

OOOGURUK UNIT AGREEMENT

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RECITALS

All record owners of any right, title, or interest in the oil or gas reservoirs or potential hydrocarbon accumulations to be included in this Unit have been invited to join this Agreement.

The Commissioner of the Department of Natural Resources, State of Alaska, is authorized by Alaska Statute 38.05.180(p) and (q) and applicable regulations to consent to and approve oil and gas unit agreements to explore, develop and produce state oil and gas resources.

AGREEMENT

In consideration of the mutual promises in this Agreement, the parties commit their respective interests in the Unit Area defined in Exhibit A and depicted in Exhibit B to this Agreement, and agree as follows:

ARTICLE 1: DEFINITIONS

1.1 **Alaska Oil and Gas Conservation Commission (AOGCC)** means the independent quasi-judicial agency of the State of Alaska established by the Alaska Oil and Gas Conservation Act, AS 31.05.

1.2 **Approved Unit Plan** means a Unit Plan that has been approved by the Commissioner.

1.3 **Commissioner** means the Commissioner of the Department of Natural Resources, State of Alaska, or the Commissioner's authorized representative.

1.4 **Effective Date** means the time and date this Agreement becomes effective.

1.5 **Lease or Leases** means one or more oil and gas lease subject to this Agreement.

1.6 **Oil and Gas Rights** means the rights to explore, develop, and produce Unitized Substances.

1.7 **Outside Substances** means oil, gas, and other hydrocarbons and non-hydrocarbon substances obtained from outside the Unit Area and injected into a Reservoir in the Unit Area with the approval of the Commissioner.

1.8 **Outside PA Substances** means oil, gas, and other hydrocarbons and non-hydrocarbon substances obtained from one Participating Area in the Unit Area and injected into a Reservoir in a different Participating Area in the Unit Area with the Commissioner's approval.

1.9 **Participating Area** means all Unit Tracts and parts of Unit Tracts designated as a Participating Area under Article 9 to allocate Unitized Substances produced from a Reservoir.

1.10 **Participating Area Expense** means all costs, expenses or indebtedness, which are incurred by the Unit Operator for production from or operations in a Participating Area and allocated to the Unit Tracts in that Participating Area.

1.11 **Paying Quantities** means a quantity of Unitized Substances sufficient to yield a return in excess of operating costs, even if drilling and equipment costs will never be repaid and the undertaking considered as a whole will ultimately result in a loss. The quantity is insufficient to yield a return in excess of operating costs unless it will produce sufficient revenue, not considering transportation and marketing, to induce a prudent operator to produce it.

1.12 **Reservoir** means that part of the Unit Area containing an accumulation of Unitized Substances which has been discovered by drilling and evaluated by testing a well or wells, and which is geologically separate from and not in hydrocarbon communication with any other oil and gas accumulation.

1.13 **Royalty Interest** means an ownership right to or interest in the amount or value of Unitized Substances other than a Working Interest.

1.14 **State** means the State of Alaska acting in this Agreement through the Commissioner.

1.15 **Sustained Unit Production** means continuing production of Unitized Substances from a well in the Unit Area into production facilities and transportation to market, but does not include testing, evaluation or pilot production.

1.16 **Unit Area** means the lands subject to this Agreement, described in Exhibit A and depicted in Exhibit B to this Agreement, submerged or not.

1.17 **Unit Equipment** means all personal property, Lease and well equipment, plants, platforms and other facilities and equipment used, taken over or otherwise acquired for use in Unit Operations.

1.18 **Unit Expense** means all costs, expenses or indebtedness incurred by the Unit Operator for Unit Operations, except for Participating Area Expense.

1.19 **Unit Operating Agreement** means the agreement(s) entered into by the Unit Operator and the Working Interest Owners, as described in Article 7.

1.20 **Unit Operations** means all operations conducted in accordance with an Approved Unit Plan or Approved Unit Plans.

1.21 **Unit Operator** means the party designated by the Working Interest Owners and approved by the Commissioner to conduct Unit Operations.

1.22 **Unit Plan** means a unit plan of exploration or development as described in Article 8.

1.23 **Unit Tract** means each separate parcel that is described in Exhibit A and given a Unit Tract number.

1.24 **Unit Tract Participation** means the percentage allocation credited to a Unit Tract in a Participating Area to allocate Unitized Substances.

1.25 **Unitized Substances** means all oil, gas and associated substances, as those terms are defined in the Leases, produced from the Leases within the Unit Area.

1.26 **Working Interest** means the interest held in lands by virtue of a lease, operating agreement, fee title or otherwise, under which the owner of the interest is vested with the right to explore for, develop and produce minerals; the right delegated to a unit operator by a unit agreement is not a working interest.

1.27 **Working Interest Owner** means a party who owns a Working Interest.

ARTICLE 2: EXHIBITS

2.1 The following Exhibits are to be attached to and made a part of this Agreement. When this Agreement is approved, only Exhibits A, B, and G are required. Exhibit F is also required when this Agreement is approved, if the Unit Area includes Net Profit Share Leases. The Unit Operator shall supply all Exhibits.

2.2 Exhibit A is a table that identifies and describes each Unit Tract, and displays: the Unit Tract number, the Lease number, the Working Interest ownership, the Royalty Interest ownership, and the applicable royalty and net profit share rates applicable to each Unit Tract. Within thirty days after approval by the Commissioner of any expansion or contraction of the Unit Area under Article 13 or any change of the Working Interest or Royalty Interest in any Unit Tract, the Unit Operator shall submit a revised Exhibit A to the Commissioner.

2.3 Exhibit B is a map that shows the boundary lines of the Unit Area and of each Unit Tract, identified by Unit Tract number and Lease number. Within thirty days after the Commissioner approves any expansion or contraction of the Unit Area under Article 13 or any change of the Working Interest or Royalty Interest in any Unit Tract, the Unit Operator shall submit a revised Exhibit B to the Commissioner.

2.4 Exhibit C is comprised of a table for each Participating Area established under this Agreement. The Exhibit C table for each Participating Area must display the Unit Tract numbers, legal descriptions, Lease numbers, Working Interest ownership, Royalty Interest ownership, and Unit Tract Participation for that Participating Area. Exhibits must be prepared for each Participating Area established in the Unit Area. The Unit Operator shall submit an initial or revised Exhibit C to the Commissioner within thirty days of: 1) the effective date of any Participating Area, 2) any expansion or contraction of a Participating Area, 3) any division of interest or allocation formula establishing or revising the Unit Tract Participation of any Unit Tract or Unit Tracts in a Participating Area, or 4) any change of the Working Interest or Royalty Interest in any Unit Tract.

2.5 Exhibit D is comprised of a map for each Participating Area. Each Exhibit D map must show the boundary lines of the Unit Area, a Participating Area and the Unit Tracts in that Participating Area identified by Unit Tract number and Lease number. Within thirty days after approval by the Commissioner of a Participating Area or any expansion or contraction of a Participating Area under Article 9 or any change of the Working Interest or Royalty Interest in any Unit Tract in a Participating Area, the Unit Operator shall submit a revised Exhibit D to the Commissioner.

2.6 Exhibit E is comprised of a table for each Participating Area that displays the allocation of Participating Area Expense to each Unit Tract in the Participating Area, identified by Unit Tract number and Lease number. Exhibits must be prepared for each Participating Area established in the Unit Area. The Unit Operator shall submit an initial or revised Exhibit E to the Commissioner whenever an initial or revised Exhibit C is required.

2.7 Exhibit F is a table that displays the allocation of Unit Expense to each Unit Tract in the Unit Area, identified by Unit Tract number and Lease number. The Unit Operator shall submit an initial or revised Exhibit F to the Commissioner whenever an initial or revised Exhibit A is required if the Unit Area includes Net Profit Share Leases. The Unit Operator may submit a revised Exhibit F anytime, but any revisions to Exhibit F are not effective until approved by the Commissioner.

2.8 Exhibit G is the unit plan of exploration or unit plan of development required by the regulations, and Article 8 of this Agreement.

