

5.0 CANNERY LOOP UNIT

5.1 OVERVIEW

Positioned onshore in the eastern portion of the Cook Inlet Basin and operated by Marathon as part of the Kenai field area, Cannery Loop Unit has produced, through December 2005, 139.2 BCF of gas since production began in 1988. Gas production has been from the Beluga, Sterling, and Tyonek Formations. A location map and graphs showing gross historical and projected gas production are shown in Figures 5.3.1 and 5.3.2.

5.2 RESERVES SUMMARY

We estimate the gross (100 percent) gas reserves for the Cannery Loop Unit, as of December 31, 2005, to be:

Formation	Gross (100 Percent) Gas Reserves (BCF)	
	1P	2P
Beluga/Sterling/Tyonek	44.2	44.2

5.2.1 Beluga/Sterling/Tyonek Formations

The Beluga/Sterling/Tyonek Formations have produced from 14 completions in 10 wellbores. The field production for December 2005 was 1.35 BCF of gas. Reserves for the 6 active wells have been estimated using decline curve analysis methods. The resulting summary graph showing gross historical and projected gas production along with average well count by year is shown in Figure 5.2.1. No probable reserves have been estimated for the Cannery Loop Unit.

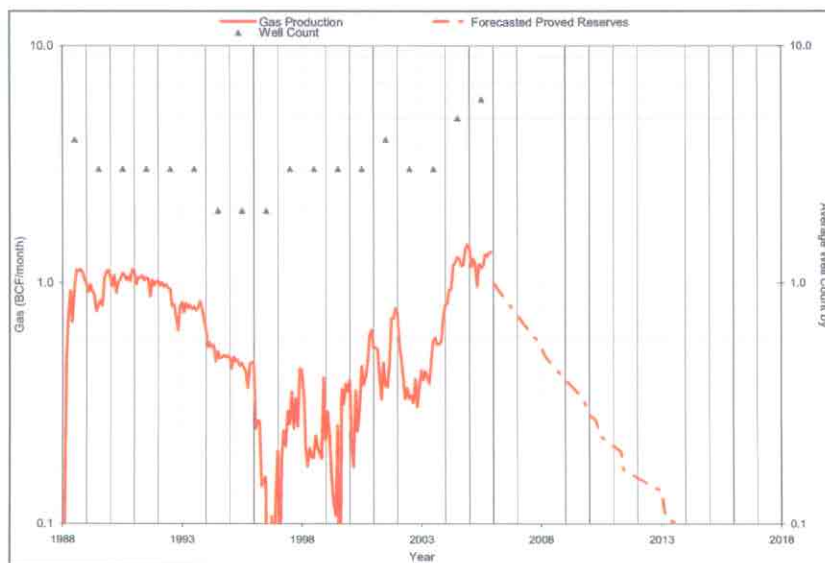
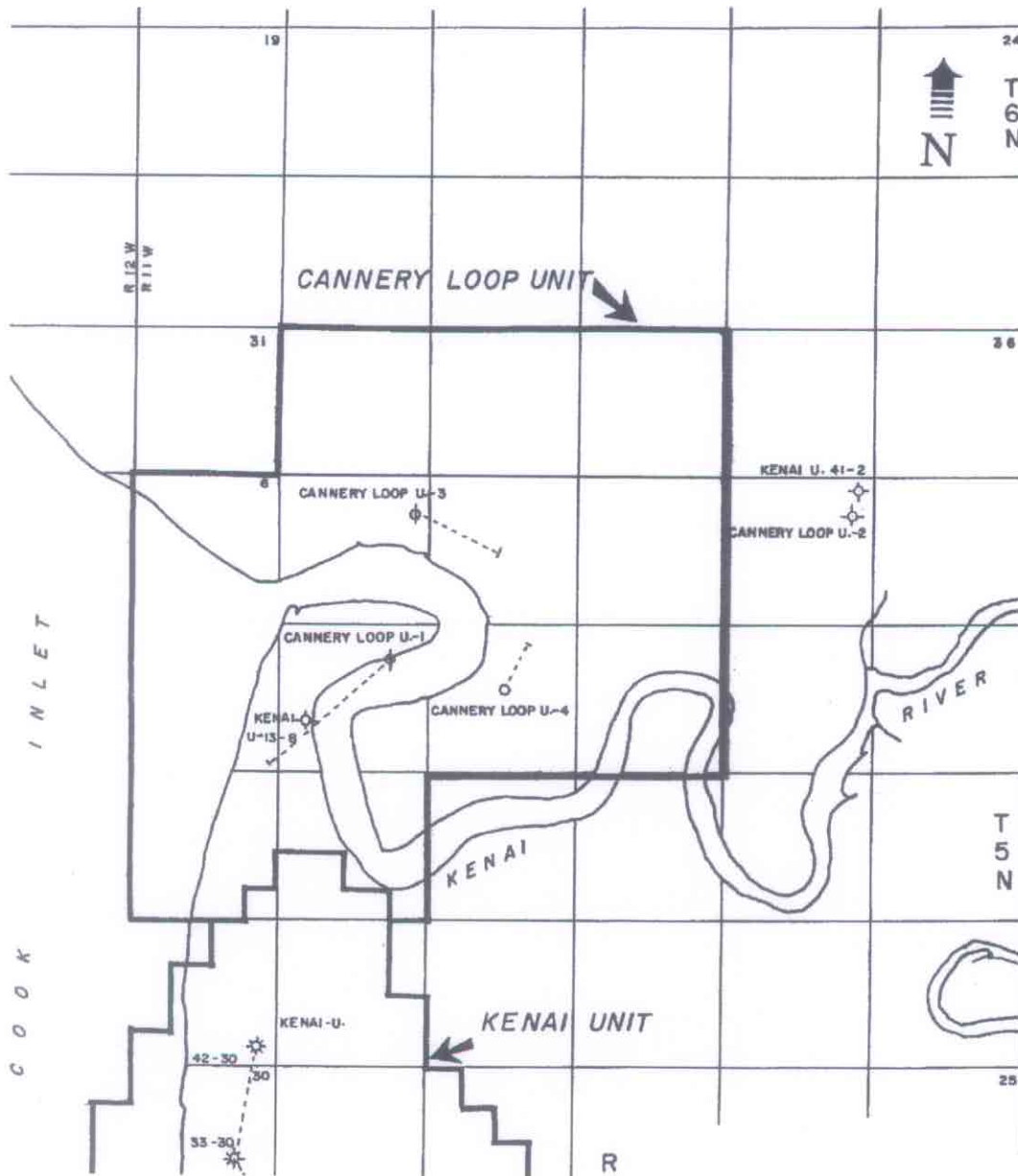


