

**SPECIAL JOINDER AGREEMENT
TO KUPARUK RIVER UNIT AGREEMENT
AND
KUPARUK RIVER UNIT
OPERATING AGREEMENT
STATE OF ALASKA**

**by and among the Working Interest Owners
of the Kuparuk River Unit and Winstar Petroleum, LLC**

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**SPECIAL JOINDER AGREEMENT
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AND KUPARUK RIVER UNIT OPERATING AGREEMENT
STATE OF ALASKA**

THIS SPECIAL JOINDER AGREEMENT TO THE KUPARUK RIVER UNIT AGREEMENT AND KUPARUK RIVER UNIT OPERATING AGREEMENT ("this Joinder Agreement"), is entered into by and among CONOCOPHILLIPS Alaska, Inc. ("CONOCOPHILLIPS"), BP Exploration (Alaska) Inc. ("BP"), Union Oil Company of California, ExxonMobil Alaska Production Inc., and Chevron U.S.A. Inc., (hereinafter collectively referred to as "the Kuparuk Owners") and Winstar Petroleum, LLC ("Winstar").

WITNESSETH:

WHEREAS, the Kuparuk Owners entered into that certain Kuparuk River Unit Agreement ("KRUA") and that certain Kuparuk River Unit Operating Agreement ("KRUOA"), both effective December 1, 1981, as subsequently amended;

WHEREAS, the Kuparuk Owners are also the working interest owners of the Kuparuk Participating Area of the Kuparuk River Unit ("KPA Owners");

WHEREAS, Article 9.1 of the KRUA provides that the Unit Area may be expanded from time to time to include additional lands reasonably determined to be underlain by a Reservoir, upon approval of the Commissioner ("Commissioner") of the Department of Natural Resources ("DNR");

WHEREAS, Article 14.001.02 of the KRUOA provides that Participating Area Working Interest Owners may enter into agreements with Operating Tract Working Interest Owners to provide for sharing of Unit Equipment;

WHEREAS, Winstar bid on, was awarded, and is the sole working interest owner of various State of Alaska oil and gas leases, including Lease No. ADL 388584 (herein, "Winstar Lease"), which includes lands that are adjacent to and contiguous with the Kuparuk River Unit ("KRU") and Kuparuk Participating Area ("KPA"), located approximately one and one-quarter miles north of KPA Drill Site 3-R, more particularly depicted in Exhibit A hereto;

WHEREAS, Winstar has applied to the Commissioner for voluntary expansion of the Unit Area to include the lands covered by the Winstar Lease;

WHEREAS, if successful in its application, Winstar seeks to have CONOCOPHILLIPS, as Operator of the KRU, drill as a Tract Operation, one or

more exploration and/or development wells to lands covered by the Winstar Lease;

WHEREAS, the Kuparuk Owners and Winstar desire to enter into a Special Joinder Agreement to the KRUA and KRUOA, on the terms set forth below, which will govern the drilling of one or more wells as a Tract Operation with respect to the Winstar Lease and, if establishment or expansion of a participating area is approved by DNR based on said drilling, Winstar's participation in the KRU.

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, the parties agree as follows:

ARTICLE 1

Definitions

1.1 A capitalized term herein shall have the same meaning given that term in the KRUA, KRUOA, Ballot 97-260A – Ballot Agreement Authorizing Non-Unit Sharing and Kuparuk Participating Area Facilities (herein collectively with any future amendments, replacements, or superseding ballots, "Ballot 260A"), Ballot 255 – Kuparuk Satellite Facility Sharing Ballot (herein collectively with any future amendments, replacements, or superseding ballots, "Ballot 255"), or Ballot 255A – Backout Model and Backout Procedures (herein collectively with any future amendments, replacements, or superseding ballots, "Ballot 255A"), as applicable, unless otherwise provided in this Joinder Agreement.

1.2 Definitions

Effective Date means the first date that all parties hereto have executed this Joinder Agreement.

Operator means the operator appointed and approved by DNR as the operator for the Kuparuk River Unit, which, on the Effective Date, is CONOCOPHILLIPS.

Participant means a party that is the owner of a leasehold working interest in a lease, all or part of which is committed to the KRU under the terms and restrictions of this Joinder Agreement, for so long as the lease or a part of the lease remains committed to the KRU under this Joinder Agreement.

Unit Data means all reports, data, and information referred to or discussed in Articles 11 and 12 of the KRUOA.

Winstar means Winstar Petroleum LLC, an Alaska limited liability company.

Winstar Lease Operations means any activity or operation reasonably necessary or required for the exploration, appraisal, development, production, maintenance, transportation, or abandonment of hydrocarbon resources or potential hydrocarbon resources, by, for, or on behalf of the Winstar Lease Owners pursuant to this Joinder Agreement.

Winstar Lease AFE means an AFE, as defined in the KRUOA, authorizing a Winstar Lease Operation.

Winstar Lease Excess Gas means any natural gas produced from the Winstar Lease that is not consumed as fuel gas, flared gas, lost gas or shrinkage.

ARTICLE 2

Exhibits

The following Exhibits are attached to and incorporated by reference as if fully set forth herein.

