POINT 6306	Y1775
Candlestick	BEECHEY POINT 6355	Y1782
Candlestick	BEECHEY POINT 6404	Y1787
Candlestick	BEECHEY POINT 6408	Y1788

Prospect	Lessor Name	Lease Number
Saturn	BEECHEY POINT 6359	Y1785
Saturn	BEECHEY POINT 6409	Y1789
Saturn	BEECHEY POINT 6410	Y1790

Prospect	Lessor Name	Lease Number
Mauya	HARRISON BAY 6421	Y1703
Mauya	BEECHEY POINT 6352	Y1704
Mauya	BEECHEY POINT 6402 & 6403	Y1705
Mauya	HARRISON BAY 6371	Y1751
Mauya	HARRISON BAY 6372	Y1752
Mauya	HARRISON BAY 6373	Y1753
Mauya	HARRISON BAY 6374 & 6424	Y1754
Mauya	HARRISON BAY 6422	Y1756
Mauya	HARRISON BAY 6423	Y1757
Mauya	BEECHEY POINT 6303	Y1772
Mauya	BEECHEY POINT 6351 & 6401	Y1779
Mauya	BEECHEY POINT 6353	Y1780
Mauya	BEECHEY POINT 6354	Y1781

Prospect	Lessor Name	Lease Number
Ayak	FLAXMAN ISLAND 6560	Y1937

Prospect	Lessor Name	Lease Number
Kanik	FLAXMAN ISLAND 6259	Y1889
Kanik	FLAXMAN ISLAND 6308	Y1895
Kanik	FLAXMAN ISLAND 6309	Y1896
Kanik	FLAXMAN ISLAND 6310	Y1897

Prospect	Lessor Name	Lease Number
Mavsa	FLAXMAN ISLAND 6406	Y1912
Mavsa	FLAXMAN ISLAND 6407	Y1913
Mavsa	FLAXMAN ISLAND 6457	Y1921

Prospect	Lessor Name	Lease Number
Nilik	FLAXMAN ISLAND 6459	Y1923
Nilik	FLAXMAN ISLAND 6460	Y1924
Nilik	FLAXMAN ISLAND 6461	Y1925
Nilik	FLAXMAN ISLAND 6510	Y1930
Nilik	FLAXMAN ISLAND 6511	Y1931
Nilik	FLAXMAN ISLAND 6512	Y1932
Nilik	FLAXMAN ISLAND 6561	Y1938
Nilik	FLAXMAN ISLAND 6562	Y1939

Prospect	Lessor Name	Lease Number
Outer High	BEECHEY POINT 6009	Y1865
Outer High	BEECHEY POINT 6010	Y1866
Outer High	BEECHEY POINT 6011	Y1867
Outer High	BEECHEY POINT 6012	Y1868
Outer High	BEECHEY POINT 6058	Y1869
Outer High	BEECHEY POINT 6059	Y1870
Outer High	BEECHEY POINT 6060	Y1871
Outer High	BEECHEY POINT 6061	Y1872
Outer High	BEECHEY POINT 6062	Y1873
Outer High	BEECHEY POINT 6063	Y1874
Outer High	BEECHEY POINT 6064	Y1875
Outer High	BEECHEY POINT 6065	Y1876
Outer High	BEECHEY POINT 6066	Y1877
Outer High	BEECHEY POINT 6067	Y1878
Outer High	BEECHEY POINT 6068	Y1879
Outer High	BEECHEY POINT 6114	Y1880
Outer High	BEECHEY POINT 6115	Y1881
Outer High	BEECHEY POINT 6116	Y1882
Outer High	BEECHEY POINT 6117	Y1883
Outer High	BEECHEY POINT 6118	Y1884

Prospect	Lessor Name	Lease Number
Pukak	FLAXMAN ISLAND 6611	Y1942
Pukak	FLAXMAN ISLAND 6612	Y1943
Pukak	FLAXMAN ISLAND 6662	Y1945

Prospect	Lessor Name	Lease Number
Schrader-Extension	HARRISON BAY 6321	Y1748
Schrader-Extension	HARRISON BAY 6322	Y1749
Schrader-Extension	HARRISON BAY 6323	Y1750

Prospect	Lessor Name	Lease Number
Snowball	FLAXMAN ISLAND 6359	Y1906
Snowball	FLAXMAN ISLAND 6409	Y1915
Snowball	FLAXMAN ISLAND 6410	Y1916