Figure 5.2.1 Monthly historical and projected gas production and average well count by year for the Cannery Loop Unit.

FIGURES

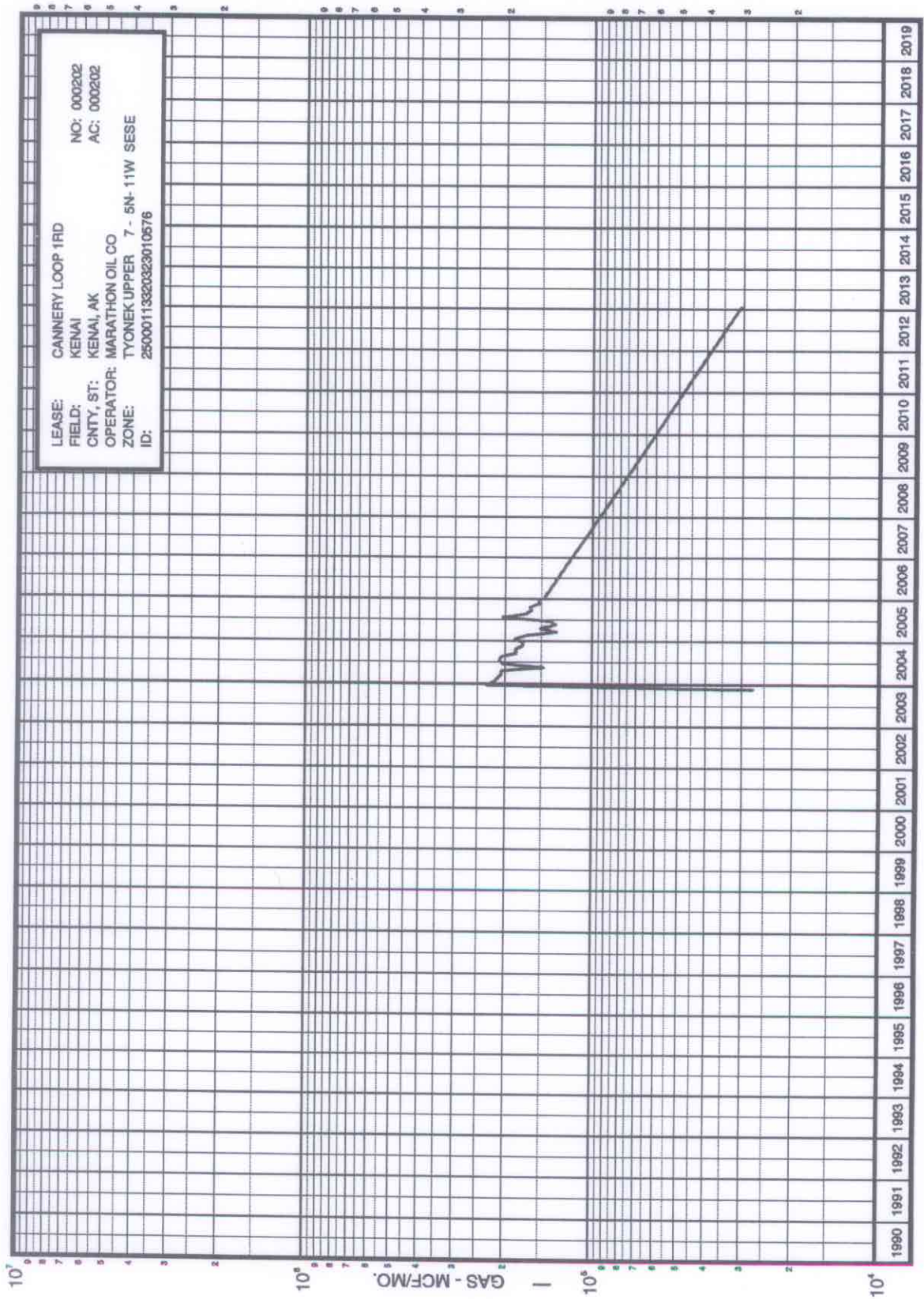


Important Note:

