



**LAND USE PERMIT
AS 38.05.850**

PERMIT # LAS 30091

Shell Exploration & Production Company herein known as the Permittee, is issued this permit authorizing the use of state land within:

Legal Description:

Sections 17 and 32 of Township 072 South, Range 117 West, and Section 19 of Township 072 South, Range 116 West, Seward Meridian.

This permit is issued for the purpose of authorizing the following:

Temporary mooring of two drilling units using an 8 point anchor system consisting of:

Noble Discoverer:

Anchors:(8) 9-15 metric ton Stevshark

Anchor lines: 2.75" wire rope

Anchor line length: 2,750' wire + 1,150' chain per anchor

Transocean Polar Pioneer:

Anchors: (8) 9-15 metric ton Stevshark

Anchor lines: 3.3" K-4 chain

Anchor line length: (8) 6,458-6,675' chain per anchor

This permit is effective beginning **March 1, 2015** and ending **March 31, 2019** unless sooner terminated at the state's discretion. This permit does not convey an interest in state land and as such is revocable, with or without cause. The department will give 30 days' notice before revoking a permit at will. A revocation for cause is effective immediately. No preference right for use or conveyance of the land is granted or implied by this authorization.

This permit is issued subject to the following:

- ♥ Payment of the annual use fee in the amount of \$ 62,950.00 due on or before the annual anniversary date and any additional fees identified in the stipulations below.
- ♥ Remittance of a Performance Guaranty in the amount of \$190,000.00 as required in the stipulations below.
- ♥ Proof of insurance as described in stipulations below.

The non-receipt of a courtesy billing notice does not relieve the permittee from the responsibility of paying fees on or before the due date.

All activities shall be conducted in accordance with the following stipulations:

1. **Authorized Officer:** The Authorized Officer (AO) for the Department of Natural Resources is the Regional Manager or designee. The AO may be contacted at the address and phone number on the front of the authorization. The AO reserves the right to modify these stipulations or use additional stipulations as deemed necessary. The permittee will be advised before any such modifications or additions are finalized.
2. **Development Plan/Plan of Operations:** The development of the site authorized by this permit shall be limited to the area and improvements specified in the development plan/plan of operations or subsequent modifications approved by the AO. The permittee is responsible for accurately siting development and operations within this area. Any proposed revisions to the development plan/plan of operations must be approved in writing by the AO before the change in use or development occurs.
 - A. Any improvements/structures authorized under this permit must be constructed in a manner that will allow for removal from the permitted site within 48 hours of receiving a notice to vacate. The establishment of permanent foundations and structures is prohibited under this permit.
 - B. Authorized temporary improvements must be sited in a manner which impacts the least amount of ground consistent with the purpose of the facility.
3. **Change of Address:** The permittee shall maintain current contact information with the Division of Mining, Land and Water. Any change of address must be submitted in writing to the AO.
4. **Amendments:** To conduct activities other than that in the approved plan of operations or development plan, the permittee must have prior authorization from the AO. A map of the new location or an amended plan of operations or development plan is required and a \$100 amendment fee, per 11 AAC05.010(a)(5)(B).
5. **Assignment:** This permit may not be transferred or assigned.
6. **Revocable at Will:** This permit does not convey an interest in state land and as such is revocable, with or without cause. The department will give 30 days' notice before revoking a permit at will. A revocation for cause is effective immediately.
7. **Preference Right:** No preference right for use or conveyance of the land is granted or implied by this authorization.
8. **Alaska Historic Preservation Act:** The Alaska Historic Preservation Act (AS 41.35.200) prohibits the appropriation, excavation, removal, injury, or destruction of any state-owned historic, prehistoric (paleontological) or archaeological site without a permit from the commissioner. Should any sites be discovered during the course of field operations, activities that may damage the site will cease and the Office of History and Archaeology in the Division of

Parks and Outdoor Recreation (907) 269-8721 and shall be notified immediately.