- Exhibit A: Map of Kuparuk River Unit and Winstar Lease
- Exhibit B: Kuparuk River Unit Ballot Agreements 255, 255A, and 260A (Commercial information confidential under AS 38.05.035(a)(9)(D))
- Exhibit C: Kuparuk River Unit Agreement (KRUA)
- Exhibit D: Kuparuk River Unit Operating Agreement (KRUOA)
- Exhibit E: Commercial Terms (Confidential under AS 38.05.035(a)(9)(D))

ARTICLE 3

Winstar's Application for Unit Expansion

- 3.1 On or before January 31, 2003, Winstar shall apply to the Commissioner to expand the Unit Area to include the Winstar Lease.
- 3.2 The Kuparuk Owners executing this Joinder Agreement agree that they will not oppose or object to any application that Winstar files with the Commissioner in which Winstar seeks to expand the Unit to include the Winstar Lease so long as and to the extent that said application and any

approval of the application by the Commissioner do not conflict with or contradict any term or provision herein, and do not impose any additional terms on the Kuparuk Owners. Winstar will submit its request for KRU expansion to include the Winstar Lease and all relevant costs associated with this filing shall be at Winstar's sole expense.

- 3.3 In the event that Winstar's exploration drilling of the Winstar Lease is unsuccessful, the Winstar Lease will be contracted from the Unit as required by the DNR after completion of plugging and abandoning of the well(s) and any sidetracks thereto, pursuant to standard industry procedures and applicable government regulations. Upon contraction of the Unit that excludes the Winstar Lease from the Unit for whatever reason, this Joinder Agreement terminates by its own terms, without further action of the parties hereto. The term "unsuccessful," as used in this Joinder Agreement with respect to drilling, means a well not capable of sustained commercial production of Unitized Substances as required by section 6.3 of the KRUA, or a well not capable of producing hydrocarbons in Paying Quantities, as required by section 6.2 of the KRUA.
- 3.4 The parties agree that the Kuparuk Owners may, upon request by the Commissioner, show the Commissioner, on a confidential basis, any geological or geophysical data, analysis, or interpretation that any one of them has in its possession regarding the Winstar Lease. The Kuparuk Owners have no obligation to provide Winstar with any geological or geophysical data, analyses, or interpretations thereof that they may have access to regarding the Winstar Lease, without mutually agreed compensation.
- 3.5 Winstar shall execute the KRUA and the KRUOA within ten (10) days of the parties' receipt of the Commissioner's order granting Winstar's application for Unit expansion in conformance with the terms and provisions herein. If the Commissioner's order denies Winstar's application or includes terms that conflict with or contradict any term or provision herein, or imposes any additional term or terms on the Kuparuk Owners, this Joinder Agreement shall terminate without further action by the parties. Notwithstanding the foregoing, if the Commissioner's order includes an additional term that has immaterial impact or additional terms that together collectively have immaterial impact on the Kuparuk Owners, this Joinder Agreement shall not terminate as a result of such additional immaterial term or terms.
- 3.6 Upon receipt of the Commissioner's order, if any, granting Winstar's application for Unit expansion in conformance with the terms and provisions herein and subject to Winstar's execution of the KRUA and KRUOA, Winstar shall become a Participant in the KRU, under the terms of this Joinder Agreement, the KRUA, the KRUOA, and all Ballot Agreements among the Kuparuk Owners to the extent not in conflict with

this Joinder Agreement. If the terms of a Ballot Agreement existing on the Effective Date of this Joinder Agreement conflict with the terms of this Joinder Agreement, the terms of this Joinder Agreement shall prevail.

ARTICLE 4

Winstar's Tract Participation and Tract Operations

- 4.1 If a well drilled to or within the boundaries of the Winstar Lease pursuant to this Joinder Agreement proves that hydrocarbon reserves capable of production in Paying Quantities exist within the boundaries of the Winstar Lease, and that such reserves are in hydrocarbon communication with the Kuparuk River Reservoir within the KPA, Winstar and the Operator will petition the Commissioner for expansion of the KPA. As part of the terms for expansion of the KPA to include the Winstar Lease, the parties expressly agree that, as between the parties hereto, notwithstanding any expansion of the KPA to include the Winstar Lease, Winstar's Tract Participation in the KPA shall be zero percent (0%). Likewise, existing Kuparuk Owners' participation in the Winstar Lease shall be zero percent (0%). Except as specifically provided otherwise herein, Winstar will be allocated one hundred percent (100%) of any and all fluids produced from the Winstar lease, and will be allocated zero percent (0%) of any and all fluids produced from the KPA or any other KRU participating area not including the Winstar Lease.
- 4.2 If a well drilled to or within the boundaries of the Winstar Lease proves that hydrocarbon reserves capable of producing hydrocarbons in Paying Quantities from the reservoir or portions thereof into which the well is completed, but such reserves are either not in hydrocarbon communication with the Kuparuk River Reservoir within the KPA, or are found in a formation other than the KPA formation, Winstar may apply to the Commissioner to form a new participating area for the productive formation.
- 4.3 So long as Winstar is a party to this Joinder Agreement and as part of the consideration for the parties entering into this Joinder Agreement, Winstar shall not be required to equalize any spending for past Unit costs as provided by the KRUOA, and shall not participate in any determination or redetermination of tract participation percentages for the KPA. Winstar shall not have any rights to Unit Data except as expressly provided herein. Winstar hereby expressly and knowingly waives any rights it may have under Article 16 of the KRUOA to conduct tract operations (including drilling, testing and producing) on existing KRU drill sites or at any other location outside the Winstar Lease boundaries. Winstar retains the right to conduct seismic acquisition operations necessary to explore the Winstar Lease.