The presented material was assembled and revised by Netherland, Sewell & Associates, Inc. ("NSAI") from data and interpretations provided by public domain sources including the Alaska Oil and Gas Conservation Commission. This exhibit is for illustrative purposes only and we have not verified the content thereon.

Location Map
Cannery Loop Unit
Cook Inlet Region, Alaska

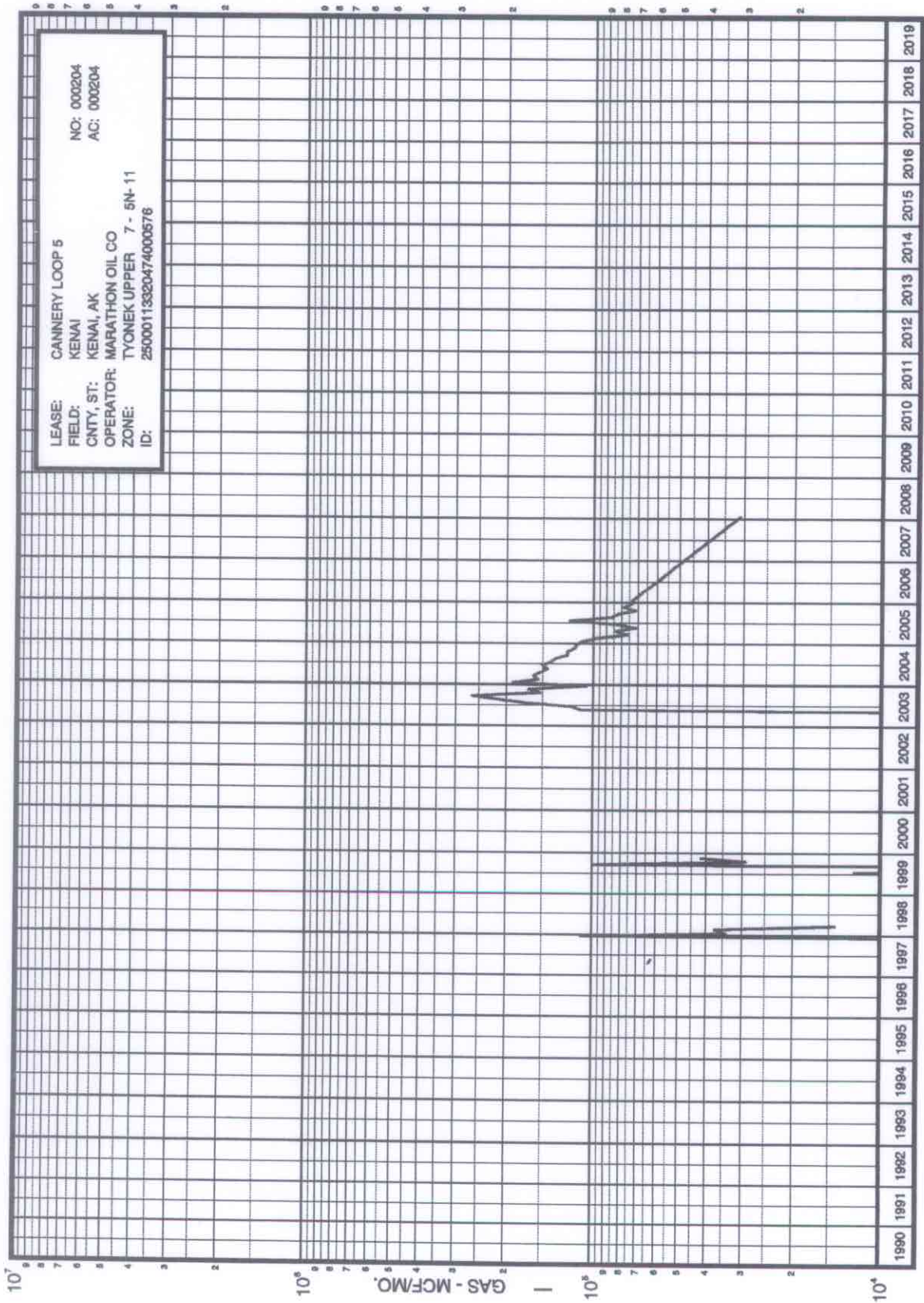
Figure 5.3.1



LEASE: CANNERY LOOP 1RD
 FIELD: KENAI
 CNTY, ST: KENAI, AK
 OPERATOR: MARATHON OIL CO
 ZONE: TYONEK UPPER 7 - 5N- 11W SESE
 ID: 25000113320323010576
 NO: 000202
 AC: 000202

