

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02400</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$251,135.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **2,304.000000** acres or hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6270, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. **See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.**

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

<b>Lease size (hectares)</b>	<b>RSV (million barrels of oil equivalent)</b>
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)

*David W. Brown*

(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

*John Goll*

(Signature of Authorized Officer)

**John Goll**

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

(Lessee)

(Lessee)

(Signature of Authorized Officer)

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(Name of Signatory)

(Name of Signatory)

(Title)

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(Lessee)

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(Name of Signatory)

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**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

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| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02400**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6270**

## DECISION

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$200,908.00**

**Total Amount Due**

**\$206,668.00**

**ConocoPhillips Company**  
**700 G Street**  
**Anchorage, Alaska 99501**

## LEASE FORMS TRANSMITTED FOR EXECUTION

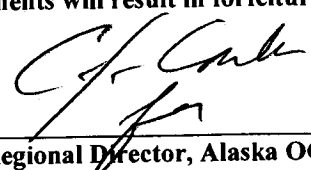
Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

- Execute and return the three copies of attached lease.** *(If lease is executed by an agent, evidence must be furnished of agent's authorization. IMPORTANT: If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form MUST BEAR THE CORPORATE SEAL.)*
- Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is **APR 29 2008**
- You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
Regional Director, Alaska OCS Region

4/9/08  
Date

**TAKE PRIDE**  
**IN AMERICA** 



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02401</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$4,101,125.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company** **100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **2,304.000000** acres-of hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6271, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the proscribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. **See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.**

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins; the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

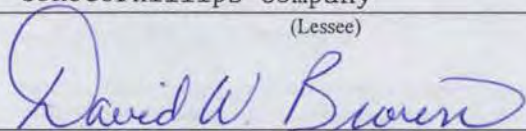
(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)



(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor



(Signature of Authorized Officer)

John Goll

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



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*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- |                |  |
|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative affects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02401**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 - Colbert - 6271**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$3,280,900.00**

**Total Amount Due** **\$3,286,660.00**

**ConocoPhillips Company**  
**700 G Street**  
**Anchorage, Alaska 99501**


## LEASE FORMS TRANSMITTED FOR EXECUTION

Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

- Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
- Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is  
**APR 29 2008**
- You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)  
 You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).  
 You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).  
 You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

4/9/08  
Date

Attachments

**TAKE PRIDE  
IN AMERICA** 



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02402</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$1,101,125.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **acres-of 2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6272, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. **See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.**

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year *t*, is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year *t*, resulting in the adjusted threshold price for year *t*. For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.
  
5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.
  
6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

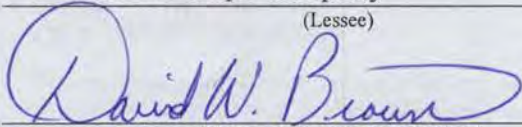
(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)



(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

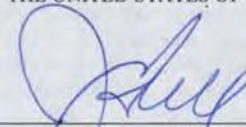
April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor



(Signature of Authorized Officer)

John Goll

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



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(Date)

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(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- |                |  |
|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02402**

**Offering Date**  
02/06/2008

**Map Area and Block Number**  
NR03-03 – Colbert – 6272

**DECISION**

**Rental**  
\$5,760.00

**Balance of Bonus**  
\$880,900.00

**Total Amount Due**  
\$886,660.00

**ConocoPhillips Company**  
700 G Street  
Anchorage, Alaska 99501

## LEASE FORMS TRANSMITTED FOR EXECUTION


Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

- Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
- Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is **APR 29 2008**
- You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
Regional Director, Alaska OCS Region

4/9/08  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office <b>Anchorage, Alaska</b>	Serial number <b>OCS-Y-02403</b>
Cash bonus <b>\$1,101,110.00</b>	Rental rate per acre, hectare or fraction thereof <b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof <b>\$13.00 per hectare</b> <b>See attached addendum</b>	Royalty rate <b>12 1/2 percent</b>
	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately ~~acres of~~ **2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6273, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the proscribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.
5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.
6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)

*David W. Brown*

(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street

Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

*John Goll*

(Signature of Authorized Officer)

John Goll

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



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**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- Stipulation 1. Protection of Biological Resources
- Stipulation 2. Orientation Program
- Stipulation 3. Transportation of Hydrocarbons
- Stipulation 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources
- Stipulation 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities
- Stipulation 6. Pre-Booming Requirements for Fuel Transfers
- Stipulation 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02403**

**Offering Date**                      **Map Area and Block Number**  
**02/06/2008**                              **NR03-03 – Colbert – 6273**

**DECISION**

**Rental**                                      **Balance of Bonus**  
**\$5,760.00**                                      **\$880,888.00**  
**Total Amount Due**                      **\$886,648.00**

**ConocoPhillips Company**  
**700 G Street**  
**Anchorage, Alaska 99501**

### LEASE FORMS TRANSMITTED FOR EXECUTION

Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** *(If lease is executed by an agent, evidence must be furnished of agent's authorization. IMPORTANT: If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form MUST BEAR THE CORPORATE SEAL.)*
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer. Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is**                      **APR 29 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

  
\_\_\_\_\_  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02404</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$701,125.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately ~~acres of~~ **2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6274, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

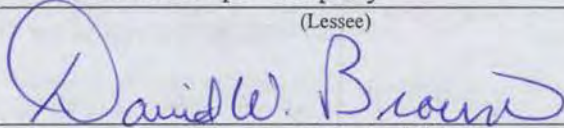
(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)



(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor



(Signature of Authorized Officer)

John Goll

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*



(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

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(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- Stipulation 1. Protection of Biological Resources
- Stipulation 2. Orientation Program
- Stipulation 3. Transportation of Hydrocarbons
- Stipulation 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources
- Stipulation 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities
- Stipulation 6. Pre-Booming Requirements for Fuel Transfers
- Stipulation 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walrus. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walrus can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walrus from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walrus are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02404**

**Offering Date**  
02/06/2008

**Map Area and Block Number**  
NR03-03 – Colbert – 6274

**DECISION**

**Rental**  
\$5,760.00

**Balance of Bonus**  
\$560,900.00

**Total Amount Due**

\$566,660.00

**ConocoPhillips Company**  
700 G Street  
Anchorage, Alaska 99501

## LEASE FORMS TRANSMITTED FOR EXECUTION


Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is  
**APR 29 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

**4/9/08**  
\_\_\_\_\_  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02405</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$61,125.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

**MAY - 1 2008**

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **2,304.000000** acres of **2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6317, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. **See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.**

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
  - (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
  - (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)

*David W. Brown*

(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

*John Goll*

(Signature of Authorized Officer)

**John Goll**

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)  
**APR 30 2008**

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



\_\_\_\_\_  
(Lessee)

\_\_\_\_\_  
(Signature of Authorized Officer)

\_\_\_\_\_  
(Name of Signatory)

\_\_\_\_\_  
(Title)

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(Date)

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(Address of Lessee)

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(Lessee)

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(Signature of Authorized Officer)

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(Name of Signatory)

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(Name of Signatory)

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(Title)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*



(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- |                |  |
|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02405**

**Offering Date**  
02/06/2008

**Map Area and Block Number**  
NR03-03 – Colbert – 6317

**DECISION**

**Rental**  
\$5,760.00

**Balance of Bonus**  
\$48,900.00

**Total Amount Due**

\$54,660.00

**ConocoPhillips Company**  
700 G Street  
Anchorage, Alaska 99501

## LEASE FORMS TRANSMITTED FOR EXECUTION

Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer. Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is**  
**APR 29 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

*C. J. Clark*  
*for*

Regional Director, Alaska OCS Region

*4/9/08*  
Date

Attachments





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office <b>Anchorage, Alaska</b>	Serial number <b>OCS-Y-02406</b>
Cash bonus <b>\$301,125.00</b>	Rental rate per acre, hectare or fraction thereof <b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof <b>\$13.00 per hectare See attached addendum</b>	Royalty rate <b>12 1/2 percent</b>
	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **2,304.000000** acres or hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6321, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the proscribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.
5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.
6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)

*David W. Brown*

(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

*John Goll*

(Signature of Authorized Officer)

**John Goll**

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



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**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

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|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walrus. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walrus can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walrus from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walrus are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02406**

**Offering Date**  
02/06/2008

**Map Area and Block Number**  
NR03-03 – Colbert – 6321

**DECISION**

**Rental**  
\$5,760.00

**Balance of Bonus**  
\$240,900.00

**Total Amount Due**

\$246,660.00

**ConocoPhillips Company**  
700 G Street  
Anchorage, Alaska 99501

## LEASE FORMS TRANSMITTED FOR EXECUTION


Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is  
**APR 29 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
Regional Director, Alaska OCS Region