4.4 The parties further agree that:

- a. Winstar shall have no KRU or KPA voting rights of any kind under the terms of the KRUOA or otherwise.
- b. Unless Winstar obtains approval from the Commissioner and forms a new participating area within the KRU, Winstar shall have no right to furnish a representative or an alternate to serve on the Unit Owners Committee or any subcommittees thereof under the terms of the KRUOA.
- c. Winstar shall have no right to Unit Data, including but not limited to reports to Kuparuk Owners, referenced in subsection 11.006 of the KRUOA, and reports, engineering and geologic data referenced in subsection 12.002.02 of the KRUOA, except to the extent that such Unit Data from the Unit Area within the leases immediately adjacent to and contiguous with the Winstar Lease may be reasonably necessary to determine if a well on the Winstar Lease has penetrated an accumulation of hydrocarbons in a part of the Kuparuk River Reservoir within the KPA, or to determine if a well on any KRU lease immediately adjacent to and contiguous to the Winstar Lease has penetrated an accumulation of hydrocarbons proven to exist on the Winstar Lease. In the event that any such Unit Data is made available to Winstar, Winstar shall be bound by all confidentiality requirements of the KRUOA that apply to Unit Data.
- d. Notwithstanding anything to the contrary in Part 5.300 and Section 13.004 of the KRUOA, no well on the Winstar Lease shall be acquired for Unit Operations as contemplated therein.
- e. Winstar agrees that it expressly waives and shall not have any preferential right(s) that might be otherwise available under the terms of the KRUOA to acquire any interest in any lease other than the Winstar Lease. The Kuparuk Owners agree that they expressly waive and shall not have any preferential right(s) that might otherwise be available under the terms of the KRUOA to acquire any interest in the Winstar Lease.

ARTICLE 5

Winstar Lease Operations

- 5.1 All Winstar Lease Operations, without regard to whether such are in, on, or for the benefit of any participating area, shall be conducted as Tract Operations pursuant to Article 16 of the KRUOA. Winstar Lease Operations carried out pursuant to this Joinder Agreement shall be carried out in such a manner and timing that ongoing KRU or other participating area activities are not impeded, impaired, or impacted.
- 5.2 Within 10 days of Winstar's execution of the KRUOA and KRUA, Winstar shall request, and the Operator shall, pursuant to subsection 16.007 of the KRUOA, agree to conduct all Tract Operations with respect to the Winstar Lease. Upon petition under Section 4.1 above for expansion of the KPA, Winstar hereby agrees that it will expressly and knowingly waive all confidentiality provisions set forth in subsection 16.007 of the KRUOA.
- 5.3 Winstar, as the current sole working interest owner of the Winstar Lease, shall be the Tract Representative as to the Winstar Lease under the KRUOA. Winstar shall designate a single point of contact for all Winstar Lease Operations and for any communications or notices allowed or required under this Joinder Agreement. The designated single point of contact shall have full authority for decisions regarding Winstar Lease Operations. Winstar will maintain a single point of contact for the term of this Joinder Agreement and will notify Operator promptly if a new single point of contact is to be appointed.
- 5.4 At least 90 days prior to the anticipated spud date, Winstar shall submit a Winstar Lease AFE, to the Operator for the drilling of an initial exploration well on the Winstar Lease. A Winstar Lease AFE will contain a cost estimate and procedure of similar standard and quality as that provided by the Operator for other KRU operations. A Winstar Lease AFE shall include applicable Ballot 260A fees.
- 5.5 Prior to commencement of any activities to be carried out by the Operator pursuant to the Winstar Lease AFE, Winstar shall deposit in a designated, restricted escrow account, as instructed by the Operator, and from which the Operator will make payments promptly upon presentation of invoices related to Winstar Lease Operations, the total approved amount of the Winstar Lease AFE. Winstar shall promptly notify the Operator when the required funds have been deposited in the escrow account. A minimum balance shall be maintained in this escrow account at all times equal to the unexpended portion of the original Winstar Lease AFE, plus any revisions to this AFE or any subsequent and duly approved AFEs related to Winstar Lease Operations. In addition to funding the Winstar Lease

Operations, the monies deposited in the escrow account will be used to compensate the Operator for conducting Winstar Lease Operations, as provided in Section 5.4 above. The Operator will have sole access to this designated escrow account. The Operator shall provide Winstar monthly with a report showing all receipts and qualified expenditures of funds for Winstar Lease Operations in the escrow account within 15 days of close of the accounting month. Upon the completion of the operations prescribed by the Winstar Lease AFE, the balance in this fund shall be refunded to Winstar.

- 5.6 Notwithstanding anything to the contrary in the terms of Ballot 255, prior to expansion of the KPA to include the Winstar Lease or formation of a new participating area that includes the Winstar Lease, all Winstar Lease Operations shall be subject to, and governed by, the terms of Ballot 260A. After expansion of the KPA to include the Winstar Lease or formation of a new participating area that includes the Winstar Lease, Winstar Lease Operations not subject to Ballot 255 terms will be subject to the applicable terms of Ballot 260A.
- 5.7 Anchorage-based labor fees will be charged at the same hourly or daily rate as is charged to KPA-based projects.