9. **Public Trust Doctrine:** The Public Trust Doctrine guarantees public access to, and the public right to use, all navigable and public waters and the land beneath them for navigation, commerce, fishing, and other purposes. Permittee may not preclude or restrict public access on and through the permitted area. This authorization is issued subject to the principles of the Public Trust Doctrine regarding navigable or public waters. The Division of Mining, Land and Water reserves the right to grant other interests consistent with the Public Trust Doctrine.
10. **Public Access:** All operations must be conducted in a manner that will ensure minimum conflict with other users of the area. There shall be no interference with free public use of state lands and waters.
11. **Reservation of Rights:** The Division reserves the right to grant additional authorizations to third parties for compatible uses on or adjacent to the land under this authorization. Authorized concurrent users of state land, their agents, employees, contractors, subcontractors, and licensees, shall not interfere with the operation or maintenance activities of each user.
12. **Valid Existing Rights:** This authorization is subject to all valid existing rights in and to the land. The State of Alaska makes no representations or warranties whatsoever, either expressed or implied, as to the existence, number, or nature of such valid existing rights.
13. **Inspections:**

Authorized representatives of the State of Alaska shall have reasonable access to the subject parcel for purposes of inspection and may inspect the permitted area at any time without notice. The permittee may be charged fees under 11 AAC 05.010(a)(7)(M) for routine inspections of the subject parcel, inspections concerning non-compliance, and a final close-out inspection.
14. **Other Authorizations:** The issuance of this authorization does not alleviate the necessity of the permittee to obtain authorizations required by other agencies for this activity.
15. **Compliance with Governmental Requirements; Recovery of Costs:** Permittee shall, at its expense, comply with all applicable laws, regulations, rules and orders, and the requirements and stipulations included in this authorization. Permittee shall ensure compliance by its employees, agents, contractors, subcontractors, licensees, or invitees.
16. **Violations:** This authorization is revocable immediately upon violation of any of its terms, conditions, stipulations, nonpayment of fees, or upon failure to comply with any other applicable laws, statutes and regulations (federal and state). Should any unlawful discharge, leakage, spillage, emission, or pollution of any type occur due to permittee's, or its employees', agents', contractors', subcontractors', licensees', or invitees' act or omission, permittee, at its expense shall be obligated to clean the area to the reasonable satisfaction of the State of Alaska.

17. **Use Fees:** The permittee shall pay to the Division an annual use fee of \$350.00. The use fee is due on or before the annual anniversary of the effective date of this permit without the necessity of any billing by the Division. The annual land use fee is subject to adjustments in the fee schedule as set forth in 11 AAC 05.010.
18. **Failure to Pay:** Failure to pay either the annual permit fee and/or Visitor Day fees when due is a default of the terms and condition of this permit. Failure to pay fees subjects this permit to termination.
19. **Late Payment Penalty Charges:** The permittee shall pay a fee for any late payment. The amount is the greater of either the fee specified in 11 AAC 05.010 or interest at the rate set by AS 45.45.010(a) and will be assessed on a past-due account until payment is received by the state.
20. **Returned Check Penalty:** A returned check fee as provided in 11 AAC 05.010 will be assessed for any check on which the bank refuses payment. Late payment penalties shall continue to accumulate.
21. **Indemnification:** Permittee assumes all responsibility, risk and liability for its activities and those of its employees, agents, contractors, subcontractors, licensees, or invitees, directly or indirectly related to this permit, including environmental and hazardous substance risk and liability, whether accruing during or after the term of this permit. Permittee shall defend, indemnify, and hold harmless the State of Alaska, its agents and employees, from and against any and all suits, claims, actions, losses, costs, penalties, and damages of whatever kind or nature, including all attorney's fees and litigation costs, arising out of , in connection with, or incident to any act or omission by Permittee, its employees, agents, contractors, subcontractors, licensees, or invitees, unless the proximate cause of the injury or damage is the sole negligence or willful misconduct of the State or a person acting on the State's behalf. Within 15 days, Permittee shall accept any such cause, action or proceeding upon tender by the State. This indemnification shall survive the termination of the permit.
22. **Insurance:** Pursuant to 11 AAC 96.065 the permittee shall secure or purchase at its own expense, and maintain in force at all times during the term of this permit, the following policies of insurance to protect both the permittee and the permittor (the State, its officers, agents and employees). If the permittee's policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the AO prior to the issuance of this permit and must provide for a notice of cancellation, non-renewal, or material change of conditions in accordance with policy provisions. The permittee must provide for a 60-day prior notice to the State before they cancel, not renew or make material changes to conditions to the policy. Failure to furnish satisfactory evidence of insurance, or lapse of the policy, are material breaches of this permit and shall be grounds, at the option of the State, for termination of the permit. All insurance policies shall comply with, and be issued by, insurers licensed to transact the business of insurance under Alaska Statute, Title 21. The policy shall be written on an "occurrence" form and shall not be written as a "claims-made" form unless specifically