ARTICLE 3: CREATION AND EFFECT OF UNIT

3.1 All Oil and Gas Rights in and to the lands described in Exhibit A and shown in Exhibit B are subject to this Agreement so that Unit Operations will be conducted as if the Unit Area was a single Lease.

3.2 So long as this unit remains in effect, each Lease in the Unit Area shall continue in effect.

3.3 Except as otherwise provided in this Agreement, where only a portion of a lease is committed to this Agreement, that commitment constitutes a severance of the lease into unitized and nonunitized portions. The portion of the leased area not committed to this Agreement will be treated as a separate and distinct lease and may be maintained only in accordance with the terms and conditions of the lease, statutes, and regulations. Any portion of the leased area not committed to this Agreement will not be affected by the unitization, by operations in the Unit Area, or by a suspension approved or ordered by the Commissioner. If a lease has a well certified as capable of production in paying quantities on it before commitment to this Agreement, the lease will not be severed by unitization. If any portion of the Lease is included in a Participating Area formed under this Agreement, the entire Lease will remain committed to this Agreement and the Lease will not be severed.

3.4 Production of Unitized Substances in Paying Quantities from any part of a Participating Area shall be considered production from each Unit Tract in the Participating Area. It shall cause the portion of each Lease that is wholly or partially within the Participating Area to continue in effect as if a well were producing from each Unit Tract in the Participating Area.

3.5 The provisions of the various Leases and agreements pertaining to the respective Leases or production from those Leases are amended only to the extent necessary to make them conform to the written provisions of this Agreement. Otherwise, the provisions of those Leases and agreements shall remain in full force and effect.

3.6 This Agreement shall not be construed to transfer title to Oil and Gas Rights by any party to any other party or to the Unit Operator.

3.7 All data and information determined by the Commissioner to be necessary for the administration of this Agreement or for the performance of statutory responsibilities shall be provided by the Unit Operator, or Working Interest Owners, or both, upon written request. All data and information provided to the Commissioner shall be protected from disclosure under the Lease, governing law, and regulations.

ARTICLE 4: DESIGNATION OF UNIT OPERATOR

4.1. Pioneer Natural Resources Alaska, Inc. is designated as the Unit Operator. Pioneer Natural Resources Alaska, Inc. agrees to accept the rights and obligations of the Unit Operator to conduct Unit Operations and to explore for, develop and produce Unitized Substances as provided in this Agreement.

4.2. Except as otherwise provided in this Agreement and subject to the terms and conditions of Approved Unit Plans, the exclusive rights and obligations of the Working Interest Owners to conduct operations to explore for, develop and produce Unitized Substances in the Unit Area are delegated to and shall be exercised by the Unit Operator. This delegation does not relieve a lessee of the obligation to comply with all Lease terms. The Unit Operator shall notify

the other Working Interest Owners and the Commissioner of actions taken by the Unit Operator under this Agreement. The Unit Operator shall minimize and consolidate surface facilities to minimize surface impacts.

ARTICLE 5: RESIGNATION OR REMOVAL OF UNIT OPERATOR

5.1 The Unit Operator shall have the right to resign at any time. The Unit Operator's resignation shall not become effective until: 1) sixty days have passed since the Unit Operator delivers a written notice of an intention to resign to the Working Interest Owners and the Commissioner; and 2) all artificial islands, installations and other devices, including wells, used for operations in the Unit Area are in a condition satisfactory to the Commissioner for suspension or abandonment of operations. However, if a successor Unit Operator is designated and approved under Article 6, the resignation is effective when approved by the Commissioner.

5.2 The Unit Operator may be removed as provided in the Unit Operating Agreement. This removal shall not be effective until: 1) the Working Interest Owners notify the Commissioner and the Unit Operator; and 2) the Commissioner approves a successor Unit Operator.

5.3 The resignation or removal of the Unit Operator shall not release it from liability for any failure to meet obligations that accrued before the effective date of the resignation or removal.

5.4 The resignation or removal of the Unit Operator does not terminate its rights, title or interest or obligations as a Working Interest Owner or other interest in the Unit Area. A termination of the Unit Operator's rights, title or interest may occur independently under the terms of the Leases and governing law. When the resignation or removal of the Unit Operator becomes effective, the Unit Operator shall relinquish possession of all Unit Equipment, artificial islands, wells, installations, devices, records, and any other assets used for conducting Unit Operations, whether or not located in the Unit Area, to the successor Unit Operator.

ARTICLE 6: SUCCESSOR UNIT OPERATOR

6.1. Whenever the Unit Operator tenders its resignation as Unit Operator or is removed as provided in Article 5, a successor Unit Operator may be designated as provided in the Unit Operating Agreement. The successor Unit Operator must accept the rights and obligations of a Unit Operator in writing. The successor Unit Operator shall file an executed copy of the designation of successor with the Commissioner. The designation of successor Unit Operator will not become effective until approved by the Commissioner.

6.2. If no successor Unit Operator is designated within sixty days after notice to the Commissioner of the resignation or removal of a Unit Operator, the Commissioner will, in his or

her discretion, designate another Working Interest Owner as successor Unit Operator, or declare this Agreement terminated.

ARTICLE 7: UNIT OPERATING AGREEMENT

7.1 The Working Interest Owners and the Unit Operator shall enter into a Unit Operating Agreement. It will apportion all costs and liabilities incurred in maintaining or conducting Unit Operations among the Working Interest Owners. The Unit Operating Agreement will also apportion the benefits, which will accrue from Unit Operations among the Working Interest Owners.

7.2 Any allocation described in the Unit Operating Agreement will not bind the State in determining or settling royalties and net profit share payments. Allocations of Unit Expense, Participating Area Expense, or Unitized Substances for determining, settling and paying royalties and net profit share payments will be based on Exhibits C, E and F of this Agreement, and must be approved by the Commissioner in writing before taking effect. An original or revised conforming Exhibit C and F shall be submitted to the Commissioner within thirty days of: any change in the division of interest or allocation formula establishing or revising the Unit Tract Participation of any Unit Tract or Unit Tracts in a Participating Area.

7.3 The Working Interest Owners and the Unit Operator may establish, through one or more Unit Operating Agreements and amendments, other rights and obligations between the Unit Operator and the Working Interest Owners. The Unit Operating Agreement will not modify any term or obligation of this Agreement. If the terms of this Agreement and the Unit Operating Agreement conflict, this Agreement will prevail.

7.4 Any Working Interest Owner is entitled to drill a well on the unitized portion of its Lease when the Unit Operator declines to drill that well. A Working Interest Owner must have an approved permit to drill and the well must be part of an Approved Unit Plan. If the Commissioner determines any such well to be capable of producing Unitized Substances in Paying Quantities, the land upon which that well is situated will be included in a Participating Area. The Participating Area will be formed or an existing Participating Area enlarged as provided in this Agreement. The Unit Operator will thereafter operate the well in accordance with this Agreement and the Unit Operating Agreement.

7.5 The Unit Operator shall file a copy of the Unit Operating Agreement with the Commissioner when this Agreement is filed for approval. The copy of the Unit Operating Agreement is for informational purposes only. Approval of the Unit Agreement is not approval of the Unit Operating Agreement. Complete copies of all other Unit Operating Agreements and any amendments to them will also be filed with the Commissioner within thirty days of execution and at least thirty days before their effective dates.

ARTICLE 8: PLANS OF EXPLORATION, DEVELOPMENT AND OPERATIONS

8.1. Any Unit Plan and any amendment to a Unit Plan will not be effective until the Commissioner approves it. Approved Unit Plans are incorporated into this Agreement and become effective on the date of their approval.

8.1.1. A unit plan of exploration (“Plan of Exploration”) shall describe the proposed exploration and delineation activities for any land in the Unit Area that is not in a Participating Area. Plans of Exploration shall comply with 11 AAC 83.341 and any successor regulation. The Unit Operator shall submit updated Plans of Exploration to the Commissioner for approval at least sixty days before the current Plan of Exploration expires.