ARTICLE 6

Drilling and Completion of Wells

- 6.1 Winstar shall bear sole responsibility for all of its decisions and the consequences, results, and liability of such decisions regarding Winstar Lease Operations and any continuation of efforts and investments necessary for Winstar Lease Operations subject to this Joinder Agreement, including but not limited to:
- a. Any decision to continue or abandon operations on a well or facility in the event of mechanical problems, AFE cost overruns or other difficulties.
 - b. Any decision to abandon, sidetrack, log, complete, or test any well, or to put a well on production after establishing the capability of sustained commercial production.
 - c. Any decision regarding the design criteria and design of the well, testing program, completion, plugging and abandoning, and connection piping.
- 6.2 Notwithstanding the foregoing, but without limiting or changing Winstar's sole responsibility as described in paragraph 6.1 above, the Operator

retains the right to terminate or abandon any Winstar Lease Operation in the event of any hazardous safety or environmental condition or potentially hazardous safety or environmental condition, or in the event that Winstar fails to pay any amount under this Joinder Agreement when due or fails or is unable to maintain, for whatever reason, sufficient escrow funds to reasonably complete any proposed or ongoing operation.

- 6.3 If at any point in time during or after drilling, logging, testing, evaluating or conducting pilot production operations on any well drilled on or to the Winstar Lease, a well fails to be certified by the DNR as capable of producing hydrocarbons in Paying Quantities from the reservoir or portions thereof into which the well is completed, then Winstar acknowledges and agrees that the well shall be plugged and abandoned at Winstar's sole cost and expense and the Unit shall be correspondingly contracted to exclude the Winstar Lease or any part(s) thereof not proven to be productive.
- 6.4 Upon completion of a well to be included in an expansion of the KPA or in a new participating area, the Operator, with Winstar's prior approval and at Winstar's sole expense, shall purchase and install all metering facilities necessary to measure the production of Unitized Substances from the Winstar Lease with the accuracy necessary to meet all regulatory requirements and to carry out the provisions of this Joinder Agreement.

ARTICLE 7

Facility Sharing

- 7.1 If and when the KPA has been expanded to include the Winstar Lease or a new participating area has been formed that includes the Winstar Lease or the Commissioner has approved a Winstar Lease well for interim tract production prior to inclusion in a participating area, the use of KPA processing facilities and facility and operation costs in connection with the Winstar Lease shall be governed by the terms and fees set forth in Ballot 255, as amended, replaced or superceded in the future, which authorizes and governs the sharing of Kuparuk Facilities with Kuparuk Satellites. The Winstar Lease, whether included in the KPA or included in another participating area, will be treated as a Satellite and all fluids produced or injected from the Winstar Lease will be subject to Ballot 255 fees. Ballot 255 is attached hereto as Exhibit B.
- 7.2 Winstar shall be allocated, and shall pay, a proportionate share of the Annual Support Fee (including a Drilling Support Fee) in the same manner as the Annual Support Fee is allocated to all other Tract Operations and Participating Areas.

- 7.3 Winstar will pay a one time fee, in an amount mutually agreed to by the Parties in Exhibit E hereto, for each well drilled pursuant to this Joinder Agreement upon expansion of the KPA to include the Winstar Lease or establishment of a new participating area that includes the Winstar Lease, or, in the event that the Commissioner has approved a Winstar Lease well for interim tract production prior to inclusion in a participating area, for each well drilled thereafter within or to the Winstar Lease, and for each well drilled, converted for use, or used in support of injection from Drillsite 3R for Winstar Lease secondary or enhanced oil recovery, as compensation for occupation and use of the well conductors, pad, wellhead area, and existing pipe supports. The Operator will provide a minimum of five wellhead areas to Winstar but retains the right to reserve existing unused wellhead areas for the Kuparuk Owners' future use. For the purposes of this section, a well is defined as an individual wellhead, or "Christmas Tree," regardless of how many strings of tubing and completions there may be per wellhead.
- 7.4 Winstar is responsible for payment of all costs of all facilities, equipment, and services necessary to connect Winstar Lease wells into the Drillsite 3R facilities, including but not limited to pad modifications, well housing, header modifications, flowlines, and other miscellaneous equipment. All such equipment and modifications will remain the property of the KPA Owners. Winstar is responsible for payment of all future costs for maintenance and modification costs of such equipment. Upon abandonment of any Winstar Lease well, Winstar shall have the right to take prompt possession of and remove the respective Winstar Lease well housing, wellhead tree and valves, but shall have no further rights to the wellbore or location otherwise.
- 7.5 Winstar shall have no ownership right in the KRU Topping Plant facilities or to any product produced therefrom.

ARTICLE 8

Allocation and Disposition of Winstar Lease Production

- 8.1 In order to equitably allocate to the Winstar Lease working interest owners all produced oil, gas and water volumes from any wells that may be completed on the Winstar Lease, connected to the Drillsite 3R facilities, and commingled with other KRU production streams, such Winstar Lease oil, gas and water volumes will be allocated based on well tests or any other method deemed appropriate by the Operator and accepted by relevant regulatory authorities. The Operator will attempt to obtain a minimum of two well tests per month per well from the Winstar Lease, but shall perform at least one well test per month. If Winstar requests more than two well tests per month, then the additional well tests will be

conducted at Winstar's sole expense. The well tests will be conducted in the same manner as the well tests for other KRU wells, including but not limited to adjustment for pressure and temperature at test conditions. Winstar shall be entitled to have a representative on site, at Winstar's sole expense, to witness the testing and meter calibration for Winstar Lease wells, as provided in section 12.002.03 of the KRUOA.

