

BEECHEY POINT UNIT AGREEMENT

**APPROVAL OF THE APPLICATION TO
FORM THE BEECHEY POINT UNIT**

FINDINGS AND DECISION OF THE DIRECTOR,
DIVISION OF OIL AND GAS UNDER DELEGATION OF AUTHORITY
FROM THE COMMISSIONER,
DEPARTMENT OF NATURAL RESOURCES, STATE OF ALASKA

AUGUST 31, 2009

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I. DECISION SUMMARY

Brooks Range Petroleum Corporation (BRPC), as the designated Beechey Point Unit Operator, filed the Beechey Point Unit formation application (Application) with the State of Alaska (State), Department of Natural Resources (DNR) on April 27, 2009. BRPC submitted confidential and public information as part of the Application, which met the requirements for a complete application under 11 AAC 83.306.

The DNR Division of Oil and Gas (Division) gave notice under 11 AAC 83.311 of the proposed Beechey Point Unit (BPU) formation on April 30, 2009. The period for public comment closed on June 8, 2009. Comments were received from four parties supporting unitization. A fifth party commented with specific concerns that were addressed by the Division and are discussed below on page 12. The Division postponed its decision in a letter dated July 31, 2009 to allow working interest owners an opportunity to review the confidential geological, geophysical and engineering portion of the Application.

This decision is the written finding and decision required under 11 AAC 83.303 and is fully appealable. The Division finds that approval of the Beechey Point Unit Agreement promotes conservation of all natural resources, promotes the prevention of economic and physical waste, and provides for the protection of all parties of interest, including the State. I approve formation of the Beechey Point Unit and the Beechey Point Unit Agreement in accordance with the criteria under 11 AAC 83.303.

II. BACKGROUND

BRPC, as designated Beechey Point Unit Operator, filed the Application with DNR on behalf of the working interest owners (WIOs). BRPC is qualified to act as unit operator under 11 AAC 83.331 because BRPC is qualified to hold a lease and is qualified to fulfill the duties and obligations under the Unit Agreement (Agreement).

The proposed BPU is located on the North Slope of Alaska, immediately north of the Prudhoe Bay Unit, between the Milne Point Unit and the Northstar Unit. The BPU encompasses 25 State oil and gas leases and covers approximately 52,876 acres. Approval of the proposed BPU Agreement conforms and modifies the lease contracts to be consistent with the BPU Agreement, and extends the terms of the leases for as long as they are subject to the BPU Agreement.

The leases in the approved unit, and their corresponding lease numbers, acreages, state royalty interests, lease effective dates, lease form, ownership, and current lease expiration dates are shown below in Table 1.

Table 1

Beechey Point Lease Information

ADL	Acres	State Royalty Interest %	Lease Effective Date	Lease Form Issued on	Working Interest Owners and Percentage	Lease Expiration Date
47468	2,437.00	12.50	10/1/1969	DL-1 Rev. October 1963	Exxon 50% Chevron 50% (CPAI owns 12.5% contractual WI within T12NR13E Sections 7 and 8)	Held by well capable to produce in paying quantities
389947	640.00	16.66667	9/01/2002	DOG 200004	AVCG 100%	8/31/2009
389948	640.00	16.66667	9/1/2002	DOG 200004	AVCG 40% TG World 35% Ramshorn 25%	8/31/2009
390073	2,560.00	16.66667	9/1/2002	DOG 200004	AVCG 40% TG World 35% Ramshorn 25%	8/31/2009
390074	2,555.00	16.66667	9/1/2002	DOG 200004	AVCG 40% TG World 35% Ramshorn 25%	8/31/2009
390425	2,560.00	16.66667	5/01/2004	DOG 200204 (Rev 10/03)	AVCG 100%	4/30/2011
391155	2,544.00	16.66667	9/1/2007	DOG 200604	AVCG 100%	8/31/2012
391156	2,558.29	16.66667	9/1/2007	DOG 200604	AVCG 100%	8/31/2012
391157	2,558.28	16.66667	9/1/2007	DOG 2006-04	AVCG 100%	8/31/2012
391158	2,560.00	16.66667	9/1/2007	DOG 2006-04	AVCG 100%	8/31/2012
391159	2,560.00	16.66667	9/1/2007	DOG 2006-04	AVCG 100%	8/31/2012
391208	1,328.00	16.66667	9/1/2007	DOG 2006-04	AVCG 100%	8/31/2012
391287	640.00	16.66667	8/1/2008	DOG 200604	AVCG 100%	7/31/2013
390432	2,560.00	16.66667	5/1/2004	DOG 200204 (Rev 10/03)	AVCG 40% TG World 35% Ramshorn 25%	4/30/2011
390508	2,560.00	16.66667	4/1/2004	DOG 200204 (Rev 10/03)	AVCG 40% TG World 35% Ramshorn 25%	3/31/2011
390509	2,437.00	16.66667	4/1/2004	DOG 200204 (Rev 10/03)	AVCG 40% TG World 35% Ramshorn 25%	3/31/2011

ADL	Acres	State Royalty Interest %	Lease Effective Date	Lease Form Issued on	Working Interest Owners and Percentage	Lease Expiration Date
390851	2,560.00	16.66667	3/1/2007	DOG 200204 (Rev 10/03)	AVCG 40% TG World 35% Ramshorn 25%	2/29/2012
391152	2,544.00	16.66667	9/1/2007	DOG 200604	AVCG 100%	8/31/2012
391153	2,560.00	16.66667	9/1/2007	DOG 200604	AVCG 100%	8/31/2012
390426	1,280.00	16.66667	5/1/2004	DOG 200204 (Rev 10/03)	AVCG 100%	4/30/2011
390427	1,280.00	16.66667	5/1/2004	DOG 200204 (Rev 10/03)	AVCG 100%	4/30/2011
390428	1,274.00	16.66667	5/1/2004	DOG 200204 (Rev 10/03)	AVCG 40% TG World 35% Ramshorn 25%	4/30/2011
390429	2,560.00	16.66667	5/1/2004	DOG 200204 (Rev 10/03)	AVCG 40% TG World 35% Ramshorn 25%	4/30/2011
390430	2,560.00	16.66667	5/1/2004	DOG 200204 (Rev 10/03)	AVCG 40% TG World 35% Ramshorn 25%	4/30/2011
390431	2,560.00	16.66667	5/1/2004	DOG 200204 (Rev 10/03)	AVCG 40% TG World 35% Ramshorn 25%	4/30/2011

The BPU area has had a number of discoveries over the years, and has been part of several former units, but has not been developed. BRPC drilled its first exploration well, North Shore #1, as well as the Sak River No. 1 well, during the winter of 2006-2007. The North Shore #1 well was sidetracked the following year and tested over 2,000 barrels of oil per day (bopd) of high quality crude from the Ivishak formation. In addition to drilling these wells, BRPC acquired 130 square miles of seismic data covering the entire BPU area. On July 10, 2008, the Division determined that the North Shore #1 well is capable of producing in paying quantities under 11 AAC 83.105. The unit operator requests the Commissioner specifically authorize the North Shore #1 well as a unit well under the BPU Agreement.

The Division will administer the BPU under state regulations, the terms expressed in this decision, and the BPU Agreement.

III. APPLICATION FOR THE FORMATION OF THE BEECHEY POINT UNIT

BPRC submitted the Application on April 27, 2009 along with an application filing fee of \$5,000 in accordance with 11 AAC 83.306 and 11 AAC 05.010(a)(10)(D). The Application included: the Beechey Point Unit Agreement ; Exhibit A, describing the proposed unit area, its leases, and ownership interests; Exhibit B, a map of the proposed unit area; Exhibit G, the proposed Initial Plan of Development (initial POD) including exploratory activity; and four Unit Operating

Agreements. The Application also included geological, geophysical and engineering information supporting the Application that is held confidential under AS 38.05.035(a)(8)(C). The Division deemed the Application complete on April 28, 2009.

Public notice of the Application was published in the *Anchorage Daily News* on May 3, 2009, and in the *Arctic Sounder* on May 7, 2009. The public notice and a copy of the Application were posted to the Division website on April 30, 2009. Copies of the Application and public notice were provided to interested parties under 11 AAC 83.311. The Division provided public notice to the North Slope Borough, AOGCC, ASRC, Arctic Slope Native Association, the Village of Barrow, Mayor of the City of Nuiqsut, Alaska Department of Fish and Game, Postmaster of Nuiqsut, KBRW Public Radio (Barrow), Mayor of the City of Barrow, Alaska Department of Environmental Conservation, Kuukpik Corporation, Inupiat Community of the Arctic Slope, UIC and the President of the Native Village of Nuiqsut. The public notices invited any person to submit written comments by June 8, 2009.

Five parties commented.¹ Four letters supporting approval of the BPU cited economic development, job creation, environmental conservation, maximizing resource development, and protecting the public interest. TG World requested the Division require BRPC to revise Exhibit A, submit a single unit operating agreement, provide the working interest owners access to the confidential geological, geophysical and engineering submittal, and postpone Application approval. In response the Division postponed its Application approval decision to allow working interest owners an opportunity to review the confidential geological, geophysical and engineering portion of the Application, and met with the interested parties to address other concerns raised in the comments.

IV. DISCUSSION OF DECISION CRITERIA

The Commissioner of DNR (Commissioner) reviews unit applications under AS 38.05.180(p) and 11 AAC 83.303 – 11 AAC 83.395. The Commissioner approved delegation of this authority to the Director of the Division of Oil and Gas (Director) in Department Order 003.

The Director will approve a unit to include all or part of an oil or gas reservoir, or all or part of a potential hydrocarbon accumulation if he finds that it will conserve the natural resources of all or part of an oil and gas pool and is necessary or advisable to protect the public interest. The Division's standard for reviewing unit applications is based on the criteria listed in 11 AAC 83.303 (a) and (b). A discussion of subsection (b) evaluation criteria, as they apply to the Application, is set out directly below, followed by a discussion of subsection (a) decision criteria.

A. Evaluation Criteria considered under 11 AAC 83.303(b)

1. The Environmental Costs and Benefits of Unitized Exploration or Development

The proposed BPU includes both onshore and offshore lease acreage on the North Slope of Alaska near Gwyder Bay. During exploration and through its development operations, unit

¹ The Alliance; Peak Oilfield Services Company; Northwest Technical Services; Eric Dompeling; and Perkins Coie for TG World Energy, Inc. (TG World)

activities will have a minimum amount of surface impact as proposed in the Application. Environmental impacts would be significantly greater if the reservoirs were to be developed on a lease-by-lease basis.

Alaska statutes require DNR to give public notice and issue a written finding before disposal of the State's oil and gas resources. AS 38.05.035(e), AS 38.05.945 and 11 AAC 82.415. In preparing a written decision before an oil and gas lease sale, the Commissioner may impose additional conditions or limitations beyond those imposed by law. AS 38.05.035(e). DNR develops lease stipulations through the lease sale process to mitigate the potential environmental, social and cultural impacts from oil and gas activity.

The 25 leases included in the proposed BPU contain stipulations designed to protect the environment and to address concerns regarding potential impact to fish and game, to wildlife habitats, and to subsistence. Lease conditions address issues such as the protection of primary waterfowl areas, site restoration, construction of pipelines, seasonal restriction on operations, public access to, or use of, the leased lands, and avoidance of seismic hazards. Including the leases in the proposed BPU will neither change these protective measures, nor result in additional restrictions or limitations on public access to the lands or to public and navigable water. All lease operations, (both before and after unitization), are subject to an Alaska Coastal Management Program consistency review, and must comply with enforceable policies of both the State and the North Slope Borough.

