

Term Sheet
Wyoming Range Conservation & Noble Basin Development Agreement

Statement of Intent
December 10, 2010

The proposed Eagle Prospect/Noble Basin Master Development Plan (MDP) by Plains Exploration & Production Company (PXP) in Sublette County has been the subject of substantial public interest since originally put forward in 2005.

In light of the significant importance of this project, PXP, the Wyoming Outfitters and Guides Association (WYOGA), and Wyoming Sportsmen for Fish & Wildlife (WY SFW) have joined in a collaborative manner to develop a comprehensive framework that maximizes multiple use opportunities in PXP's federal lease acreage, preserves the legitimate interests of sportsmen in the lease area, promotes conservation principles, and minimizes the environmental foot print of the development to the greatest extent possible.

This coalition of existing and prospective forest users believe that their work product, to be embodied in a formal written agreement, reflects the kind of proactive compromise and collaborative effort increasingly necessary to balance the goals of growing Wyoming's energy industry while preserving the natural and scenic resources in the Bridger-Teton National Forest.

The United States Forest Service (USFS) will be accepting public comment on the proposed MDP through March, 2011. The parties submit the proposed "Term Sheet" to the USFS for consideration in the belief that the conservation and development principles outlined below constitute sound public policy and should be reflected in the USFS's final Record of Decision (ROD).

Recitals

PXP is the lessee under approximately 63,550 acres of valid federal mineral leases in Sublette County, Wyoming, issued by the Bureau of Land Management (BLM). PXP wishes to pursue natural gas and oil exploration, development and production activities on certain of its leases pursuant to the Eagle Prospect/Noble Basin Master Development Project, submitted by PXP to the USFS, the applicable surface management agency, in 2007.

Of the 63,550 acres in federal mineral leases held by PXP, approximately 28,240 acres are located west and north of the Hoback River in the Bridger-Teton National Forest. The 28,240 acres in question includes land in and adjacent to the Wyoming Range and are considered prime summer habitat for big game species including elk, mule deer, bighorn sheep, moose, and antelope. The area is also considered a prime operating area for grazing activities by the HCA and is utilized heavily for big game hunting. Previous exploration efforts in the region have discovered natural gas reserves and future development efforts could be contemplated by PXP.

To promote compromise, prevent oil and gas development in a large section of the Wyoming Range covered by PXP's valid existing leases, ensure that development in the areas adjacent to the Wyoming Range will be contained, and enable PXP's exercise of its valid existing rights,

PXP, WYOGA and WY SFW propose an agreement for preservation of a large area of the Wyoming Range and a controlled development of the Eagle Prospect/Noble Basin Master Development Project ("MDP").

Such an agreement represents a historic opportunity to facilitate the addition of over 28,000 acres of sensitive habitat to the area currently protected by the Wyoming Range Legacy Act and establish a buffer between an area of the Wyoming Range and oil and gas activity east of the Wyoming Range. Under the terms of the proposed agreement, this land will be withdrawn from future development for the benefit of Wyoming's residents. The withdrawal of these leases will preserve the historic hunting, fishing, and trapping activities in the area and augment multiple use opportunities throughout PXP's leases on the Bridger-Teton National Forest.

In addition, under the proposed agreement the parties would agree to potential restrictions on development associated with the MDP that would significantly reduce the footprint of the project and permanently constrain the size of any future development efforts. These restrictions would exceed, by a wide margin, legal obligations that could otherwise reasonably be imposed if the agreement is not established by the collaborating Parties. The changes to the MDP would:

- (i) Reduce direct and indirect impacts to the Noble Basin;
- (ii) Significantly limit future activity within the area covered by the MDP;
- (iii) Restrict certain operations within the area covered by the MDP;
- (iv) Require PXP to set aside \$6 million for the purposes of establishing a substantial habitat fund to address potential project impacts, conduct important wildlife studies, monitor air, ground, and surface water quality, and establish a fund to benefit local communities impacted by the development activities.
- (v) Establish a Monitoring and Advisory Committee (MAC) dedicated to monitor development activities and advise on the use of the funds provided for in this Agreement; and
- (vi) Establish surface restrictions on 4,270 acres of the Bridger-Teton National Forest on which PXP currently holds valid existing rights in leases to conduct oil and gas exploration and production activity.

