

APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Commissioner of the Department of Natural Resources of the State of Alaska, under Title 38 of the Alaska Statutes, as amended, and under the Alaska Oil and Gas Leasing Regulations pursuant thereto, I do hereby:

- (a) Approve the attached Unit Agreement for the Development and Operation of the Milne Point Unit, State of Alaska.
- (b) Certify and determine that the unit plan of development and operation, contemplated in the attached agreement, is necessary and advisable in the public interest for the purpose of more properly conserving natural resources.
- (c) Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of all State of Alaska leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.
- (d) This agreement is effective as of September 28, 1979.

DATED this 29th day of October, 1979

Robert E. LeResche

Commissioner
Robert E. LeResche

RECEIVED
OCT 29 5 P.M.
DIV. OF MINERALS & ENERGY, ALASKA
ANCHORAGE, ALASKA

AGO 1354929

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
MILNE POINT UNIT
STATE OF ALASKA
THIRD JUDICIAL DISTRICT

RECEIVED

MAR 21 1980

Div. of Minerals & Energy Mgt.
Anchorage, Ak.

THIS AGREEMENT, entered into as of the 28th day of September, 1979,
by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto",

W I T N E S S E T H :

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
Milne Point Unit Area covering the land hereinafter described to
give reasonable 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:

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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 18,527 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.

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 effected 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.

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(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 suveys, 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 one (1) year 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

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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. Conoco Inc., with offices at 5 Greenway Plaza East, Suite 2928, Houston, Texas 77046 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.

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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.

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The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to 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.

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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 be come 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 agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section shall be filed with the Director prior to approval of the unit agreement by the Commissioner.

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 day a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Sadlerochit Shale 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 9,750 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 continue drilling diligently one well at a time, allowing not more than one (1) year between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying

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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 the 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,

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(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. Upon completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall, within the month of such completion, if practicable, or as soon thereafter as required by the Director, 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 of completion of such well 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 also shall set forth the percentage of unitized tract in the participating area so established and shall govern the allocation of production from and after the date the participating area becomes effective. 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 interest, 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 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 the Director for any purpose of this agreement.

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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. 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 from the several tracts of unitized land of the participating area established for such production and, for the purposes of determining any benefits accruing under this agreement including a settlement of the royalty, overriding royalty or payment out of production obligations of the respective working interest owners, each such tract of unitized lands shall have allocated to it such percentage of said production as contained in the participating area proposals submitted to and accepted by the Director as prescribed in the unit operating agreement.

It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein 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, cost, 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

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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 to all unitized substances on the basis of the amounts allocated to such lands, and in accordance with appropriate statutes and regulations.

The State's royalty share due on leases ADL-47432, ADL-47433, ADL-47434, ADL-47437, ADL-47438, and ADL-47439 shall be one-fifth (20%). Royalty due on all other state leases subject to this agreement shall be paid at the rates specified in the respective leases.

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 Leases ADL-47432, ADL-47433, ADL-47434, ADL-47437, ADL-47438, and ADL-47439 shall be paid at the rate of \$3.00 per acre. Rentals or minimum royalty on all other state leases 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 regulations.

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.

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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 lands 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.

(g) All operations on leases subject to this agreement shall be conducted in accordance with the following stipulations:

Stipulation No. 1

In the event any site, structure, or object of historic or archeological significance should be discovered during the conduct of any operations in the unit area, the lessee shall report immediately such findings to the Director, Division of Minerals and Energy Management, and make every reasonable effort to preserve and protect such site, structure, or object from damage until the Director has given directions as to its preservation.

Upon abandonment of the drilling platform or related facilities, such facilities will be removed to the extent that they no longer intrude on the historical or cultural site or could otherwise adversely affect an archeological or historical site.