Ongoing mitigation measures, such as seasonal restrictions on specific activities in certain areas, will reduce the impact on bird, fish, and mammal populations. Designating primary waterfowl areas and restricting activities within these areas is one method of protecting the bird habitat. DNR requires consolidation of facilities to minimize surface disturbances. Regulating waste disposal is another way to limit environmental impacts. With these mitigating measures, the anticipated exploration and development related activity is not likely to significantly impact bird, fish, and mammal populations. The anticipated activity under the BPU Agreement will impact wildlife, habitat and subsistence activity less than if the leases were explored and developed individually because unitized exploration, development and production will minimize the surface footprint of activities thus lessen surface impact.

The approval of the BPU has no environmental impact because the Commissioner's approval of the unit is an administrative action, which, by itself, does not convey any authority to conduct any operations within the unit. Unit formation does not entail any environmental costs in addition to those that may occur when permits to conduct lease-by-lease exploration or development are issued. Unitization does not waive or reduce the effectiveness of the mitigating measures that condition the lessee's right to conduct operations on these leases. DNR's approval of the initial POD is only one step in the process of obtaining permission to drill a well or wells or develop the potential and known reservoirs within the unit area. The Unit Operator must still obtain approval of a Plan of Operations from the State and permits from various local, state, and federal agencies on State leases before drilling a well or wells or initiating development activities to produce reservoirs within the unit area. 11 AAC 83.346. The Unit Operator must guarantee full payment for any damage sustained to the land estate before beginning operations, and the Plan of Operations must include plans for rehabilitation of the unit area. Finally, DNR may

further require that the Unit Operator comply with the lease stipulations and lease advisories developed for the most recent lease in the BPU or comply with the lease stipulations and lease advisories developed for the most recent lease in the region.

2. The Geological and Engineering Characteristics of the Reservoir and Prior Exploration Activities in the Unit Area

Introduction

Under 11 AAC 83.356(a), a unit must encompass the minimum area required to include all or part of one or more oil or gas reservoirs, or all or part of one or more potential hydrocarbon accumulations. 11 AAC 83.395(5) defines a "potential hydrocarbon accumulation" as "any structural or stratigraphic entrapping mechanism which has been reasonably defined and delineated through geophysical, geological, or other means and which contains one or more intervals, zones, strata, or formations having the necessary physical characteristics to accumulate and prevent the escape of oil and gas."

BRPC provided sufficient confidential geologic and geophysical data in support of the Application. Data included structure and isopach maps, interpreted seismic data and other geologic displays. The data are confidential and therefore, this information is not discussed in detail here. The Division will hold these data confidential under AS 38.05.035(a)(8)(C) and 11 AAC 96.220.

Geologic and Engineering Characteristics of the Reservoirs

The primary exploration targets in the proposed BPU are the Ivishak Sandstone of the Sadlerochit Group, the Sag River Formation and the Kuparuk River Formation. The proposed BPU lies north of the northwest to southeast trending, down-to-the-north, Prudhoe fault that separates the Prudhoe Bay Field from deeper, more complexly faulted structures in the north. Late Jurassic to Early Cretaceous rift related faults and Brookian compressional faults overprint the area north and west of Prudhoe Bay resulting in smaller structural closures at the Ivishak level. Early exploration efforts in this area focused primarily on small, fault associated structural closures in the Ivishak Sandstone. Although the overlying Sag River Formation and the underlying Lisburne Group carbonates were penetrated in most early exploration wells, potential hydrocarbon plays within these reservoirs were not fully evaluated. Historically, structural to combination structural/stratigraphic traps in both the Lower Cretaceous Kuparuk River Formation and the Cretaceous Brookian Sequence were only secondary targets.

The Lisburne Group consists of Mississippian to Pennsylvanian carbonates. The only Lisburne production on the North Slope is located approximately twelve miles east of the proposed unit in the Lisburne Participating Area (PA) of the Prudhoe Bay Unit. The Lisburne is not an exploration target for the proposed unit. Unconformably overlying the Lisburne Group is the Permo-Triassic Sadlerochit Group consisting, in this area, of the shallow marine Kavik Formation which is conformably overlain by the progradational, pro-deltaic to fluvial Ivishak Sandstone, the primary producing formation in Prudhoe Bay Field. The Ivishak Sandstone, in this area, ranges in thickness from 320 feet (North Prudhoe Bay St 1) to 370 feet (Pt. Storkersen #1). Porosity for the sandstone ranges from the teens to 20 percent; whereas, permeability can

range up to hundreds of millidarcies. The Sadlerochit Group is unconformably overlain by a transgressive sequence that consists of sandy, marly carbonates to limestones of the Shublik Formation and overlying shelfal sandstones of the Sag River Formation. The Shublik Formation is a known hydrocarbon source rock. It contains minor potential for reservoir quality rock, but has occasionally tested oil. The Sag River Formation is glauconitic, very fine grained, quartz rich shelfal sandstone that contains moderate quality reservoir rock. It is a potential reservoir target in the proposed Beechey Point Unit. Overlying the Permo-Triassic reservoirs are the Jurassic Kingak Formation, the Miluveach Formation and the Kuparuk River Formation. A complex, rift shoulder margin depositional setting for the Kuparuk River Formation gives rise to reservoir sandstones that are highly variable in thickness and reservoir quality. Numerous fields surrounding the proposed Beechey Point Unit produce from the Kuparuk River Formation. The nearest production is at Pt. McIntyre, directly east of the proposed unit. Kuparuk sandstone also produces south and southwest of the proposed unit at Prudhoe Bay Unit (Western Satellites), Kuparuk River Unit and Milne Point Unit.

Prior Exploration Activities

The earliest well drilled in the area is the 1969 Hamilton Brothers Pt. Storkersen#1 well. The well penetrated part of the Lisburne Formation and reached a total depth of 11,473 feet measured depth. Seven of eight drill stem tests (DSTs) were conducted in the Sag River Formation and the Ivishak Sandstone. From the completion report, DST#7 and DST#8 recovered 570 feet of oil and 2,800 feet of oil, gas, and gas cut water cushion respectively from the Sag River Formation. DST#1, 10,580 feet measured depth to 10,640 feet measured depth, in the Ivishak Sandstone flowed 315 barrels of oil per day. DST#6, 10,580 feet measured depth to 10,640 feet measured depth, flowed 735 barrels of oil per day from the Ivishak Sandstone; while DST#3, 11,086 feet measured depth to 11,277 feet measured depth, recovered 2,000 feet of water cushion and 450 feet of gas cut mud from the Lisburne. The Kuparuk River Formation, approximately 560 feet thick (TVD), was not tested in the well.

The Kuparuk Delta 51-1 well was drilled after Pt. Storkersen in 1970 by Hamilton Brothers in what was then the Kuparuk Delta Unit. The well reached a total depth of 11,200 feet measured depth in the upper Lisburne Group. Eight drill stem tests were conducted; four are recorded as failed tests in the well completion report. No flow of hydrocarbons were recorded for the three drill stem test conducted in the lower Kuparuk Sandstone (DST#6), Sag River Formation (DST#2) and in the lowermost Shublik D and upper Ivishak Sandstone (DST#8). However, a lower Brookian 'stray sandstone' interpreted as a distal slope turbidite sandstone tested oil in DST#5 from 7,131 feet measured depth to 7,171 feet measured depth. Completion report data indicates this sandstone flowed 32.8° API oil at an initial rate of 2,200 barrels of oil per day, which decreased to 1,500 barrels of oil per day.

In late 1970, Conoco followed this well with the Kuparuk Delta 51-2 well that penetrated the Lisburne Group to a total depth of 13,605 feet measured depth. This well is located approximately 4,500 feet north of the Kuparuk Delta 51-1 well. The completion report indicates that 10 drill stem tests were performed. The first five tests failed. Successful tests of oil were recorded from the Ivishak Sandstone and the Kuparuk River Formation. DST#6 in the Ivishak Sandstone, 11,655 feet measured depth to 11,659 feet measured depth, flowed 695 barrels of oil

per day (33° API) with 1,000 barrels of water per day. DST#7 also in the Ivishak Sandstone, 11,635 feet measured depth to 11,639 feet measured depth, flowed 520 barrels of 39.7° API oil with a 12 percent water cut. DST#8 and DST#9 were conducted in the Kuparuk River Formation from 9,614 feet measured depth to 9,618 feet measured depth. DST#8 did not flow oil to the surface, but reversed out 40 barrels of 25.6° API oil. DST#9 flowed oil to the surface after 460 minutes at an equivalent rate of 350 barrels of 26.7° API oil with no water cut. DST#10 also in the Kuparuk River Formation, 9,363 feet measured depth to 9,367 feet measured depth, reversed out 90 barrels of 23° API oil with no flow to the surface.

Hamilton Brothers turned over unit operation to Conoco and the unit was renamed the Gwydyr Bay Unit. It was not until 1981 that Conoco drilled the Gwydyr Bay 2 and 2A wells, although additional wells were drilled in the Gwydyr area by Mobile and Cities Service. The Conoco Gwydyr Bay 2 well, spudded in late 1980, reached a total depth of 11,365 feet measured depth in the Ivishak Sandstone. The Ivishak was wet. Conoco side tracked the well, but not until a test was conducted in another 'stray' sandstone within the Brookian section. A drill stem test was run from 7,500 feet measured depth to 7,575 feet measured depth. On a final flow test, 80 barrels of 30°-34° API oil was recovered with no formation water and with some gas. Three abandonment plugs were set and the well was sidetracked to drill the Gwydyr 2A wells. This well tested oil from both the Ivishak Sandstone and the Kuparuk River Formation. DST#1B in the Ivishak Sandstone, 11,233 feet measured depth to 11,259 feet measured depth, flowed 3,000 barrels of oil per day with 170 barrels of water per day and a GOR of 900 SCF/STB. DST#2 was performed in the Kuparuk River Formation over two perforated intervals (9,654-9,641 and 9,571-9,561 MD), with a stabilized oil rate of 740 BOPD and a GOR of 410 SCF/STB.

BP Exploration Alaska (BPXA) drilled Pete's Wicked No. 1 in 1997. Approximately 65 feet of oil pay in the Ivishak Sandstone are evident on logs. No well tests were conducted. Development plans for a roadless drillsite and a three well development were submitted and approved. However, BPXA dropped these plans and the acreage went back to the State of Alaska.

The North Shore #1 well was drilled by BPRC in 2006-2007, and sidetracked in 2008. The sidetrack tested 2,092 bopd from the Ivishak Formation. Test results of the Sag River Formation of North Shore #1 sidetrack were inconclusive. On July 10, 2008, the Division determined that the North Shore #1 Well is economically and physically capable of producing in paying quantities under 11 AAC 83.105.

3. Plan of Development for the Proposed Beechey Point Unit

BPRC provided sufficient technical data to define the hydrocarbon prospects under consideration and to support long-range development activities for the proposed BPU. The initial five-year Plan of Development (initial POD), Exhibit G, includes plans to delineate all underlying oil or gas reservoirs, bring several isolated reservoirs into production through the proposed North Shore Development Project, and maintain and enhance production once established. The BPU is divided into five exploration blocks, North Shore, West Shore, Northwest Shore, East Shore and Off Shore, see Attachment 3. The initial POD includes plans for exploration or delineation of land not included in a participating area, with specific drilling expectations within the undrilled exploration blocks of the BPU. The term of the initial POD commences on the effective date of

the BPU Agreement, **August 31, 2009**, and end on **August 30, 2014**. Each year, BRPC must submit an annual report to the Division by July 1st; and, schedule a meeting to present technical information and discuss unit operations. The initial POD for the proposed BPU establishes work obligations that BRPC shall meet in order for the proposed unit to remain in good standing.