- 8.2 The allocated Winstar Lease oil production described above in Section 8.1 will be subject to the Backout Adjustment (Section 8.1.1) and Quality Adjustment (Section 8.1.2) as defined in Section 8 (Volume Adjustments) of Ballot 255 and further defined in Ballot 255A. In the event that the Winstar Lease becomes part of the KPA or a new participating area and continuous oil production is established, the Backout Adjustment may be reopened for renegotiation by either Winstar or the Kuparuk Owners.
- 8.3 Winstar shall ensure that timely disposition arrangements are in place for all production from the Winstar Lease. Winstar acknowledges and agrees that the Operator has limited capacity to store production not timely taken and transported from the Unit, and Winstar shall be responsible for all costs of storage or other charges resulting or arising from Winstar's failure to take and dispose of its allocated share of production from the Winstar Lease.
- 8.4 Upon commencement of production, the Operator shall from time to time provide notice to Winstar of amounts due for payment to cover all operating costs, and Winstar shall ensure that all necessary funding is available in the proper account on the day specified for payment. All production from the Winstar Lease and all facilities and equipment paid for by Winstar pursuant to this Joinder Agreement are subject to the Operator's first and prior lien provided pursuant to AS 31.05.110(h) and the KRUOA and in the event that Winstar should ever fail, for whatever reason, to pay any amount due pursuant to this Joinder Agreement, the Operator may, upon notice to Winstar, terminate all operations on or for the benefit of the Winstar Lease (except those necessary to protect the environment, personnel, and property) and pursue any remedy available at law or equity to recover any such costs. Pursuant to Section 7.005 of the KRUOA, Winstar shall execute the Unit Operator's Lien on Real Property and Alaska Uniform Commercial Code Financing Statement by Working Interest Owners, the forms of which are attached as Exhibits G and H to the KRUOA.
- 8.5 Winstar will be responsible for timely paying all taxes, royalties, and other lease burdens due on or as a result of all production attributed to the Winstar Lease.

- 8.6 Winstar is obligated to supply gas to satisfy gas consumed during Winstar Lease Operations and utilized in KPA facilities for processing Winstar Lease Production, as described in Section 10.0 of Ballot 255.
- 8.7 Any Winstar Lease Excess Gas will be injected into the KPA Kuparuk River Reservoir at no additional cost to Winstar as provided in Section 11.0 of Ballot 255. All Winstar Lease Excess Gas injected into the KPA Kuparuk River Reservoir will, for future purposes, be considered indigenous to the KPA Kuparuk River Reservoir and, when produced, will be allocated to KPA Owners in accordance with their respective Area Participations. Winstar shall have no claim, and hereby expressly and knowingly waives any claim, to future compensation for this injected gas at any time, including but not limited to, the time that gas sales commence.
- 8.8 Any natural gas liquids ("NGLs") extracted from Winstar Lease Excess Gas shall, upon extraction at the KPA facilities, be the sole property of the KPA Owners and Winstar will have no claim, and hereby expressly and knowingly waives any right it may have to take in kind or to receive future compensation or additional consideration for any NGLs extracted from Winstar Lease Excess Gas except as expressly provided herein. If in the future, Winstar is able to inject NGLs into a reservoir or reservoirs located in or within the boundaries of the Winstar Lease for any approved enhanced oil recovery program or pilot program, then, upon payment of the KPA facility processing cost for NGLs at that time, an allocated quantity of NGLs from the Winstar Lease Excess Gas produced at that time will be supplied to Winstar for that purpose.

ARTICLE 9

Gas Lift Gas

- 9.1 The KPA Owners may provide a maximum of 2500 MCFD of gas lift gas to the Winstar Lease under the following conditions:
- a. So long as such gas lift gas is surplus to KPA needs, including the needs of other KRU Satellites for which plans of development have been approved or have been approved by the relevant KPA Owners for obtaining an approved plan of development, whether or not such approval is pending or not, prior to the Effective Date of this Joinder Agreement; and
 - b. So long as use of such gas by the Winstar Lease does not adversely impact KPA Area Operations, field gas offtake or KPA production allocations. The KPA Owners retain the right in their sole discretion to terminate deliveries of gas lift gas to the Winstar

Lease upon a 90% affirmative vote of the KPA Owners and 180 day written notice to the Winstar Lease owners.

- 9.2 Gas lift gas or an equal volume of gas of equal quality free of all burdens and restrictions provided to the Winstar Lease shall be returned to the KPA Owners.
- 9.3 Costs for use and provision of the gas lift gas are included in the fees described in Ballot 255, Articles 4 and 5.
- 9.4 Winstar is responsible for all costs required to connect Winstar Lease wells to the 3R Drillsite gas lift header.
- 9.5 Gas lift gas will be delivered to the Winstar Lease wells at then prevailing conditions.

