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JEFF M. RAY
PRESIDENT

February 26, 2014
ER-2014-OUT-105

David DeGruyter
State Pipeline Coordinator
411 West 4th Avenue, Suite 2C
Anchorage, Alaska 99501-2343

Re: 2013 Annual Report for Point Thomson Export Pipeline, ADL 418975

Dear Mr. DeGruyter:

PTE Pipeline LLC (PTEP LLC) hereby submits the 2013 annual report pursuant to Section 1.9 of the Point Thomson Export Pipeline Right-of-Way Lease, issued on October 31, 2012.

The purpose of this report is to provide a brief summary of activities from January 1, 2013 to December 31, 2013, and to present related information regarding permitting and construction activities and 2014 plans.

Please contact Rikky Miller by phone at (713) 656-2632 (713) 656-4622 or via email (rikky.d.miller@exxonmobil.com) or me by phone at (713) 656-6885 or via email (jeff.m.ray@exxonmobil.com) if you have any questions. Alternatively, you may contact Matt Reile by phone at (907) 929-4108 or via email (matthew.r.reile@exxonmobil.com), if Rikky and I are unavailable.

Sincerely,



JMR

cc w/o attachments:

Allison Iversen, SPCO
Tammis Brown, SPCO
Justin Selvik, SPCO
Rikky Miller, PTE Pipeline LLC.
Matt Reile, ExxonMobil Development Company
Julie McKim, ExxonMobil Development Company

**Point Thomson Export Pipeline
Annual Report
to the
State Pipeline Coordinator's Office
for 2013**

February 2014

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1 Purpose

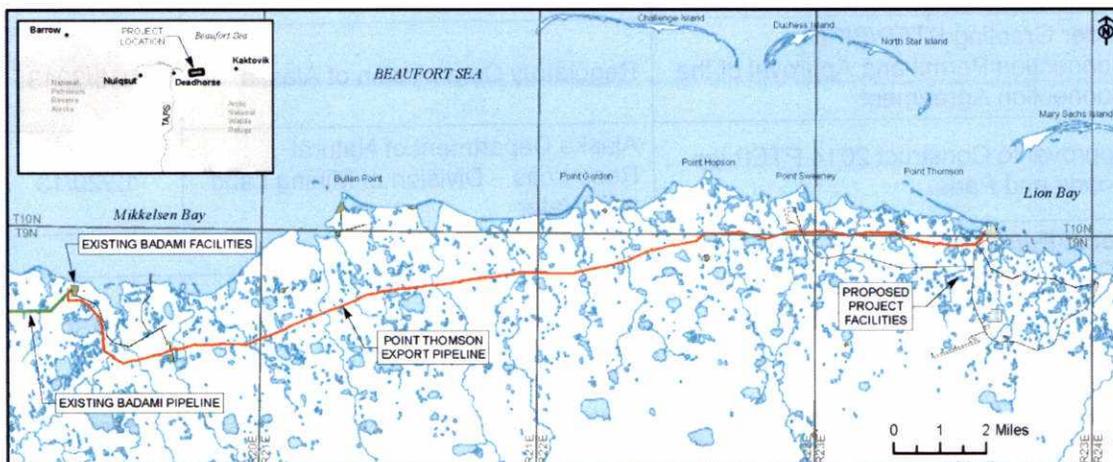
This report is submitted to the Alaska Department of Natural Resources – State Pipeline Coordinator's Office (SPCO) pursuant to Section 1.9 of the Point Thomson Export Pipeline (PTEP) Right-of-Way (ROW) Lease, ADL 418975, issued on October 31, 2012. This lease requires submittal of an annual comprehensive report on pipeline activities conducted during the preceding year.

2 Project Overview

The Point Thomson Project (PTP) is located entirely on state land in the North Slope Borough, Alaska, approximately 60 miles west of Kaktovik, on the coast of Lion Bay. The PTP utilizes long-reach directional drilling from onshore pads to recover offshore resources in the Thomson Sand reservoir. To accomplish this, the PTP includes: three onshore pads (Central, East, and West), five wells, a gravel mine, a 5600-foot gravel airstrip, approximately 11 miles of infield roads, and gathering lines from East and West Pads to the Central Processing Facility (CPF) located on Central Pad. The PTP, a remote project supported by ice roads, barging, and air access, ensures a minimal environmental footprint and provides wide-reaching benefits to Alaska in the form of revenues and jobs.