The provisions of the initial POD require the following development and exploration commitments:

Development

1. By December 31, 2010, BRPC shall have all the permits in place for the North Shore Development Project, as more particularly described in Table 2.3 of the North Shore Development Project Description dated January 2009;
2. By October 1, 2012, BRPC shall apply to the Commissioner to form an initial Participating Area; and
3. By January 1, 2013, BRPC anticipates first production from the initial Participating Area.

Exploration

1. By December 1, 2010, BRPC shall commit in writing to drill a well within one of the five designated exploration blocks in the proposed BPU;
2. On or before July 1, 2011, BRPC shall complete drilling operations for the first exploratory well in one of the exploration blocks;
3. By December 1, 2012, BRPC shall commit in writing to drill a second well within one of the remaining undrilled exploration blocks; and
4. On or before July 1, 2013, BRPC shall complete drilling operations of the second exploratory well in one of the remaining undrilled exploration Blocks.

Adherence to these terms will satisfy the performance standards and due diligence requirements that the Division and BRPC agreed to as a condition for the approval of the BPU Agreement. Failure to meet the commitments set out in the approved initial POD, including the exploration plan, will result in termination of the Beechey Point Unit, except as to tracts or portion of tracts included in an approved Participating Area or included in an application for a Participating Area. If BRPC fails to meet a drilling commitment specified in the initial POD, the Beechey Point Unit automatically terminates on August 1st of that year; and, the WIOs agreed to waive the extension provisions of 11 AAC 83.140 and Article 15, and the notice and hearing provision of 11 AAC 83.374. Within 30 days of unit termination, the WIOs shall surrender all leases whose primary terms have expired, (except ADL 47468), that are not in an approved Participating Area or included in an application for a Participating Area within the Beechey Point Unit.

If all the commitments of the initial POD are met, a second Plan of Development (2nd POD) must be submitted to the Division on or before June 1, 2014. The Division expects the 2nd POD to commit to the same level of exploration activity for the years 2014 – 2019 as proposed in the initial POD, Section 2(e) through Section 2(g).

4. The Economic Costs and Benefits to the State

Approval of the BPU Agreement in combination with the initial POD will result in both short-term and long-term economic benefits to the State. The assessment of the leases' hydrocarbon

potential will create jobs in the short term. If the WIOs sanction the North Shore Development Project and begin development/production from the BPU, the State will earn royalty and tax revenues over the life of the field, and create jobs over the long term. The initial POD advances exploration and evaluation of reservoirs that might not otherwise be developed on a lease-by-lease basis. Unitization allows BRPC to follow a systematic approach to exploration and development and to maximize oil recovery in an efficient and environmentally benign manner. It allows numerous relatively small accumulations to share facilities and infrastructure, which benefits the State.

The BPU Agreement defines the rights, responsibilities, and relationship between the Unit Operator, WIOs, and the State. It protects the interests of the State and the lessees. It defines the parties' rights and responsibilities in the event of both successful and unsuccessful exploration results.

5. Amendments to the State Only Model Unit Agreement Form

BRPC submitted a Unit Agreement Form that conforms to the State's unit agreement model form, revised March 2009. No amendments to the model unit agreement form were made.

6. Other Relevant Factors

No unit will be approved unless the parties to the BPU Agreement hold sufficient interest in the unit area to give reasonably effective control. 11 AAC 83.316. One lease (ADL 47468) in the unit area is under a Farmout agreement to AVCG, LLC, and operated by BRPC; and the Application was submitted with four unit operating agreements – two of which relate to earlier Farmout agreements affecting ADL 47468. The Application, when submitted, was not signed by all the working interest owners. However, the BPU Agreement was approved by 78.9% of the record title owners of the 25 leases committed to the BPU, which is effective control under the unit operating agreements.

TG World was concerned that the overlapping operating agreements would prevent development. The Division considered TG World's comments and concludes the operating agreements do not prevent development of the proposed BPU because the operating agreements allow for exploration and development to continue without 100% commitment from the WIOs. The WIOs who signed the BPU Agreement hold sufficient interest in the unit area to proceed with exploration and development plans. In addition, the initial POD protects that State's interest through specific development and exploration commitments that must be met in order for the BPU to remain in good standing. Although it is not the norm, the Unit Agreement does not preclude an operator from entering into multiple operating agreements.

The other concerns raised by TG World were discussed and resolved in a meeting between the working interest owners and the Division on August 24, 2009. Exhibit A as submitted reflects current ownership of the leases and will be updated when assignments are approved by the Division. The extension of the decision date afforded TG World additional time to review the confidential portion of the Application. After that review, TG World had no further comments.

BRPC requested the North Shore #1 (NS#1) well be considered a unit well under the BPU Agreement. The WIOs have been actively exploring the BPU area in anticipation of forming a unit. The NS#1 was drilled as an exploration well and will be used as a production well if the North Shore Development Project is sanctioned by the WIOs. Although the well was drilled prior to unit formation, designating NS#1 as a unit well promotes the State's object to encourage new exploration prior to submitting a unit application.

The 25 leases to be incorporated into the BPU were not issued on one Division lease form. Lease forms vary from DL-1 Rev. Oct. 1963, DOG 200004, DOG 200204 to DOG 200604. For clarity, Article 12.5 of the BPU Agreement language provides that,

Notwithstanding any contrary lease term or provision in 11 AAC 83.228-11 AAC 83.229, all royalty deductions for transportation, including, but not limited to, marine, truck 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. Transportation deductions are only allowed for sales quality oil. These transportation costs must be determined by taking into account all tax benefits applicable to the transportation.

To the extent the language in the lease is silent the language in Article 12.5 of the BPU Agreement will prevail.

Four of the leases in the proposed unit area will expire on August 31, 2009 if they are not included in an approved unit. If the leases expire, the leasehold interest will return to the State. The earliest that the Division could re-offer the land, under the current Five-Year Oil and Gas Lease Sale Schedule is October 2010. There is no certainty that anyone would bid on the tracts or pursue exploration of this area. If the Division leased the tracts again in 2010, the state would receive bonus payments and rentals for the primary term of the new leases. However, it could be years before the new lessees would propose exploration of the area.

The commitments under the initial POD provide the State with the opportunity to receive royalties from the leases sooner than if the acreage were re-offered in a lease sale. Any additional administrative burdens associated with the formation of the new unit are far outweighed by the additional royalty and tax benefits derived from any production that may occur if the exploration and development activity is successful.

B. Decision Criteria considered under 11 AAC 83.303(a)

1. Promote the Conservation of All Natural Resources

DNR recognizes unitization of the leases overlying a reservoir as a prudent conservation mechanism. Unitization is the most efficient method for maximizing oil and gas recovery, while minimizing negative impacts on other resources. Approving the BPU and implementing the initial POD provides an efficient, integrated approach to developing the numerous potential reservoirs, which promotes conservation of all natural resources. Environmental impacts will be reduced by developing the reservoirs from shared onshore facilities, which minimizes the surface footprint and protects the environment.

The BPU Agreement promotes the conservation of both surface and subsurface resources. Without the BPU Agreement, the lessee would be compelled to seek permits to drill wells on each individual lease in order to extend the leases beyond their primary terms. Unitization reduces both the number of facilities required to develop reserves that may be discovered and the aerial extent of land required to accommodate those facilities. Review and approval of exploration and development permits under a unit agreement will also ensure that rational surface-use decisions are made without consideration of individual lease ownership or expense. Although BRPC has not determined the final extent of the hydrocarbons contained in the prospective reservoirs, the BPU Agreement will ensure that the acreage is explored and recovery from the leases is maximized when commercial hydrocarbon accumulations are discovered.

2. The Prevention of Economic and Physical Waste

Unitization will prevent economic and physical waste by eliminating redundant expenditures for a given level of production, and avoiding lost of ultimate recovery by adopting a comprehensive reservoir management strategy. Unitized operations improve development of reservoirs. Marginally economic reserves, which otherwise would not be produced on a lease-by-lease basis, can be produced through unitized operations in combination with more productive leases. Facility consolidation lowers capital costs and promotes optimal reservoir management. Pressure maintenance and secondary recovery procedures are easier to design and achieve through joint, unitized efforts than would otherwise be possible. In combination, these factors allow less profitable areas of a reservoir to be developed and produced in the interest of all parties, including the State.

The total cost of exploring and developing the BPU area would be higher on a lease-by-lease basis than under unitization terms. Drilling and facilities investment costs will be minimized as a consequence of eliminating a need for numerous sites within the unit area. Locations of individual wells and surface facilities will be selected to optimize ultimate oil and gas recovery, while minimizing or completely avoiding adverse impacts to the environment. Reducing costs and environmental impacts through unitized operations will expedite development of any reserves discovered and will promote greater ultimate recovery of any oil and gas from the unit area. This will increase and extend the State's income stream from production taxes and royalties. The revenues to the lessees and Unit Operator may be reinvested in new exploration and development in the state. Unitization means reduced costs and increased benefits to all interested parties. It benefits the local and state economy, and provides revenues to the State's general, school, constitutional budget reserve, and permanent funds.

3. The Protection of All Parties of Interest, Including the State

Unitization will protect all parties of interest by allowing production from each individual reservoir to be allocated back to each tract contributing to production in paying quantities. The BPU Agreement, in combination with the initial POD, promotes the State's economic interests because exploration and development will likely occur earlier than without unitization, particularly given the relatively small, isolated hydrocarbon accumulations that exist in the unit area. Diligent exploration and development under a single approved unit plan without the complications of competing operators is in the State's best interest. It advances evaluation of the

state's petroleum resources, while minimizing impacts to the region's cultural and environmental resources. A commercial discovery will stimulate the state's economy with production-based revenue, oil and gas related jobs, and service industry activity.

The BPU Agreement provides for accurate reporting and record keeping, DNR approval of plans of exploration, development and operation, royalty settlement, in-kind taking, and emergency storage of oil and gas, all of which will further the State's interest. The lease forms and BPU Agreement also provide that the State's royalty share will be free and clear of all lease expenses, unit expenses and participating area expenses. The BPU Agreement will further BRPC's interest by providing clear provisions for the operation of the BPU. The modifications to the varying provisions of the leases will economically benefit the State, and reduce the administrative burdens of operating and regulating this unit.

V. FINDINGS AND DECISION

A. The Conservation of All Natural Resources

1. The BPU Agreement will conserve all natural resources, including hydrocarbons, gravel and sand, water, wetlands, and valuable habitat.
2. The unitized exploration, development and operation of the leases in this proposed unit will reduce the amount of land and fish and wildlife habitat that would otherwise be disrupted by individual lease development. This reduction in environmental impacts and preservation of subsistence access is in the public interest.
3. All unit development must proceed according to an approved plan of development. Before undertaking any specific operations, the Unit Operator must submit a unit Plan of Operations to the Division and other appropriate local, state and federal agencies for review and approval. The Unit Operator may not commence any drilling or development operations until all agencies have granted the required permits. DNR may condition its approval of a unit Plan of Operations and other permits on performance of mitigation measures in addition to those in the modified leases and the BPU Agreement, if necessary or appropriate. Compliance with mitigation measures will minimize, reduce or completely avoid adverse environmental impacts.

B. The Prevention of Economic and Physical Waste

1. BRPC submitted geological, geophysical and engineering data to the Division in support of the Application. Division technical staff determined that the BPU area encompasses all or part of one or more potential hydrocarbon accumulations. The available geological, geophysical and engineering data justify including the proposed lands, described in Exhibit A to the Application, in the BPU.
2. The initial POD, subject to the terms and conditions discussed in Section IV.A.3., provides for the reasonable development and exploration of potential hydrocarbon accumulations in the unit area during the initial term of the BPU Agreement. If the

WIOs sanction the development of a hydrocarbon reservoir or discovers additional accumulations of oil or gas in commercial quantities, the BPU Agreement will prevent the waste of oil and gas, and increase the probability of recovering more hydrocarbons from the unit area.