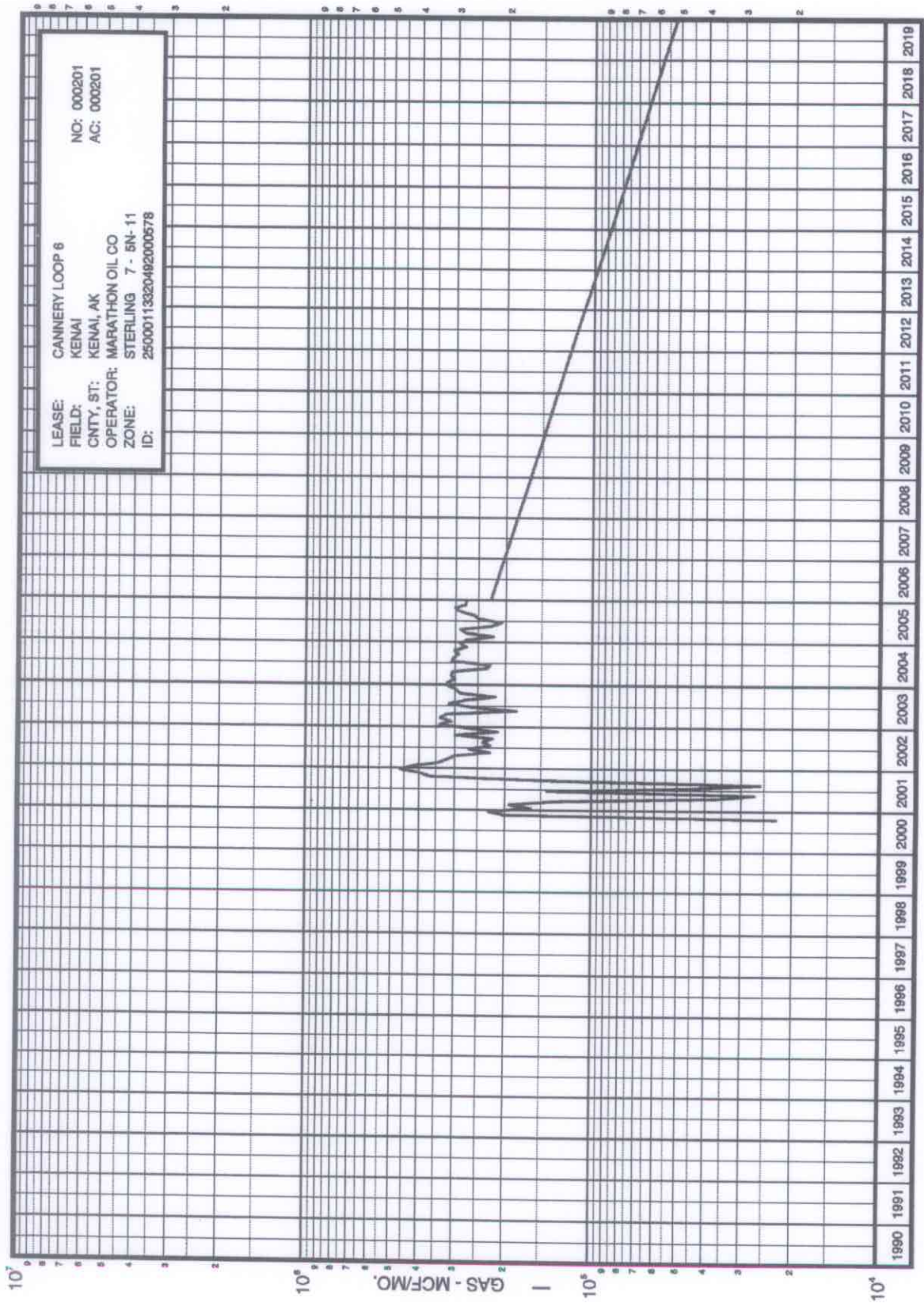
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Figure 5.3.2.1



