

FACT SHEET

2008 Beaufort Sea Exploration Drilling Program

Introduction

This fact sheet presents project information regarding the proposed 2008 Beaufort Sea drilling program by Shell Offshore Inc. (SOI). Information provided here includes proposed equipment, timing, and program details. This information is subject to change.

Background

Exploration drilling on the Sivulliq Prospect (formerly known as Hammerhead) will help to increase knowledge regarding known reservoirs of existing hydrocarbons as well as testing deeper prospective hydrocarbon-bearing zones.

Drilling is proposed to commence as early as July 2008, assuming all requisite permits and authorizations are received by that time. In advance of securing all drilling related permits, SOI will conduct meetings with agencies whose jurisdiction includes regulation and oversight of the proposed drilling program, and commence meetings with North Slope communities potentially affected by SOI's proposed 2008 drilling program.

SOI's proposed drilling program will operate in accordance with the provisions of a Plan of Cooperation (POC). The POC is developed to mitigate effects of SOI's proposed program(s) where activities would take place in or near a traditional Arctic subsistence hunting area and/or may affect the availability of a species or stock of marine mammal for Arctic subsistence uses. SOI will consult with affected Chukchi and Beaufort Sea communities and marine mammal associations for the development of a POC. For this drilling program, SOI's POC with Chukchi Sea villages primarily will address the issue of transit of vessels, whereas the POC with Beaufort Sea villages will address transit and drilling and associated activities. It is the intention of SOI to negotiate a Conflict Avoidance Agreement (CAA) with the Alaska Eskimo Whaling Commission (AEWC), and whaling captain's associations of affected Beaufort and Chukchi Sea villages, as a component of the POC. If a CAA is negotiated with AEWC, then the provisions of the CAA may be included in the POC.

Program Description

Overview

SOI's proposed 2008 Beaufort Sea exploration drilling program will utilize two drilling units: a floating, mobile marine vessel called the SOI Kulluk (Kulluk) and the self propelled drill ship vessel called the Frontier Discoverer (Discoverer). Up to four wells are proposed to be drilled to depths of prospective hydrocarbon-bearing zones during 2008 on the Sivulliq Prospect. In addition, an additional four mudline cellars may be excavated during 2008. Mudline cellars are shallow holes (less than 40 ft deep below the seafloor), which do not penetrate hydrocarbons,

and are drilled to protect the subsea blowout preventers (BOPs) and marine wellheads from ice floe keel damage.

Exploratory well drilling is proposed to commence as early as July 2008, then cease during the Cross Island bowhead whale hunt. Drilling will resume after the hunt, and cease for the season when freeze-up conditions on the Beaufort Sea prohibit safe operating conditions for these ice-hardened drilling vessels (typically late October to mid November).

The proposed drilling program will require the support of four ice management vessels for anchor-handling and ice management. In addition, several support vessels will be present for oil spill response, crew change and re-supply.

Marine mammal monitoring will be conducted during all aspects of the drilling and support vessel operations. Ice management support vessels and the Discoverer will transit the Chukchi Sea on the way to the Beaufort Sea, therefore monitoring will commence well before actual drilling begins.

Marine mammal monitoring and mitigation measures as approved by the National Marine Fisheries Service and the U.S. Fish and Wildlife Service will be in place prior to, during, and immediately following the 2008 exploration drilling program.

Project Location

Exploration drilling will take place on the Sivulliq Prospect (Figure 1). The Sivulliq Prospect is located on oil and gas leases within federal outer continental shelf waters centered approximately 15 miles north of Point Thomson (which is roughly 50 miles east of Prudhoe Bay).

Project Timeline

Vessels will be mobilized to the Sivulliq Prospect beginning in late June or July 2008. It is anticipated that the drilling will commence as early as July 2008 pending receipt of all permit approvals. Toward the end of August, the drill ships and support vessels will exit the vicinity of the Sivulliq prospect and the Cross Island bowhead whale hunt exclusion area. After the Cross Island hunt has concluded, the drill ships and support vessels will return to the prospect to continue drilling. Drilling will cease and vessels will exit the Alaskan Beaufort Sea before ice conditions become unmanageable.

Vessel Lists

It is anticipated that SOI will use the same vessels for the 2008 exploration drilling as were proposed for the 2007 exploration drilling. The following is a list of marine vessels proposed to be used for drilling and drill support:

- M/V Kulluk - floating, mobile drill unit;
- M/V Frontier Discoverer - self propelled drill ship;
- M/V Vladimir Ignatjuk - ice management vessel;
- M/V Tor Viking II - ice management and anchor handler;

- M/V Kapitan Dranitsyn – ice management vessel;
- M/V Fennica/Nordica – ice management and anchor handler;
- M/V Jim Kilabuk – re-supply, anchor handling and ice management;
- M/V Nanuq (or similar vessel) – oil spill response (OSR);
- M/V Arctic Endeavor Barge and Tug (or similar vessel) – OSR;
- M/V Affinity (or similar vessel) – fuel re-supply and oil spill response; and
- M/V Arctic Seal (or similar vessel) – re-supply and crew change.

The Kulluk is proposed to be overwintered during the non-drilling season (approximately from November to June), either near Herschel Island, Yukon Territory, Canada or in McKinley Bay, Northwest Territory, Canada. It is anticipated that the Kulluk will enter the Alaskan Beaufort Sea from the Canadian Beaufort Sea during July 2008 accompanied by the ice-management vessels Vladimir Ignatjuk and most likely the M/V Tor Viking II. The Kulluk will be completely provisioned and capable of drilling operations prior to entering the Alaskan Beaufort Sea. The Kulluk last drilled in the Alaskan Beaufort Sea during the 1993 open water drilling season.

The Discoverer will complete provisioning for the 2008 open water drilling season in Dutch Harbor prior to entering the Chukchi Sea. After June 21st, the M/Vs Kapitan Dranitsyn Fennica/Nordica, or similar ice management vessels, will escort the Discoverer from the Bering Sea north and east through the Chukchi and Beaufort Seas to the drilling prospects. Various support vessels, such as the OSR vessels, and the M/V Arctic Seal (or similar vessel), will accompany the Discoverer as they travel north through the Bering and Chukchi seas, then east through the Beaufort Sea. The Discoverer is proposed to be on a prospective drilling location during July 2008.

Around the end of October 2008, SOI expects to demobilize the Discoverer. Two or three ice management vessels, along with various support vessels such as the M/V Arctic Seal, will accompany this drillship and the OSR vessels as they travel west through the Beaufort Sea and south through the Chukchi Sea. In November 2008, one or two ice management vessels will accompany the Kulluk drilling vessel back to the Canadian Beaufort Sea (McKinley Bay or Hershel Island).