C. The Protection of All Parties in Interest, Including the State

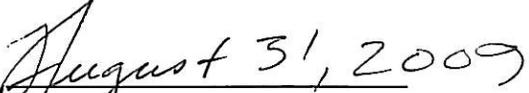
1. BRPC provided evidence of reasonable effort to obtain joinder of any proper party to the BPU Agreement.
2. BRPC is the designated operator of the BPU and has reasonably effective control of operations.
3. The BPU Agreement, conditioned upon the performance of the initial POD, adequately and equitably protects the public interest, and is in the State's best interest.
4. The BPU Agreement meets the requirements of 11 AAC 83.303.
5. The Division complied with the public notice requirements of 11 AAC 83.311.
6. The BPU Agreement will not diminish access to public and navigable waters beyond those limitations (if any) imposed by law or already contained in the oil and gas leases covered by this BPU Agreement.
7. The BPU Agreement provides for expansions and contractions of the unit area in the future, as warranted by data obtained by exploration or otherwise. The BPU Agreement thereby protects the public interest, the rights of the parties, and the correlative rights of adjacent landowners.
8. The initial POD, subject to the terms and conditions discussed in Section IV.A.3, meets the requirement of 11 AAC 83.303 and 11 AAC 83.343. The initial five-year POD, (Exhibit G), is approved through August 30, 2014. The Unit Operator shall conduct the proposed development and exploration activities in accordance with the timelines specified in the plan. The initial POD describes the performance standards and diligence requirements agreed to by the State and BRPC.
9. The BRPC shall submit an annual status report to the Division and schedule a technical meeting. The annual status report must describe the status of projects undertaken and the work completed, as well as any proposed changes to the plan. The annual status report is due by June 1st of each applicable year.
10. The BPU will expedite development and exploration of the unit area. With the formation of the BPU, economic benefits to the State outweigh the economic costs of extending the primary term of the state leases committed to the unit.

For the reason discussed in this Findings and Decision, I hereby approve the Beechey Point Unit Agreement, **effective August 31, 2009**, subject to the conditions set out in this decision, and designate the North Shore #1 well a unit well under the Beechey Point Unit Agreement.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Thomas E. Irwin, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

for


Kevin R. Banks
Director
Division of Oil and Gas



Approved

VI. ATTACHMENTS

1. Exhibit A, Beechey Point Unit Tracts/Leases
2. Exhibit B, Map of the Beechey Point Unit Boundary
3. Map of the Exploration Blocks within the Beechey Point Unit
4. Exhibit G, Beechey Point Unit Plan of Development (Initial POD)
5. Beechey Point Unit Agreement

Attachment 1

Exhibit A, Beechey Point Unit Tracts/Leases

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AUG 29 2009

Exhibit A

DIVISION OF
OIL AND GAS

Attached to and made a part of the

Beechey Point Unit Agreement

Tract #	ADL #	Legal Description	Total Acres	Effective Date	State of Alaska Royalty Interest	Overriding Royalty Interest	Working Interest
1	391157	Township: 013N Range: 011E Section: 03	2,558.28	8/1/2007	16.666670%		AVCG 30%
		Township: 013N Range: 011E Section: 04					TG World 35%
		Township: 013N Range: 011E Section: 09					Ramshorn 35%
		Township: 013N Range: 011E Section: 10					
2	391156	Township: 013N Range: 011E Section: 01	2,558.28	8/1/2007	16.666670%		AVCG 30%
		Township: 013N Range: 011E Section: 02					TG World 35%
		Township: 013N Range: 011E Section: 11					Ramshorn 35%
		Township: 013N Range: 011E Section: 12					
3	391159	Township: 013N Range: 011E Section: 15	2,560.00	9/1/2007	16.666670%		AVCG 30%
		Township: 013N Range: 011E Section: 16					TG World 35%
		Township: 013N Range: 011E Section: 21					Ramshorn 35%
		Township: 013N Range: 011E Section: 22					
4	391158	Township: 013N Range: 011E Section: 13	2,560.00	8/1/2007	16.666670%		AVCG 30%
		Township: 013N Range: 011E Section: 14					TG World 35%
		Township: 013N Range: 011E Section: 23					Ramshorn 35%
		Township: 013N Range: 011E Section: 24					
5	391155	Township: 013N Range: 012E Section: 17	2,544.00	8/1/2007	16.666670%		AVCG 30%
		Township: 013N Range: 012E Section: 18					TG World 35%
		Township: 013N Range: 012E Section: 19					Ramshorn 35%
		Township: 013N Range: 012E Section: 20					
6	390430	Township: 013N Range: 012E Section: 15	2,560.00	5/1/2004	16.666670%	Pingo 0.31%	AVCG 30%
		Township: 013N Range: 012E Section: 16					TG World 35%
		Township: 013N Range: 012E Section: 21					Ramshorn 35%
		Township: 013N Range: 012E Section: 22					
7	390851	Township: 013N Range: 012E Section: 13	2,560.00	3/1/2007	16.666670%		AVCG 30%
		Township: 013N Range: 012E Section: 14					TG World 35%
		Township: 013N Range: 012E Section: 23					Ramshorn 35%
		Township: 013N Range: 012E Section: 24					
8	391152	Township: 013N Range: 013E Section: 17	2,544.00	8/1/2007	16.666670%		AVCG 30%
		Township: 013N Range: 013E Section: 18					TG World 35%
		Township: 013N Range: 013E Section: 19					Ramshorn 35%
		Township: 013N Range: 013E Section: 20					
9	390073	Township: 013N Range: 011E Section: 25	2,560.00	8/1/2002	16.666670%	Bachner 2.00%	AVCG 30%
		Township: 013N Range: 011E Section: 26					TG World 35%
		Township: 013N Range: 011E Section: 35					Ramshorn 35%
		Township: 013N Range: 011E Section: 36					

Tract #	ADL #	Legal Description	Total Acres	Effective Date	State of Alaska Royalty Interest	Overriding Royalty Interest	Working Interest
10	390074	Township: 013N Range: 012E Section: 29	2,555.00	9/1/2002	16.666670%	Beclmer 2.00%	AVCG 30%
		Township: 013N Range: 012E Section: 30				AVCG 1.06666%	TG World 35%
		Township: 013N Range: 012E Section: 31					Ramshorn 35%
		Township: 013N Range: 012E Section: 32					
11	390432	Township: 013N Range: 012E Section: 27	2,560.00	5/1/2004	16.666670%	Pingo 0.31%	AVCG 30%
		Township: 013N Range: 012E Section: 28				AVCG 2.41666%	TG World 35%
		Township: 013N Range: 012E Section: 33					Ramshorn 35%
		Township: 013N Range: 012E Section: 34					
12	390431	Township: 013N Range: 012E Section: 25	2,560.00	5/1/2004	16.666670%	Pingo 0.93%	AVCG 30%
		Township: 013N Range: 012E Section: 26				AVCG 1.92266%	TG World 35%
		Township: 013N Range: 012E Section: 35					Ramshorn 35%
		Township: 013N Range: 012E Section: 36					
13	390428	Township: 013N Range: 013E Section: 30	1,274.00	5/1/2004	16.666670%	Pingo 0.31%	AVCG 30%
		Township: 013N Range: 013E Section: 31				AVCG 2.41666%	TG World 35%
							Ramshorn 35%
14	391287	Township: 013N Range: 013E Section: 29	640.00	8/1/2008	16.666670%	Beclmer 2.00%	AVCG 30%
						AVCG 0.931%	TG World 35%
							Ramshorn 35%
15	389948	Township: 013N Range: 013E Section: 32	640.00	9/1/2002	16.666670%	Pingo 0.5%	AVCG 30%
						AVCG 2.26666%	TG World 35%
							Ramshorn 35%
16	391153	Township: 013N Range: 013E Section: 27	2,560.00	9/1/2007	16.666670%		AVCG 30%
		Township: 013N Range: 013E Section: 28				AVCG 1.05%	TG World 35%
		Township: 013N Range: 013E Section: 33					Ramshorn 35%
		Township: 013N Range: 013E Section: 34					
17	390509	Township: 012N Range: 012E Section: 05	2,437.00	4/1/2004	16.666670%		AVCG 30%
		Township: 012N Range: 012E Section: 06				AVCG 2.66666%	TG World 35%
		Township: 012N Range: 012E Section: 07					Ramshorn 35%
		Township: 012N Range: 012E Section: 08					
18	390508	Township: 012N Range: 012E Section: 03	2,560.00	4/1/2004	16.666670%		AVCG 30%
		Township: 012N Range: 012E Section: 04				AVCG 2.66666%	TG World 35%
		Township: 012N Range: 012E Section: 09					Ramshorn 35%
		Township: 012N Range: 012E Section: 10					
19	390429	Township: 012N Range: 012E Section: 01	2,560.00	5/1/2004	16.666670%		AVCG 30%
		Township: 012N Range: 012E Section: 02				AVCG 2.66666%	TG World 35%
		Township: 012N Range: 012E Section: 11					Ramshorn 35%
		Township: 012N Range: 012E Section: 12					

Tract #	ADL #	Legal Description	Total Acres	Effective Date	State of Alaska Royalty Interest	Overriding Royalty Interest	Working Interest
20	47468	Township: 012N Range: 013E Section: 05	2,437.00	10/1/1969	12.50000%		Exxon 50%
		Township: 012N Range: 013E Section: 06					Chevron 50%*
		Township: 012N Range: 013E Section: 07					
		Township: 012N Range: 013E Section: 08					*CPAI owns 12.5% Contractural W.I.
21	390425	Township: 012N Range: 013E Section: 03	2,562.00	6/1/2004	16.666670%	Pioneer 0.93%	AVCG 30%
		Township: 012N Range: 013E Section: 04				AVCG 1.05%	TG World 35%
		Township: 012N Range: 013E Section: 09					Ramshorn 35%
		Township: 012N Range: 013E Section: 10					
22	391208	Township: 012N Range: 012E Section: 17	1,928.00	9/1/2007	16.666670%		AVCG 30%
		Township: 012N Range: 012E Section: 18				AVCG 1.05%	TG World 35%
		Township: 012N Range: 012E Section: 19					Ramshorn 35%
		Township: 012N Range: 012E Section: 20					
23	390427	Township: 012N Range: 013E Section: 16	1,280.00	5/1/2004	16.666670%	Pioneer 0.93%	AVCG 30%
		Township: 012N Range: 013E Section: 15				AVCG 1.05%	TG World 35%
							Ramshorn 35%
24	390426	Township: 012N Range: 013E Section: 13	1,285.00	5/1/2004	16.666670%	Pioneer 0.93%	AVCG 30%
		Township: 012N Range: 013E Section: 14				AVCG 1.05%	TG World 35%
							Ramshorn 35%
25	389947	Township: 012N Range: 013E Section: 24	640.00	9/1/2002	16.666670%	Wagner 2.00%	AVCG 30%
						AVCG 0.931%	TG World 35%
							Ramshorn 35%
Total Acreage:			52,875.57				
Pingo =	Pingo Oil and Gas, LP						
Bachner=	J. Andrew Bachner, Keith C. Forsgren, David G. Feddersen						
Wagner=	Deborah Lee, Trish Kelly, Kristin Wagner, Richard Wagner, Paul Gavora, Dan Gilbertson						
Pioneer=	Pioneer Natural Resources Alaska, Inc.						
AVCG=	AVCG, LLC						
TG World=	TG World Energy Inc.						
Ramshorn=	Ramshorn Investments, Inc.						
Exxon=	Exxon Mobil Oil Corporation						
Chevron=	Chevron U.S.A. Inc.						
CPAI=	ConocoPhillips Company						
BRPC=	Brooks Range Petroleum Corporation						