Stipulation No. 2

The lessee shall include in any exploration and/or development plans a proposed training program for all personnel involved in exploration or development activities (including personnel of the lessee's contractors and subcontractors) for review and approval by the Director. The program shall be designed to inform each person working on the project of specific types of environmental, social, and cultural concerns which relate to the individual's job. The program shall be formulated and implemented by qualified instructors experienced in each pertinent field of study and shall employ effective methods to insure that personnel understand and use techniques necessary to preserve archeological, geological, and biological resources. The program shall also be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The lessee shall also submit for review and approval a continuing technical environmental briefing program for supervisory and managerial personnel of the lessee and its agents, contractors, and subcontractors.

Stipulation No. 3

If biological population or habitats which may require protection are identified by the Director in the unit area, the Director will require the lessee to conduct environmental surveys, as approved by the Director, to determine the extent and composition of biological populations or habitats, and the effects of proposed or existing operations on the populations or habitats which require protective measures. The Director shall provide written notice to the lessee of his decision to require such surveys. The nature and extent of any surveys will be determined by the Director on a case-by-case basis.

Based on any surveys which the Director may require of the lessee, or other information available to the Director on special biological resources, the Director may require the lessee to:

- (1) locate the site of such operations so as not to adversely affect the resource identified;
- (2) establish to the satisfaction

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of the Director, on the basis of a site-specific survey, either that such operation will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist; (3) operate during those periods of time that do not adversely affect the biological resources as established by the Director; and (4) modify operations in such a way as not to affect adversely the significant biological populations or habitats deserving protection.

The lessee agrees that, if any area of biological significance should be discovered during the conduct of any operations on the leased area, he shall immediately report such findings to the Director, and make every reasonable effort to preserve and protect the biological resource from damage until the Director has given the lessee directions with respect to its protection.

The lessee shall submit all data obtained in the course of such surveys to the Director, with the locational information for drilling or other activity. The lessee may take no action that might result in any adverse effect on the biological populations or habitats surveyed, until the Director provides written directions to the lessee, with regard to permissible actions.

Stipulation No. 4

For all onshore off-lease areas under State jurisdiction, the following is required by State or Federal laws and regulations:

Prior to the construction or placement of any onshore structure, road, or facility resulting from exploration, development, and/or production activities, an inventory shall be conducted of archeological or historical sites within the area affected by a proposed activity.

Such inventory shall consider literature provided by the North Slope Borough and local residents; documentation of oral history regarding historic and prehistoric uses of such sites, evidence consultation with the Alaska Heritage Resources Survey and the National Register of Historic Places, and site surveys. The inventory shall also include a detailed analysis of the potential effects estimated to result from the proposed activity. The inventory shall be submitted to the Director, Division of Minerals and Energy Management, for distribution to the Division of Parks,

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and the North Slope Borough for purposes of review and comment. The Director of the Division of Parks and the North Slope Borough may request that the Director require salvage of archeological and historical sites or relocation of proposed facilities.

In the event that an archeological or historical site or area is adversely affected by an activity, documentation of such effects shall, after consultation with the Director of the Division of Parks and the North Slope Borough, direct the operator as to what course of action will be necessary to mitigate the adverse effect.

Stipulation No. 5

The following terms must be met before approval of a Plan of Operations for the unit. All lease activities and structures shall be scheduled and/or designed to allow free movement and safe passage to fish and mammals.

Continuous fill causeways are prohibited. Non-continuous fill causeways may be permitted when demonstrated to the satisfaction of the Director, Division of Minerals and Energy Management, that the causeway is necessary for the development of the field and no other feasible and prudent alternative exists.

Winter removal of fresh water or snow cover from rivers and natural lakes which support overwintering fish is prohibited by State laws, regulations, and policies. Therefore, the lessee is responsible for ensuring that an adequate supply of water is available for winter use through development of such means as storage reservoirs and snow melting.

Surface use will be controlled, as necessary, to prevent unreasonable conflicts with local subsistence harvests.

The State requires a 1500-foot buffer zone to separate fresh water supplies or fish-producing streams, lakes, and marine areas from adjacent onshore sewage ponds or oil storage facilities. In cases where it can be demonstrated that a 1500-foot buffer is not physically feasible or prudent, or that no alternative sites are available, exceptions may be granted by the appropriate State official. In all cases, the

maximum possible separation is to be required, but will not be greater than 1500 feet.