The PTEP will extend approximately 22 miles from the new field's CPF to a point of connection with the existing Badami Sales Oil Pipeline at the Badami Central Facilities Pad (Figure 1). The 12-inch pipeline will be elevated a minimum of 7 feet above the tundra surface on approximately 2,200 pipe supports, and will use state-of-the-art techniques to prevent, monitor, and mitigate corrosion and otherwise prevent spills. PTEP is owned by PTE Pipeline LLC, a joint venture between ExxonMobil Pipeline Company (68%) and BP Transportation (Alaska) Inc. (32%).

Figure 1 Point Thomson Project and Export Pipeline



2.1 Summary of 2013 Activities

Activities completed in 2013 were consistent with the schedule presented in Section 2.3. These activities included permitting and data collection, engineering, procurement, fabrication, and installation. Major activities are highlighted below.

2.1.1 Permitting and Data Collection

The PTP received ten additional federal, state, and local permits or approvals in 2013, presented in Table 1.

Table 1 Point Thomson Export Pipeline Key Permits/Approvals Received in 2013

Permit/Approval	Issuing Agency	Approval Date
Federal Permits		
Snow Removal Plan	U.S. Army Corps of Engineers	2/1/2013
Predator Management Plan	U.S. Army Corps of Engineers	2/4/2013
Bird Strike Avoidance, Reporting, and Lighting Plan	U.S. Army Corps of Engineers	5/12/2013
State Permits		
Approval to Move Staging Area 10	State Pipeline Coordinator's Office	1/17/2013
Approval to Construct 2013 PTEP Ice Roads and Pads	Alaska Department of Natural Resources – Division of Mining Land and Water	1/18/13
Order Accepting Corporate Guarantee, Acknowledgement of Compliance Filing, and Closure of Docket	Regulatory Commission of Alaska	4/13/2013
Order Granting PTEP/BPTA Connection Permit and Approval of the Connection Agreement	Regulatory Commission of Alaska	8/16/2013
Approval to Construct 2014 PTEP Ice Roads and Pads	Alaska Department of Natural Resources – Division of Mining Land and Water	12/20/13
Local Permits		
Administrative Approval for Construction of the 2014 PTEP Ice Roads and Pads	North Slope Borough	12/13/13

As required by other PTP permits and approvals, several monitoring programs and studies started and/or continued in 2013, including:

- Caribou monitoring to investigate the effects the export pipeline and gathering lines may have on caribou movements. The 2013 work was to help develop an understanding of background behavior in the area – minus the actual pipe itself;
- Polar and grizzly bear monitoring, and relevant bear interaction plan;

- A survey of nearshore fish was completed to help understand background conditions.

2.1.2 Engineering, Procurement and Fabrication

During 2013, significant progress was made on project-related procurement. Key procurement and subcontracting activities are noted below.

- Manufacturing of the line pipe was started, completed, and delivered to Fairbanks in first half of 2013.
- PTEP engineering work was completed, including an additional pair of vertical loops and modules for each end of the pipeline as requested by the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration.
- Engineering and procurement of the piggable wye was substantially completed.
- Double-jointing, coating, insulation, and jacketing for the pipe and fabrication of the pipeline saddles and vibration dampeners was completed.

2.1.3 Installation

Approximately 2,200 vertical support members (VSM) were installed along the ROW in 2013. Construction of an ice road began in February, with the first VSMs installed on February 19th, 2013. Ten temporary ice pad staging areas were constructed to support activities along the ROW. Construction activities along the ROW were completed in late April and all construction equipment and materials were removed from the ROW.

2.1.4 Field Surveys

During the first half of 2013, underground utility locate surveys were conducted near the Badami telecommunication tower and on the Badami Unit in-field gravel access road. Underground utilities were marked to support PTEP construction activities. Ice road routes and pad locations were surveyed prior to the construction season. The pipeline construction ROW was surveyed and preliminary work for the as-built survey was started.