Attachment 2

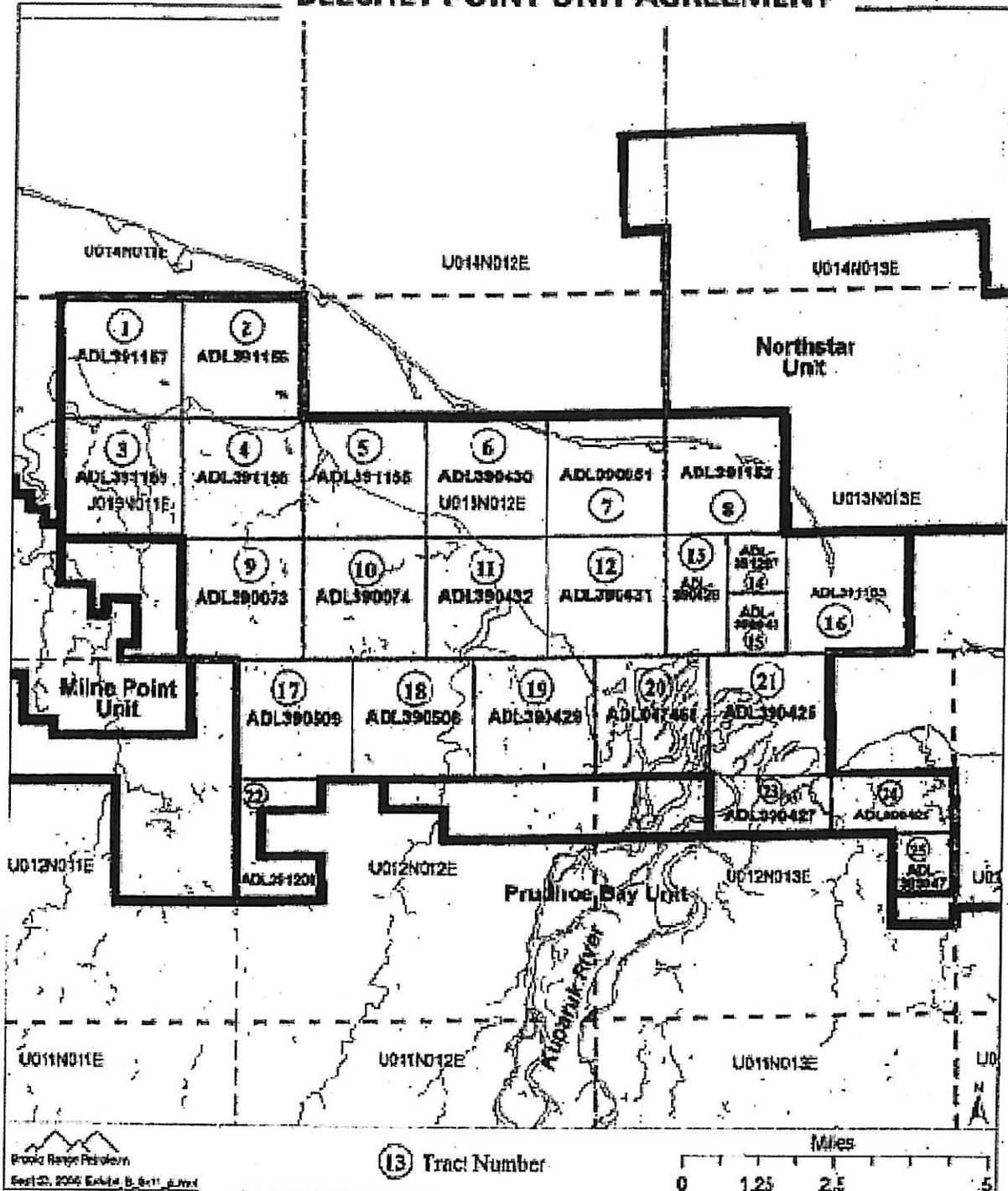
Exhibit B, Map of the Beechey Point Unit

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 OIL AND GAS

EXHIBIT B

Attached to and made a part of the

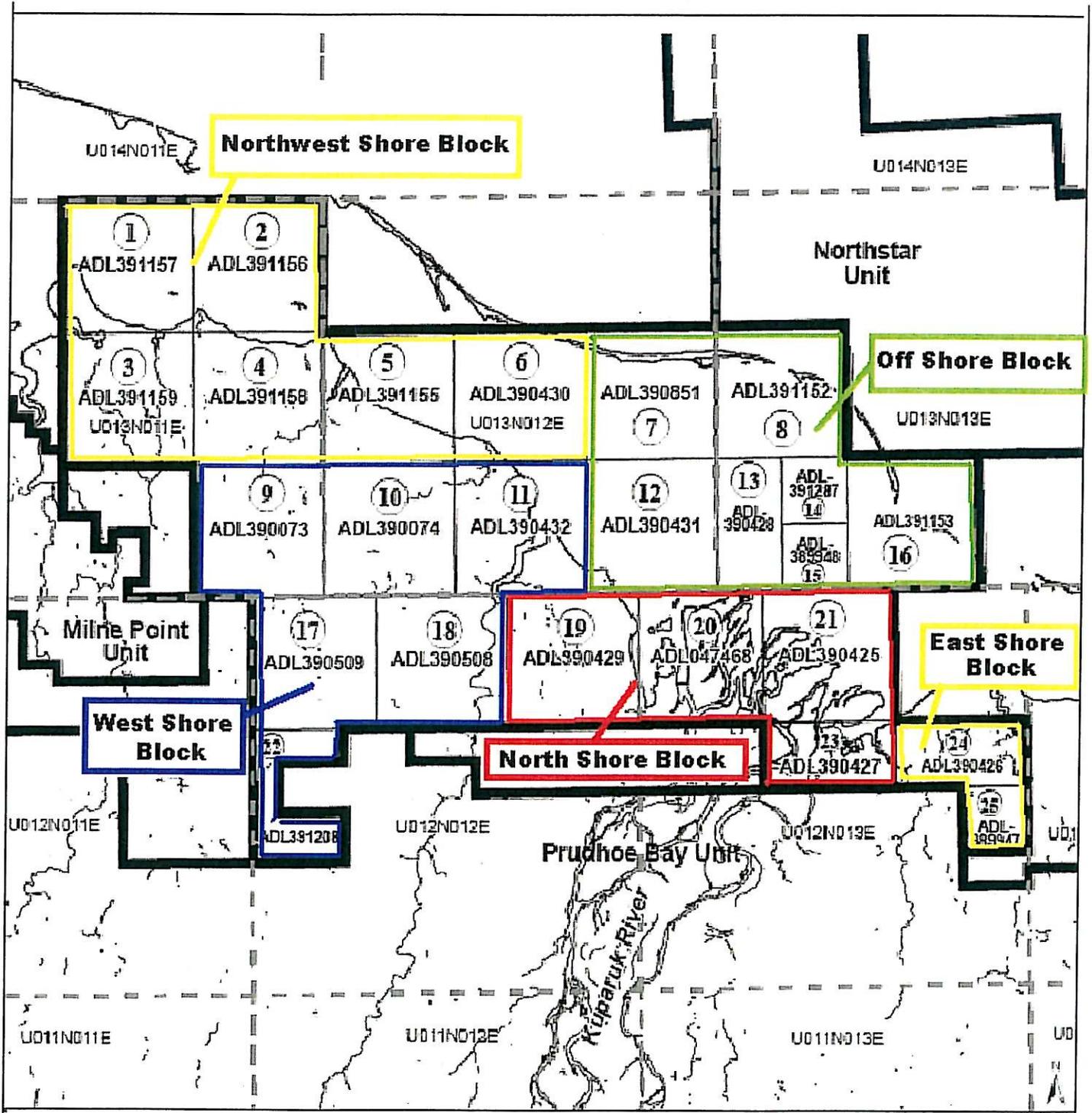
BEECHEY POINT UNIT AGREEMENT



Attachment 3

Map of the Beechey Point Unit Exploration Blocks

Beechey Point Unit Exploration Blocks



Attachment 4

Exhibit G, Beechey Point Unit Plan of Development (Initial POD)

Exhibit G
Attached to and made a part of the
Beechey Point Unit Agreement
Initial Unit Plan

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DIVISION OF
OIL AND GAS

INTRODUCTION

This Initial Unit Plan for the Beechey Point Unit is submitted by Brooks Range Petroleum Corporation (BRPC), as Operator, to the Department of Natural Resources as the Initial Unit Plan of Development. As required by Article 8 of the Beechey Point Unit Agreement, and 11 AAC 83.343, the Beechey Point Unit Initial Unit Plan of Development addresses the following:

- 1) long-range proposed development activities for the unit, including plans to delineate all underlying oil or gas reservoirs, bring the reservoirs into production, and maintain and enhance production once established;
- 2) plans for the exploration or delineation of any land in the unit not included in a participating area;
- 3) details of the proposed operations for at least one year following submission of the plan; and
- 4) the surface location of proposed facilities, drill pads, roads, material sites, waste disposal sites, water supplies, and any other operation or facility necessary for unit operations.

The term of this Initial Unit Plan of Development shall be for a period commencing on the Effective Date of the Unit Agreement and ending on July 1, 2014, being approximately five years after the Effective Date of the Unit Agreement, unless the unit terminates before that date, in which case, the Unit Plan of Development expires with the unit termination. If BRPC is unable to fulfill any of the terms and commitments in the Plan of Development, including the Exploration Plan, the Beechey Point Unit terminates, except as to Tracts or portions of Tracts included in an approved Participating Area or an application for a Participating Area. Effective on July 1st of the year the Beechey Point Unit terminates, the Working Interest Owners shall surrender all Leases, except ADL 47463, not in an approved Participating Area or an application for a Participating Area within the Beechey Point Unit whose primary terms have expired. Also effective as July 1st of the year the Beechey Point Unit terminates, the Working Interest Owners waive the extension provisions of 11 AAC 83.140 and Article 15, and the notice and hearing provision of 11 AAC 83.374

1) PROPOSED DEVELOPMENT ACTIVITIES:

BRPC has proposed the North Shore Development Project subject to final working interest owner approval/sanctioning. See the attached North Shore Development Project Description dated January 2009 for a detailed description of the development plan. The proposed North Shore Development Project will produce oil from several relatively small, isolated hydrocarbon accumulations in the Ivishak and Sag River formations located in the Beechey Point Unit, see figures B-16 and B-17 of said North Shore Development Project Description for a map illustrating outlines of the North Shore reservoirs. The North Shore Development Project is close to existing

Prudhoe Bay infrastructure. BRPC plans to use uncomplicated facility and transportation designs which will reduce costs allowing for development of these small reservoirs. Development of just one of these reservoirs would be uneconomic, however, developing more than one at the same time from the same pad and infrastructure offers synergies which allow a group of them to be developed economically. The North Shore prospects are located within a 15,000-foot horizontal drilling radius of the proposed North Shore pad. Two productive horizons, the Ivishak and Sag River sands, may be produced from each prospect. Horizontal drilling technology and long-reach wells will be used to maximize production while minimizing surface impacts. BRPC expects to recover between 5 and 10 million barrels of oil from the North Shore reservoirs. Future exploration success in the Beechey Point Unit could increase the reserves.

The development plans for the Beechey Point Unit include the following commitments:

- a) By December 31, 2010, BRPC will have the permits in place for the North Shore Development, as described in Table 2.3 of the North Shore Development Project Description, dated January 2009.
- b) By October 1, 2012, BRPC will apply to the Commissioner to form an initial Participating Area.
- c) By January 1, 2013, BRPC anticipates first production from the initial Participate Area.