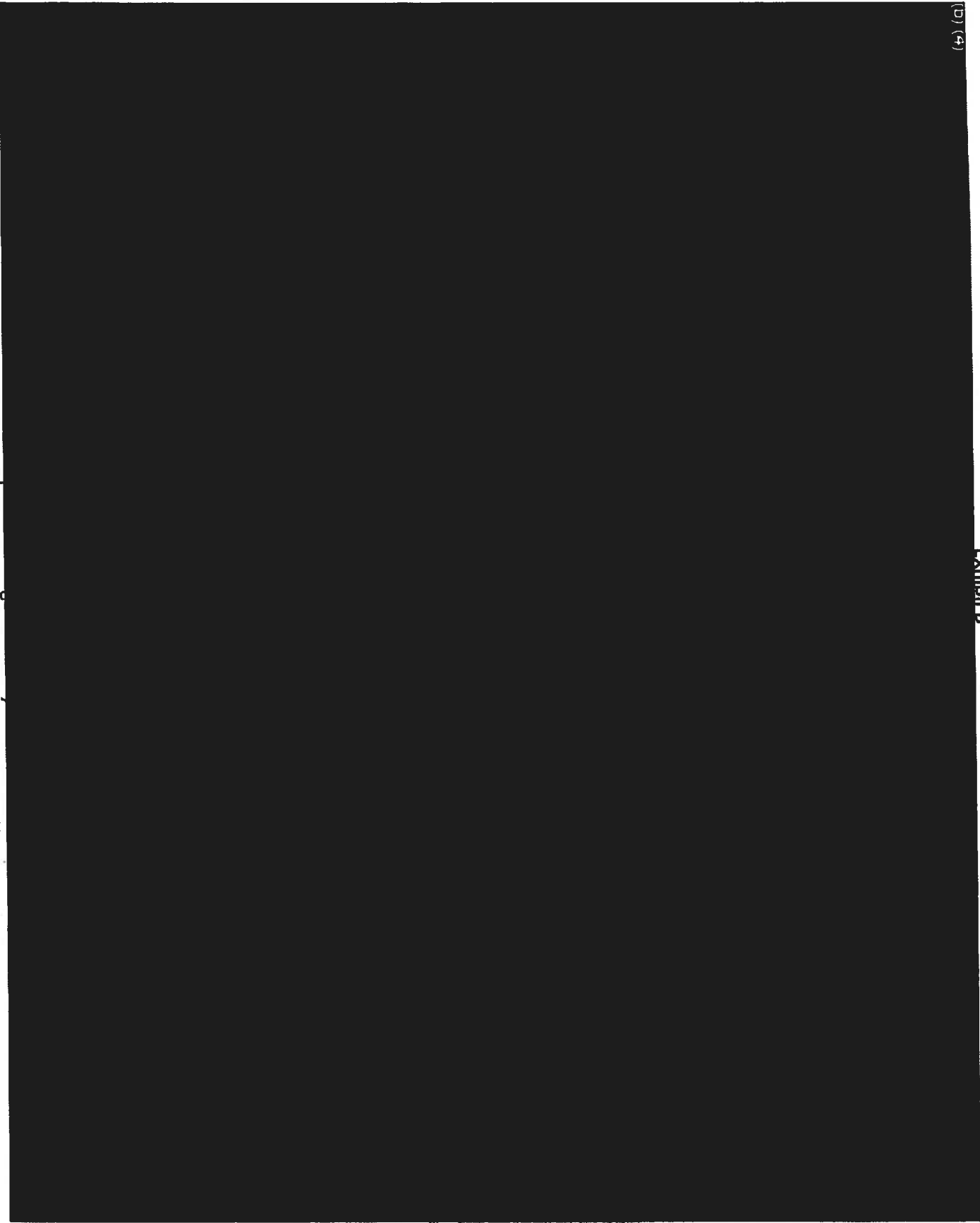
Prospect	Lessor Name	Lease Number
Torpedo	FLAXMAN ISLAND 6508	Y1929
Torpedo	FLAXMAN ISLAND 6558	Y1935
Torpedo	FLAXMAN ISLAND 6559	Y1936
Torpedo	FLAXMAN ISLAND 6609	Y1940
Torpedo	FLAXMAN ISLAND 6610	Y1941
Torpedo	FLAXMAN ISLAND 6660	Y1944

Prospect	Lessor Name	Lease Number
Vico	HARRISON BAY 6369	Y1699
Vico	HARRISON BAY 6370	Y1700
Vico	HARRISON BAY 6419	Y1701
Vico	HARRISON BAY 6420	Y1702
Vico	HARRISON BAY 6320	Y1747
Vico	HARRISON BAY 6418	Y1755
Vico	HARRISON BAY 6468	Y1758
Vico	HARRISON BAY 6469	Y1759
Vico	HARRISON BAY 6518 & 6519	Y1760

Prospect	Lessor Name	Lease Number
Kup C	BEECHEY POINT 6411	Y1791
Kup C	BEECHEY POINT 6412	Y1792
Kup C	BEECHEY POINT 6460	Y1793
Kup C	BEECHEY POINT 6461	Y1794
Kup C	BEECHEY POINT 6462	Y1795
Kup C	BEECHEY POINT 6463	Y1796
Kup C	BEECHEY POINT 6512	Y1799
Kup C	BEECHEY POINT 6513	Y1800

(b) (4)

Exhibit B



Proprietary Data

PROPRIETARY AND CONFIDENTIAL - COMMERCIAL BUSINESS INFORMATION