2.2 Summary of 2014 Planned Activities

Activities planned for 2014 are consistent with the schedule presented in Section 2.3 and are summarized below.

2.2.1 Engineering, Procurement, Fabrication, and Installation

The following key engineering, procurement, fabrication, and installation activities are planned for 2014:

- Delivery and installation of pipe saddles on the HSMs.
- Install export pipeline on the VSMs during the 2014 winter construction season.
- Hydrotest the installed export pipeline.
- Complete procurement of the piggable wye.

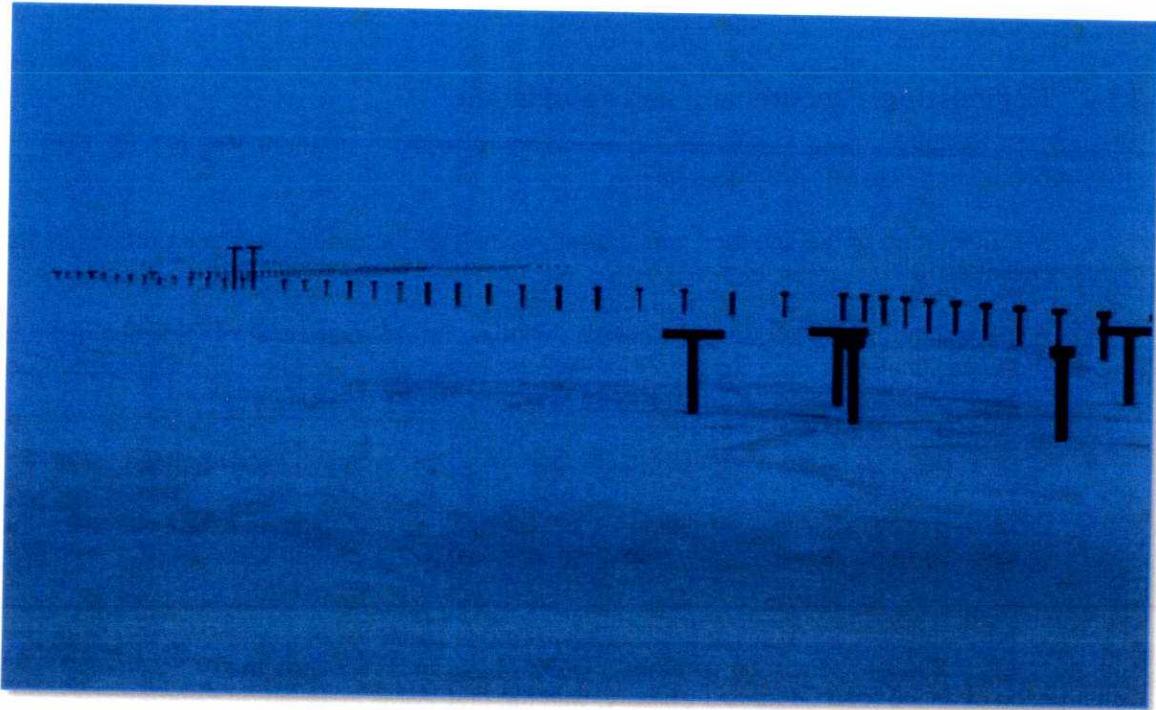


Figure 2 PTEP ROW and VSMs near Badami

2.2.2 Field Surveys

Ice road routes and pad locations will be surveyed prior to the 2014 winter construction season.

2.2.3 Construction

The following key activities for construction of the PTEP are planned for 2014: Construction of the ice road, spurs, and staging areas along the export pipeline ROW.

2.3 Schedule

The current schedule is presented in Figure 3.

3 Risk Management Program

Documents submitted to the SPCO as part of NTP process were approved and accepted upon issuance of the NTP on December 21, 2012; there has been no change to the Risk Management Program.

An audit of the pipeline engineering contractor during 1st quarter of 2013 was conducted. See Section 9 for more details.

4 Quality Management System

Documents submitted to the SPCO as part of NTP process were approved and accepted upon issuance of the NTP on December 21, 2012; no changes have been made to the Quality Management System.