By July 1 of each year, BRPC will submit an annual report to the Commissioner, and will schedule an annual meeting with the Division of Oil & Gas to present technical information and discuss unit operations. Ninety days before the expiration of the Initial Plan of Development, BRPC will submit a new Plan of Development.

2) EXPLORATION PLANS, YEARS 2010-2019:

The Working Interest Owners plan to proceed with the exploration activities described below within the Beechey Point Unit Area:

- a) The Beechey Point Unit Area shall be divided it to five separate blocks hereinafter referred to as "Exploration Blocks" described below:
 1. North Shore Exploration Block (Block 1):
 - a. Tract 19: ADL390429
 - b. Tract 20: ADL047468
 - c. Tract 21: ADL390425
 - d. Tract 23: ADL390427
 2. West Shore Exploration Block (Block 2):
 - a. Tract 09: ADL390073

- b. Tract 10: ADL390074
- c. Tract 11: ADL390432
- d. Tract 17: ADL390509
- e. Tract 18: ADL390508
- f. Tract 22: ADL391208

3. Northwest Shore Exploration Block (Block 3):

- a. Tract 01: ADL391157
- b. Tract 02: ADL391156
- c. Tract 03: ADL391159
- d. Tract 04: ADL391158
- e. Tract 05: ADL391155

4. East Shore Exploration Block (Block 4):

- a. Tract 24: ADL390426
- b. Tract 25: ADL389947

5. Off Shore Exploration Block (Block 5):

- a. Tract 06: ADL390430
- b. Tract 07: ADL390851
- c. Tract 08: ADL391152
- d. Tract 12: ADL390431
- e. Tract 13: ADL390428
- f. Tract 14: ADL391287
- g. Tract 15: ADL389948
- h. Tract 16: ADL391153

- b) The first well drilled in each Exploration Block after the Beechey Point Unit Agreement has been approved by the Department of Natural Resources shall hereinafter be defined as an "Exploration Well."
- c) By December 1, 2010, BRPC will commit in writing to drill a well within one of the Exploration Blocks. On or before July 1, 2011, BRPC will complete drilling operations of the first (1st) Exploratory Well in one of the Exploration Blocks. Failure to drill the 1st Exploration Well by July 1, 2011, shall result in the termination of the Beechey Point Unit, except as to Tracts or portions of Tracts included in an approved Participating Area or an application for a Participating Area.
- d) By December 1, 2012, BRPC will commit in writing to drill a second (2nd) well within one of the undrilled Exploration Blocks. On or before July 1, 2013, BRPC will complete drilling operations of the 2nd Exploratory Well in one of the undrilled Exploration Blocks. Failure to drill the 2nd Exploration Well by July 1, 2013, shall result in the termination of the undrilled Exploration Blocks within the

Beechey Point Unit Area, except as to Tracts or portions of Tracts included in an approved Participating Area or an application for a Participating Area.

- c) By December 1, 2014, BRPC will commit in writing to drill a third (3rd) well within one of the undrilled Exploration Blocks. On or before July 1, 2015, BRPC will complete drilling operations of the 3rd Exploratory Well in one of the undrilled Exploration Blocks. Failure to drill the 3rd Exploration Well by July 1, 2015, shall result in the termination of the undrilled Exploration Blocks within the Beechey Point Unit Area, except as to Tracts or portions of Tracts included in an approved Participating Area or an application for a Participating Area.
- d) By December 1, 2016, BRPC will commit in writing to drill a fourth (4th) well within one of the undrilled Exploration Blocks. On or before July 1, 2017, BRPC will complete drilling operations of the 4th Exploratory Well in one of the undrilled Exploration Blocks. Failure to drill the 4th Exploration Well by July 1, 2017, shall result in the termination of the undrilled Exploration Blocks within the Beechey Point Unit Area, except as to Tracts or portions of Tracts included in an approved Participating Area or an application for a Participating Area.
- e) By December 1, 2019, BRPC will commit in writing to drill a fifth (5th) well within the last undrilled Exploration Block. On or before July 1, 2019, BRPC will complete drilling operations of the 5th Exploratory Well in the last undrilled Exploration Blocks. Failure to drill the 5th Exploration Well by July 1, 2019, shall result in the termination of the undrilled Exploration Block within the Beechey Point Unit Area, except as to Tracts or portions of Tracts included in an approved Participating Area or an application for a Participating Area.

3) **PROPOSED OPERATIONS DURING THE FIRST YEAR:**

Table 2.3 of the North Shore Development Project Description lists the permits and approvals required before the North Shore Development Project can proceed. BRPC has submitted permit applications for most of the permits listed in said table. All permits should be approved by the respective agency by the first quarter of 2010.

The North Shore #3 well is scheduled to be drilled during the 2010 winter exploration drilling season using an ice road and ice pad, subject to working interest owner approval. The well will be drilled to penetrate the Ivishak and Sag River sands. If successful, the proposed North Shore Development Project can be sanctioned for development. BRPC will be conducting geological and operational pre-drilling planning for said exploration drilling operation through 2009. If working interest owner approval is not obtained for the drilling of said well in 2010, then the well will be drilled in 2011.

Conceptual engineering for the proposed North Shore Development Project will continue throughout 2009 and 2010. Gravel road and pad construction design, logistics, and contracting will be conducted through 2009 and early 2010. Gravel construction may begin as early as the second quarter of 2010, allowing first oil to be

produced in 2011, however, if the proposed North Shore Development Project is not sanctioned until after the 2010 winter season, then gravel will be laid during the winter of 2011 with first oil in 2012. Figure 8.1 of the North Shore Development Project Description shows a timeline which assumed a gravel construction operation early in 2010.

Detailed engineering design of the processing facilities, and development well drilling and completion, will be progressed after development is sanctioned. The procurement of facilities and equipment will also be conducted after development has been sanctioned.

4) SURFACE LOCATIONS OF PROPOSED FACILITIES:

The key components of the current development concept include the following (note that engineering is ongoing, and the final concept may change):

- Construction of a gravel production pad and access road.
- Use of a conventional diesel-powered drilling rig (6- to 12-month intermittent drilling program) to drill between five and 12 wells.
- Three-phase processing and water/gas flood facilities on the production pad.
- Use of tank trucks to transport sales oil to a transfer facility on a new gravel pad at the Kuparuk Pipeline.

The North Shore pad will cover approximately 12.6 acres and will be located approximately 5 miles north-northeast of Prudhoe Bay S Pad drillsite, 1 mile west of the Kuparuk River, near the Beaufort Sea coast. The site is approximately 18 to 20 feet above sea level, which is above the Kuparuk River floodplain. BRPC will build a gravel road about 5.2 miles from just south of the entrance to S Pad to the Beechey Point pad in order to provide year-round access to the wells and production facilities.

Production will be processed on the pad with a three-phase processing facility with separation and re-injection capabilities. Produced water and gas will be re-injected for enhanced oil recovery. Sales oil will be trucked to a lease allocation and custody transfer (LACT) metering skid adjacent to the Kuparuk Pipeline (KPL) for delivery into KPL and eventual transmission through the Trans Alaska Pipeline System. BRP may also drill one or more exploration wells from on or near the proposed North Shore pad. If oil is found at one of these new prospects and the accumulation proves to be large enough to be commercial, additional development wells may be drilled on the pad and/or a satellite drilling pad may be permitted and constructed to connect to the North Shore processing facilities.

Attachment 5

Beechey Point Unit Agreement

BEECHEY POINT UNIT AGREEMENT

BEECHEY POINT UNIT AGREEMENT

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RECITALS

The purpose of this Agreement is to effect efficient and timely production of oil and gas.

The Working Interest Owners who are parties to the Agreement are owners of interest in oil and gas leases subject to 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, Alaska Statute 31.05.

1.2 **Approved Unit Plan** means a plan of exploration or plan of development that the Commissioner has approved under Article 8 of this Agreement.

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 under Article 14.1 of this Agreement.

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

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

1.7 **Outside Unit 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 Commissioner's approval.

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 **Overriding Royalty Interest** means an interest in the value of oil and gas produced at the surface. An Overriding Royalty is derived from a Working Interest. It is exclusively a revenue interest and provides no control over or right to notice of the operations of the Lease.

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

1.11 **Participating Area Expense** means all costs, expenses or indebtedness, incurred by the Unit Operator under this Agreement or the Unit Operating Agreement for or on account of production from or operations in a Participating Area and allocated solely to the Unit Tracts in that Participating Area.

1.12 **Paying Quantities** means a quantity of Unitized Substances sufficient to yield a return in excess of operating costs, even if drilling and equipment costs may never be repaid and the undertaking considered as a whole may 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.

1.13 **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.

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

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

1.16 **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.

1.17 **Unit Area** means the "state land" or "land", as defined in AS 38.05.965, subject to this Agreement, described in Exhibit A and shown in Exhibit B to this Agreement.

1.18 **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.

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

1.20 **Unit Operating Agreement** means any and all agreements entered into by the Unit Operator and the Working Interest Owners, as described in Article 7 of this Agreement.

1.21 **Unit Operations** means all operations conducted under this Agreement in accordance with a Unit Plan approved under Article 8 of this Agreement.

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

1.23 **Unit Plan** means a unit plan of exploration, development, or operation as described in Article 8 of this Agreement.

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

1.25 **Unit Tract Participation** means the percentage of Unitized Substances allocated to a Unit Tract in a Participating Area.

1.26 **Unit Well** means a well drilled within the Unit Area after the effective date of this Agreement unless specifically authorized by the Commissioner.

1.27 **Unitized Substances** means all oil, gas and associated substances produced from the Unit Area.

1.28 **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.

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

ARTICLE 2: EXHIBITS

2.1 When this Agreement is submitted for approval, only Exhibits A, B, and G must be attached and are made a part of this Agreement. Exhibit F is also required when this Agreement is submitted if the Unit Area includes net profit share leases. Exhibits C, D, E, and F are required when a Participating Area application is submitted for approval and are, upon approval by the Commissioner, made a part of this Agreement. 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 numbers, legal descriptions, Lease numbers, Working Interest ownership, Royalty Interest ownership, initial Overriding Royalty Interest ownership, and the applicable royalty and net profit share rates applicable to each Unit Tract. Within 30 days after approval by the

Commissioner of any expansion or contraction of the Unit Area under Article 13 of this Agreement, or any change of the Working Interest, Royalty Interest, or an additional separation creating a new Overriding 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 30 days after the Commissioner approves any expansion or contraction of the Unit Area under Article 13 of this Agreement, 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, initial Overriding Royalty Interest ownership, and the 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 30 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, Royalty Interest or an additional separation creating a new Overriding 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 30 days after approval by the Commissioner of a Participating Area or any expansion or contraction of a Participating Area under Article 9 of this Agreement, 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 described in 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.

3.2 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 non-unitized 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.

3.3 Production of Unitized Substances from any part of a Participating Area will be considered production from each Unit Tract in the Participating Area as if a well were producing from each Unit Tract in the Participating Area.

3.4 The provisions of a Lease committed to this Agreement and of any other agreement regarding that Lease are modified to conform to the provisions of this Agreement but only to the extent that there is conflict in provisions and only for so long as the Lease remains committed to this Agreement. Otherwise, the provisions of such a Lease and agreements will remain in full force and effect.

3.5 This Agreement is not intended to transfer title to Oil and Gas Rights by any party to any other party or to the Unit Operator.

3.6 All data and information determined by the Commissioner to be necessary for the administration of this Agreement or for the performance of statutory responsibilities must 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 if the data or information is of a type entitled to confidentiality protection under the applicable law.