4/9/08  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office <b>Anchorage, Alaska</b>	Serial number <b>OCS-Y-02407</b>
Cash bonus <b>\$701,135.00</b>	Rental rate per acre, hectare or fraction thereof <b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof <b>\$13.00 per hectare</b> <b>See attached addendum</b>	Royalty rate <b>12 1/2 percent</b>
	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **acres-of 2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6322, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressed-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
  - (a) The threshold price in any year, say year *t*, is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year *t*, resulting in the adjusted threshold price for year *t*. For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
  - (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)

*David W. Brown*

(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

*John Goll*

(Signature of Authorized Officer)

John Goll

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



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(Signature of Authorized Officer)

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*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- |                |  |
|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02407**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6322**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$560,908.00**

**Total Amount Due**

**\$566,668.00**

**ConocoPhillips Company**  
**700 G Street**  
**Anchorage, Alaska 99501**

## LEASE FORMS TRANSMITTED FOR EXECUTION


Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:


- Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
- Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer. Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is** **APR 29 2008**
- You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

  
\_\_\_\_\_  
Date

**TAKE PRIDE**  
**IN AMERICA** 



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02408</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$701,125.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **acres-of 2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6323, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the proscribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)

*David W. Brown*

(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

*John Goll*

(Signature of Authorized Officer)

John Goll

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*



(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- |                |  |
|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative affects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02408**

**Offering Date**  
02/06/2008

**Map Area and Block Number**  
NR03-03 – Colbert – 6323

**DECISION**

<b>Rental</b>	<b>Balance of Bonus</b>
<u>\$5,760.00</u>	<u>\$560,900.00</u>
<b>Total Amount Due</b>	<b>\$566,660.00</b>

**ConocoPhillips Company**  
700 G Street  
Anchorage, Alaska 99501

## LEASE FORMS TRANSMITTED FOR EXECUTION

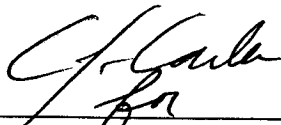
Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

- Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT: If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form MUST BEAR THE CORPORATE SEAL.**)
- Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer. Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is**  
**APR 29 2008**
- You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)  
 You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).  
 You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).  
 You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

4/9/08  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02409</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$101,125.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately ~~acres of~~ **2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6324, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. **See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.**

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

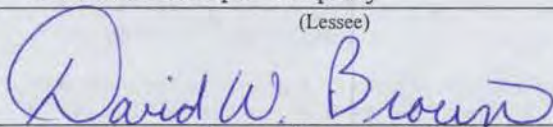
(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)



(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor



(Signature of Authorized Officer)

John Goll

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

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(Date)

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(Address of Lessee)

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**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- Stipulation 1. Protection of Biological Resources
- Stipulation 2. Orientation Program
- Stipulation 3. Transportation of Hydrocarbons
- Stipulation 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources
- Stipulation 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities
- Stipulation 6. Pre-Booming Requirements for Fuel Transfers
- Stipulation 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative affects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO

**OCS-Y-02409**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6324**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$80,900.00**

**Total Amount Due**

**\$86,660.00**

**ConocoPhillips Company**  
**700 G Street**  
**Anchorage, Alaska 99501**

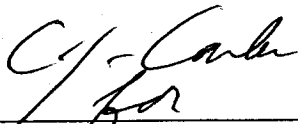
## LEASE FORMS TRANSMITTED FOR EXECUTION

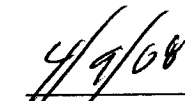
Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

- Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
- Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer. Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is**  
**APR 29 2008**
- You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)  
 You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).  
 You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).  
 You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

  
\_\_\_\_\_  
Date

Attachments

**TAKE PRIDE**  
**IN AMERICA** 



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02410</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$101,125.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company** **100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **2,304.000000** acres-of hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6372, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. **See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.**

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year *t*, is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year *t*, resulting in the adjusted threshold price for year *t*. For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)

*David W. Brown*

(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

*John Goll*

(Signature of Authorized Officer)

John Goll

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



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**LEASE STIPULATIONS**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- Stipulation 1. Protection of Biological Resources
- Stipulation 2. Orientation Program
- Stipulation 3. Transportation of Hydrocarbons
- Stipulation 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources
- Stipulation 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities
- Stipulation 6. Pre-Booming Requirements for Fuel Transfers
- Stipulation 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

(1) **Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02410**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6372**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$80,900.00**

**Total Amount Due** **\$86,660.00**

**ConocoPhillips Company**  
**700 G Street**  
**Anchorage, Alaska 99501**

## LEASE FORMS TRANSMITTED FOR EXECUTION

Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer. Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is**  
**APR 29 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)  
 You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).  
 You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).  
 You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Regional Director, Alaska OCS Region

4/9/08  
Date

Attachments





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02411</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$101,120.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **MAY - 1 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**ConocoPhillips Company**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **2,304.000000** acres or hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6373, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof.~~ See attached Lease Addendum for Rentals, under Sec. 4.

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty.~~ See attached Lease Addendum for Minimum Royalty, under Sec. 5.

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

ConocoPhillips Company

(Lessee)

*David W. Brown*

(Signature of Authorized Officer)

David W. Brown

(Name of Signatory)

Attorney-in-Fact

(Title)

April 21, 2008

(Date)

700 G Street  
Anchorage, Alaska 99501

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

*John Goll*

(Signature of Authorized Officer)

John Goll

(Name of Signatory)

Regional Director, Alaska OCS Region

(Title)

APR 30 2008

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*



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(Lessee)

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(Lessee)

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(Signature of Authorized Officer)

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(Signature of Authorized Officer)

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(Address of Lessee)

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(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- Stipulation 1. Protection of Biological Resources
- Stipulation 2. Orientation Program
- Stipulation 3. Transportation of Hydrocarbons
- Stipulation 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources
- Stipulation 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities
- Stipulation 6. Pre-Booming Requirements for Fuel Transfers
- Stipulation 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative affects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02411**

**Offering Date**  
02/06/2008

**Map Area and Block Number**  
NR03-03 – Colbert – 6373

**DECISION**

**Rental**  
\$5,760.00

**Balance of Bonus**  
\$80,896.00

**Total Amount Due**  
\$86,656.00

**ConocoPhillips Company**  
700 G Street  
Anchorage, Alaska 99501

## LEASE FORMS TRANSMITTED FOR EXECUTION


Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

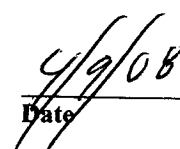
1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is **APR 29 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**ConocoPhillips Company YK00056**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

  
\_\_\_\_\_  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office <b>Anchorage, Alaska</b>	Serial number <b>OCS-Y-02412</b>
Cash bonus <b>\$76,204.00</b>	Rental rate per acre, hectare or fraction thereof <b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof <b>\$13.00 per hectare See attached addendum</b>	Royalty rate <b>12 1/2 percent</b>
	Profit share rate

This lease is effective as of **JUL 01 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**Shell Gulf of Mexico Inc.**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **acres of 2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6560, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. **See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.**

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the distraction involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

**Shell Gulf of Mexico Inc.**

(Lessee)

(Signature of Authorized Officer)

**L. G. Svab**

(Name of Signatory)

**Attorney-in-Fact**

(Title)

**May 29, 2008**

(Date)

**200 North Dairy Ashford Rd.  
Houston, Texas 77079**

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

(Signature of Authorized Officer)

**John Goll**

(Name of Signatory)

**Regional Director, Alaska OCS Region**

(Title)

**JUN 18 2008**

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

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(Address of Lessee)

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*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

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|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walrus. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walrus can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walrus from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walrus are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02412**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6560**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$60,963.20**

**Total Amount Due** **\$66,723.20**

**Shell Gulf of Mexico Inc.**  
**200 North Dairy Ashford Rd.**  
**Houston, Texas 77079**

## LEASE FORMS TRANSMITTED FOR EXECUTION

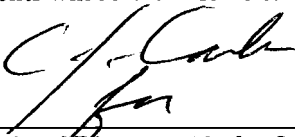
Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is **JUN 11 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**Shell Gulf of Mexico Inc. YK02117**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

5/21/08  
Date

**TAKE PRIDE<sup>®</sup>**  
**IN AMERICA** 



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02413</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$76,772.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **JUL 01 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**Shell Gulf of Mexico Inc.**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **2,304.000000** acres of hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6561, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. **See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.**

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year *t*, is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year *t*, resulting in the adjusted threshold price for year *t*. For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.
5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.
6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

**Shell Gulf of Mexico Inc.**

(Lessee)

(Signature of Authorized Officer)

**L. G. Svab**

(Name of Signatory)

**Attorney-in-Fact**

(Title)

**May 29, 2008**

(Date)

**200 North Dairy Ashford Rd.  
Houston, Texas 77079**

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

(Signature of Authorized Officer)

**John Goll**

(Name of Signatory)

**Regional Director, Alaska OCS Region**

(Title)

**JUN 18 2008**

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*

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*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- |                |  |
|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative affects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Alaska Outer Continental Shelf Region
3801 Centerpoint Drive, Suite 500
Anchorage, Alaska 99503-5823

IN REPLY REFER TO
OCS-Y-02413

Offering Date
02/06/2008

Map Area and Block Number
NR03-03 - Colbert - 6561

Table with 2 columns: DECISION, Rental, Balance of Bonus, Total Amount Due. Values: \$5,760.00, \$61,417.60, \$67,177.60.