5 Safety Programs

Documents submitted to the SPCO as part of NTP process were approved and accepted upon issuance of the NTP on December 21, 2012; no changes have been made to Safety Program.

6 Performance under the ROW Lease/Compliance

The State Pipeline Coordinator's Office conducted six inspection visits to the PTEP site during 2013 (two additional site visits were not completed due to weather) and issued ten satisfactory surveillance reports. No issues or noncompliance were noted. Table 2 provides a summary of SPCO inspections and reports relevant to PTEP performance under the ROW Lease Terms and Stipulations.

Table 2 SPCO Inspections and Reports

Inspection Date	Area Covered During Inspection	Comments
2/4/13	Ice Road	Accompanied by DMLW
2/24/13	Ice Road	Site inspection initiated but not completed due to weather
3/19/13	Ice Road/ROW	SPCO letter report 13-186-AS, including six satisfactory surveillance reports of the Season One Construction Activities
4/11/13	Quality Control	Site inspection was not completed due to weather
5/2/13	ROW	Accompanied by DMLW, SPCO letter report 13-193-AS, including three satisfactory surveillance reports on the ROW Demobilization
5/15/13	Quality Assurance	SPCO issued a satisfactory surveillance report on the Quality Assurance Records
5/30/13	Permitting	SPCO issued a letter approving the updated 2013 Polar Bear and Wildlife Interaction Plan
8/26/13	ROW	ROW flyover

7 Events, Incidents, and Issues

No significant events, incidents, or issues which had the potential to or actually did adversely impact pipeline system integrity, the environment, or worker or public safety affected the PTEP project in 2013. Spills are reported separately in Section 8.

7.1 Pipeline System Integrity

No events, incidents, or issues occurred in 2013 that could affect Pipeline System Integrity.

7.2 Worker or Public Safety

No events, incidents, or issues occurred in 2013 that could affect Worker or Public Safety.

7.3 Environment

No environmental events, incidents, or issues occurred in 2013.

8 Oil and Hazardous Substance Discharges

Two reportable discharges of oil or hazardous substances occurred within the PTEP ROW lease in 2013.

On March 9, 2013, approximately 8.5 gallons of hydraulic fluid were released (2.5 gallons to secondary containment and 6 gallons to snow/ice on gravel pad) from a faulty hydraulic line fitting on an 824K loader. The spilled hydraulic fluid was fully cleaned up and the incident was reported to ADEC and ADNR.

On April 2, 2013, a small diesel spill was noticed under a Doyon crew bus parked on the ice storage pad just south of the Savant pad, which is south of the Badami air strip. The diesel penetrated one foot of ice pad down to the top of underlying tundra. The diesel did not penetrate down to the root structure. Cleanup was done in accordance with ADEC-approved methods. The spill was reported to ADEC and ADNR and copy of the report sent to SPCO.

9 Surveillances, Audits, Self-Assessments, Internal Evaluations

A summary of surveillance and monitoring program activities is provided below, including proposed activities and corrective and preventative actions.

9.1 2013 Scope of Activities

The Project Quality group performed an audit of the pipeline engineering services subcontractor on 9 January 2013. The results are described in Section 9.3.

A Quality Assurance Supervisor was assigned to oversee PTEP fabrication activities and performed routine surveillances and informal assessments from March 2013 to present.

9.2 2014 Planned Activities

The following activities are planned in 2014:

- 1Q 2014: The Project Quality plans to perform an Audit of the pipeline construction and installation subcontractor.
- A Quality Assurance Supervisor and Pipeline Inspection Advisor were mobilized to the North Slope to monitor construction and installation of the PTEP from January 2014 through completion.

9.3 Corrective and Preventative Actions

Year 2013 corrective and preventative actions:

- Audit performed on 9 January 2013 determined that pipeline engineering services Subcontractor is performing at a level that meets most policies and procedures set forth for the project. Overall level of compliance is good with implementation of the internal Quality Program and Engineering Management Plan.
- Ongoing surveillances performed by the Quality Assurance Supervisor resulted in continuous improvements to subcontractor Quality Systems and documentation consistent with the existing Quality Management Plans.