8.1.2. A unit plan of development (“Plan of Development”) shall include a description of the proposed development activities based on data available when the plan is submitted. Plans of Development shall comply with 11 AAC 83.343 and any successor regulation. The Unit Operator shall submit updated Plans of Development to the Commissioner for approval at least ninety days before the current Plan of Development expires.

8.1.3. When this Agreement is submitted to the Commissioner for approval, the Unit Operator shall submit an initial Plan of Development or an initial Plan of Exploration (collectively called the “Initial Unit Plan”) for approval by the Commissioner.

8.2. The Unit Operator shall not explore, develop or produce on the Unit Area except in accordance with an Approved Unit Plan. The Unit Operator shall obtain a plan of operations approval, and any other permits and approvals required before operations begin. A plan of operations approval must be consistent with the mitigation measures and lessee advisories developed for the most recent State areawide lease sale in the region that includes the unit as deemed necessary by the Commissioner to protect the resources of the State. The Unit Operator shall submit a complete copy of all such applications to the Commissioner. The Unit Operator shall give the Commissioner written notice before beginning testing, evaluation, or pilot production from a well in the Unit Area.

8.3. After Sustained Unit Production in Paying Quantities begins, Unit Operations shall be maintained, with lapses of no more than ninety days per lapse between operations. The lapse may be longer if suspension of operations or production has been ordered or approved by the Commissioner. Approved Unit Plans may call for a suspension of Unit Operations.

8.4. After giving written notice to the Unit Operator and an opportunity to be heard, the Commissioner may require the Unit Operator to modify from time to time the rate of prospecting and development and the quantity and rate of production.

8.5. If a well has been drilled in the Unit Area prior to the Effective Date of this Unit Agreement or is being drilled within the Unit Area on the Effective Date, that well will be considered a Unit Well as of the Effective Date of this Agreement.

8.6. The Commissioner will, in the agency's discretion, approve any injection of Outside Substances or Outside PA Substances within the Unit Area. Any injection of Outside Substances or Outside PA Substances within the Unit Area must be part of an Approved Unit Plan.

ARTICLE 9: PARTICIPATING AREAS

9.1. The Unit Operator shall submit a request for approval of the proposed initial Participating Area to the Commissioner at least six months before Sustained Unit Production from a Reservoir in the Unit Area. A Participating Area shall include only land that is reasonably known to be underlain by Unitized Substances and known or reasonably estimated through the use of geological, geophysical and engineering data to be capable of producing or contributing to production of Unitized Substances in Paying Quantities. The Unit Operator must receive approval from the Commissioner of a Participating Area before commencement of Sustained Unit Production. The Unit Operator shall notify the Commissioner of commencement of Sustained Unit Production within 10 days after commencement from each Participating Area.

9.2. Each application for approval of a Participating Area shall include Exhibits C, D, E, and G. Exhibit F is also required if the Unit Area includes Net Profit Share Leases. If approved by the Commissioner, the area described in Exhibit C and depicted in Exhibit D shall be a Participating Area, and the allocation of Participating Area Expenses and Unit Expenses described in Exhibits E and F shall be effective on the effective date of the Participating Area.

9.3. A separate Participating Area shall be established for each Reservoir in the Unit Area. If one Reservoir underlies another Reservoir in whole or in part, separate Participating Areas may be created for each Reservoir. Any two or more Reservoirs or Participating Areas may be combined into one Participating Area if approved by the Commissioner.

9.4. At the Unit Operator's election or if so directed by the Commissioner, the Unit Operator shall apply to expand or contract the Participating Area if expansion or contraction is warranted by geological, geophysical, or engineering data. Each application for expansion or contraction shall include Exhibits C, D, E, and G. Exhibit F is also required if the Unit Area includes Net Profit Share Leases. The application must be submitted to the Commissioner for approval. Before any directed expansion or contraction of the Participating Area, the Commissioner will give the Unit Operator reasonable notice and an opportunity to be heard.

9.5. The Commissioner will establish the effective date of the initial Participating Area. That effective date shall be no later than the date of the first Sustained Unit Production. The Commissioner will establish the effective date of each later Participating Area.

9.6. Land in a Participating Area shall remain in that Participating Area even if its Unitized Substances are depleted.

9.7. If the Working Interest Owners cannot agree on the fair, reasonable and equitable allocation of production or costs, the Commissioner shall prescribe an allocation.

9.8. A Unitized Substance produced from one Participating Area (“Originating Participating Area”) may be used as an Outside PA Substance (“Injected Substance”) for repressuring, recycling, storage or enhanced recovery purposes in another Participating Area (“Receiving Participating Area”) only if the State is paid royalty as if the Unitized Substance was saved, removed, or sold by the Working Interest Owners, except as follows:

9.8.1. If the Commissioner consents to the transfer of Unitized Substances between Participating Areas without immediate payment of royalties, the Unit Operator shall provide monthly reports to the State. These monthly reports shall reflect the volumes of any Unitized Substance transferred and the British thermal units (“Btus”) in any natural gas Unitized Substance transferred as an Outside PA Substance during the preceding month.

9.8.2. If the Commissioner consents to the transfer of Unitized Substances between Participating Areas without immediate payment of royalties, the royalties shall be paid when the Injected Substances are produced and sold from the Receiving Participating Area. The first natural gas Unitized Substances produced and sold from the Receiving Participating Area shall be considered to be the Injected Substances until a volume of natural gas containing Btus equal to the Btus contained in the Injected Substances is produced and sold from the Receiving Participating Area. All the Unitized Substances produced and sold from a Receiving Participating Area that are considered to be the Injected Substance shall be allocated to the Originating Participating Area. The Working Interest Owners shall pay the State royalties on Injected Substances produced and sold from a Receiving Participating Area as if those Injected Substances were produced and sold from the Originating Participating Area when they were produced from the Receiving Participating Area.

9.9. All liquid hydrocarbons removed in any equipment or facility in Alaska from produced Injected Substances and not used for fuel shall be allocated to the Receiving Participating Area. If liquid hydrocarbons are removed from the natural gas, the Btu content of the natural gas shall be measured after liquid hydrocarbons are removed.

9.10. The Commissioner must approve the deemed recovery rate and commencement date for recovery before any Outside Substance is injected within the Unit Area.

9.11. After giving written notice to the Unit Operator and an opportunity to be heard, the Commissioner will, in his or her discretion, require the Unit Operator to modify from time to time the rate of prospecting and development and the quantity and rate of production from a Participating Area.

9.12. Underground storage shall be covered by separate agreement with the Commissioner.

ARTICLE 10: OFFSET WELLS

10.1. The Unit Operator shall drill such wells as a reasonable and prudent operator would drill to protect the State from loss by reason of drainage resulting from production on other land. Without limiting the generality of the foregoing sentence, if oil or gas is produced in a well on other land not owned by the State or on which the State receives a lower rate of royalty than under any Lease in the Unit Area, and that well is within 500 feet in the case of an oil well or 1,500 feet in the case of a gas well of lands then subject to this Agreement, and that well produces oil or gas for a period of 30 consecutive days in quantities that would appear to a reasonable and prudent operator to be sufficient to recover ordinary costs of drilling, completing, and producing an additional well in the same geological structure at an offset location with a reasonable profit to the operator, and if, after notice to the Unit Operator and an opportunity to be heard, the Commissioner finds that production from that well is draining lands then subject to this Agreement, the Unit Operator shall within 30 days after written demand by the Commissioner begin in good faith and diligently prosecute drilling operations for an offset well on the Unit Area. In lieu of drilling any well required by this paragraph, the Working Interest Owners must compensate the State in full each month for the estimated loss of royalty through drainage in the amount determined by the Commissioner.