Shell Gulf of Mexico Inc.
200 North Dairy Ashford Rd.
Houston, Texas 77079

LEASE FORMS TRANSMITTED FOR EXECUTION

Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

- 1. Execute and return the three copies of attached lease.
2. Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.
3. You must comply with bonding requirements according to 30 CFR 256, Subpart I.
You must comply with Equal Opportunity Affirmative Action Program Representation according to 41 CFR 60-1 and -2.
You must comply with Equal Opportunity Compliance Report Certification according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended.
You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

Shell Gulf of Mexico Inc. YK02117

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

Regional Director, Alaska OCS Region

Date 5/21/08





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02414</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$76,857.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **JUL 01 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**Shell Gulf of Mexico Inc.**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately ~~acres of~~ **2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6609, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. **See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.**

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.
5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.
6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than  $16 \frac{2}{3}$  percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

**Shell Gulf of Mexico Inc.**

\_\_\_\_\_  
(Lessee)  
  
\_\_\_\_\_  
(Signature of Authorized Officer)  
**L. G. Svab**  
\_\_\_\_\_  
(Name of Signatory)

**Attorney-in-Fact**

\_\_\_\_\_  
(Title)  
**May 29, 2008**  
\_\_\_\_\_  
(Date)

**200 North Dairy Ashford Rd.  
Houston, Texas 77079**

\_\_\_\_\_  
(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

\_\_\_\_\_  
  
\_\_\_\_\_  
(Signature of Authorized Officer)  
**John Goll**  
\_\_\_\_\_  
(Name of Signatory)

**Regional Director, Alaska OCS Region**

\_\_\_\_\_  
(Title)  
**JUN 18 2008**  
\_\_\_\_\_  
(Date)

\_\_\_\_\_  
*If this lease is executed by a corporation, it must bear the corporate seal*

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(Lessee)

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(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- |                |  |
|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative affects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02414**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6609**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$61,485.60**

**Total Amount Due**

**\$67,245.60**

**Shell Gulf of Mexico Inc.**  
**200 North Dairy Ashford Rd.**  
**Houston, Texas 77079**

## LEASE FORMS TRANSMITTED FOR EXECUTION

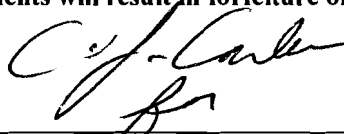
Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is **JUN 11 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**Shell Gulf of Mexico Inc. YK02117**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

**5/21/08**  
\_\_\_\_\_  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office <b>Anchorage, Alaska</b>	Serial number <b>OCS-Y-02415</b>
Cash bonus <b>\$76,392.00</b>	Rental rate per acre, hectare or fraction thereof <b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof <b>\$13.00 per hectare See attached addendum</b>	Royalty rate <b>12 1/2 percent</b>
	Profit share rate

This lease is effective as of **JUL 01 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**Shell Gulf of Mexico Inc.**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **2,304.000000** acres or hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6610, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year  $t$ , is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year  $t$ , resulting in the adjusted threshold price for year  $t$ . For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

**Shell Gulf of Mexico Inc.**

  
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(Lessee)  
  
\_\_\_\_\_  
(Signature of Authorized Officer)

**L. G. Svab**

(Name of Signatory)

**Attorney-in-Fact**

(Title)

**May 29, 2008**

(Date)

**200 North Dairy Ashford Rd.  
Houston, Texas 77079**

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

  
\_\_\_\_\_  
(Signature of Authorized Officer)  
**John Goll**

(Name of Signatory)

**Regional Director, Alaska OCS Region**

(Title)

**JUN 18 2008**

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*

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(Lessee)

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(Lessee)

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(Signature of Authorized Officer)

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*If this lease is executed by a corporation, it must bear the corporate seal*



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*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- |                |  |
|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative affects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walrus. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walrus can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walrus from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walrus are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02415**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6610**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$61,113.60**

**Total Amount Due** **\$66,873.60**

**Shell Gulf of Mexico Inc.**  
**200 North Dairy Ashford Rd.**  
**Houston, Texas 77079**

## LEASE FORMS TRANSMITTED FOR EXECUTION


Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:


1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is **JUN 11 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**Shell Gulf of Mexico Inc. YK02117**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

  
\_\_\_\_\_  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02416</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$82,764.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **JUL 01 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**Shell Gulf of Mexico Inc.**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **acres or 2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6611, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

~~Sec. 4. Rentals. The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery, in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

~~Sec. 5. Minimum Royalty. The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. **See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.**

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year *t*, is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year *t*, resulting in the adjusted threshold price for year *t*. For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

**Shell Gulf of Mexico Inc.**

(Lessee)

(Signature of Authorized Officer)

**L. G. Svab**

(Name of Signatory)

**Attorney-in-Fact**

(Title)

**May 29, 2008**

(Date)

**200 North Dairy Ashford Rd.  
Houston, Texas 77079**

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

(Signature of Authorized Officer)

**John Goll**

(Name of Signatory)

**Regional Director, Alaska OCS Region**

(Title)

**JUN 18 2008**

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*

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**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- Stipulation 1. Protection of Biological Resources
- Stipulation 2. Orientation Program
- Stipulation 3. Transportation of Hydrocarbons
- Stipulation 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources
- Stipulation 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities
- Stipulation 6. Pre-Booming Requirements for Fuel Transfers
- Stipulation 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative affects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walrus. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walrus can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walrus from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walrus are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02416**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6611**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$66,211.20**

**Total Amount Due** **\$71,971.20**

**Shell Gulf of Mexico Inc.**  
**200 North Dairy Ashford Rd.**  
**Houston, Texas 77079**

## LEASE FORMS TRANSMITTED FOR EXECUTION

Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47).  
That day is **JUN 11 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**Shell Gulf of Mexico Inc. YK02117**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

  
\_\_\_\_\_  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
Anchorage, Alaska	OCS-Y-02417
Cash bonus	Rental rate per acre, hectare or fraction thereof
\$83,504.00	See attached addendum
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
\$13.00 per hectare	12 1/2 percent
See attached addendum	Profit share rate

This lease is effective as of **JUL 01 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**Shell Gulf of Mexico Inc.**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately ~~acres of~~ **2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6658, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year *t*, is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year *t*, resulting in the adjusted threshold price for year *t*. For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

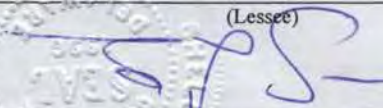
(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

**Shell Gulf of Mexico Inc.**

\_\_\_\_\_  
(Lessee)  
  
\_\_\_\_\_  
(Signature of Authorized Officer)

**L. G. Svab**

\_\_\_\_\_  
(Name of Signatory)

**Attorney-in-Fact**

\_\_\_\_\_  
(Title)

**May 29, 2008**

\_\_\_\_\_  
(Date)

**200 North Dairy Ashford Rd.  
Houston, Texas 77079**

\_\_\_\_\_  
(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

\_\_\_\_\_  
  
\_\_\_\_\_  
(Signature of Authorized Officer)

**John Goll**

\_\_\_\_\_  
(Name of Signatory)

**Regional Director, Alaska OCS Region**

\_\_\_\_\_  
(Title)

**JUN 18 2008**

\_\_\_\_\_  
(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*

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(Lessee)

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(Signature of Authorized Officer)

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(Signature of Authorized Officer)

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(Name of Signatory)

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(Name of Signatory)

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(Date)

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(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- |                |  |
|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative affects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Alaska Outer Continental Shelf Region
3801 Centerpoint Drive, Suite 500
Anchorage, Alaska 99503-5823

IN REPLY REFER TO
OCS-Y-02417

Offering Date 02/06/2008
Map Area and Block Number NR03-03 - Colbert - 6658

Table with 2 columns: DECISION, Financial amounts. Rows: Rental (\$5,760.00), Balance of Bonus (\$66,803.20), Total Amount Due (\$72,563.20)

Shell Gulf of Mexico Inc.
200 North Dairy Ashford Rd.
Houston, Texas 77079

LEASE FORMS TRANSMITTED FOR EXECUTION

Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

- 1. Execute and return the three copies of attached lease. (If lease is executed by an agent, evidence must be furnished of agent's authorization. IMPORTANT: If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form MUST BEAR THE CORPORATE SEAL.)
2. Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer. Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is JUN 11 2008
3. [ ] You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided).
[ ] You must comply with Equal Opportunity Affirmative Action Program Representation according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
[ ] You must comply with Equal Opportunity Compliance Report Certification according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
[X] You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

Shell Gulf of Mexico Inc. YK02117

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

Handwritten signature of J. Carter
Regional Director, Alaska OCS Region

Handwritten date 5/21/08
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office <b>Anchorage, Alaska</b>	Serial number <b>OCS-Y-02418</b>
Cash bonus <b>\$82,994.00</b>	Rental rate per acre, hectare or fraction thereof <b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof <b>\$13.00 per hectare</b> <b>See attached addendum</b>	Royalty rate <b>12 1/2 percent</b>
	Profit share rate

This lease is effective as of **JUL 01 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**Shell Gulf of Mexico Inc. 100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **acres-of 2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6659, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof.~~  
See attached Lease Addendum for Rentals, under Sec. 4.