ARTICLE 4: DESIGNATION OF UNIT OPERATOR

4.1. Brooks Range Petroleum Corporation is designated as the Unit Operator until such time, if any, that a successor Unit Operator is designated under the terms and provisions of this Agreement. Brooks Range Petroleum Corporation 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, including but not limited to Article 7.4, 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 as may be required under a Lease, this Agreement, the Unit Operating Agreement, or applicable laws or regulations. 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 will have the right to resign at any time; however, the resignation will not become effective until: 1) 60 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 of this Agreement, 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 will 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 will 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, interest or obligations as a Working Interest Owner or other interest in the Unit Area. A termination of the Unit Operator's rights, title, interest or obligations 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 of this Agreement, a successor Unit Operator may be designated as provided in the Unit Operating Agreement. The successor Unit Operator shall accept the rights and obligations of a Unit Operator in writing. The successor Unit Operator will 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 60 days after notice to the Commissioner of the resignation or removal of a Unit Operator, the Commissioner may 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 shall apportion all costs and liabilities incurred in maintaining or conducting Unit Operations among the Working Interest Owners. The Unit Operating Agreement shall 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 30 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 the Unit Operating Agreement and amendments, including any other agreement between the Working Interest Owners concerning Unit Operations, other rights and obligations between the Unit Operator and the Working Interest Owners, in addition to those set out in Article 7.1 of this Agreement. The Unit Operating Agreement must not modify any term of this Agreement. If the terms of this Agreement and the Unit Operating Agreement conflict, this Agreement will prevail.

7.4 With the approval of the Commissioner, 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 shall have an approved permit to drill before

commencement of drilling operations 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 must 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 shall 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 submitted 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 any amendments to the Unit Operating Agreement, including all other agreements between the Working Interest Owners that affect the rights and duties of some or all of the parties to this Agreement, must also be filed with the Commissioner within 30 days of execution and at least 30 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. Unit Plans are incorporated into this Agreement and become effective on the date of their approval.

8.1.1. Unless a unit plan of development is filed under 11 AAC 83.343, a unit plan of exploration ("Plan of Exploration") shall be filed for approval with the Commissioner. Plans of Exploration must comply with 11 AAC 83.341 and any successor regulation.

8.1.2. A unit plan of development ("Plan of Development") shall comply with 11 AAC 83.343 and any successor regulation.

8.1.3. A unit plan of operations ("Plan of Operations") shall comply with 11 AAC 83.346 and any successor regulation.

8.1.4. 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 Area 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 90 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 provide 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. The Commissioner may approve any injection of Outside Unit Substances or Outside PA Substances within the Unit Area. Any injection of Outside Unit 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 90 days 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 before the commencement of Sustained Unit Production 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 shown in Exhibit D will be a Participating Area, and the allocation of Participating Area Expenses and Unit Expenses described in Exhibits E and F will 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 will 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 will 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 of the transferred Unitized Substance volumes in both the Originating and Receiving Participating Areas as specified in 11 AAC 04. 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's approval must be obtained for the proposed recovery rate and commencement date for recovery before any Outside Unit 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 may 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 will be covered by separate agreement with the Commissioner.

ARTICLE 10: OFFSET WELLS

10.1. Whenever there is a risk of drainage from production operations on property outside the Unit Area, the Unit Operator shall drill wells to protect the State from loss by reason of drainage. The Commissioner may issue a written demand if oil or gas is produced in Paying Quantities, as defined in 11 AAC 83.105, for 30 consecutive days 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. 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 under 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 may revise the proposed allocation plan if it does not equitably allocate production and costs from the Reservoir. The Commissioner will give the Unit Operator and 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 30 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 will 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 will not be effective for determining royalty or net profit share payments. The Unit Operator shall submit any allocation that 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 10 days of its effective date with a statement explaining the reason for the different allocation.

11.4 Royalties will 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 will 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 Lease provides for a discovery royalty rate reduction for the first discovery of oil or gas, that Lease provision will 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. Payments to the State must be made under 11 AAC 04 and 11 AAC 83.110 and any successor regulations.

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. If any of the Leases subject to this Agreement require net profit share payments, the operator shall provide the schedule of development costs in accordance with 11 AAC 83.219.

12.3. Each Working Interest Owner shall pay its share of royalties to the State on Unitized Substances as provided in the Lease, except that any reference in the Lease to the "leased area" will mean the Unit Area and any reference to "oil, gas, or associated substances" will mean "Unitized Substances."

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 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. No lien for any expenses will attach to royalty Unitized Substances. The royalty share will 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, but not limited to, marine, truck 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. Transportation deductions are only allowed for sales quality oil. 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. The Commissioner may take the State's share of Unitized Substances in-kind in accordance with the following. The Commissioner will give the Unit Operator 90 days written notice of the State's initial election to take all or a portion of its share of Unitized Substances in-kind. After taking has commenced, the Commissioner may increase or decrease the amount of Unitized Substances taken in-kind.

12.6.1. The Commissioner may elect to specify the Unit Tracts from which Unitized Substances taken in-kind are to be allocated. If the Commissioner does not specify any Unit Tracts in the written notice to the Unit Operator, the Unitized Substances taken in-kind will be allocated to all Unit Tracts in accordance with the Unit Tract Participation shown on Exhibit C to this Agreement.

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 mutually agreeable place. The State may designate any individual, firm or corporation to accept delivery.

12.6.3. The State's share of Unitized Substances delivered in-kind shall be delivered in good and merchantable condition and be of pipeline quality. Those substances will be free and clear of all Lease expenses, Unit Expenses, and Participating Area Expenses, and free of any lien for these excluded expenses. These excluded expenses include, but are not limited to, separating, cleaning, dehydration, saltwater removal, processing, compression, pumping, and manufacturing costs. These excluded expenses 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. 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 may 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 share of Unitized Substances does not take delivery of Unitized Substances, the State may elect, without penalty, to underlift for up to six months. The State may 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 will give the Unit Operator written notice 30 days before the first day of the month in which the underlifted Unitized Substances are to be recovered. The State may recover at a daily rate not exceeding 25 percent of its share of daily production, unless otherwise agreed.

12.8. The Unit Operator shall maintain records, and shall keep and have in its possession books and records including expense records, of all exploration, development, production, and disposition of all Unitized Substances and Outside Unit Substances and Outside PA Substances. Each Working Interest Owner shall maintain records of the disposition of its portion of the Unitized Substances and Outside Unit Substances and Outside PA Substances including sales prices, volumes, and purchasers. The Unit Operator and the Working Interest Owners shall permit the Commissioner to examine those books and records at all reasonable times. Upon request by the Commissioner, the Unit Operator and the Working Interest Owners shall make the books and records available to the Commissioner at the Commissioner's designated office. They may provide these books and records in a mutually agreeable electronic format. 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 and the Working Interest Owners shall use generally accepted and internally consistent accounting procedures.

12.9. To the extent that the rental provision of a Lease is inconsistent with AS 38.05.180(n), the Lease is amended and rentals will be calculated under AS 38.05.180(n) and paid under 11 AAC 04. If a Lease requires payment of minimum royalty, the Lease is amended to delete that minimum royalty obligation.

12.10. All rights and obligations relating to the State's net profit share will be determined under 11 AAC 83.201 – 11 AAC 83.295. The State may audit the net profit share reports or payments due for any Lease within 10 years of the year 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 will 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 for 13 years.

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 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 Area expansion will 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 may, 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 this Agreement. 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 Interest owners of the Leases or portions of Leases being excluded reasonable notice and an opportunity to be heard.

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

13.5. Within 30 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. Upon Commissioner's approval, this Agreement is effective as of 12:01 a.m. on the date the Commissioner designates. 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.

14.2. Subject to the terms and conditions of the Approved Unit Plan, this Agreement automatically 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 under 11 AAC 83.361, in which case this Agreement will remain in effect for so long as Unitized Substances are produced in Paying Quantities from the Unit Area; or

14.2.2. for so long as Unitized Substances can be produced in Paying Quantities and Unit Operations are being conducted in accordance with an Approved Unit Plan; or

14.2.3. should production cease, for so long thereafter as diligent operations are in progress to restore production and then so long after as Unitized Substances are produced in Paying Quantities; or

14.2.4. exploration operations are being conducted under an Approved Unit Plan and the unit term is extended by the Commissioner. No single extension will exceed five years.

14.3. If the Commissioner orders or approves a suspension of production or other Unit Operations, this Agreement will 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 will remain in force for an extension period of 90 days, or any longer period that the Commissioner may approve. 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 this Agreement, the Unit Operator 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, 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 will have the same effect as if all parties had signed a single original of this Agreement. Within 30 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 on 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 will 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 shall change its notice address by giving 30 days written notice to the State and the other Working Interest Owners. The State will change its notice address by giving 30 days written notice to the Unit Operator.

Address of the Unit Operator:

Brooks Range Petroleum Corporation
510 L Street, Suite 601
Anchorage, Alaska 99501
Fax: (907) 339-9961

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 1100
Anchorage, Alaska 99501-3560
Fax: (907) 269-8938

ARTICLE 19: JOINDER

19.1. The Commissioner may order or, upon request, approve a joinder to this Agreement under the expansion provisions of Article 13 of this Agreement. 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 of this Agreement. A joinder is subject to the requirements of the Unit Operating Agreement. However, the Commissioner may modify any provision in a Unit Operating Agreement, which the Commissioner finds discriminates against parties who request joinder. The Commissioner will 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 may 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 or Plan of Operations, is a default under this Agreement. The failure to comply because of force majeure, if granted by the Commissioner under 11 AAC 83.336(b), is held in abeyance.

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 will be at least 30 days for a failure to pay rentals or royalties and 90 days for any other default.

20.3 If there is no Unit Well capable of producing Unitized Substances in Paying Quantities under 11 AAC 83.361 at the time of default, and a default is not cured by the date indicated in the demand, the Commissioner may 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 Unit Well capable of producing Unitized Substances in Paying Quantities under 11 AAC 83.361 at the time of default, and the operations to cure the default are not completed by the date indicated in the demand, the Commissioner may 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 Beechey Point Unit Agreement on the dates opposite their respective signatures.

OPERATOR

BROOKS RANGE PETROLEUM CORPORATION

By: [Signature] Date: 4/24/09
James R. Winegarner
Title: Vice President of Land & External Affairs

Address: BROOKS RANGE PETROLEUM CORPORATION
Attention: James R. Winegarner
510 L Street, Suite 601
Anchorage, AK 99501
Telephone: (907) 339-9965 (main)
(907) 865-5804 (direct)
Facsimile: (907) 339-9961
E-Mail: jimwinegarner@brooksrangepetro.com

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on April 24, 2009, before me, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared JAMES R. WINEGARNER 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.

[Signature]
NOTARY PUBLIC in and for Alaska
My Commission Expires: 10/27/2012

Notary Public
JAMIE COLE
State of Alaska
My Commission Expires Oct. 27, 2012

WORKING INTEREST OWNERS

AVCG, LLC

By: [Signature] Date: April 10, 2009
C. Edgar Dunne

Title: Managing Partner

Address:

AVCG, LLC
Attention: C. Edgar Dunne
510 L Street, Suite 601
Anchorage, AK 99501
Telephone: (907) 339-9965 (main)
(907) 865-5841 (direct)
Facsimile: (907) 339-9961
E-Mail: edunne@brooksrangepetro.com

STATE OF KANSAS)
)ss.
COUNTY OF SEDGWICK)

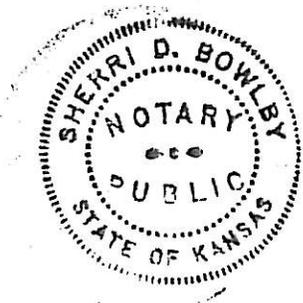
This certifies that on April 10, 2009, before me, a notary public in and for the State of Kansas, duly commissioned and sworn, personally appeared C. Edgar Dunne, known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged 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.

[Signature]
NOTARY PUBLIC in and for Kansas

My Commission

Expires: 7/19/2011



TG WORLD ENERGY, INC.