ARTICLE 10

Future Lease Operations and Abandonment

- 10.1 The Operator retains the right to perform any necessary maintenance, upgrade, or repair work that it deems appropriate on the Winstar Lease wells, pipelines or facilities in order to ensure safe, environmentally sound operations. Any such work will be at Winstar's sole expense and liability. The Operator will provide prior notification to Winstar before performing such work, except in an emergency situation whereby the Operator shall perform any required work immediately.
- 10.2 Winstar retains the right to issue a Winstar Lease AFE for future Winstar Lease Operations, at its sole discretion and liability under the terms of this Joinder Agreement. Such operations will be conducted pursuant to the provisions of Article 5 herein.
- 10.3 Subject to the right of the Operator pursuant to Section 10.1 herein, Winstar Lease Operations reasonably necessary or required in order to maintain, improve production of, or repair Winstar Lease wells, shall be at Winstar's sole discretion. All Winstar Lease Operations are carried out at Winstar's sole risk, and liability. Winstar shall issue a Winstar Lease AFE for such operations not covered by Ballot 255 fees. Examples of such operations are acid or fracture stimulations, electric wireline, slickline, coiled tubing, or any workover requiring a drilling or workover rig. The Operator will perform these operations after receipt of a Winstar Lease AFE. At the Operator's discretion, an escrow account for the AFE amount to perform such operation may be required as described in Section 5.5 herein.

- 10.4 Future plugging and abandonment on all Winstar Lease wells and facilities shall be carried out at Winstar's sole expense, responsibility, risk, and liability. Any obligation Winstar may have for abandoning the KPA facilities is satisfied by the abandonment fee and abandonment surcharges stipulated in Ballot 255.

All Winstar Lease wells are to be plugged and abandoned, and all facilities are to be abandoned and the sites restored as soon as possible after production ceases to provide revenue sufficient to cover all operating costs, taxes, royalties, and other lease burdens, but in any event, before termination or expiration of the Winstar Lease, or, if Winstar is required to establish and maintain an interest bearing account or to provide and maintain a performance bond as described below, within two years after production ceases to provide revenue sufficient to cover all operating costs, taxes, royalties, and other lease burdens on the Winstar Lease wells whichever shall first occur, except when any such well is shut-in to accommodate KPA facility capacity limitations or when Winstar has re-established production in Paying Quantities at least 90 days prior to the expiration of the two year period described herein.

Winstar will design and approve the plugging and abandonment procedures in accordance with all applicable statutes, regulations, and requirements, and issue an appropriate AFE to the Operator for any such abandonment and restoration work. Winstar shall establish and maintain an interest bearing account for the benefit of the Operator with an initial balance as agreed by the Parties in Exhibit E hereto or shall provide and maintain in effect at all times while this Joinder Agreement is in effect, a performance bond in the same amount. This requirement is in addition to the \$100,000 per well bond required by 20 AAC 25.025.

- 10.5 The Winstar Lease Operations described above in Sections 10.2, 10.3 and 10.4 are subject to the applicable fees in Ballot 260A. Winstar shall provide all necessary assistance in obtaining all regulatory approvals for any work described in Sections 10.2, 10.3 and 10.4.
- 10.6 The Operator, at its sole discretion, will make decisions regarding which KRU wells to produce in order to maximize oil production from all wells producing into the KPA facilities, as described in Section 3.4.1 of Ballot 255. Such decisions could require curtailment or shut-in of Winstar Lease wells for extended periods of time. Winstar acknowledges this risk and agrees to make no claim, and hereby expressly and knowingly waives any claim it may have, for lost or deferred production in such a situation.
- 10.7 In the event of the joinder of the Winstar Lease to the KPA, such joinder shall not cause or be the basis for any demand by Winstar for any change to the reservoir management plans, practices and investments for the rest

of the KPA, including but not limited to drilling wells, waterflood pattern or rate adjustments, enhanced recovery, and gas lift optimization unless such change is paid for by Winstar, benefits the KPA as a whole and is approved by the other KPA Owners.

- 10.8 The Operator shall not, without the consent of Winstar, undertake any single project reasonably estimated to require an expenditure in excess of a gross amount of fifty thousand dollars (\$50,000), except in connection with the conduct of an operation which has been previously authorized pursuant to this Joinder Agreement, or where necessary in an emergency to prevent threat of environmental, personal or property damage.
- 10.9 If, during any Winstar Lease Operation, it appears that the actual total cost will exceed the latest approved AFE for the well or operation by ten percent (10%) or more, the Operator shall promptly notify Winstar. In such an event, Winstar will supplement the AFE or propose an alternate course of action to complete the well or operation within the existing AFE budget.

ARTICLE 11

Disclaimer, Warranties and Representations

- 11.1 THE KUPARUK OWNERS EXPRESSLY DISCLAIM AND MAKE NO WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESS OR IMPLIED, CONCERNING THE TIMING, EXECUTION, COMPLETION, QUALITY, RESULTS, OR LIKELIHOOD OF SUCCESS, OF ANY WINSTAR LEASE OPERATION OR ANY ACT TAKEN PURSUANT TO THIS JOINDER AGREEMENT ON OR FOR THE BENEFIT OF THE WINSTAR LEASE OR WINSTAR.
- 11.2 WINSTAR ACKNOWLEDGES AND REPRESENTS THAT IT IS, OR HAS SUFFICIENT ACCESS TO PERSONS WHO ARE KNOWLEDGABLE AND EXPERIENCED, TO WINSTAR'S SATISFACTION, IN OIL AND GAS LEASE GEOLOGIC AND GEOPHYSICAL DATA INQUIRY, REVIEW, ANALYSIS, AND INTERPRETATION THEREOF, AND OIL AND GAS EXPLORATION, DEVELOPMENT AND PRODUCTION OPERATIONS AND ECONOMIC ANALYSIS, AND THAT WINSTAR'S DECISION TO PROCEED WITH ANY ACTIVITIES ON THE WINSTAR LEASE PURSUANT TO THIS JOINDER AGREEMENT IS NOT IN ANY WAY BASED UPON ANY REPRESENTATION OR RELIANCE ON THE DATA, ANALYSIS, OR INTERPRETATION THEREOF OF THE KUPARUK OWNERS OR ANY ONE OF THE KUPARUK OWNERS. WINSTAR FURTHER ACKNOWLEDGES THAT ITS REVIEW, ANALYSIS, AND INTERPRETATION OF ITS GEOLOGIC AND GEOPHYSICAL DATA HAVE YIELDED AN INTERPRETATION OR