Summary of Terms and Conditions

The following Terms and Conditions (Terms) will be detailed in the proposed agreement. These terms are contingent upon the enactment of a Record of Decision by the USFS that does not create unreasonable barriers to pursue development of oil and gas development in the project

area. For the purposes of facilitating public review and dialogue in connection with this Term Sheet, the key Terms are summarized as follows:

- 1) PXP agrees to permanently relinquish over 28,000 acres of its lease holdings located west and north of the Hoback River in the Bridger-Teton National Forest in accordance with the terms of the Wyoming Range Legacy Act for the permanent conservation, enjoyment, and use by the people of Wyoming. These lands are located in and adjacent to the Wyoming Range. Should the project and the proposed agreement be challenged by a non-governmental organization (NGO) or other entity that rejects compromise and is simply interested in stopping oil and gas production on PXP's valid existing leases, relinquishment of the leases will be deferred until such time as the legal challenge is formally resolved or drilling of the first exploratory well has commenced. PXP would retain the right to pursue surface and mineral access on all remaining federal lease acreage in and outside of the MDP area, except as provided in this Term Sheet.
- 2) PXP agrees to limit exploration and development to a maximum on 136 producing wells unless subsequent, additional environmental review is completed.
- 3) PXP agrees to forfeit its right to petition to construct more than 17 pads on the National Forest lands included within the defined MDP area.
- 4) PXP agrees to adopt "Restricted Surface Occupancy" restrictions on certain leases near the Hoback River that are currently within the MDP area. These restrictions would preclude permanent surface occupancy on portions of those leases. As part of this agreement PXP agrees to petition the USFS to allow the relocation of proposed pads 64-11 and 64-15 on WYW 132832 to avoid permanent disturbance to the area formally known as the Noble Basin. PXP's actions in this regard will ensure the preservation of more than 4,000 acres included within the MDP area that provide an important migratory route for elk and deer and support historic grazing activities. Furthermore, PXP will not seek to renew expired fee leases near the Hoback River, and PXP has not and will not participate in appeals of the BLM's withdrawal of approximately 3,000 acres in leases for which PXP was the high bidder in lease sales held in 2005 and 2006. Further PXP agrees that if, in the future, it seeks to develop on lease WYW-132831 it will accept limited access and surface occupancy restrictions on designated portions of the leases to further ensure the creation of a buffer between development activities and the Hoback River.
- 5) PXP agrees to forfeit its right to seek approval to use the Upper Hoback River Road as a point of access for the MDP or any remaining lease acreage PXP holds in the area.
- 6) PXP agrees to establish a Fish and Wildlife Habitat and Population Fund in the amount of \$4 million over the life of the project to offset potential impacts to fish and wildlife habitat resulting from implementation of the MDP.

- 7) PXP agrees to commit up to \$1.1 million in funding for surface and groundwater monitoring efforts over the life of the project.
- 8) PXP agrees to commit up to \$400,000 to assist the Wyoming Department of Environmental Quality with air quality monitoring in and around the MDP area.
- 9) PXP agrees to commit \$250,000 in funding to conduct a study on the health of moose populations in and around the project area in conjunction with the Wyoming Department of Game and Fish.
- 10) PXP agrees to commit \$250,000 to fund projects that benefit the local communities immediately surrounding the MDP area.
- 11) PXP agrees to establish and work in conjunction with a Monitoring and Advisory Committee (MAC) involving representatives from Sublette County, Wyoming Game and Fish Department, as well as conservation and ranching experts. Among other things the MAC will monitor development activities and advise PXP on implementing Best Management Practices (BMP) throughout the project area to minimize the impact of the development. The MAC will also advise on the use of funds from the Fish and Wildlife Habitat and Population Fund.
- 12) PXP commits to develop supplemental mitigation programs and adjustments to its development efforts if it is determined the environmental controls approved in the ROD and contemplated by the proposed agreement are not sufficient once development has commenced.
- 13) PXP commits to working in coordination with the Sublette County Public Works Department to develop a traffic management plan designed to minimize the impact of project related vehicle traffic along Daniel–Merna Road, Merna–North Beaver Road, and roads within the Bridger-Teton National Forest necessary for implementation of the project. To the extent practicable PXP will implement snow plowing methods that have the least impact on wildlife.
- 14) PXP commits to abide by and implement a wide range of project design elements that will reduce the environmental impact of the project. Among other things, these commitments include locating all permanent pads and facilities 500 feet or more from any perennial stream, utilizing site specific erosion control and a third party engineer/hydrologist for construction activity within 500 feet of certain categories of waterways, scheduling construction for any activity within 500 feet of essential habitat for Snake River or Colorado River cutthroat trout to the extent practicable until after July 31st, utilizing a liquids gathering system and computer assisted operations to minimize truck traffic, using Best Management Practices for reclamation activities, using mats as

appropriate for drilling activities, and using “green completion” techniques for completing wells.

- 15) PXP agrees to work in collaboration with the HCA to maximize the multiple use of the Bridger-Teton National Forest in and around the MDP area and to preserve the association’s historic grazing activities. PXP and the HCA will agree to terms in a separate document to accommodate the HCA’s legitimate interests in MDP area.
- 16) Signatory parties, other than PXP, agree to support the MDP in the public review process and in potential subsequent litigation challenging the project.

Requested Action

The parties submit the proposed “Term Sheet” to the USFS for consideration in the belief that the conservation and development principles outlined above constitute sound public policy and should be reflected in the USFS’s final Record of Decision (ROD).