reviewed and agreed to by the Division of Risk Management, Department of Administration. The State must be named as an additional named insured on the policy with respect to the operations of the permittee on or in conjunction with the permitted premises, referred to as LAS 30091.

23. **Performance Guaranty:** Pursuant to 11 AAC 96.060, the Permittee shall provide a surety bond or other form of security acceptable to the Division in the amount of \$190,000.00 payable to the State of Alaska. Such performance guaranty shall remain in effect for the term of this authorization and shall secure performance of Permittee's obligations hereunder. The amount of the performance guaranty may be adjusted by the AO in the event of approved amendments to this authorization, changes in the development plan, or any change in the activities or operations conducted on the premises. The guaranty may be utilized by the DMLW to cover actual costs incurred by the State of Alaska to pay for any necessary corrective actions in the event the Permittee does not comply with the site utilization, restoration requirements and other stipulations contained in this permit agreement. If the Permittee fails to perform the obligations under this permit within a reasonable timeframe, the State may perform the Permittee's obligations at the Permittee's expense. The Permittee agrees to pay within 20 days following demand, all costs and expenses incurred by the State of Alaska as a result of the failure of the Permittee to comply with the terms and conditions of this permit. Failure to do so may result in the termination of an authorization and/or forfeiture of the performance guaranty.

The provisions of this permit shall not prejudice the State's right to obtain a remedy under any law or regulation. If the Regional Manager determines that Permittee has satisfied the terms and conditions of this authorization, the performance guaranty will be subject to release. The performance guaranty may only be released in writing by the AO.

24. **Site Improvements:** The State assumes no responsibility for maintenance of improvements constructed on state land nor liability for injuries or damages attributable to that construction.

25. **Notification of Discharge:** The lessee or permittee shall immediately notify Alaska Department of Environmental Conservation by telephone, and immediately afterwards send Alaska Department of Environmental Conservation a written notice by facsimile, hand delivery, or first class mail, informing Alaska Department of Environmental Conservation of: any unauthorized discharges of oil to water, any discharge of hazardous substances other than oil; and any discharge or cumulative discharge of oil greater than 55 gallons solely to land and outside an impermeable containment area. If a discharge, including a cumulative discharge, of oil is greater than 10 gallons but less than 55 gallons, or a discharge of oil greater than 55 gallons is made to an impermeable secondary containment area, the lessee or permittee shall report the discharge within 48 hours, and immediately afterwards send Alaska Department of Environmental Conservation a written notice by facsimile, hand delivery, or first class mail. Any discharge of oil, including a cumulative discharge, solely to land greater than one gallon up to 10 gallons must be reported in writing on a monthly basis. The posting of information requirements of 18 AAC 75.305 shall be met. The provisions of 18 AAC 75.310 (Scope and Duration of Initial Response Actions) and other reporting requirements of 18 AAC 75.300 - 18 AAC 75.396 also apply. The lessee or permittee shall supply Alaska Department of Environmental Conservation