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty.~~  
See attached Lease Addendum for Minimum Royalty, under Sec. 5.

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year *t*, is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year *t*, resulting in the adjusted threshold price for year *t*. For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

**Shell Gulf of Mexico Inc.**

(Lessee)  
  
(Signature of Authorized Officer)  
**L. G. Svab**  
(Name of Signatory)

**Attorney-in-Fact**

(Title)  
**May 29, 2008**  
(Date)

**200 North Dairy Ashford Rd.  
Houston, Texas 77079**

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

  
(Signature of Authorized Officer)  
**John Goll**  
(Name of Signatory)

**Regional Director, Alaska OCS Region**

(Title)  
**JUN 18 2008**  
(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

(Date)

(Address of Lessee)

(Address of Lessee)

(Lessee)

(Lessee)

(Signature of Authorized Officer)

(Signature of Authorized Officer)

(Name of Signatory)

(Name of Signatory)

(Title)

(Title)

(Date)

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(Address of Lessee)

(Address of Lessee)

*If this lease is executed by a corporation, it must bear the corporate seal*



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(Address of Lessee)

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**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

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| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walrus. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walrus can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walrus from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walrus are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02418**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6659**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$66,395.20**

**Total Amount Due** **\$72,155.20**

**Shell Gulf of Mexico Inc.**  
**200 North Dairy Ashford Rd.**  
**Houston, Texas 77079**

## LEASE FORMS TRANSMITTED FOR EXECUTION

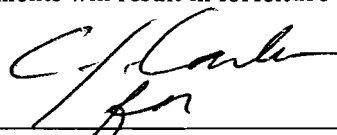
Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer. Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is **JUN 11 2008****
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**Shell Gulf of Mexico Inc. YK02117**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

5/21/08  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT**

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02419</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$80,036.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **JUL 01 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**Shell Gulf of Mexico Inc.**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately **2,304.000000** acres or hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6660, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the "nearby delivery month" on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year *t*, is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year *t*, resulting in the adjusted threshold price for year *t*. For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the President of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

**Shell Gulf of Mexico Inc.**

(Lessee)

(Signature of Authorized Officer)

**L. G. Svab**

(Name of Signatory)

**Attorney-in-Fact**

(Title)

**May 29, 2008**

(Date)

**200 North Dairy Ashford Rd.  
Houston, Texas 77079**

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

(Signature of Authorized Officer)

**John Goll**

(Name of Signatory)

**Regional Director, Alaska OCS Region**

(Title)

**JUN 18 2008**

(Date)

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**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- Stipulation 1. Protection of Biological Resources
- Stipulation 2. Orientation Program
- Stipulation 3. Transportation of Hydrocarbons
- Stipulation 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources
- Stipulation 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities
- Stipulation 6. Pre-Booming Requirements for Fuel Transfers
- Stipulation 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02419**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6660**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$64,028.80**

**Total Amount Due** **\$69,788.80**

**Shell Gulf of Mexico Inc.**  
**200 North Dairy Ashford Rd.**  
**Houston, Texas 77079**

## LEASE FORMS TRANSMITTED FOR EXECUTION


Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is **JUN 11 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**Shell Gulf of Mexico Inc. YK02117**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

  
\_\_\_\_\_  
Date





UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT

*This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require approval by the Office of Management and Budget.*

Office	Serial number
<b>Anchorage, Alaska</b>	<b>OCS-Y-02420</b>
Cash bonus	Rental rate per acre, hectare or fraction thereof
<b>\$75,210.00</b>	<b>See attached addendum</b>
Minimum royalty rate per acre, hectare or fraction thereof	Royalty rate
<b>\$13.00 per hectare</b>	<b>12 1/2 percent</b>
<b>See attached addendum</b>	Profit share rate

This lease is effective as of **JUL 01 2008** (hereinafter called the "Effective Date") and shall continue for an initial period of **ten (10)** years (hereinafter called the "Initial Period") by and between the United States of America (hereinafter called the "Lessor"), by the **Regional Director, Alaska OCS Region** Minerals Management Service, its authorized officer, and

**Shell Gulf of Mexico Inc.**

**100.00000%**

(hereinafter called the "Lessee"). In consideration of any cash payment heretofore made by the Lessee to the Lessor and in consideration of the promises, terms, conditions, and covenants contained herein, including the Stipulation(s) numbered **1, 2, 3, 5, 6, & 7** attached hereto, the Lessee and Lessor agree as follows:

**Sec. 1. Statutes and Regulations.** This lease is issued pursuant to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (92 Stat. 629), (hereinafter called the "Act"). The lease is issued subject to the Act; all regulations issued pursuant to the Act and in existence upon the Effective Date of this lease; all regulations issued pursuant to the statute in the future which provide for the prevention of waste and conservation of the natural resources of the Outer Continental Shelf and the protection of correlative rights therein; and all other applicable statutes and regulations.

**Sec. 2. Rights of Lessee.** The Lessor hereby grants and leases to the Lessee the exclusive right and privilege to drill for, develop, and produce oil and gas resources, except helium gas, in the submerged lands of the Outer Continental Shelf containing approximately ~~acres of~~ **2,304.000000** hectares (hereinafter referred to as the "leased area"), described as follows:

**All of Block 6709, OCS Official Protraction Diagram NR03-03, Colbert, revised December 31, 1994.**

These rights include:

(a) the nonexclusive right to conduct within the leased area geological and geophysical explorations in accordance with applicable regulations;

(b) the nonexclusive right to drill water wells within the leased area, unless the water is part of geopressured-geothermal and associated resources, and to use the water produced therefrom for operations pursuant to the Act free of cost, on the condition that the drilling is conducted in accordance with procedures approved by the Director of the Minerals Management Service or the Director's delegate (hereinafter called the "Director"); and

(c) the right to construct or erect and to maintain within the leased area artificial islands, installations, and other devices permanently or temporarily attached to the seabed and other works and structures necessary to the full enjoyment of the lease, subject to compliance with applicable laws and regulations.

**Sec. 3. Term.** This lease shall continue from the Effective Date of the lease for the Initial Period and so long thereafter as oil or gas is produced from the leased area in paying quantities, or drilling or well reworking operations, as approved by the Lessor, are conducted thereon, or as otherwise provided by regulation.

**Sec. 4. Rentals.** ~~The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental as shown on the face hereof. See attached Lease Addendum for Rentals, under Sec. 4.~~

**Sec. 5. Minimum Royalty.** ~~The Lessee shall pay the Lessor, at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities, a minimum royalty as shown on the face hereof or, if there is production, the difference between the actual royalty required to be paid with respect to such lease year and the prescribed minimum royalty if the actual royalty paid is less than the minimum royalty. See attached Lease Addendum for Minimum Royalty, under Sec. 5.~~

**Sec. 6. Royalty on Production.**

(a) The Lessee shall pay a fixed royalty as shown on the face hereof in amount or value of production saved, removed, or sold from the leased area. Gas (except helium) and oil of all kinds are subject to royalty. Any Lessee is liable for royalty payments on oil or gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator of the lease, or due to the failure to comply with any rule or regulation, order, or citation issued under the Federal Oil and Gas Royalty Management Act of 1982 or the Act. The Lessor shall determine whether production royalty shall be paid in amount or value.

(b) The value of production for purposes of computing royalty on production from this lease shall never be less than the fair market value of the production. The value of production shall be the estimated reasonable value of the production as determined by the Lessor, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field or area, to the price received by the Lessee, to posted prices, to regulated prices, and to other relevant matters. Except when the Lessor, in its discretion, determines not to consider special pricing relief from otherwise applicable Federal regulatory requirements, the value of production for the purposes of computing royalty shall not be deemed to be less than the gross proceeds accruing to the Lessee from the sale thereof. In the absence of good reason to the contrary, value

computed on the basis of the highest price paid or offered at the time of production in a fair and open market for the major portion of like-quality products produced and sold from the field or area where the leased area is situated will be considered to be a reasonable value.