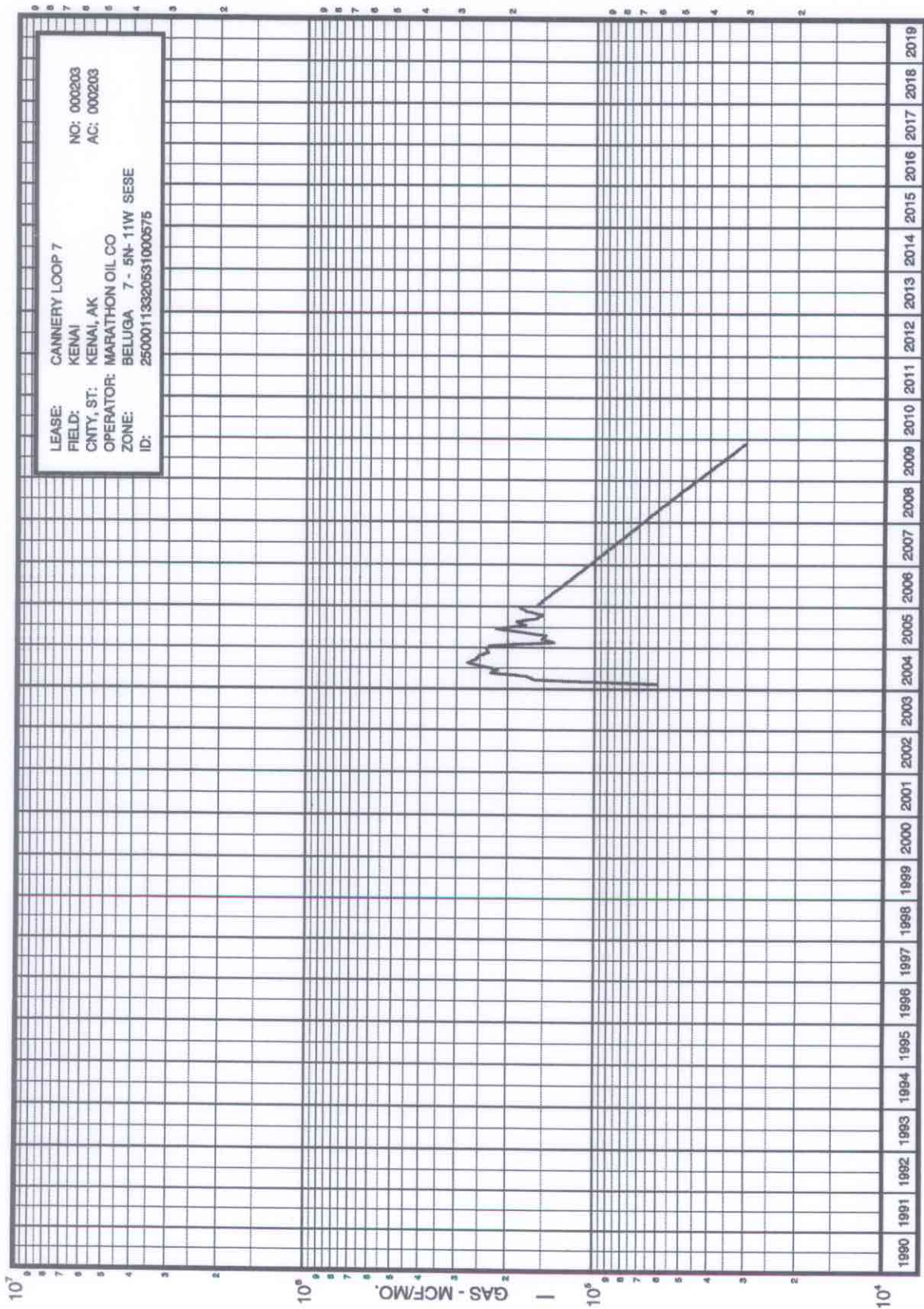
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Figure 5.3.2.2