ARTICLE 11: ALLOCATION OF PRODUCTION

11.1 Production and costs will be allocated according to 11 AAC 83.371 and any successor regulation. The Unit Operator shall submit a proposed allocation plan, with supporting data, to the Commissioner for approval. The Commissioner will, in his or her discretion, revise the proposed allocation plan if it does not equitably allocate production and costs from the Reservoir. The Commissioner will give the Working Interest Owners reasonable notice and an opportunity to be heard before revising the Unit Operator's proposal. The allocation plan must be revised whenever a Participating Area is expanded or contracted. Within thirty days after approval by the Commissioner of any division of interest or allocation formula establishing or revising the Unit Tract Participation of any Unit Tract or Unit Tracts in a Participating Area, the Unit Operator shall submit revised Exhibits C and F to the Commissioner. The Unit Operator may submit a revised Exhibit F anytime, but any revisions to Exhibit F are not effective until approved by the Commissioner.

11.2 The Working Interest Owners shall pay royalties for each Unit Tract in proportion to each Working Interest Owner's ownership in that Unit Tract. The amount of Unitized Substances allocated to each Unit Tract shall be deemed to have been produced from that Unit Tract.

11.3 The Working Interest Owners may allocate Unitized Substances, Participating Area Expense, and Unit Expense differently than described in Exhibits C, E and F. However, that allocation shall not be effective for determining royalty or net profit share payments. The Unit Operator shall submit any allocation which is different than the allocations required in Exhibit C, E or F to the Commissioner under 11 AAC 83.371(b) for the State's information within ten days of its effective date with a statement explaining the reason for the different allocation.

11.4 Royalties shall not be due or payable to the State for the portion of Unitized Substances unavoidably lost or used in the Unit Area for development and production in accordance with prudent industry practices. Gas that is flared for any reason other than safety purposes as allowed by the AOGCC shall not be deemed to be unavoidably lost, and the Working Interest Owners shall pay royalties for such flared gas as if it had been produced. This exemption does not apply to Unitized Substances that are sold, traded or assigned, including sales, transactions, or assignments among the Working Interest Owners.

11.5 If a State Lease committed to this Agreement provides for a discovery royalty rate reduction for the first discovery of oil or gas, that Lease provision shall not apply to a well spudded after the Effective Date.

ARTICLE 12: LEASES, RENTALS AND ROYALTY PAYMENTS

12.1. The Working Interest Owners shall pay rentals and royalty payments due under the Leases. Those payments must be made to any depository designated by the State with at least sixty days notice to the Unit Operator and the Working Interest Owners.

12.2. Each month, the Unit Operator shall furnish a schedule to the Commissioner. That schedule shall specify, for the previous month: 1) the total amount of Unitized Substances produced; 2) the amount of Unitized Substances used for development and production or unavoidably lost; 3) the total amount of Unitized Substances allocated to each Unit Tract; 4) the amount of Unitized Substances allocated to each Unit Tract and delivered in kind as royalty to the State; and 5) the amount of Unitized Substances allocated to each Unit Tract for which royalty is to be or has been paid to the State.

12.3. Each Working Interest Owner shall pay its share of royalties to the State on Unitized Substances as provided in the Lease, except "leased area" shall mean Unit Area.

12.4. Notwithstanding any contrary Lease term, royalties and the share of Unitized Substances attributable to royalties and any payment due must be paid free and clear of all Lease expenses, Unit Expenses and Participating Area Expenses. These excluded expenses include, but are not limited to, separating, cleaning, dehydration, saltwater removal, processing, compression, pumping, and manufacturing costs. These excluded expenses also include the costs of preparing the Unitized Substances for transportation off the Unit Area and gathering and transportation costs incurred before the Unitized Substances are delivered to a common carrier pipeline. No

lien for any expenses shall attach to royalty Unitized Substances. The royalty share shall bear a proportionate part of any gas shrinkage that occurs during gas processing and blending.

12.5. Notwithstanding any contrary Lease term or provision in 11 AAC 83.228—11 AAC 83.229, all royalty deductions for transportation, including marine and pipeline transportation, from the Unit Area to the point of sale are limited to the actual and reasonable costs incurred by the Working Interest Owners. These transportation costs must be determined by taking into account all tax benefits applicable to the transportation.

12.6. The Unit Operator shall give the Commissioner notice of the anticipated date for commencement of production at least six months before the commencement of Sustained Unit Production from a Participating Area. Within ninety days of receipt of that notice, the Commissioner will give the Working Interest Owners written notice of its elections to take in kind all, none, a specified percentage, or a specified quantity of its royalties in any Unitized Substances produced from the Participating Area. The Commissioner will, in his or her discretion, increase or decrease (including ceasing to take royalty Unitized Substances in kind) the amount of royalty Unitized Substances the State takes in kind. The Commissioner shall give written notice to the Working Interest Owners ninety days before the first day of the month in which an increase or decrease is to be effective.

12.6.1. The Commissioner will, in his or her discretion, elect to specify the Unit Tracts from which royalty Unitized Substances taken in kind are to be allocated.

12.6.2. The Unit Operator shall deliver the State's royalty Unitized Substances at the custody transfer meter at a common carrier pipeline capable of carrying those substances, or at any other place mutually agreeable place. The State will, in its discretion, designate any individual, firm or corporation to accept delivery.

12.6.3. Royalty Unitized Substances delivered in kind shall be delivered in good and merchantable condition and be of pipeline quality. If a Working Interest Owner processes the Unitized Substances to separate, extract or remove liquids from a Working Interest Owner's share of natural gas Unitized Substances, the State will, in its discretion, require that a Working Interest Owner also process the State's share of natural gas being taken in kind in the same manner without cost to the State. Under these circumstances, the State, or its buyer, shall only pay any tariffed transportation costs and shrinkage of the volume of gas resulting from processing.

12.6.4. Each Working Interest Owner shall furnish storage in or near the Unit Area for the State's share of Unitized Substances to the same extent that the Working Interest Owner provides storage for its own share of Unitized Substances.

12.7. If a purchaser of the State's royalty Unitized Substances does not take delivery of Unitized Substances, the State will, in its discretion elect, without penalty, to underlift for up to six months. The State will, in its discretion, underlift all or a portion of those substances. The State's right to underlift is limited to the portion of those substances that the purchaser did not take delivery of or what is necessary to meet an emergency condition. The State shall give the

Unit Operator written notice thirty days before the first day of the month in which the underlifted royalty Unitized Substances are to be recovered. The State will, in its discretion, recover at a daily rate not exceeding 25 percent (25%) of its share of daily production, unless otherwise agreed.

12.8. The Unit Operator shall keep and have in its possession books and records showing the exploration, development, production and disposition of all Unitized Substances produced from the Unit Area. The Unit Operator shall permit the State or its agents to examine these books and records at all reasonable times. Upon request by the State, the Unit Operator's books and records shall be made available to the State at the State office designated by the State.

These books and records of exploration, development, production, and disposition must employ methods and techniques that will ensure the most accurate figures reasonably available. The Unit Operator shall use generally accepted accounting procedures consistently applied.

12.9. If a Lease committed to this Agreement specifies the amount of rent due, that Lease is amended to require that rentals due be calculated under A.S. 38.05.180(n), as amended. If a Lease committed to this Agreement requires payment of minimum royalty, that Lease is amended to delete that minimum royalty obligation. The rental due under State law, as amended, must be paid in lieu of minimum royalty.

12.10. All rights and obligations relating to the State's net profit share will be determined in accordance with 11 AAC 83.201 - 11 AAC 83.295, as amended, notwithstanding any contrary Lease term. The State will, in its discretion, audit the net profit share reports or payments due for any Lease within ten years of the date of production. The period of limitations for the State to file a lawsuit relating to an audit of a net profit share report or payment shall be three years longer than the audit period. The Working Interest Owners holding interests in net profit share Leases shall maintain the records relevant to determination of net profit share until the audit period has expired.

ARTICLE 13: UNIT EXPANSION AND CONTRACTION

13.1. The Unit Operator, at its own election may, or at the direction of the Commissioner shall, apply to expand the Unit Area to include any additional lands determined to overlie a Reservoir that is at least partially within the Unit Area, or to include any additional lands that facilitate production. The Commissioner will give the Unit Operator reasonable notice and an opportunity to be heard before any directed expansion of the Unit Area. The Unit Operator shall notify the Working Interest Owners of any expansion proposed by the Unit Operator or any third party, or proposed or directed by the Commissioner. Any unit expansion shall not be effective until approved by the Commissioner.