Borrow extraction from lagoons and nearshore areas is prohibited by the State unless substantial evidence is provided indicating that borrow excavation in these areas will not adversely affect the environment, particularly the maintenance of the lagoon/barrier island complex, and that no alternative sources exist.

(h) **Royalties.** Unless otherwise provided in Paragraph 14 of this Agreement, all leases subject to this Agreement are hereby modified to contain the following specific provisions concerning royalty:

1. **On Production.** Except for oil, gas and associated substances used on the leased area for development and production or unavoidably lost, Lessee shall pay to the State as royalty the following:

a. On oil, 12½ percent in amount or value of the oil produced and removed or sold from the leased area.

b. On gas, 12½ percent in amount or value of the gas produced and removed or sold from the leased area.

c. On associated substances, 12½ percent in amount or value of the associated substances produced and removed or sold from the leased area.

2. **In Value.** Unless the State elects to receive all or a portion of its royalty in kind as provided in part 3 below, Lessee shall pay to the State the value, as determined under paragraph 4 and 5 below, of all royalty oil, gas and associated substances. Royalty paid in value shall be free and clear of all lease expenses (and any portion of such expenses which is incurred away from the leased area), including but not limited to expenses for separation, cleaning, dehydration, gathering, salt water disposal, and preparing the oil, gas or associated substances for transportation off the leased area. All royalty that may become payable in money to the State shall be paid on or before the last day of the calendar month following the month in which the oil or gas is produced. Royalty payments shall be accompanied by copies of run tickets or such other information relating to valuation of

royalty as the State may require, which may include but is not limited to evidence of sales, shipments, and amounts of gross oil, gas and associated substances production.

3. Royalty in Kind.

a. At the State's option, which may be exercised from time to time upon not less than six (6) month's notice to Lessee, Lessee shall deliver all or a portion of the State's royalty oil, gas or associated substances produced from the leased area in kind. Delivery shall be on the leased area or at a place mutually agreed to by the State and Lessee, and shall be to the State or to any individual, firm or corporation designated by the State. Delivery of such royalty in kind shall continue from the period specified in the notice to Lessee.

b. Royalty oil or gas delivered in kind shall be delivered in good and merchantable condition and be of pipeline quality. Royalty delivered in kind shall be free and clear of all lease expenses (and any portion of such expenses which is incurred away from the leased area), including but not limited to expenses for separation, cleaning, dehydration, gathering, salt water disposal, and preparing the oil, gas or associated substances for transportation off the leased area.

c. After having given notice of its intention to take its royalty oil, gas or associated substances in kind, the State, at its option and upon six (6) month's notice to Lessee, may elect to receive a different portion or none of its royalty in kind.

d. Lessee shall furnish storage for royalty oil and natural gas liquids produced from the leased or unit area to the same extent that Lessee provides storage for Lessee's share of oil and natural gas liquids. Lessee shall not be liable for the loss or destruction of stored royalty oil and natural gas liquids from causes beyond lessee's reasonable control.

4. Apportionment of Royalty From Approved Unit.

The Landowners' royalty share of the unit production allocated to each separately owned tract shall be regarded

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as royalty to be distributed to and among, or the proceeds of it paid to, the landowners, free and clear of all unit expense and free from any lien on it. Under this provision, the State's royalty share of any unit production allocated to the leased area shall be regarded as royalty to be distributed to, or the proceeds of it paid to, the State, free and clear of all unit expenses (and any portion of such expenses which is incurred away from the unit area), including but not limited to expenses for separation, cleaning, dehydration, gathering, salt water disposal and preparing the oil, gas or other associated substances for transportation off the unit area, and free of any lien for it.

5. Production Records.

a. Lessee shall keep and have in its possession, books and records showing the development and production (including records of development and production expenses) and disposition of all oil, gas and associated substances produced from the leased area. Lessee shall permit the State or its agents to examine such books and records at all reasonable times. Such books and records of development and production must employ methods and techniques that will ensure the most accurate figures reasonably available without requiring Lessee to provide separate tankage and/or meters for each well.

b. Lessee shall use standard and consistent accounting procedures which are common to the industry.