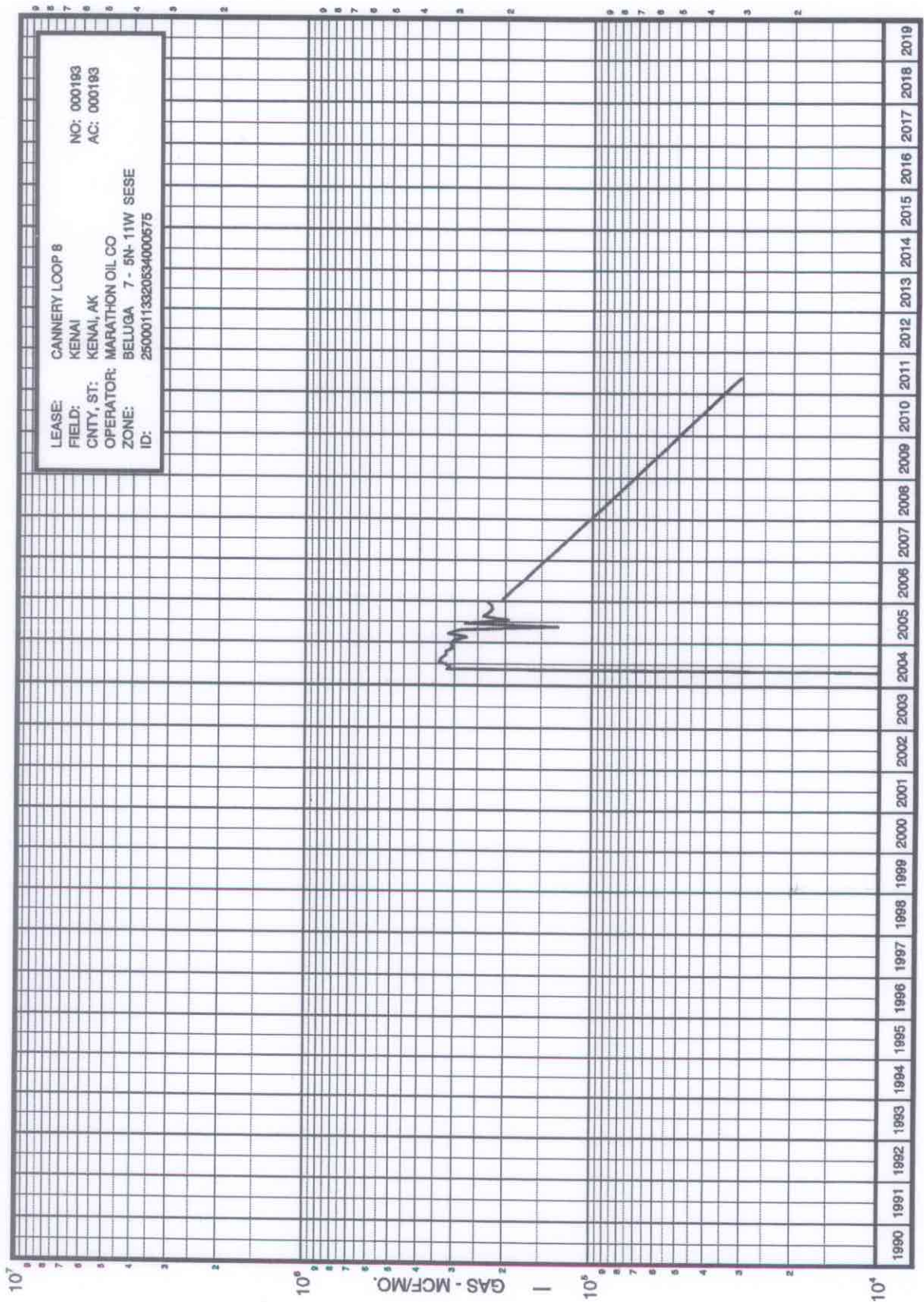
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Figure 5.3.2.3



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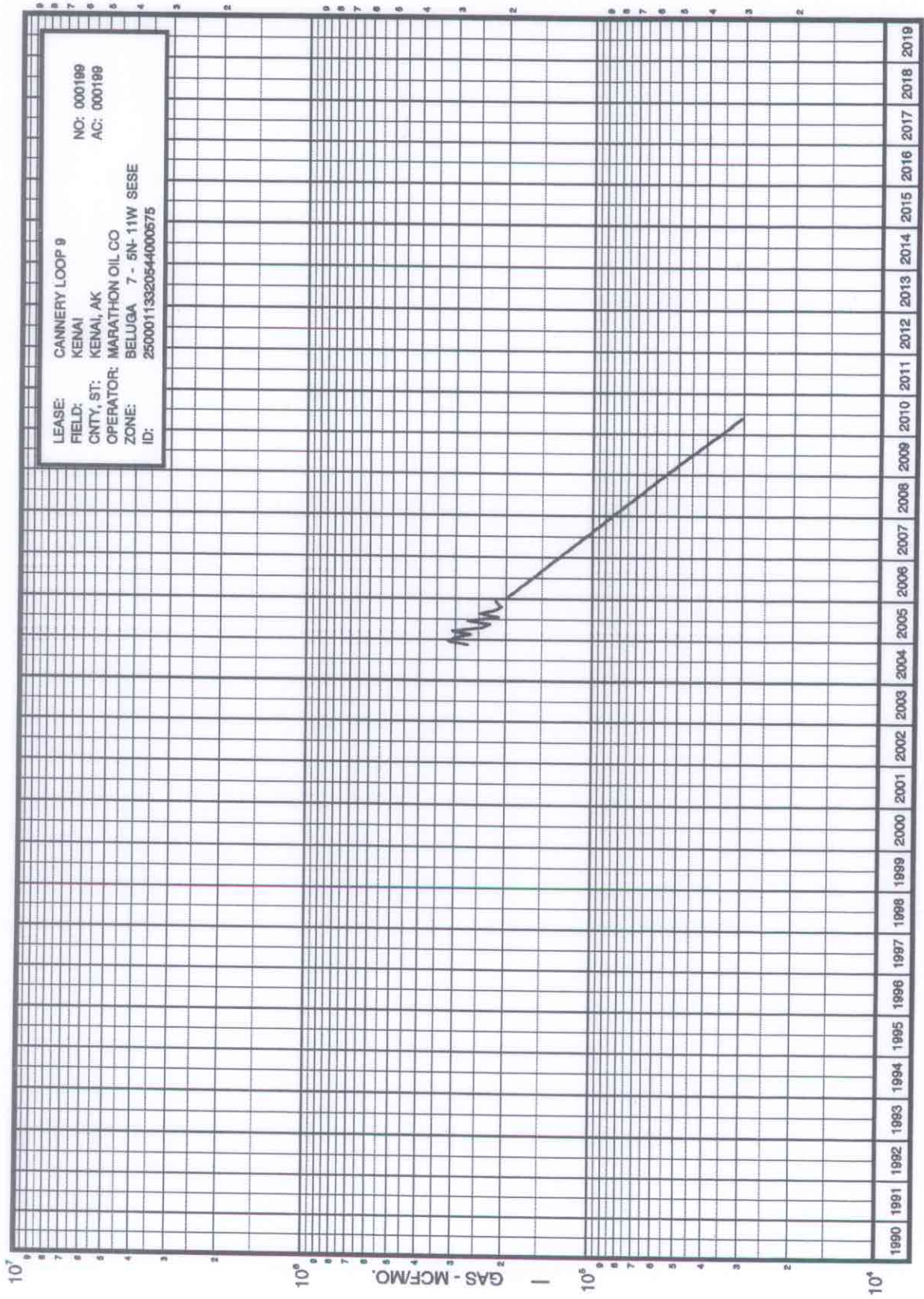
Figure 5.3.2.4