13.2. Ten years after Sustained Unit Production begins, the Unit Area must be contracted to include only those lands then included in an approved Participating Area and lands that facilitate production including the immediately adjacent lands necessary for secondary or tertiary recovery, pressure maintenance, reinjection, or cycling operations. The Commissioner

will, in the Commissioner's discretion, after considering the provisions of 11 AAC 83.303, delay contraction of the Unit Area if the circumstances of a particular unit warrant. If any portion of a Lease is included in the Participating Area, the portion of the Lease outside the Participating Area will neither be severed nor will it continue to be subject to the terms and conditions of the unit. The portion of the Lease outside the Participating Area will continue in full force and effect so long as production is allocated to the unitized portion of the Lease and the lessee satisfies the remaining terms and conditions of the Lease.

13.3. Not sooner than 10 years after the effective date of this Agreement, the Commissioner will, in the Commissioner's discretion, contract the Unit Area to include only that land covered by an Approved Unit Plan, or that area underlain by one or more oil or gas reservoirs or one or more potential hydrocarbon accumulations and lands that facilitate production. Before any contraction of the Unit Area under this Article 13.3, the Commissioner will give the Unit Operator, the Working Interest Owners, and the royalty owners of the Leases or portions of Leases being excluded reasonable notice and an opportunity to be heard.

13.4. The Commissioner will give the Unit Operator reasonable notice and an opportunity to be heard before any directed contraction of the Unit Area. The Unit Operator shall notify the Working Interest Owners of any proposed, directed, or approved contraction of the Unit Area. Any unit contraction shall not be effective until approved by the Commissioner.

13.5. The Unit Area may be contracted with the Commissioner's approval and an affirmative vote of the Working Interest Owners.

13.6. Within thirty days after approval by the Commissioner of any expansion or contraction of the Unit Area, the Unit Operator shall submit revised Exhibits A and B to the Commissioner.

ARTICLE 14: UNIT EFFECTIVE DATE, TERM AND TERMINATION

14.1. This Agreement is effective as of 12:01 a.m. on the day after the Commissioner approves it. At least one copy of this Agreement shall be filed with the Department of Natural Resources, Anchorage, Alaska and one copy shall be filed with the AOGCC. This Agreement is binding upon each party who signs any counterpart.

14.2. Subject to the terms and conditions of the Approved Unit Plan, this Agreement terminates five years from the Effective Date unless:

14.2.1. A unit well in the Unit Area has been certified as capable of producing Unitized Substances in Paying Quantities; or

14.2.2. The unit term is extended with the approval of the Commissioner. An extension shall not exceed five years.

14.3. If the Commissioner orders or approves a suspension of production or other Unit Operations, this Agreement shall continue in force during the authorized suspension.

14.4. Nothing in this Article holds in abeyance the obligations to pay rentals, royalties, or other production or profit-based payments to the State from operations or production in any part of the Unit Area. Any seasonal restriction on operations or production or other condition required in the Lease is not a suspension of operations or production required by law or force majeure.

14.5. This Agreement may be terminated by an affirmative vote of the Working Interest Owners and the Commissioner's approval.

ARTICLE 15: EFFECT OF CONTRACTION AND TERMINATION

15.1. If a Lease or portion of a Lease is contracted out of the Unit Area under this Agreement, then it will be maintained only in accordance with State law and the Lease.

15.2. Each Lease committed to this Agreement on the day that this Agreement terminates shall remain in force for an extension period of ninety days, or any longer period which may be approved by the Commissioner. After the extension period expires, the Lease will be maintained only in accordance with State law and the Lease.

15.3. Upon the expiration or earlier termination of the unit, the Unit Operator will be directed in writing by the Commissioner and will have the right at any time within a period of one year after the termination, or any extension of that period as may be granted by the Commissioner, to remove from the Unit Area all machinery, equipment, tools, and materials. Upon the expiration of that period or extension of that period and at the option of the Commissioner, any machinery, equipment, tools, and materials that the Unit Operator has not removed from the Unit Area become the property of the State or may be removed by the State at the Working Interest Owners' expense. At the option of the State, all improvements such as roads, pads, and wells must either be abandoned and the sites rehabilitated by the Unit Operator to the satisfaction of the State, or be left intact and the Unit Operator absolved of all further responsibility as to their maintenance, repair, and eventual abandonment and rehabilitation. Subject to the above conditions, the Unit Operator shall deliver up the Unit Area in good condition.

ARTICLE 16: COUNTERPARTS

16.1. The signing of counterparts of this Agreement shall have the same effect as if all parties had signed a single original of this Agreement. Within thirty days after approval by the Commissioner of any change of the Working Interest ownership of Oil and Gas Rights in any Unit Tract, the Unit Operator shall submit a revised Exhibits A and C to the Commissioner.

ARTICLE 17: LAWS AND REGULATIONS

17.1. This Agreement is subject to all applicable State and federal statutes and regulations in effect of the Effective Date of this Agreement, and insofar as is constitutionally permissible, to all statutes and regulations placed in effect after the Effective Date of this Agreement. A reference to a statute or regulation in this Agreement includes any change in that statute or regulation whether by amendment, repeal and replacement, or other means. This Agreement does not limit the power of the State of Alaska or the United States of America to enact and enforce legislation or to promulgate and enforce regulations affecting, directly or indirectly, the activities of the parties to this Agreement or the value of interests held under this Agreement. In case of conflicting provisions, statutes and regulations take precedence over this Agreement.

ARTICLE 18: APPEARANCES AND NOTICES

18.1. If the State gives the Unit Operator a notice or order relating to this Agreement it shall be deemed given to all Working Interest Owners and all persons whose interest in the Unit Area derived from a Working Interest. All notices required by this Agreement shall be given in writing and delivered personally, or by United States mail or by facsimile machine to the Unit Operator at the address or facsimile number listed below. All notices actually received will also be deemed properly given. The Unit Operator will change its notice address by giving thirty days written notice to the State and the other Working Interest Owners. The State will change its notice address by giving thirty days written notice to the Unit Operator.

Address of the Unit Operator:

Pioneer Natural Resources Alaska, Inc.
5205 N. O'Connor Blvd.
Suite 1400
Irving, TX 75093
Fax: (972) 969-3533

Address of the State:

Commissioner, Department of Natural Resources
550 West Seventh Avenue, Suite 1400
Anchorage, Alaska 99501-3554
Fax: (907) 269-8918

with a copy to:

Director, Division of Oil and Gas
550 West Seventh Avenue, Suite 800
Anchorage, Alaska 99501-3560
Fax: (907) 269-8938

ARTICLE 19: JOINDER

19.1. The Commissioner will, in his or her discretion, order or, upon request, approve a joinder to this Agreement under the expansion provisions of Article 13. The Unit Operator shall submit a request for joinder with a signed counterpart of this Agreement and a notice of proposed expansion under Article 13. A joinder is subject to the requirements of the Unit Operating Agreement. However, the Commissioner will, in his or her discretion, modify any provision in a Unit Operating Agreement, which the Commissioner finds discriminates against parties who request joinder. The Commissioner shall give notice and an opportunity to be heard to the Unit Operator before modifying the Unit Operating Agreement.

ARTICLE 20: DEFAULT

20.1 The Commissioner will, in his or her discretion, determine that failure of the Unit Operator or the Working Interest Owners to comply with any of the terms of this Agreement, including any Approved Unit Plan, is a default under this Agreement. The failure to comply because of force majeure is not a default.

20.2 The Commissioner will give notice to the Unit Operator and the Working Interest Owners of the default. The notice will describe the default, and include a demand to cure the default by a certain date. The cure period shall be at least thirty days for a failure to pay rentals or royalties and ninety days for any other default.

20.3 If there is no well certified as capable of producing Unitized Substances in Paying Quantities and a default is not cured by the date indicated in the demand, the Commissioner will, in his or her discretion, terminate this Agreement after giving the Unit Operator notice and an opportunity to be heard. The Commissioner will give notice, by mail, of the termination, which is effective upon mailing the notice.