6. Price or Value.

For purposes of computing royalties due under this lease, the value of royalty oil, gas or associated substances shall not be less than the highest of:

a. The field price actually received by Lessee for such oil, gas or associated substance.

b. Lessee's posted price in the field for such oil, gas or associated substances, if any.

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c. The volume weighted average field price actually received by other producers in the same field or area for oil of like grade and gravity, gas of like kind and quality or associated substances of like kind and quality at the time such oil, gas or associated substances are removed from the leased or unit area or such gas is delivered to an extraction plant if such a plant is located on the leased or unit area.

d. The volume weighted average posted price in the field of other producers in the same field or area for oil of like grade and gravity, gas of like kind and quality or associated substances of like kind and quality at the time such oil, gas or associated substances are removed from the leased or unit area or such gas is delivered to an extraction plant if such a plant is located on the leased or unit area.

e. If oil, gas or associated substances are sold away from the leased or unit area, the term "field price" shall be the actual price for such oil, gas or associated substances received by Lessee from the purchaser thereof less the actual cost of transportation away from the leased or unit area to the point of delivery.

7. Minimum Value Determinations. The State may determine which of the methods contained in paragraph 6 above shall be used to establish the value of royalty oil and gas, and associated substances, for purposes of computing royalties payable under this lease. Each such determination shall be made only after Lessee has been given notice and a reasonable opportunity to be heard.

8. Reduction of Royalty. After two years' initial production from the field in which the leased area is located has occurred, the State may reduce Lessee's obligations to pay royalty on all of the leased area or on any tract or portion thereof segregated for royalty purposes upon (1) request by Lessee and (2) a clear

showing by Lessee that the revenue from all oil, gas and associated substances produced from the field is insufficient to produce a reasonable rate of return with respect to Lessee's total investment in the field.

9. Payments. All payments to the State under this lease shall be made payable to the State in the manner directed by the State to any depository designated by the State with at least (60) days' notice to Lessee.

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 of 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 three (3) 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 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

(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 alteration 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 fifteen (15) days from notice.

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 addresses 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) through (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

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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 the 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.

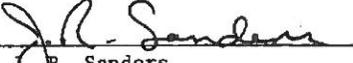
29. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically

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. 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.

CONOCO INC.

By


J. R. Sanders
Attorney-in-Fact
Unit Operator

Attest

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STATE OF TEXAS I
 I SS
COUNTY OF HARRIS I

Before me, the undersigned authority, on this day personally appeared J. R. SANDERS, known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-Fact of CONOCO INC. and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

Given under my hand and seal of office this 20th day of March, 1980.

Virginia A. Atwood
Notary Public in and for Harris
County, Texas.

VIRGINIA A. ATWOOD
Notary Public in and for Harris County, Texas
My Commission Expires June 20, 1981