(c) When paid in value, royalties on production shall be due and payable monthly on the last day of the month next following the month in which the production is obtained, unless the Lessor designates a later time. When paid in amount, such royalties shall be delivered at pipeline connections or in tanks provided by the Lessee. Such deliveries shall be made at reasonable times and intervals and, at the Lessor's option, shall be effected either (i) on or immediately adjacent to the leased area, without cost to the Lessor, or (ii) at a more convenient point closer to shore or on shore, in which event the Lessee shall be entitled to reimbursement for the reasonable cost of transporting the royalty substance to such delivery point. See attached Lease Addendum for Royalty Suspension Provisions, under Sec. 6.

**Sec. 7. Payments.** The Lessee shall make all payments (rentals, royalties and any other payments required by this lease) to the Lessor by electronic transfer of funds, check, draft on a solvent bank, or money order unless otherwise provided by regulations or by direction of the Lessor. Rentals, royalties, and any other payments required by this lease shall be made payable to the Minerals Management Service and tendered to the Director. Determinations made by the Lessor as to the amount of payment due shall be presumed to be correct and paid as due.

**Sec. 8. Bonds.** The Lessee shall maintain at all times the bond(s) required by regulation prior to the issuance of the lease and shall furnish such additional security as may be required by the Lessor if, after operations have begun, the Lessor deems such additional security to be necessary.

**Sec. 9. Plans.** The Lessee shall conduct all operations on the leased area in accordance with approved exploration plans and approved development and production plans as are required by regulations. The Lessee may depart from an approved plan only as provided by applicable regulations.

**Sec. 10. Performance.** The Lessee shall comply with all regulations and Orders. After due notice in writing, the Lessee shall drill such wells and produce at such rates as the Lessor may require in order that the leased area or any part thereof may be properly and timely developed and produced in accordance with sound operating principles.

**Sec. 11. Directional Drilling.** A directional well drilled under the leased area from a surface location on nearby land not covered by this lease shall be deemed to have the same effect for all purposes of the lease as a well drilled from a surface location on the leased area. In those circumstances, drilling shall be considered to have been commenced on the leased area when drilling is commenced on the nearby land for the purpose of directionally drilling under the leased area, and production of oil or gas from the leased area through any directional well surfaced on nearby land or drilling or reworking of any such directional well shall be considered production or drilling or reworking operations on the leased area for all purposes of the lease. Nothing contained in this Section shall be construed as granting to the Lessee any interest, license, easement, or other right in any nearby land.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
MINERALS MANAGEMENT SERVICE

**ADDENDUM**  
**CHUKCHI SEA SALE 193**  
ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

**Sec. 1. Statutes and Regulations.** Notwithstanding the language in Sec. 1 of this lease instrument, and in accordance with the regulations at 2 CFR, part 180, and 2 CFR, part 1400, the Lessee must comply with the U.S. Department of the Interior's debarment and suspension (nonprocurement) requirements and must communicate this requirement to comply with these regulations to all persons with whom the Lessee does business as it relates to this lease by including this term as a condition when entering into contracts and transactions with others.

**Sec. 4. Rentals.** The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Table of Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, the Lessee shall pay the Lessor a rental of \$13 per hectare, or fraction thereof, which is paid at the end of each lease year until the start of royalty-bearing production.

**Table of Rental Rates**

<b>Terms</b>	<b>Rental</b>
(Values per hectare, or fraction thereof)	
Year 1	\$2.50
Year 2	\$3.75
Year 3	\$5.00
Year 4	\$6.25
Year 5	\$7.50
Year 6	\$10.00
Year 7	\$12.00
Year 8	\$15.00
Year 9	\$17.00
Year 10	\$20.00

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

**Sec. 5. Minimum Royalty.** After the start of royalty-bearing production and notwithstanding any royalty suspension which may apply, the Lessee shall pay the Lessor a minimum royalty of \$13 per hectare, or fraction thereof, to be paid at the expiration of each lease year with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

**Sec. 6. Royalty on Production.** In accordance with applicable regulations at 30 CFR 260, the following royalty suspension provisions will apply to leases issued as a result of Chukchi Sea Oil and Gas Lease Sale 193. In addition to these Royalty Suspension Provisions, please refer to 30 CFR 218.151 and applicable parts of 260.120-260.124 for regulations on royalty suspensions and rental obligations that will apply to this lease.

1. This lease in the Chukchi Sea, depending on surface area, will receive a royalty suspension volume (RSV) as follows:

Lease size (hectares)	RSV (million barrels of oil equivalent)
Less than 771	10
771 to less than 1541	20
1541 or more	30

2. Natural gas must be measured in accordance with 30 CFR Part 203.73.
3. The Lessee must pay the Lessor royalty on production that might otherwise receive royalty relief (in 30 CFR 260) for any calendar year during which the actual New York Mercantile Exchange (NYMEX) annual price for the light sweet crude oil or natural gas exceeds the threshold price (\$39 per barrel of oil or \$6.50 per million British thermal units (Btu) of gas, adjusted for inflation) in that year. Such production will be deducted from the remaining RSV. The actual NYMEX annual price for the commodity is defined as the arithmetic average of the daily closing prices for the “nearby delivery month” on the NYMEX in a calendar year. The actual NYMEX annual price for the commodity is calculated by averaging the commodity daily closing prices for each month in the year, and then averaging the 12 monthly averages.
- (a) The threshold price in any year, say year *t*, is determined by inflating the base year 2004 price of \$39 per barrel of oil or \$6.50 per million Btu of gas. This base year price is modified by the percentage change in the implicit price deflator as reported by the U.S. Department of Commerce, Bureau of Economic Analysis, for the interval between 2004 and year *t*, resulting in the adjusted threshold price for year *t*. For example, if the deflator indicates that inflation is 1.6 percent in 2005, 2.1 percent in 2006, 2.5 percent in 2007, and 2.5 percent for 2008, then the threshold price in calendar year 2008 would become \$42.50 per barrel of oil and \$7.08 per million Btu of gas. Therefore, royalty on oil production in calendar year 2008 would be due if the 2008 actual NYMEX oil price, as calculated above, exceeds \$42.50 per barrel. The royalty on gas production in calendar year 2008 would be due if the 2008 actual NYMEX gas price, as calculated above, exceeds \$7.08 per million Btu.
- (b) Royalties on production, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, must be paid no later than 90 days after the end of that calendar year. (See 30 CFR 260.122(b)). Also, when the actual NYMEX annual price of the commodity exceeds the threshold price in any calendar year, royalties on production must be provisionally paid in the following calendar year. (See 30 CFR 260.122(c)).

**ADDENDUM (continued)**  
**CHUKCHI SEA SALE 193**

4. In the case of a Sale 193 lease that is part of an approved unit agreement, allocated production from the unit can only apply against the lease's RSV if that lease is included in an approved participating area. The RSV will be applied to each lease consistent with the production allocation schedule approved by the MMS for the participating area. Participating area means all or parts of unit tracts described and designated as a Participating Area under the unit agreement for the purposes of allocating one or more unitized substances produced from a reservoir.

5. A Lessee must resume paying full royalties on the first day of the month following the month in which the RSV is exhausted. Lessees do not owe royalties for the remainder of the month in which the RSV is exhausted, unless the actual NYMEX annual price of the commodity exceeds the threshold price for that year.

6. The Minerals Management Service will provide notice when the actual NYMEX annual price of the commodity is above the threshold price. Information on actual and threshold prices can be found at the MMS website ([www.mms.gov/econ](http://www.mms.gov/econ)).

**Sec. 12. Safety Requirements.** The Lessee shall:

(a) maintain all places of employment within the leased area in compliance with occupational safety and health standards and, in addition, free from recognized hazards to employees of the Lessee or of any contractor or subcontractor operating within the lease area;

(b) maintain all operations within the leased area in compliance with regulations or orders intended to protect persons, property and the environment on the Outer Continental Shelf; and

(c) allow prompt access, at the site of any operation subject to safety regulations, to any authorized Federal inspector and shall provide any documents and records which are pertinent to occupational or public health, safety, or environmental protection as may be requested.

**Sec. 13. Suspension and Cancellation.**

(a) The Lessor may suspend or cancel this lease pursuant to section 5 of the Act, and compensation shall be paid when provided by the Act.

(b) The Lessor may, upon recommendation of the Secretary of Defense, during a state of war or national emergency declared by Congress or the President of the United States, suspend operations under the lease, as provided in section 12(c) of the Act, and just compensation shall be paid to the Lessee for such suspension.