RESULT SIGNIFICANTLY DIFFERENT AND SUBSTANTIALLY MORE OPTIMISTIC THAN THAT OF THE KUPARUK OWNERS.

- 11.3 WINSTAR EXPRESSLY ACKNOWLEDGES AND AGREES THAT ANY WINSTAR LEASE OPERATIONS CONDUCTED PURSUANT TO THIS JOINDER AGREEMENT ARE PERFORMED SOLELY AT WINSTAR'S RISK. OPERATOR SHALL CONDUCT SUCH OPERATIONS IN A GOOD AND WORKMANLIKE MANNER AS WOULD A PRUDENT OPERATOR UNDER THE SAME OR SIMILAR CIRCUMSTANCES. OPERATOR SHALL NOT BE LIABLE TO WINSTAR FOR DAMAGE TO PERSONS OR PROPERTY UNLESS SUCH DAMAGE RESULTS SOLELY FROM ITS GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. OPERATOR SHALL, HOWEVER, BE RESPONSIBLE TO PERFORM ITS CONTRACT AS PROMISED HEREIN, AT THE REQUEST, DIRECTION, RISK AND RESPONSIBILITY OF WINSTAR.
- 11.4 WINSTAR EXPRESSLY ACKNOWLEDGES AND AGREES THAT ANY WINSTAR LEASE OPERATIONS OR ANY ACT PURSUANT TO THIS JOINDER AGREEMENT ON OR FOR THE BENEFIT OF THE WINSTAR LEASE OR WINSTAR SHALL BE CONDUCTED AT WINSTAR'S SOLE RISK, AND THAT ALL COSTS AND EXPENSES ASSOCIATED WITH ANY SUCH OPERATIONS OR ACT SHALL BE BORNE SOLELY BY WINSTAR.

ARTICLE 12

Liability and Indemnity

- 12.1 Winstar expressly acknowledges and agrees that the Operator and the Kuparuk Owners, their respective parents, subsidiaries, and affiliated companies and their respective officers, directors, representatives, agents and employees shall have no liability whatsoever, including but not limited to liability for any claims, losses, demands, expenses, assessments, penalties, fines, obligations, lawsuits, or damages arising out of or connected in any way with any Winstar Lease Operations or any activity or operation conducted pursuant to this Joinder Agreement on or for the benefit of the Winstar Lease or Winstar.
- 12.2 Winstar expressly and knowingly waives for itself and on behalf of its members, partners, investors, officers, principals and owners any right that Winstar or any of its members, partners, investors, officers, principals, or owners may have now or in the future to bring or file, and each acknowledges and agrees that they or any one of them shall not bring or file any claim, action, loss, liability, demand or lawsuit of any kind against the Operator, the Kuparuk Owners, their respective parents, subsidiaries, and affiliated companies and respective officers, directors,

representatives, agents, or employees, arising out of or connected in any way with any Winstar Lease Operations or any activity or operation conducted pursuant to this Joinder Agreement on or for the benefit of the Winstar Lease, or directly or indirectly associated with or related to any Winstar Lease Operations.

- 12.3 To the fullest extent permitted by law, Winstar shall fully protect, defend, indemnify, save and hold the Kuparuk Owners, their respective parents, subsidiaries and affiliated companies and respective officers, directors, representatives, agents and employees harmless from and against any and all claims, actions, losses, liabilities, demands, expenses, assessments penalties, fines, obligations, lawsuits, judgments, or damages (including but not limited to claims made by Winstar's own members, partners, investors, shareholders, employees or owners) arising out of, or connected in any way with any Winstar Lease Operations or any activity or operation conducted pursuant to this Joinder Agreement on or for the benefit of the Winstar Lease or directly or indirectly associated with or related to any Winstar Lease Operations. The Kuparuk Owners, or any one of them, shall have the right at their own expense to join in the defense of any action in which they or any one of them are made a defendant.
- 12.4 At all times when this Joinder Agreement is in effect, Winstar shall either: 1) carry at its sole risk and expense, insurance policies to cover the indemnity obligations of this Joinder Agreement, or 2) provide guarantees, subject to the approval of the Operator, that are sufficient to cover the indemnity obligations of this Joinder Agreement and which in any event will not be less than the applicable amount agreed to by the Parties as shown in Exhibit E hereto. The Operator will attempt to arrange for drilling and completion operations to occur during times requested by Winstar, but cannot and does not represent or guaranty that such scheduling can be arranged in a way that does not adversely affect, impact, or interfere with other KRU operations. The Kuparuk Owners shall be named as additional insureds on any such insurance policies. The existence of any such insurance policy or coverage, or guaranty, shall not limit in any way or otherwise affect or amend any obligation to protect, defend, indemnify, save and hold harmless under this Joinder Agreement.