By: _____ Date: _____

Clifford M. James

Title: President and CEO

Address:

TG WORLD ENERGY, INC.

Attention: Clifford James
Suite 2000, 736 - 6th Avenue SW
Calgary, Alberta T2P 3T7, Canada

Telephone: (403) 265-4506

Facsimile: (403) 264-2028

E-Mail: tvipres@telus.net

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on _____, 2009, 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: _____

RAMSHORN INVESTMENTS, INC.

By:

Jordan R. Smith

Date:

03/31/09

Title: President

Address:

RAMSHORN INVESTMENTS, INC.

Attention:

Jordan R. Smith
515 W. Greens Road, Suite 1000
Houston, Texas 77067

Telephone:

(281) 775-8527

Facsimile:

(281) 775-8414

E-Mail:

jordan.smith@nabors.com

STATE OF TEXAS)

)ss.

COUNTY OF HARRIS)

JORDAN R. SMITH

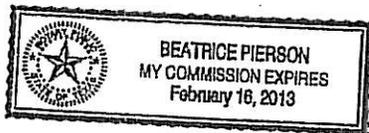
This certifies that on MARCH 31, 2009, before me, a notary public in and for the State of Texas, duly commissioned and sworn, personally appeared J.R. SMITH, known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged 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.

Beatrice Pierson

NOTARY PUBLIC in and for Texas

My Commission Expires: 2/16/13



EXXONMOBIL OIL CORPORATION

By: _____ Date: _____

John R. Gallogly

Title: Attorney in Fact

Address:

ExxonMobil Oil Corporation

Attention:

800 Bell Street
P. O. Box 2180
Houston, TX 77002

Telephone: (713) 656-3636 (main)
(713) 656-6598 (direct)

Facsimile: (713) 656-0200

E-Mail: john.r.gallogly@exxonmobil.com

STATE OF TEXAS)
)ss.
COUNTY OF _____)

This certifies that on _____, 2009, before me, a notary public in and for the State of Texas, 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 Texas
My Commission Expires: _____

CHEVRON U.S.A. INC.

By: _____ Date: _____

Kevin A. Tabler

Title: Attorney-in-Fact

Address:

Chevron U.S.A. Inc.

Attention:

909 W. 9th Ave.
Anchorage, AK 99501

Telephone: (907) 276-7600 (main)
(907) 263-7600 (direct)

Facsimile: (907) 263-7904

E-Mail: tablerk@chevron.com

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on _____, 2009, 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: _____

CONOCOPHILLIPS ALASKA, INC.

By: _____ Date: _____

David W. Brown

Title: Attorney in Fact

Address:

ConocoPhillips Alaska, Inc.

Attention:

700 G Street
Anchorage, AK 99501

Telephone:

(907) 276-1215 (main)
(907) 265-6914 (direct)

Facsimile:

(907) 263-4966

E-Mail:

david.w.brown@conocophillips.com

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on _____, 2009, 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: _____

BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

PIONEER NATURAL RESOURCES ALASKA, INC.

By: _____ Date: _____

J. Patrick Foley

Title: Attorney-in-Fact

Address:

Pioneer Natural Resources Alaska, Inc.

Attention:

J. Patrick Foley

700 G Street, Suite 600

Anchorage, AK 99501

Telephone:

(907) 444-9001 (main)

(907) 343-2110 (direct)

Facsimile:

(907) 969-3587

E-Mail:

pat.foley@pxd.com

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on _____, 2009, 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 whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

NOTARY PUBLIC in and for Alaska
My Commission Expires: _____

BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

PINGO OIL & GAS, LP, a Kansas Limited Partnership

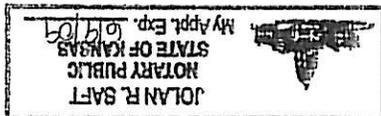
By: Alfred James III Date: 4-1-09
Alfred James III
Title: Managing General Partner

Address: Pingo Oil & Gas, L.P.
Attention: 200 W. Douglas, Suite 525
Wichita, KS 67202
Telephone: (316) 267-7592
Facsimile: (316) 267-7592
E-Mail: ajiii88@hotmail.com

STATE OF KANSAS)
)ss.
COUNTY OF SEDGWICK)

This certifies that on APRIL 1, 2009, before me, a notary public in and for the State of Kansas, duly commissioned and sworn, personally appeared ALFRED JAMES III, known to me to be the person whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

Jolan R. Saft
NOTARY PUBLIC in and for ~~Alaska~~ KANSAS
My Commission Expires: 6/9/09



BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

DAN R. GILBERTSON

By: _____ Date: _____
Dan R. Gilbertson

Title:

Address:

Attention:

1102 Park Drive
Fairbanks, Alaska 99709

Telephone: (907) _____

Facsimile: (907) _____

E-Mail: _____

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on _____, 2009, 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 whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

NOTARY PUBLIC in and for Alaska
My Commission Expires: _____

BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

V. PAUL GAVORA

By: *V. Paul Gavora* Date: 3-30-09
V. Paul Gavora
Title:

Address:

Attention:

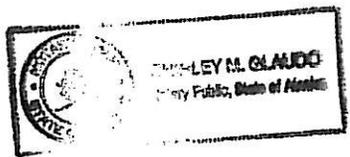
P. O. Box 70021
Fairbanks, Alaska 99707

Telephone: (907) 452-6422
Facsimile: (907) 452-7523
E-Mail: _____

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on April, 21, 2009, before me, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared V. Paul Gavora, known to me to be the person whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

Gerard M. Claudio
NOTARY PUBLIC in and for Alaska
My Commission Expires: 5-29-11



BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

RICHARD L. WAGNER

By: _____ Date: _____
Richard L. Wagner

Title:

Address:

Attention:

P. O. Box 60868
Fairbanks, Alaska 99706

Telephone: (907) _____

Facsimile: (907) _____

E-Mail: _____

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on _____, 2009, 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 whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

NOTARY PUBLIC in and for Alaska
My Commission Expires: _____

BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

KRISTIN JANELLE JAYLENE WAGNER

By: _____ Date: _____
Kristin Janelle Jaylene Wagner

Title:

Address:

Attention:

2001 Cowles St., Apt. 5
Fairbanks, Alaska 99701

Telephone: (907) _____

Facsimile: (907) _____

E-Mail: _____

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on _____, 2009, 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 whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

NOTARY PUBLIC in and for Alaska
My Commission Expires: _____

BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

J. ANDREW BACHNER

By: *J. Andrew Bachner* Date: 4-5-09
Title: J. Andrew Bachner

Address:

Attention:

P.O. Box 82130
Fairbanks, Alaska 99708

Telephone:

(907) 451-4440

Facsimile:

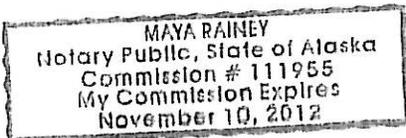
(907) 456-2531

E-Mail:

chenabachner@ak.net

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on April 5, 2009, before me, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared J. Andrew Bachner, known to me to be the person whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.



Maya Rainey
NOTARY PUBLIC in and for Alaska
My Commission Expires: 11/10/12

BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

KEITH C. FORSGREN

By: *Keith C. Forsgren* Date: 3/27/09
Keith C. Forsgren

Title:

Address:

Attention:

P. O. Box 870529
Wasilla, AK 99687

Telephone: (907) 373-6054

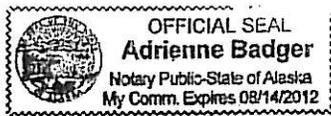
Facsimile: (907) _____

E-Mail: keith.forsgren@gmail.com

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on March 27, 2009, before me, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared Keith C. Forsgren, known to me to be the person whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

Adrienne Badger
NOTARY PUBLIC in and for Alaska
My Commission Expires: 08/14/2012



BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

DAVID G. FEDDERSEN

By: David G. Feddersen Date: 4-14-09
David G. Feddersen

Title:

Address:

Attention:

P. O. Box 10027
Fairbanks, AK 99710

Telephone: (907) 374-4654

Facsimile: (907) 452-8108

E-Mail: zim698@starband.net

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on April 14, 2009, before me, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared David Feddersen, known to me to be the person whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

Maya Rainey
NOTARY PUBLIC in and for Alaska
My Commission Expires: 11/10/12

MAYA RAINEY
Notary Public, State of Alaska
Commission # 111955
My Commission Expires
November 10, 2012

BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

AVCG, LLC

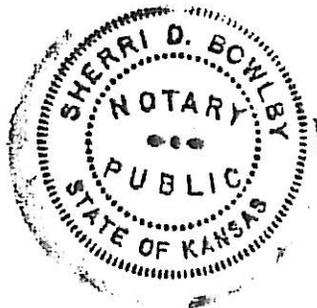
By: [Signature] Date: 4/10/09
C. Edgar Dunne
Title: Managing Partner

Address: AVCG, LLC
Attention: C. Edgar Dunne
510 L Street, Suite 601
Anchorage, AK 99501
Telephone: (907) 339-9965 (main)
(907) 865-5841 (direct)
Facsimile: (907) 339-9961
E-Mail: edunne@brooksrangepetro.com

STATE OF KANSAS)
)ss.
COUNTY OF SEDGWICK)

This certifies that on April 10, 2009, before me, a notary public in and for the State of Kansas, duly commissioned and sworn, personally appeared C. Edgar Dunne, known to me to be the person whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

[Signature]
NOTARY PUBLIC in and for ~~Alaska~~ Kansas
My Commission Expires: 7/19/2011



BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

TRISH WAGNER KELLY

By: _____ Date: _____
Trish Wagner Kelly

Title:

Address:

Attention:

P. O. Box 60868
Fairbanks, Alaska 99706

Telephone: (907) _____

Facsimile: (907) _____

E-Mail: _____

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on _____, 2009, 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 whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

NOTARY PUBLIC in and for Alaska
My Commission Expires: _____

BY SIGNING BELOW, the Overriding Royalty Interest owners in the oil and gas leases committed to the Beechey Point Unit acknowledge the terms and conditions of this Beechey Point Unit Agreement on the dates opposite their respective signatures.

OVERRIDING ROYALTY INTEREST OWNERS

DEBORAH A. LEE

By: _____ Date: _____
Deborah A. Lee

Title:

Address:

Attention:

P. O. Box 60868
Fairbanks, Alaska 99706

Telephone: (907) _____

Facsimile: (907) _____

E-Mail: _____

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

This certifies that on _____, 2009, 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 whose name is subscribed to the foregoing document, and who acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

NOTARY PUBLIC in and for Alaska
My Commission Expires: _____

WORKING INTEREST OWNER
(after payout of North Shore #1 reservoir)

BOW VALLEY ALASKA CORPORATION

By: *C. W. Leigh Cassidy* Date: 2 - APRIL - 09
C. W. Leigh Cassidy
Title: President

Address:
BOW VALLEY ALASKA CORPORATION
Attention: C. W. Leigh Cassidy
Suite 1200, 333 7th Avenue S.W.
Calgary, Alberta T2P 2Z1, Canada
Telephone: (403) 232-0292
Facsimile: (403) 232-8920
E-Mail: lcassidy@bvenergy.com

~~PROVINCE OF ALBERTA~~
~~STATE OF ALASKA~~)
)ss.
~~THIRD JUDICIAL DISTRICT~~)

This certifies that on April 2, 2009, before me, a notary public in and for the ^{Province of Alberta}~~State of Alaska~~, duly commissioned and sworn, personally appeared Leigh Cassidy, 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.

S. Negraiff
NOTARY PUBLIC in and for ~~Alaska~~ Alberta
My Commission Expires: —

SCOTT NEGRAIFF
Barrister & Solicitor