**Sec. 14. Indemnification.** The Lessee shall indemnify the Lessor for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to persons caused by or resulting from any operation on the leased area conducted by or on behalf of the Lessee. However, the Lessee shall not be held responsible to the Lessor under this section for any loss, damage, or injury caused by or resulting from:

(a) negligence of the Lessor other than the commission or omission of a discretionary function or duty on the part of a Federal Agency whether or not the discretion involved is abused; or

(b) the Lessee's compliance with an order or directive of the Lessor against which an administrative appeal by the Lessee is filed before the cause of action for the claim arises and is pursued diligently thereafter.

**Sec. 15. Disposition of Production.**

(a) As provided in section 27(a)(2) of the Act, the Lessor shall have the right to purchase not more than 16 2/3 percent by volume of the oil and gas produced pursuant to the lease at the regulated price or, if no regulated price applies, at the fair market value at the wellhead of the oil and gas saved, removed, or sold, except that any oil or gas obtained by the Lessor as royalty or net profit share shall be credited against the amount that may be purchased under this subsection.

(b) Pursuant to section 27(b) and (c) of the Act, the Lessor may offer and sell certain oil and gas obtained or purchased pursuant to a lease. As provided in section 27(d) of the Act, the Lessee shall take any Federal oil or gas for which no acceptable bids are received, as determined by the Lessor, and which is not transferred to a Federal Agency pursuant to section 27(a)(3) of the Act, and shall pay to the Lessor a cash amount equal to the regulated price or, if no regulated price applies, the fair market value of the oil or gas so obtained.

(c) As provided in section 8(b)(7) of the Act, the Lessee shall offer 20 percent of the crude oil, condensate, and natural gas liquids produced on the lease, at the market value and point of delivery as provided by regulations applicable to Federal royalty oil, to small or independent refiners as defined in the Emergency Petroleum Allocation Act of 1973.

(d) In time of war or when the president of the United States shall so prescribe, the Lessor shall have the right of first refusal to purchase at the market price all or any portion of the oil or gas produced from the leased area, as provided in section 12(b) of the Act.

**Sec. 16. Unitization, Pooling, and Drilling Agreements.** Within such time as the Lessor may prescribe, the Lessee shall subscribe to and operate under a unit, pooling, or drilling agreement embracing all or part of the lands subject to this lease as the Lessor may determine to be appropriate or necessary. Where any provision of a unit, pooling, or drilling agreement, approved by the Lessor, is inconsistent with a provision of this lease, the provision of the agreement shall govern.

**Sec. 17. Equal Opportunity Clause.** During the performance of this lease, the Lessee shall fully comply with paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended (reprinted in 41 CFR 60-1.4(a)), and the implementing regulations which are for the purpose of preventing employment discrimination against persons on the basis of race, color, religion, sex, or national origin. Paragraphs (1) through (7) of section 202 of Executive Order 11246, as amended, are incorporated in this lease by reference.

**Sec. 18. Certification of Nonsegregated Facilities.** By entering into this lease, the Lessee certifies, as specified in 41 CFR 60-1.8, that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not and will not permit its employees to perform their services at any location under its control where segregated facilities are maintained. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, timeclocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. The Lessee further agrees that it will obtain identical certifications from proposed contractors and subcontractors prior to award of contracts or subcontracts unless they are exempt under 41 CFR 60-1.5.

**Sec. 19. Reservations to Lessor.** All rights in the leased area not expressly granted to the Lessee by the Act, the regulations, or this lease are hereby reserved to the Lessor. Without limiting the generality of the foregoing, reserved rights included:

(a) the right to authorize geological and geophysical exploration in the lease area which does not unreasonably interfere with or endanger actual operations under the lease, and the right to grant such easements or rights-of-way upon, through, or in the leased area as may be necessary or appropriate to the working of other lands or to the treatment and shipment of products thereof by or under authority of the Lessor;

(b) the right to grant leases for any minerals other than oil and gas within the leased area, except that operations under such leases shall not unreasonably interfere with or endanger operations under this lease;

(c) the right, as provided in section 12(d) of the Act, to restrict operations in the leased area or any part thereof which may be designated by the Secretary of Defense, with approval of the President, as being within an area needed for national defense and, so long as such designation remains in effect, no operations may be conducted on the surface of the leased area or the part thereof included within the designation except with the concurrence of the Secretary of Defense. If operations or production under this lease within any designated area are suspended pursuant to this paragraph, any payments of rentals and royalty prescribed by this lease likewise shall be suspended during such period of suspension of operations and production, the term of this lease shall be extended by adding thereto any such suspension period, and the Lessor shall be liable to the Lessee for such compensation as is required to be paid under the Constitution of the United States.

**Sec. 20. Transfer of Lease.** The Lessee shall file for approval with the appropriate field office of the Minerals Management Service any instrument of assignment or other transfer of this lease, or any interest therein, in accordance with applicable regulations.

**Sec. 21. Surrender of Lease.** The Lessee may surrender this entire lease or any officially designated subdivision of the leased area by filing with the appropriate field office of the Minerals Management Service a written relinquishment, in triplicate, which shall be effective as of the date of filing. No surrender of this lease or of any portion of the leased area shall relieve the Lessee or its surety of the obligation to pay all accrued rentals, royalties, and other financial obligations or to abandon all wells on the area to be surrendered in a manner satisfactory to the Director.

(Continued on reverse)

**Sec. 22. Removal of Property on Termination of Lease.** Within a period of 1 year after termination of this lease in whole or in part, the Lessee shall remove all devices, works, and structures from the premises no longer subject to the lease in accordance with applicable regulations and Orders of the Director. However, the Lessee may, with the approval of the Director, continue to maintain devices, works, and structures on the leased area for drilling or producing on other leases.

**Sec. 23. Remedies in Case of Default.**

(a) Whenever the Lessee fails to comply with any of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease, the lease shall be subject to cancellation in accordance with the provisions of section 5(c) and (d) of the Act and the Lessor may exercise any other remedies which the Lessor may have, including the penalty provisions of section 24 of the Act. Furthermore, pursuant to section 8(o) of the Act, the Lessor may cancel the lease if it is obtained by fraud or misrepresentation.

(b) Nonenforcement by the Lessor of a remedy for any particular violation of the provisions of the Act, the regulations issued pursuant to the Act, or the terms of this lease shall not prevent the cancellation of this lease or the exercise of any other remedies under paragraph (a) of this section for any other violation or for the same violation occurring at any other time.

**Sec. 24. Unlawful Interest.** No member of, or Delegate to, Congress, or Resident Commissioner, after election or appointment, or either before or after they have qualified and during their continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR Part 20, shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom. The provisions of Section 3741 of the Revised Statutes, as amended, 41 U.S.C. 22, and the Act of June 25, 1948, 62 Stat. 702, as amended, 18 U.S.C. 431-433, relating to contracts made or entered into, or accepted by or on behalf of the United States, form a part of this lease insofar as they may be applicable.

This lease instrument is amended by an addendum and lease stipulations that are attached to and made a part of the lease pursuant to the Final Notice of Sale for Chukchi Sea OCS Oil and Gas Lease Sale 193 and in compliance with the U.S. Department of the Interior's debarment and suspension (nonprocurement) regulations.

**Shell Gulf of Mexico Inc.**

(Lessee)

(Signature of Authorized Officer)

**L. G. Svab**

(Name of Signatory)

**Attorney-in-Fact**

(Title)

**May 29, 2008**

(Date)

**200 North Dairy Ashford Rd.  
Houston, Texas 77079**

(Address of Lessee)

THE UNITED STATES OF AMERICA, Lessor

(Signature of Authorized Officer)

**John Goll**

(Name of Signatory)

**Regional Director, Alaska OCS Region**

(Title)

**JUN 18 2008**

(Date)

*If this lease is executed by a corporation, it must bear the corporate seal*

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*If this lease is executed by a corporation, it must bear the corporate seal*

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

ATTACHED TO AND MADE PART OF THE OIL AND GAS LEASE OF SUBMERGED LANDS  
UNDER THE OUTER CONTINENTAL SHELF LANDS ACT  
Form MMS-2005 (March 1986)

- |                |  |
|----------------|--|
| Stipulation 1. | Protection of Biological Resources   |
| Stipulation 2. | Orientation Program  |
| Stipulation 3. | Transportation of Hydrocarbons   |
| Stipulation 4. | Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources                                      |
| Stipulation 5. | Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities |
| Stipulation 6. | Pre-Booming Requirements for Fuel Transfers  |
| Stipulation 7. | Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities                          |

**Stipulation No. 1. Protection of Biological Resources.** If previously unidentified biological populations or habitats that may require additional protection are identified in the lease area by the Regional Supervisor, Field Operations (RS/FO), the RS/FO may require the lessee to conduct biological surveys to determine the extent and composition of such biological populations or habitats. The RS/FO shall give written notification to the lessee of the RS/FO's decision to require such surveys.

