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AMERADA HESS CORPORATION

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January 23, 1991

REGIONAL SUPERVISOR
FIELD OPERATIONS
MINERALS MANAGEMENT SERVICE

Mr. Jim Eason
State of Alaska
Department of Natural Resources
Division of Oil and Gas
3601 "C" Street, Suite 1380
Anchorage, AK 99503

Mr. Rod Smith
Minerals Management Service
U. S. Department of the Interior
AK Outer Continental Shelf Region
949 E. 36th Avenue, Room 110
Anchorage, AK 99508-4302

Re: Northstar Unit
First Annual Progress Report
Plan of Development

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Gentlemen:

The Plan of Development that was approved as part of the formation of the Northstar Unit requires the Unit Owners to conduct the following during 1990:

- . Maintain the Northstar and Seal Islands.
- . Initiate a Petrological/Petrophysical study.
- . Initiate a Conceptual Production Facilities Design.
- . In the event of no drilling, to pay the State of Alaska an annual payment of \$1 million in January, 1991.

A summary of activity conducted in 1990 for the above obligations are as follows:

Maintain Northstar and Seal Islands

Amerada Hess and it's partners conducted inspections of both Northstar and Seal Islands during the summer of 1990. Island repairs were required on both islands and approximately 3,000 gravel bags were placed - 2,000 on Northstar Island and 1,000 on Seal Island. Additionally, Amerada Hess lead the effort and joined with Amoco in bag pickup. Gravel bags were placed along the barrier islands and beaches of the Beaufort Sea. Total bags picked up were 152.

Petrological/Petrophysical Study

The Working Interest Owners defined the required work for the Petrological/Petrophysical Study and pooled their databases. Requests for proposals to conduct the defined Scope of Work were submitted to vendors. Proposals and bids were analyzed and Neil Berry and Associates, in conjunction with Core Lab Inc., was selected to conduct the Petrological/Petrophysical Study. That work is currently underway and is scheduled for completion during the first half of 1991.

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Conceptual Production Facilities Design

The Working Interest Owners developed a Scope of Work, a list of deliverables, and solicited proposals to conduct the conceptual study. Proposals were received from five different engineering firms and the Ralph M. Parsons Company was selected. The study is underway and is expected to be completed during the first half of 1991.

Major areas of the study are:

- . Design criteria
- . Environmental issues
- . Best type of "platform" for the operation
 - . Islands
 - . Gravity based structures
 - Concrete
 - Steel
 - . Combination of the above
- . Process and injection facilities - oil, water, gas
- . Drilling systems - rigs, mud, cuttings, wellhead spacing
- . Operating systems
 - . Utilities
 - . Housing
 - . Safety
 - . Control
- . Logistics
- . Pipelines

Drilling a Delineation Well

Amerada Hess and its partners elected not to drill a well in 1990. The annual payment to the State of Alaska for 1990 of \$1 million will be paid in January, 1991.

Plans for 1991

All the Plan of Development requirements for 1991 are anticipated to be met by Amerada Hess and its partners.

- . The islands will again be inspected and repaired if necessary.
- . The Petrological/Petrophysical Study will be completed and a presentation will be made to the Department of Natural Resources and Minerals Management Service in the later part of 1991.

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- . Amerada Hess and its partners have defined the basic requirements of the seismic program and solicited bids. The program is on schedule and is to be conducted during the summer of 1991.
- . Analysis/interpretation of the seismic data will commence after receipt of the field seismic data.
- . The Conceptual Development Design Study will be completed and a presentation made to the Department of Natural Resources and Minerals Management Service in last quarter of 1991.

Very truly yours,



C. R. Richard
Manager, Engineering
& Technical Services

yb