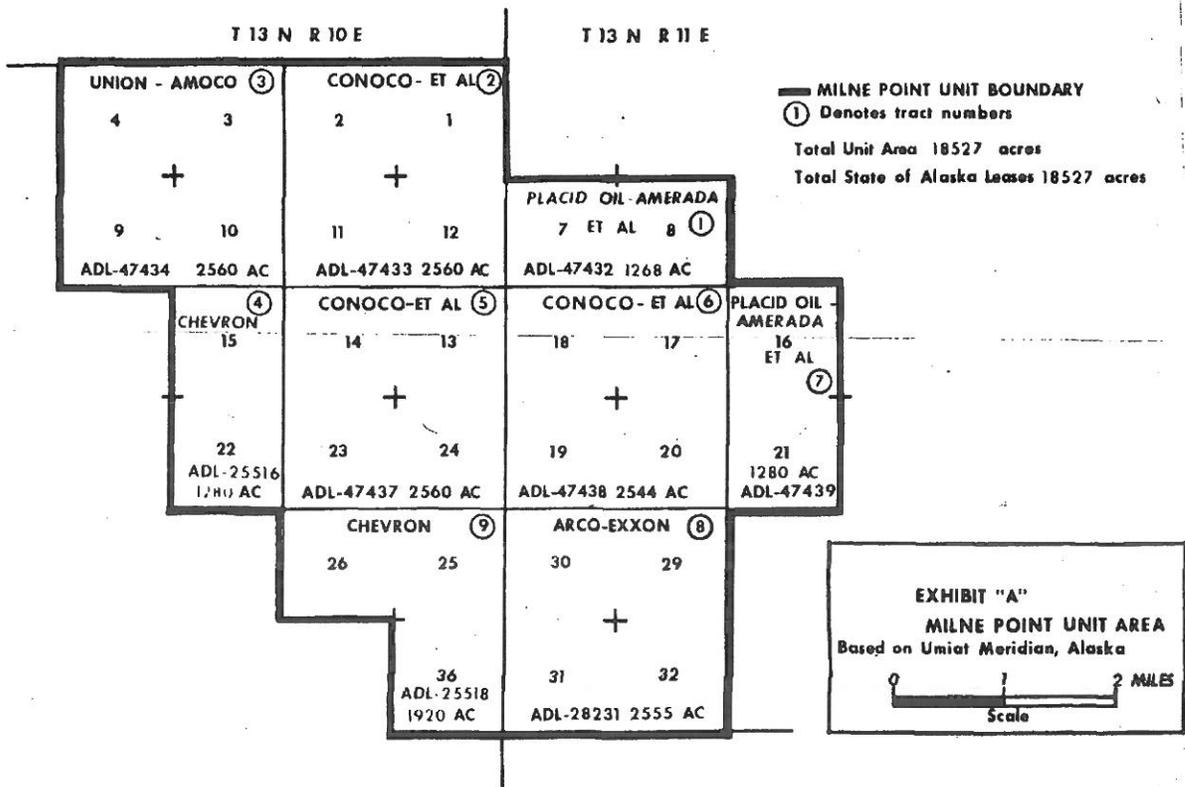


Exhibit "B"

Schedule Showing the Percentage and Kind of Ownership
Oil and Gas Interests

MILNE POINT UNIT
State of Alaska

<u>State Lands</u>	<u>Number</u>	<u>Serial No.</u>	<u>Basic Royalty and</u>	<u>Overriding</u>	<u>Working Interest</u>		
<u>Tract</u>	<u>Of Acres</u>	<u>and Expiration</u>	<u>Ownership Percentage</u>	<u>Royalty and</u>	<u>and</u>		
<u>Description of Land</u>	<u>Date of Lease</u>	<u>State of Alaska-All</u>	<u>Lessee of Record</u>	<u>Percentage</u>	<u>Ownership Percentage</u>		
1	1268	ADL-47432 9-30-79	State of Alaska-All 20%	Amerada Getty LL&E Placid N. B. Hunt Hunt Industries, Inc. Caroline Hunt Trust Estate William Herbert Hunt Trust Estate Lamar Hunt Trust Estate	None	Amerada Getty LL&E Placid N. B. Hunt Hunt Industries, Inc. Caroline Hunt Trust Estate William Herbert Hunt Trust Estate Lamar Hunt Trust Estate	37.333% 6.000% 17.667% 12.167% 8.483% 5.150% 4.400% 4.400% 4.400%
2	2560	ADL-47433 9-30-79	State of Alaska-All 20%	Conoco Sun Cities Champlin Ashland Hamilton Bros. N. Slope Ventura I Hamilton Bros. N. Slope Ventura III Reading & Bates	None	Conoco Sun Cities Champlin Ashland Hamilton Bros N. Slope Ventura I Hamilton Bros N. Slope Ventura III Reading & Bates	23.333% 23.333% 23.334% 15.000% 5.000% 5.000% 4.000% 1.000%
3	2560	ADL-47434 9-30-79	State of Alaska-All 20%	Union Amoco	None	Union Amoco	50.000% 50.000%