LEASE: CANNERY LOOP 8
 FIELD: KENAI
 CNTY, ST: KENAI, AK
 OPERATOR: MARATHON OIL CO
 ZONE: BELUGA 7 - 5N- 11W SESE
 ID: 25000113320534000675
 NO: 000183
 AC: 000183

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Figure 5.3.2.5



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Figure 5.3.2.6

6.0 KENAI FIELD

6.1 OVERVIEW

Positioned onshore in the eastern portion of the Cook Inlet Basin and operated by Marathon, Kenai Field has produced, through December 2005, 2,292.0 BCF of gas since production began in 1963. Gas production has been from the Beluga, Sterling, and Tyonek Formations. A location map is shown in Figure 6.3.1.

6.2 RESERVES SUMMARY

We estimate the gross (100 percent) gas reserves for Kenai Field, as of December 31, 2005, to be:

Formation	Gross (100 Percent) Gas Reserves (BCF)	
	1P	2P
Sterling 3	9.0	9.0
Sterling 4	9.7	18.3
Sterling 5.1	0.0	0.0
Sterling 5.2	0.0	0.0
Sterling 6	9.3	19.4
Beluga/Upper Tyonek	70.0	126.5
Total	98.0	173.2

6.2.1 Sterling 3 Formation

Production from the Sterling 3 Formation began in July 1965. Multiple wells have produced from this horizon with cumulative production of 330.7 BCF of gas through December 2005. There is currently 1 active wellbore in the Sterling 3 Formation. The monthly historical gas production and average well count by year are shown in Figure 6.2.1. The current average reservoir pressure, expressed as a P/Z value, is estimated at 250 psi.

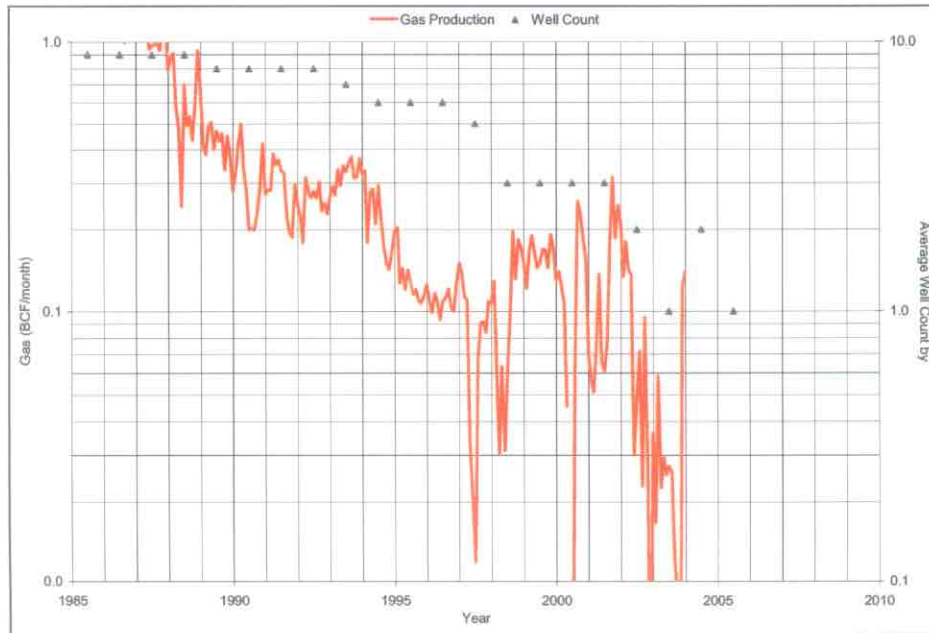


Figure 6.2.1 Monthly historical gas production and average well count by year for the Kenai Sterling 3 Formation.

Reserves have been estimated using material balance methods from the available data for this reservoir. As shown in Figure 6.2.2, the estimated OGIP is 376.7 BCF. Based on an abandonment pressure of 200 psi, the 1P EUR is 339.7 BCF of gas, with a recovery efficiency of approximately 90 percent. No probable reserves have been estimated for this formation.