Based on any surveys that the RS/FO may require of the lessee or on other information available to the RS/FO on special biological resources, the RS/FO may require the lessee to:

- (1) Relocate the site of operations;
- (2) Establish to the satisfaction of the RS/FO, on the basis of a site-specific survey, either that such operations will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist;
- (3) Operate during those periods of time, as established by the RS/FO, that do not adversely affect the biological resources; and/or
- (4) Modify operations to ensure that significant biological populations or habitats deserving protection are not adversely affected.

If any area of biological significance should be discovered during the conduct of any operations on the lease, the lessee shall immediately report such finding to the RS/FO and make every reasonable effort to preserve and protect the biological resource from damage until the RS/FO has given the lessee direction with respect to its protection.

The lessee shall submit all data obtained in the course of biological surveys to the RS/FO with the locational information for drilling or other activity. The lessee may take no action that might affect the biological populations or habitats surveyed until the RS/FO provides written directions to the lessee with regard to permissible actions.

**Stipulation No. 2. Orientation Program.** The lessee shall include in any exploration plan (EP) or development and production plan (DPP) submitted under 30 CFR 250.211 and 250.241 a proposed orientation program for all personnel involved in exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) for review and approval by the RS/FO. The program shall be designed in sufficient detail to inform individuals working on the project of specific types of environmental, social, and cultural concerns that relate to the sale and adjacent areas. The program shall address the importance of not disturbing archaeological and biological resources and habitats, including endangered species, fisheries, bird colonies, and marine mammals and provide guidance on how to avoid disturbance. This guidance will include the production and distribution of information cards on endangered and/or threatened species in the sale area. The program shall be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating. The orientation program shall also include information concerning avoidance of conflicts with subsistence activities and pertinent mitigation.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

The program shall be attended at least once a year by all personnel involved in onsite exploration or development and production activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors.

The lessee shall maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

**Stipulation No. 3. Transportation of Hydrocarbons.** Pipelines will be required: (a) if pipeline rights-of-way can be determined and obtained; (b) if laying such pipelines is technologically feasible and environmentally preferable; and (c) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple-use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to recommendations of any Federal, State, and local governments and industry.

Following the development of sufficient pipeline capacity, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of an emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the RS/FO.

**Stipulation No. 4. Industry Site-Specific Monitoring Program for Marine Mammal Subsistence Resources.**  
(Stipulation 4 does not apply to this lease.)

**Stipulation No. 5. Conflict Avoidance Mechanisms to Protect Subsistence Whaling and Other Marine Mammal Subsistence-Harvesting Activities.** Exploration and development and production operations shall be conducted in a manner that prevents unreasonable conflicts between the oil and gas industry and subsistence activities. This stipulation applies to exploration, development, and production operations on a lease within the blocks identified below during periods of subsistence use related to bowhead whales, beluga whales, ice seals, walrus and polar bears. The stipulation also applies to support activities, such as vessel and aircraft traffic, that traverse the blocks listed below or Federal waters landward of the sale during periods of subsistence use regardless of lease location. Transit for human safety emergency situations shall not require adherence to this stipulation.

This stipulation applies to the following blocks:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Prior to submitting an exploration plan or development and production plan (including associated oil-spill response plans) to the MMS for activities proposed during subsistence-use critical times and locations described below for bowhead whale and other marine mammals, the lessee shall consult with the North Slope Borough, and with directly affected subsistence communities (Barrow, Point Lay, Point Hope, or Wainwright) and co-management organizations to discuss potential conflicts with the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. Organizations currently recognized by the NMFS and the FWS for the co-management of the marine mammals resources are the Alaska Eskimo Whaling Commission, the Alaska Beluga Whale Committee, the Alaska Eskimo Walrus Commission, the Ice Seal Commission, and the Nanuk Commission. Through this consultation, the lessee shall make every reasonable effort, including such mechanisms as a conflict avoidance agreement, to assure that exploration, development, and production activities are compatible with whaling and other marine mammal subsistence hunting activities and will not result in unreasonable interference with subsistence harvests.

A discussion of resolutions reached during this consultation process and plans for continued consultation shall be included in the exploration plan or the development and production plan. In particular, the lessee shall show in the plan how its activities, in combination with other activities in the area, will be scheduled and located to prevent unreasonable conflicts with subsistence activities. The lessee shall also include a discussion of multiple or simultaneous operations, such as ice management and seismic activities, that can be expected to occur during operations in order to more accurately assess the potential for any cumulative effects. Communities, individuals, and other entities who were involved in the consultation shall be identified in the plan. The RS/FO shall send a copy of the exploration plan or development and production plan (including associated oil-spill response plans) to the directly affected communities and the appropriate co-management organizations at the time the plans are submitted to the MMS to allow concurrent review and comment as part of the plan approval process.

In the event no agreement is reached between the parties, the lessee, NMFS, FWS, the appropriate co-management organizations, and any communities that could be directly affected by the proposed activity may request that the RS/FO assemble a group consisting of representatives from the parties to specifically address the conflict and attempt to resolve the issues. The RS/FO will invite appropriate parties to a meeting if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

The lessee shall notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns. Activities on a lease may be restricted if the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.

In enforcing this stipulation, the RS/FO will work with other agencies and the public to assure that potential conflicts are identified and efforts are taken to avoid these conflicts.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

Subsistence-harvesting activities occur generally in the areas and time periods listed below.

**Subsistence Whaling and Marine Mammal Hunting Activities by Community**

**Barrow:** Spring bowhead whaling occurs from April to June; Barrow hunters hunt from ice leads from Point Barrow southwestward along the Chukchi Sea coast to the Skull Cliff area; fall whaling occurs from August to October in an area extending from approximately 10 miles west of Barrow to the east side of Dease Inlet. Beluga whaling occurs from April to June in the spring leads between Point Barrow and Skull Cliff; later in the season, belugas are hunted in open water around the barrier islands off Elson Lagoon. Walrus are harvested from June to September from west of Barrow southwestward to Peard Bay. Polar bear are hunted from October to June generally in the same vicinity used to hunt walruses. Seal hunting occurs mostly in winter, but some open-water sealing is done from the Chukchi coastline east as far as Dease Inlet and Admiralty Bay in the Beaufort Sea.

**Wainwright:** Bowhead whaling occurs from April to June in the spring leads offshore of Wainwright, with whaling camps sometimes as far as 10 to 15 miles from shore. Wainwright hunters hunt beluga whales in the spring lead system from April to June but only if no bowheads are in the area. Later in the summer, from July to August, belugas can be hunted along the coastal lagoon systems. Walrus hunting occurs from July to August at the southern edge of the retreating pack ice. From August to September, walruses can be hunted at local haulouts with the focal area from Milliktagvik north to Point Franklin. Polar bear hunting occurs primarily in the fall and winter around Icy Cape, at the headland from Point Belcher to Point Franklin, and at Seahorse Island.

**Point Lay:** Because Point Lay's location renders it unsuitable for bowhead whaling, beluga whaling is the primary whaling pursuit. Beluga whales are harvested from the middle of June to the middle of July. The hunt is concentrated in Naokak and Kukpowruk Passes south of Point Lay where hunters use boats to herd the whales into the shallow waters of Kasegaluk Lagoon where they are hunted. If the July hunt is unsuccessful, hunters can travel as far north as Utukok Pass and as far south as Cape Beaufort in search of whales. When ice conditions are favorable, Point Lay residents hunt walruses from June to August along the entire length of Kasegaluk Lagoon, south of Icy Cape, and as far as 20 miles offshore. Polar bears are hunted from September to April along the coast, rarely more than 2 miles offshore.

**Point Hope:** Bowhead whales are hunted from March to June from whaling camps along the ice edge south and southeast of the point. The pack-ice lead is rarely more than 6 to 7 miles offshore. Beluga whales are harvested from March to June in the same area used for the bowhead whale hunt. Beluga whales can also be hunted in the open water later in the summer from July to August near the southern shore of Point Hope close to the beaches, as well as areas north of the point as far as Cape Dyer. Walruses are harvested from May to July along the southern shore of the point from Point Hope to Akoviknak Lagoon. Point Hope residents hunt polar bears primarily from January to April and occasionally from October to January in the area south of the point and as far out as 10 miles from shore.

**Stipulation No. 6. Pre-Booming Requirements for Fuel Transfers.** Fuel transfers (excluding gasoline transfers) of 100 barrels or more will require pre-booming of the fuel barge(s). The fuel barge must be surrounded by an oil-spill-containment boom during the entire transfer operation to help reduce any adverse effects from a fuel spill. The lessee's oil spill response plans must include procedures for the pre-transfer booming of the fuel barge(s).

**Stipulation No. 7. Measures to Minimize Effects to Spectacled and Steller's Eiders During Exploration Activities.** This stipulation will minimize the likelihood that spectacled and Steller's eiders will strike drilling structures or vessels. The stipulation also provides additional protection to eiders within the blocks listed below and Federal waters landward of the sale area, including the Ledyard Bay Critical Habitat Area, during times when eiders are present.