20.4 If there is a well capable of producing Unitized Substances in Paying Quantities and the operations to cure the default are not completed by the date indicated in the demand, the Commissioner will terminate this Agreement by judicial proceedings.

20.5 This Article's remedies are in addition to any other administrative or judicial remedy provided for by Lease, this Agreement, or federal or State law.

IN WITNESS OF THE FOREGOING, the parties have executed this Unit Agreement on the dates opposite their respective signatures.

WORKING INTEREST OWNERS

By K.H. Sheffield, Jr.
President, K.H. Sheffield, Jr.
Pioneer Natural Resources Alaska, Inc.
(Company Name, signatory's printed name and title)

Date: 1/30/03

ACKNOWLEDGMENT

Province of Alberta

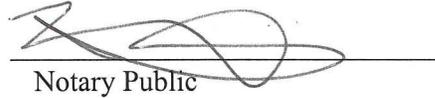
ss.

City of Calgary

The foregoing instrument was acknowledged before me, a Notary Public in and for the Province of Alberta, by K. H. Sheffield, Jr., President of PIONEER NATURAL RESOURCES ALASKA, INC., a Delaware corporation, on behalf of said corporation.

My Commission Expires:

No Expiry


Notary Public

HARINDER S. BASRA
Student-at-Law

WORKING INTEREST OWNERS

By: Willy D. Armstrong
William D. Armstrong, President
Armstrong Alaska, Inc.
(Company Name, signatory's printed name and title)

Date: January 30, 2003

STATE OF COLORADO _____)
_____)ss.
COUNTY OF DENVER _____)

This certifies that on January 30th2003, before me, a notary public in and for the State of Colorado, duly commissioned and sworn, personally appeared William D. Armstrong, known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first above written.

C. OnkenGilm
NOTARY PUBLIC in and for Colorado
My Commission Expires: _____

Cynthia S. OnkenGilm, Notary Public
State of Colorado
My Commission Expires 11/13/2005

OOOGURUK UNIT AGREEMENT

OVERRIDING ROYALTY INTEREST OWNERS

By _____

Date: _____

Phillips Alpine Alaska, LLC

(Company Name, signatory's printed name and title)

STATE OF ALASKA _____)

)ss.

THIRD JUDICIAL DISTRICT _____)

This certifies that on January ____, 2003, before me, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared _____, known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC in and for Alaska

My Commission Expires: _____

OOOGURUK UNIT AGREEMENT

OVERRIDING ROYALTY INTEREST OWNERS

By _____
 Jesse V. Sommer

Date: _____

(Company Name, signatory's printed name and title)

STATE OF COLORADO _____)

)ss.

COUNTY OF DENVER _____)

This certifies that on January ____, 2003, before me, a notary public in and for the State of Colorado, duly commissioned and sworn, personally appeared _____, known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC in and for Colorado

My Commission Expires: _____

OOOGURUK UNIT AGREEMENT

OVERRIDING ROYALTY INTEREST OWNERS

By _____
 Edgar Kerr

Date: _____

(Company Name, signatory's printed name and title)

STATE OF COLORADO _____)

)ss.

COUNTY OF DENVER _____)

This certifies that on January ____, 2003, before me, a notary public in and for the State of Colorado, duly commissioned and sworn, personally appeared _____, known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC in and for Colorado
My Commission Expires: _____

OOOGURUK UNIT AGREEMENT

OVERRIDING ROYALTY INTEREST OWNERS

By _____
 Jeffery A. Lyslo

Date: _____

(Company Name, signatory's printed name and title)

STATE OF COLORADO _____)

)ss.

COUNTY OF DENVER _____)

This certifies that on January ____, 2003, before me, a notary public in and for the State of Colorado, duly commissioned and sworn, personally appeared _____, known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC in and for Colorado
My Commission Expires: _____

OOOGURUK UNIT AGREEMENT
OVERRIDING ROYALTY INTEREST OWNERS

By: _____
 Patricia M. Reed

Date: _____

(Company Name, signatory's printed name and title)

STATE OF COLORADO _____)

)ss.

COUNTY OF DENVER _____)

This certifies that on January ____, 2003, before me, a notary public in and for the State of Colorado, duly commissioned and sworn, personally appeared _____, known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC in and for Colorado
My Commission Expires: _____

OOOGURUK UNIT AGREEMENT

OVERRIDING ROYALTY INTEREST OWNERS

By: _____
 Matthew X. Furin

Date: _____

(Company Name, signatory's printed name and title)

STATE OF COLORADO _____)

)ss.

COUNTY OF DENVER _____)

This certifies that on January ____, 2003, before me, a notary public in and for the State of Colorado, duly commissioned and sworn, personally appeared _____, known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC in and for Colorado
My Commission Expires: _____

OOOGURUK UNIT AGREEMENT

OVERRIDING ROYALTY INTEREST OWNERS

By: _____

Date: _____

Richard C. Geesaman

(Company Name, signatory's printed name and title)

STATE OF COLORADO _____)

)ss.

COUNTY OF DENVER _____)

This certifies that on January ____, 2003, before me, a notary public in and for the State of Colorado, duly commissioned and sworn, personally appeared _____, known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC in and for Colorado

My Commission Expires: _____

EXHIBIT "A"

Attached to and made a part of that certain
Oooguruk Unit Agreement dated effective January 1, 2003

UNIT TRACT #	LESSOR LEASE #	WORKING INTEREST OWNERS	WORKING INTEREST	EFFECTIVE DATE	DESCRIPTION	ACREAGE	ROYALTY BURDEN	ORR BURDEN
1	STATE OF ALASKA ADL 388570	PIONEER ARMSTRONG	70.00000% 30.00000%	1/01/98	<u>T14N,R7E, UMIAT MERIDIAN</u> Sec 3: Protracted - All Tide and Submerged Lands within the computed Territorial Sea, listed as "State Acreage" on Alaska's Seaward Boundary Diagram appr'd by the State on 4/15/96 Sec 9: Protracted - All Tide and Submerged Lands within the computed Territorial Sea, listed as "State Acreage" on Alaska's Seaward Boundary Diagram appr'd by the State on 4/15/96 Sec 10: Protracted - All Tide and Submerged Lands within the computed Territorial Sea, listed as "State Acreage" on Alaska's Seaward Boundary Diagram appr'd by the State on 4/15/96 Sec 15: Protracted - All Tide and Submerged Lands Sec 16: Protracted - All Tide and Submerged Lands within the computed Territorial Sea, listed as "State Acreage" on Alaska's Seaward Boundary Diagram appr'd by the State on 4/15/96	1,870.09 Acres	16.66667%	04.25000% Held by Phillips Alpine Alaska, LLC
2	STATE OF ALASKA ADL 388569	PIONEER ARMSTRONG	70.00000% 30.00000%	1/01/98	<u>T14N,R7E, UMIAT MERIDIAN</u> Sec 1: Protracted - All Tide and Submerged Lands Sec 2: Protracted - All Tide and Submerged Lands within the computed Territorial Sea, listed as "State Acreage" on Alaska's Seaward Boundary Diagram appr'd by the State on 4/15/96 Sec 11: Protracted - All Tide and Submerged Lands Sec 12: Protracted - All Tide and Submerged Lands Sec 13: Protracted - All Tide and Submerged Lands Sec 14: Protracted - All Tide and Submerged Lands <u>T15N,R7E, UMIAT MERIDIAN</u> Sec 35: Protracted - All Tide and Submerged Lands within the computed Territorial Sea, listed as "State" on Alaska's Seaward Boundary Diagram appr'd by the State on 4/15/96 Sec 36: Protracted - All Tide and Submerged Lands within the computed Territorial Sea, listed as "State" on Alaska's Seaward Boundary Diagram appr'd by the State on 4/15/96	3,882.87 Acres	16.66667%	04.25000% Held by Phillips Alpine Alaska, LLC
3	STATE OF ALASKA ADL 388576	PIONEER ARMSTRONG	70.00000% 30.00000%	1/01/98	<u>T14N,R8E, UMIAT MERIDIAN</u> Sec 17: Protracted - All Tide and Submerged Lands Sec 18: Protracted - All Tide and Submerged Lands Sec 20: Protracted - All Tide and Submerged Lands <u>T14N,R8E, UMIAT MERIDIAN, Tract A</u> Sec 20: Unsurveyed, All Uplands	1,894.00 Acres	16.66667%	04.25000% Held by Winstar Petroleum, LLC