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Exhibit "B"

Schedule Showing the Percentage and Kind of Ownership
Oil and Gas Interests

MILNE POINT UNIT
State of Alaska

<u>State Lands</u>		<u>Number Of Acres</u>	<u>Serial No. and Expiration Date of Lease</u>	<u>Basic Royalty and Ownership Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Ownership Percentage</u>	
<u>Tract</u>	<u>Description of Land</u>							
4	<u>T13N, R10E, UM</u> Block 5: E/2 (Secs. 15, 22)	1280	ADL-25516 Conditional Lease	State of Alaska-All 12.5%	Chevron	None	Chevron	100%
5	<u>T13N, R10E, UM</u> Block 6: All (Secs. 13, 14, 23, 24)	2560	ADL-47437 9-30-79	State of Alaska All 20%	Conoco Sun Cities Champlin Hamilton Bros. N. Slope Venture I Hamilton Bros. N. Slope Venture III Reading & Bates	None	Conoco Sun Cities Champlin Hamilton Bros. N. Slope Venture I Hamilton Bros. N. Slope Venture III Reading & Bates	25.000% 25.000% 25.000% 15.000% 5.000% 4.000% 1.000%
6	<u>T13N, R11E, UM</u> Block 4: All (Secs. 17, 18, 19, 20)	2544	ADL-47438 9-30-79	State of Alaska-All 20%	Conoco Sun Cities Champlin Hamilton Bros. N. Slope Venture I Hamilton Bros. N. Slope Venture III Reading & Bates	None	Conoco Sun Cities Champlin Hamilton Bros. N. Slope Venture I Hamilton Bros. N. Slope Venture III Reading & Bates	21.667% 21.667% 21.666% 15.000% 10.000% 8.000% 2.000%

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Exhibit "B"

Schedule Showing the Percentage and Kind of Ownership
Oil and Gas Interests

MILNE POINT UNIT
State of Alaska

Tract	Description of Land	Number Of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Ownership Percentage	
7	T13N, R11E, UM Block 5: W/2 (Secs. 16, 21)	1280	ADL-47439 9-30-79	State of Alaska-All 20%	Amerada Getty LL&E Placid N. B. Hunt Hunt Industries Caroline Hunt Trust Estate William Herbert Hunt Trust Estate Lamar Hunt Trust Estate	None	Amerada Getty LL&E Placid N. B. Hunt Hunt Industries Caroline Hunt Trust Estate William Herbert Hunt Trust Estate Lamar Hunt Trust Estate	25.000% 30.625% 16.563% 8.906% 5.703% 3.828% 3.125% 3.125% 3.125%
8	T13N, R11E, UM Block 9: All (Secs. 29, 30, 31, 32)	2555	ADL-28231 Conditional Lease	State of Alaska-All 12.5%	Exxon Arco	None	Exxon Arco	50.000% 50.000%
9	T13N, R10E, UM Block 7: N/2, SE/4 (Secs. 25, 26, 36)	1920	ADL-25518 HBP	State of Alaska-All 12.5%	Chevron	None	Chevron	100.000%*
Total: 9 tracts totaling 18,527								

Note: Amerada	Amerada Hess Corporation	Conoco	Conoco Inc.
Amoco	Amoco Production Company	Exxon	Exxon Corporation
Arco	Atlantic Richfield Company	Getty	Getty Oil Company
Ashland	Ashland Oil, Inc.	LL&E	The Louisiana Land & Exploration Company
Champlin	Champlin Petroleum Company	Reading & Bates	Reading & Bates Petroleum Co.
Chevron	Chevron U.S.A., Inc.	Placid	Placid Oil Company
Cities	Cities Service Oil Company	Sun	Sun Oil Company (Delaware)
		Union	Union Oil Company of California

*The Socal Kavearak Point 32-25 Well is owned 1/3rd Chevron,
1/3rd Mobil, 1/3 Phillips until payout and at that time will
be owned by Chevron 100%.