with all follow-up incident reports. Notification of a discharge must be made to the nearest Alaska Department of Environmental Conservation Area Response Team during working hours: Anchorage (907) 269-3063, fax (907) 269-7648; Fairbanks (907) 451-2121, fax (907) 451-2362; Juneau (907) 465-5340, fax (907) 465-2237. The Alaska Department of Environmental Conservation oil spill report number outside normal business hours is (800) 478-9300. The lessee or permittee shall supply Alaska Department of Environmental Conservation with all follow-up incident reports. Notification of a discharge must be made to the nearest Alaska Department of Environmental Conservation Area Response Team during working hours: Anchorage (907) 269-3063, fax (907) 269-7648; Fairbanks (907) 451-2121, fax (907) 451-2362; Juneau (907) 465-5340, fax (907) 465-2237. The Alaska Department of Environmental Conservation oil spill report number outside normal business hours is (800) 478-9300. All fires and explosions must also be reported. The DNR 24 hour report number is (907) 451-2678; the fax number is (907) 451-2751. DNR or the appropriate land manager and Alaska Department of Environmental Conservation shall be supplied with all follow-up incident reports. The permittee shall notify the Department of Natural Resources of all spills that must be reported under 18 AAC 75.300 under timelines of 18 AAC 75.300. All fires and explosions must be reported to DNR immediately. The DNR 24 hour spill report number is (907) 451-2678; the fax number is (907) 451-2751. The Alaska Department of Environmental Conservation oil spill report number is (800) 478-9300. DNR and Alaska Department of Environmental Conservation shall be supplied with all follow-up incident reports.

26. **Fuel and Hazardous Substances:** The use of hazardous substances by Permittee must be done in accordance with existing federal, state and local laws, regulations and ordinances. Hazardous substances must be removed from the site and managed in accordance with state and federal law. Debris (such as soil) contaminated with used motor oil, solvents, or other chemicals may be classified as a hazardous substance and must be recovered from the site and managed and disposed of in accordance with state and federal law. During equipment maintenance operations, the site shall be protected from leaking or dripping hazardous substances or fuel. The permittee shall place drip pans or other surface liners designed to catch and hold fluids under the equipment or develop a maintenance area by using an impermeable liner or other suitable containment mechanism.
27. **Wastewater Disposal:** Disposal of wastewater from any operation associated with this authorization must satisfy the requirements of the Alaska Department of Environmental Conservation. All floating structures that provide for human habitation shall be equipped with an approved marine sanitation device or other Coast Guard approved system.
28. **Solid Waste:** All solid waste and debris generated from the activities conducted under this authorization shall be removed to a facility approved by the Alaska Department of Environmental Conservation prior to the expiration, completion, or termination of the authorization or activities.
29. **Completion Report:** Pursuant to 11 AAC 96.070, a completion report shall be submitted prior to relinquishment, or within 30 days after expiration or termination of the authorization. The report shall contain the following information:

- ♥ a statement that the permittee has removed all improvements and personal property from the authorized area;

Failure to submit a satisfactory report subjects the site to a field inspection requirement for which the permittee may be assessed, at the AO's discretion, either the actual cost incurred by the Division of Mining, Land and Water or a minimum of \$100.00. (11 AAC 05.010).

The Authorized Officer reserves the right to modify these stipulations or use additional stipulations as deemed necessary. The permittee will be advised before any such modifications or additions are finalized. DNR has the authority to implement and enforce these conditions under AS 38.05.850. Any correspondence on this permit may be directed to the Department of Natural Resources, Division of Mining, Land and Water, Southcentral Region Land Office, 550 West 7th Ave, Anchorage, AK 99501, (907) 269-8503.

I have read and understand all of the foregoing and attached stipulations. By signing this permit, I agree to conduct the authorized activity in accordance with the terms and conditions of this permit.

Signature of Permittee or Authorized Representative	Title	Date
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Permittee's Address	City	State	Zip
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Contact Person	Home Phone	Work Phone
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Signature of Authorized State Representative	Title	Date
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