UNIT TRACT #	LESSOR LEASE #	WORKING INTEREST OWNERS	WORKING INTEREST	EFFECTIVE DATE	DESCRIPTION	ACREAGE	ROYALTY BURDEN	ORR BURDEN
4	STATE OF ALASKA ADL 389956	PIONEER ARMSTRONG	70.00000% 30.00000%	08/01/02	T14N,R7E, UMIAT MERIDIAN SEC 21: PROTRACTED, ALL SEC 22: PROTRACTED, ALL	1,280.00 Acres	16.66667%	BPO 01.33333% APO 03.33333% See Details Below
5	STATE OF ALASKA ADL 389955	PIONEER ARMSTRONG	70.00000% 30.00000%	08/01/02	T14N R7E UMIAT MERIDIAN SEC 23: PROTRACTED, ALL SEC 24: PROTRACTED, ALL	1,280.00 Acres	16.66667%	BPO 01.33333% APO 03.33333% See Details Below
6	STATE OF ALASKA ADL 389958	PIONEER ARMSTRONG	70.00000% 30.00000%	08/01/02	T14N,R7E, UMIAT MERIDIAN SEC 25: PROTRACTED, ALL SEC 26: PROTRACTED, ALL SEC 35: PROTRACTED, ALL SEC 36: PROTRACTED, ALL	2,560.00 Acres	16.66667%	BPO 01.33333% APO 03.33333% See Details Below
7	STATE OF ALASKA ADL 389954	PIONEER ARMSTRONG	70.00000% 30.00000%	08/01/02	T14N,R8E, UMIAT MERIDIAN SEC 31: PROTRACTED, ALL (623 acres) SEC 32: UNSURVEYED, ALL TIDE & SUBMERGED LANDS (635.09 acres) T14N,R8E, TRACT A, UMIAT MERIDIAN SEC 32: UNSURVEYED, ALL UPLANDS (4.91 acres)	1,263.00 Acres	16.66667%	BPO 01.33333% APO 03.33333% See Details Below
8	STATE OF ALASKA ADL 389953	PIONEER ARMSTRONG	70.00000% 30.00000%	08/01/02	T14N,R8E, UMIAT MERIDIAN SEC 33: PROTRACTED, ALL	640.00 Acres	16.66667%	BPO 01.33333% APO 03.33333% See Details Below
9	STATE OF ALASKA ADL 389950	PIONEER ARMSTRONG	70.00000% 30.00000%	08/01/02	T13N,R8E, UMIAT MERIDIAN SEC 5: PROTRACTED, ALL SEC 6: PROTRACTED, ALL (625 acres) SEC 7: PROTRACTED, ALL (628 acres) SEC 8: PROTRACTED, ALL	2,533.00 Acres	16.66667%	BPO 01.33333% APO 03.33333% See Details Below
10	STATE OF ALASKA ADL 389949	PIONEER ARMSTRONG	70.00000% 30.00000%	08/01/02	T13N,R8E, UMIAT MERIDIAN SEC 4: PROTRACTED, ALL SEC 9: PROTRACTED, ALL	1,280.00 Acres	16.66667%	BPO 01.33333% APO 03.33333% See Details Below
11	STATE OF ALASKA ADL 389952	PIONEER ARMSTRONG	70.00000% 30.00000%	08/01/02	T13N,R8E, UMIAT MERIDIAN SEC 17: PROTRACTED, ALL SEC 18: PROTRACTED, ALL (631 acres)	1,271.00 Acres	16.66667%	BPO 01.33333% APO 03.33333% See Details Below
12	STATE OF ALASKA ADL 389951	PIONEER ARMSTRONG	70.00000% 30.00000%	08/01/02	T13N,R8E, UMIAT MERIDIAN SEC 16: PROTRACTED, ALL	640.00 Acres	16.66667%	BPO 01.33333% APO 03.33333% See Details Below
TOTALS						20,393.96 Acres		

WORKING INTEREST OWNERS

Pioneer Natural Resources Alaska, Inc.
5205 N. O'Conner Boulevard, Suite 1400
Irving, Texas 75039

Armstrong Alaska, Inc.
700 17th Street, Suite 1400
Denver, Colorado 80202

ROYALTY INTERESTS / OWNERS

State of Alaska
Department of Natural Resources
Division of Oil and Gas
550 West 7th Avenue, Suite 800
Anchorage, AK 99501-3560

OVERRIDING ROYALTY INTERESTS / OWNERS

Tracts 1 and 2 are burdened by Overriding Royalties as stated above held by:

Phillips Alpine Alaska, LLC
700 "G" Street
Anchorage, AK 99501

Tract 3 is burdened by Overriding Royalties as stated above held by:

Winstar Petroleum, LLC
P.O. Box 1364
Petersburg AK 99833

Tracts 4 through 12 (inclusive) are held by the following parties in the stated percentages:

BEFORE PAYOUT

William D. Armstrong
16 Village Road
Englewood, CO 80110
1.11999972% of 8/8ths

Jesse V. Sommer
4531 West Geddes Avenue
Littleton, CO 80128
0.03333333% of 8/8ths

Edgar Kerr
155 Spotted Deer Lane
Franktown, CO 80116
0.03333330% of 8/8ths

Jeffery A. Lyslo
91 Buckhorn Drive
Littleton, CO 80127
0.03333333% of 8/8ths

Patricia M. Reed
P.O. Box 411
Franktown, CO 80116
0.03333333% of 8/8ths

Matthew X. Furin
2001 South Madison
Denver, CO 80210
0.03333333% of 8/8ths

Richard C. Geesaman
820 Pine St., Gold Hill
Boulder, CO 80302
0.01333333% of 8/8ths

Stuart W. Gustafson
P.O. Box 4625
Horseshoe Bay, TX 78657
0.03333333% of 8/8ths

AFTER PAYOUT

William D. Armstrong
16 Village Road
Englewood, CO 80110
2.79999972% of 8/8ths

Jesse V. Sommer
4531 West Geddes Avenue
Littleton, CO 80128
0.08333333% of 8/8ths

Edgar Kerr
155 Spotted Deer Lane
Franktown, CO 80116
0.08333330% of 8/8ths

Jeffery A. Lyslo
91 Buckhorn Drive
Littleton, CO 80127
0.08333333% of 8/8ths

Patricia M. Reed
P.O. Box 411
Franktown, CO 80116
0.08333333% of 8/8ths

Matthew X. Furin
2001 South Madison
Denver, CO 80210
0.08333333% of 8/8ths

Richard C. Geesaman
820 Pine St., Gold Hill
Boulder, CO 80302
0.03333333% of 8/8ths

Stuart W. Gustafson
P.O. Box 4625
Horseshoe Bay, TX 78657
0.08333333% of 8/8ths

The overriding royalty interests noted above affecting Tracts 4 through 12, inclusive, are set forth in and subject to that certain Development Agreement dated effective November 1, 2002 between Armstrong Resources, LLC and Pioneer Natural Resources Alaska, Inc.

The burdens noted herein shall not be construed in any fashion, expressed or implied, to be subsequently created interests.