ARTICLE 13

Tax Matters

In accordance with Section 14.6 hereof, the Parties acknowledge and agree that Winstar is not, and will not become, a partner in the Kuparuk River Unit Tax Partnership as a result of the transactions herein contemplated.

ARTICLE 14

General Provisions

- 14.1 Term. This Joinder Agreement shall be effective from the Effective Date and shall remain in effect until the well or wells drilled pursuant to this Joinder Agreement are all permanently plugged and abandoned or until this Joinder Agreement is terminated as otherwise provided herein, whichever occurs first.
- 14.2 Counterparts. This Joinder Agreement may be executed in counterparts, all of which shall be regarded as a single instrument. This Joinder Agreement is not effective until signed by 100% of the Kuparuk Owners, and Winstar.
- 14.3 Authority to Enter Into Agreement. Each party hereto represents and warrants that the entering into, execution, and performance of this Joinder Agreement have been properly authorized and approved by all necessary corporate or other governing authority action.
- 14.4 Conflict. As between Winstar and the Kuparuk Owners, if the provisions of this Joinder Agreement conflict with the provisions of the KRUOA, the KRUA, Ballot 260A, Ballot 255 or Ballot 255A, the provisions of this Joinder Agreement shall govern.
- 14.5 Notice of Nonresponsibility. During all times that the Operator is conducting a Tract Operation on or for the Winstar Lease, the Operator shall post notices of nonresponsibility as provided for pursuant to AS 34.35.065.
- 14.6 No Partnership. This Joinder Agreement is not intended to create, and shall not be construed to create, an association, partnership of any kind, or trust, or to impose a partnership duty, obligation, or liability with regard to any one or more of the parties to this Joinder Agreement. Each party to this Joinder Agreement shall be individually responsible for its own obligations. Notwithstanding the foregoing, the Parties agree to adopt or enter into as appropriate, any tax provisions the Kuparuk Owners may determine necessary to implement and give full effect to the terms of this Joinder Agreement and the intent of the Parties to this Joinder Agreement, including but not limited to special allocations as applicable.
- 14.7 No Third Party Beneficiaries. Nothing in this Joinder Agreement, expressed or implied, shall give or be construed to give any person, firm or corporation, other than the parties hereto and their successors and assigns, any legal or equitable right, remedy or claim under or in respect to this Joinder Agreement or under any covenant, conditions, or provisions

contained herein; and all such covenants, conditions and provisions shall be for the sole benefit of the parties hereto.

- 14.8 Assistance of Counsel; Rule that Ambiguities are Construed Against the Drafter Not to be Applied. Each party hereto acknowledges and agrees that it has, to its satisfaction prior to execution of this Joinder Agreement, consulted with counsel of its choice with regard to the matters addressed herein. As a result of such consultation, the parties hereby agree that the rule of construction that an ambiguity in an agreement shall be construed against the drafter shall not be raised, asserted or argued by any party hereto in any action arising out of or involving this Joinder Agreement.
- 14.9 Assignment. Winstar shall not transfer or assign in whole or in part any of its rights, interest or obligations under this Joinder Agreement without prior written consent of the other Parties, and any attempt to assign without such consent will be void and of no effect.
- 14.10 Governing Law. This Joinder Agreement and the rights and obligations of the parties under this Joinder Agreement as between themselves will be governed by and construed in accordance with the laws of the State of Alaska and it is further agreed that any conflict of law doctrine which may direct or refer determination of any matter to the law of any other jurisdiction shall not be utilized. Any suit between the parties arising out of this Joinder Agreement shall be brought only in the Superior Court of the State of Alaska, Third Judicial District at Anchorage or in the United States District Court for the District of Alaska, as appropriate.
- 14.11 Merger; Amendments. This Joinder Agreement, including all attachments and documents incorporated by reference herein, is the entire and complete agreement among the Parties on the matters addressed herein, and any and all prior agreements, oral or written, on such matters are superseded and replaced by this Joinder Agreement. This Joinder Agreement may not be amended except in a writing executed by all Parties hereto.
- 14.12 Headings and Titles. The headings and titles used in this Joinder Agreement are for organizational purposes only and have no operative or substantive effect on the interpretation, application, operation, or construction of this Joinder Agreement.

IN WITNESS WHEREOF, the parties have executed and entered into this Joinder Agreement on the dates shown below.

WINSTAR PETROLEUM, LLC

By: _____

Printed Name: _____

Title: _____

Date: _____

**KUPARUK RIVER UNIT
WORKING INTEREST OWNERS**

CONOCOPHILLIPS ALASKA, INC.

By: _____

Printed Name: _____

Title: _____

Date: _____

BP EXPLORATION (ALASKA) INC.

By: _____

Printed Name: _____

Title: _____

Date: _____

UNION OIL COMPANY OF CALIFORNIA

By: _____

Printed Name: _____

Title: _____

Date: _____

EXXONMOBIL ALASKA PRODUCTION INC.

By: _____

Printed Name: _____

Title: _____

Date: _____

CHEVRON U.S.A. INC.

By: _____

Printed Name: _____

Title: _____

Date: _____

Exhibit A - Winstar Lease and Kuparuk River Unit Location