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

**(A) General conditions:** The following conditions apply to all exploration activities.

(1) An EP must include a plan for recording and reporting bird strikes. All bird collisions (with vessels, aircraft, or drilling structures) shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel, and aircraft or drilling structure involved and its operational status when the strike occurred. Bird photographs are not required, but would be helpful in verifying species. Lessees are advised that the FWS does not recommend recovery or transport of dead or injured birds due to avian influenza concerns.

(2) The following conditions apply to operations conducted in support of exploratory and delineation drilling.

(a) Surface vessels (e.g., boats, barges) associated with exploration and delineation drilling operations should avoid operating within or traversing the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, to the maximum extent practicable. If surface vessels must traverse this area during this period, the surface vessel operator will have ready access to wildlife hazing equipment (including at least three *Breco* buoys or similar devices) and personnel trained in its use; hazing equipment may be located onboard the vessel or on a nearby oil spill response vessel, or in Point Lay or Wainwright. Lessees are required to provide information regarding their operations within the area upon request of MMS. The MMS may request information regarding number of vessels and their dates of operation within the area.

(b) Except for emergencies or human/navigation safety, surface vessels associated with exploration and delineation drilling operations will avoid travel within the Ledyard Bay Critical Habitat Area between July 1 and November 15. Vessel travel within the Ledyard Bay Critical Habitat Area for emergencies or human/navigation safety shall be reported within 24 hours to MMS.

(c) Aircraft supporting drilling operations will avoid operating below 1,500 feet above sea level over the listed blocks or Federal waters between the listed blocks and the coastline between April 15 and June 10, or the Ledyard Bay Critical Habitat Area between July 1 and November 15, to the maximum extent practicable. If weather prevents attaining this altitude, aircraft will use pre-designated flight routes. Pre-designated flight routes will be established by the lessee and MMS, in collaboration with the FWS, during review of the EP. Route or altitude deviations for emergencies or human safety shall be reported within 24 hours to MMS.

**(B) Lighting Protocols.** The following lighting requirements apply to activities conducted between April 15 and November 15 of each year.

**(1) Drilling Structures:** Lessees must adhere to lighting requirements for all exploration or delineation drilling structures so as to minimize the likelihood that migrating marine and coastal birds will strike these structures. Lessees are required to implement lighting requirements aimed at minimizing the radiation of light outward from exploration or delineation drilling structures to minimize the likelihood that birds will strike those structures. These requirements establish a coordinated process for a performance-based objective rather than pre-determined prescriptive requirements. The performance-based objective is to minimize the radiation of light outward from exploration/delineation structures while operating on a lease or if staged within nearshore Federal waters pending lease deployment.

Measures to be considered include but need not be limited to the following:

- Shading and/or light fixture placement to direct light inward and downward to living and work structures while minimizing light radiating upward and outward;
- Types of lights;
- Adjustment of the number and intensity of lights as needed during specific activities;
- Dark paint colors for selected surfaces;

**LEASE STIPULATIONS  
CHUKCHI SEA SALE 193**

- Low-reflecting finishes or coverings for selected surfaces; and
- Facility or equipment configuration.

Lessees are encouraged to consider other technical, operational, and management approaches that could be applied to their specific facilities and operations to reduce outward light radiation. Lessees must provide MMS with a written statement of measures that will be or have been taken to meet the lighting objective, and must submit this information with an EP when it is submitted for regulatory review and approval pursuant to 30 CFR 250.203.

**(2) Support Vessels:** Surface support vessels will minimize the use of high-intensity work lights, especially when traversing the listed blocks and federal waters between the listed blocks and the coastline. Exterior lights will be used only as necessary to illuminate active, on-deck work areas during periods of darkness or inclement weather (such as rain or fog), otherwise they will be turned off. Interior lights and lights used during navigation could remain on for safety.

For the purpose of this stipulation, the listed blocks are as follows:

**NR02-06, Chukchi Sea:**

6624, 6625, 6674, 6675, 6723-6725, 6773-6775, 6822, 6823, 6872

**NR03-02, Posey:**

6872, 6873, 6918-6923, 6967-6973, 7016-7023, 7063-7073, 7112-7123

**NR03-03, Colbert**

6674, 6723, 6724, 6771-6774, 6820-6824, 6869-6874, 6918-6924, 6966-6974, 7015-7024, 7064-7074, 7113-7124

**NR03-04, Solivik Island**

6011-6023, 6060-6073, 6109-6122, 6157-6171, 6206-6219, 6255-6268, 6305-6317, 6354-6365, 6403-6414, 6453-6462, 6502-6511, 6552-6560, 6601-6609, 6651-6658, 6701-6707, 6751-6756, 6801-6805, 6851-6854, 6901-6903, 6951, 6952, 7001

**NR03-05, Point Lay West**

6014-6024, 6062-6073, 6111-6122, 6160-6171, 6209-6221, 6258-6269, 6307-6317, 6356-6365, 6406-6414, 6455-6462, 6503-6510, 6552-6558, 6602-6606, 6652-6655, 6702, 6703

**NR04-01, Hanna Shoal**

6223, 6267-6273, 6315-6323, 6363-6373, 6411-6423, 6459-6473, 6507-6523, 6556-6573, 6605-6623, 6654-6671, 6703-6721, 6752-6771, 6801-6819, 6851-6868, 6901-6916, 6951-6964, 7001-7010, 7051-7059, 7101-7107

**NR04-02, Barrow**

6003-6022, 6052-6068, 6102-6118, 6151-6164, 6201-6214, 6251-6262, 6301-6312, 6351-6359, 6401-6409, 6451-6456, 6501-6506, 6551, 6552, 6601, 6602

**NR04-03, Wainwright**

6002-6006, 6052, 6053

**NS04-08, (Unnamed)**

6816-6822, 6861-6872, 6910-6922, 6958-6972, 7007-7022, 7055-7072, 7104-7122

Nothing in this stipulation is intended to reduce personnel safety or prevent compliance with other regulatory requirements (e.g., U.S. Coast Guard or Occupational Safety and Health Administration) for marking or lighting of equipment and work areas.



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

IN REPLY REFER TO  
**OCS-Y-02420**

**Offering Date**  
**02/06/2008**

**Map Area and Block Number**  
**NR03-03 – Colbert – 6709**

**DECISION**

**Rental**  
**\$5,760.00**

**Balance of Bonus**  
**\$60,168.00**

**Total Amount Due**

**\$65,928.00**

**Shell Gulf of Mexico Inc.**  
**200 North Dairy Ashford Rd.**  
**Houston, Texas 77079**

## LEASE FORMS TRANSMITTED FOR EXECUTION

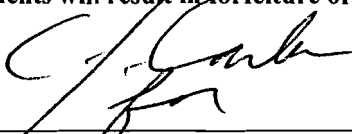
Pursuant to Section 8 of the Outer Continental Shelf Lands Act (67 Stat. 462; 43 U.S.C. 1337) as amended (92 Stat. 629), and the regulations pertaining thereto (30 CFR 256), your bid for the above block is accepted. Accordingly, in order to perfect your rights hereunder, the following actions must be taken:

1. **Execute and return the three copies of attached lease.** (If lease is executed by an agent, evidence must be furnished of agent's authorization. **IMPORTANT:** If the lease forms are executed by individual(s) authorized on behalf of a corporation, each lease form **MUST BEAR THE CORPORATE SEAL.**)
2. **Pay the balance of bonus and the first year's rental indicated above in accordance with the attached Instructions for Electronic Funds Transfer.** Payment must be received by the Federal Reserve Bank of New York no later than noon, Eastern Time, on the 11th business day after receipt of this decision (30 CFR 256.47). That day is **JUN 11 2008**
3.  You must comply with bonding requirements according to 30 CFR 256, Subpart I. (Bond Form MMS-2028 (August 2007) and Designation of Operator Form MMS-1123 (November 2007) are provided.)
- You must comply with *Equal Opportunity Affirmative Action Program Representation* according to 41 CFR 60-1 and -2 (Form MMS-2032 (June 1985) is provided).
- You must comply with *Equal Opportunity Compliance Report Certification* according to 41 CFR 60-1.7(b) and Executive Order No. 11246, September 24, 1965, as amended (Form MMS-2033 (June 1985) is provided).
- You must comply with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (2 CFR, part 180 and 2 CFR, part 1400) as a condition to participate in this lease transaction.

**Shell Gulf of Mexico Inc. YK02117**

Compliance with requirements 1, 2, and 3 above must be made not later than the 11th business day after receipt of this decision. Failure to comply with above requirements will result in forfeiture of the 1/5th bonus bid deposit and your rights to acquire the lease.

Attachments

  
\_\_\_\_\_  
Regional Director, Alaska OCS Region

**5/21/08**  
Date

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**IN AMERICA** 