E IBIT "B"

Attached to and made a part of that certain Oooguruk Unit Agreement, dated effective January 1, 2003

T 15 N

R 7 E

R 8 E

T 14 N

T 13 N

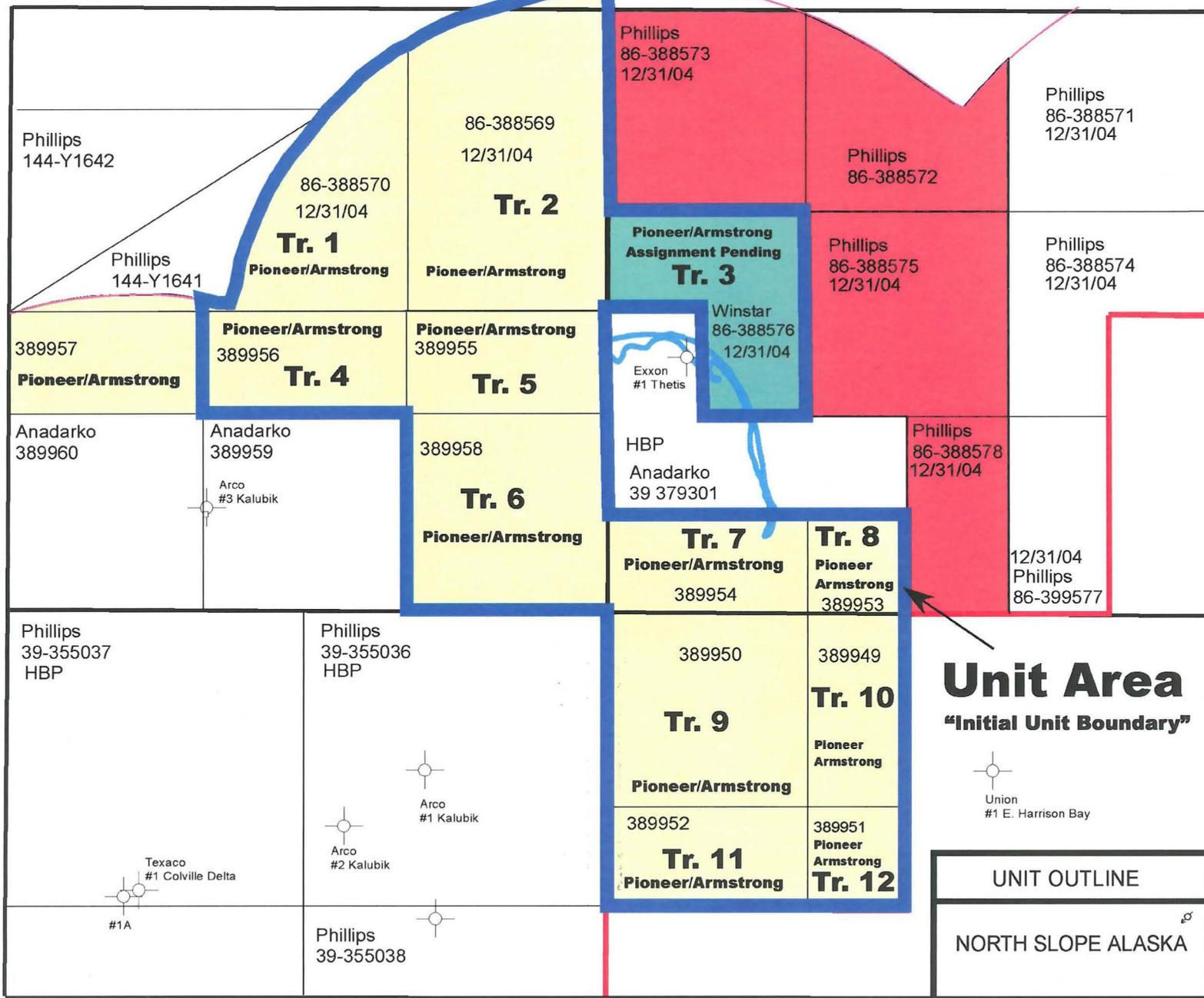


Exhibit "G"

Attached to and made a part of that certain Oooguruk Unit Agreement
dated effective January 1, 2003

INITIAL PLAN OF EXPLORATION

HARRISON BAY, ALASKA

Outlined below is the initial Plan of Exploration for the proposed Oooguruk Unit. The proposed Unit will encompass 18,500 acres of State land within the shallow waters of Harrison Bay, Alaska. The Unit is immediately northwest of and contiguous with the Kuparuk River Unit. The Plan of Exploration is a 5 year forecast of planned unit exploration activities. Prospective intervals to be tested by this exploration program may include but are not limited to the Cretaceous Middle Brookian, Cretaceous Torok, Kuparuk "A", Kuparuk "C", and the Jurassic Nuiqsut/Nechelik.

Drilling Program

Currently, three Exploration Wells are planned for the Oooguruk Unit. The first well will be drilled during the 2003 Winter Drilling Season. Based on the results from this initial test, a second Exploration Well is planned for the 2005 Winter Drilling Season, or earlier. A third Exploration Well is planned for the 2007 Winter Drilling Season, or earlier. The planned locations for each of these Exploration Wells are depicted upon the CONFIDENTIAL displays submitted to the Department in support of the Oooguruk Unit application. The intended bottom-hole locations and depths are set forth below. The Parties reserve the right to modify the order in which these wells are to be drilled. Following drilling of the first well, the location and drilling depth of subsequent wells may be adjusted pursuant to the results of prior wells.

		Well Name	Surface/Bottomhole Location	Depth
1 st	Exploration	Ivik #1	<u>T13N-R8E-Umiat Meridian-Alaska</u> Section 6: 1,450' FSL, 500' FWL	-7,500' SS
Well				
2 nd	Exploration	Oooguruk	<u>T14N-R8E- Umiat Meridian -Alaska</u> Section 31: 1,550' FNL, 2,050' FEL	-7,500' SS
Well		#1		
3 rd	Exploration	Natchiq #1	<u>T13N-R8E- Umiat Meridian -Alaska</u> Section 16: 800' FSL, 900' FWL	-7,500' SS
Well				

Seismic Program

The Oooguruk Unit Working Interest Owners have acquired from third parties 3-D seismic and 2-D seismic over the proposed Oooguruk Unit Area. Following the Drilling of the initial Exploration Well in the 2003 Winter Drilling Season, the Working Interest Owners will evaluate and consider the reprocessing of certain seismic data to improve our understanding of the prospective reservoir characteristics and parameters.

Geologic studies

Geologic studies are planned through 2004 to build on efforts currently underway to identify and refine a possible fast track development scenario for initial production from the Oooguruk Unit. Other efforts will be underway to evaluate additional opportunities that will compliment, facilitate and enhance planned development scenarios. In 2005/2006/2007, additional geologic studies are planned as new well information is incorporated into the geologic and seismic interpretations.

Engineering Studies

The Plan of Exploration for the Oooguruk Unit incorporates current engineering work underway to meet a possible winter 2004/2005 fast track production start-up. Associated with this work is the identification of possible production synergies with the adjacent Kugaruk River Unit. The goal of the studies is to minimize costs and the environmental footprint. Conceptual engineering and collaboration with the Kugaruk River Unit are critical to expedite production. Engineering scoping and costing studies will continue through at least 2005 to allow for the timely progression of development activities.

Plan of Exploration Summary, Term, and Work Commitment

Detailed above is the initial Plan of Exploration for the proposed Oooguruk Unit. It represents our current thoughts regarding exploration activities and is based upon the Working Interest Owner's current analysis of existing geologic, geophysical and engineering data. As additional information is collected and exploration activities are completed, this Plan of Exploration may be modified to optimize exploitation of identified resources within the Unit Area. Annual updates and progress reports to this Plan of Exploration will be filed with the Department of Natural Resources.

The Working Interest Owners propose a term of 5 years for this initial Plan of Exploration. The Parties commit to the drilling of the three Exploration Wells to be drilled as follows; the initial Exploration Well to be drilled during the 2003 Winter Drilling Season, the second Exploration Well to be drilled during the 2005 Winter Drilling Season, or earlier, and the third Exploration Well to be drilled during the 2007 Winter Drilling Season, or earlier. Other activities discussed within this Plan of Exploration are included to inform the Department of the Working Interest Owner's plans and intentions; however, they are not intended to represent firm work commitments. The work commitments made under this Plan of Exploration will be satisfied when the three Exploration Wells discussed within this Unit Plan are drilled, provided the wells are drilled on or before the times set forth in this Unit Plan.