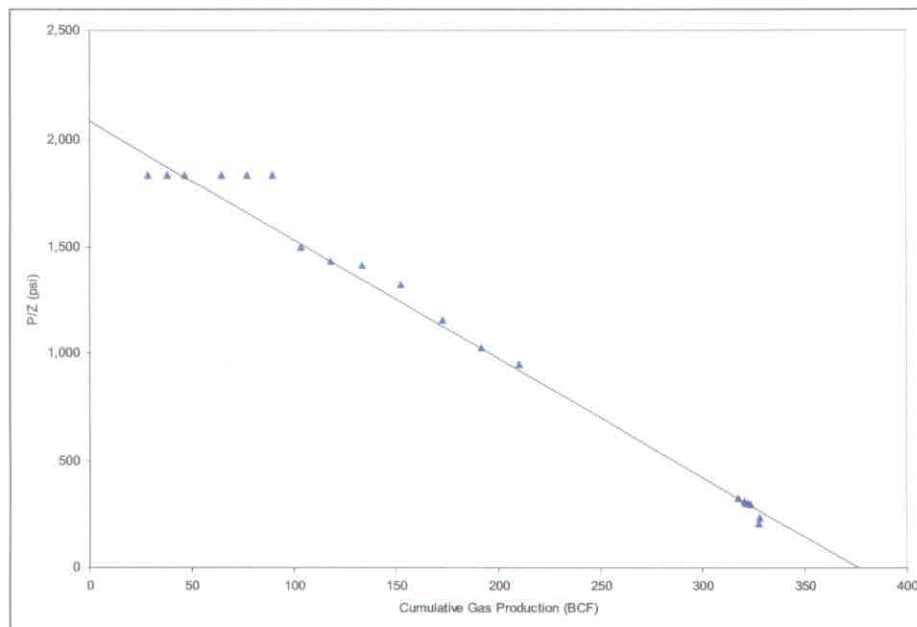


Figure 6.2.2 Material balance graph for the Kenai Sterling 3 Formation.

The constant P/Z data from 25 to 95 BCF of cumulative gas production were excluded from the trend line used for reserve estimation. These P/Z data were obtained from AOGCC annual reports from 1972 to 1977, where no bottomhole pressure change was reported. It can be reasonably inferred that these annual pressure submissions do not provide representative bottomhole pressures for this time period.

The following table summarizes the material balance parameter/result for the Kenai Sterling 3 Formation:

Parameter/Result	Gas (BCF) 1P
Original Gas-in-Place	376.7
Cumulative Production through 12-31-2005	330.7
Estimated Ultimate Recovery	339.7
Gross (100 Percent) Reserves, as of 12-31-2005	9.0

6.2.2 Sterling 4 Formation

The Sterling 4 formation has produced from 17 wellbores. Since initial production in April 1965, the formation has produced 449.5 BCF of gas through December 2005. The monthly historical gas production and average well count by year are shown in Figure 6.2.3. The current average reservoir pressure, expressed as a P/Z value, is estimated at 215 psi.

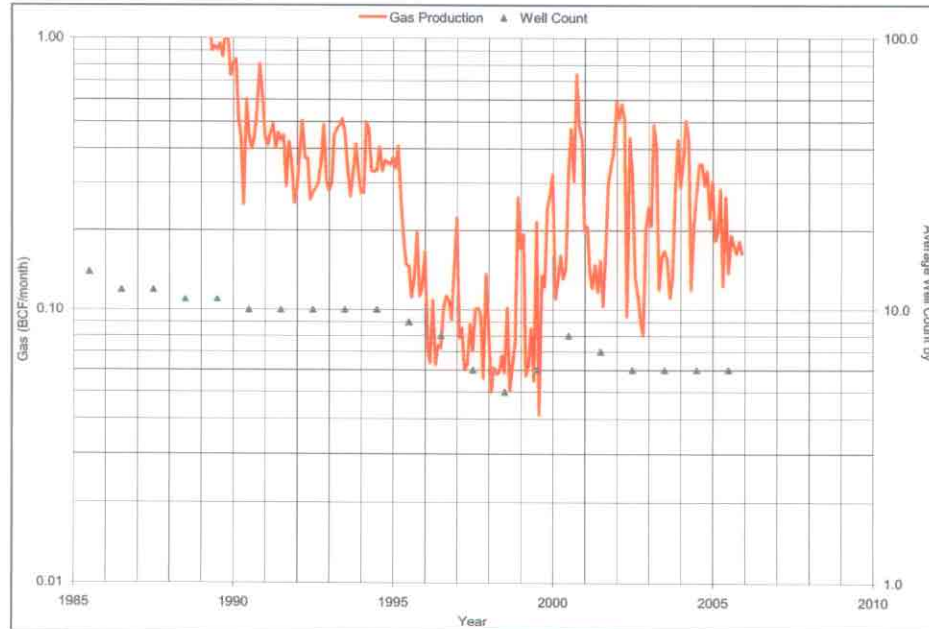


Figure 6.2.3 Monthly historical gas production and average well count by year for the Kenai Sterling 4 Formation.

Reserves have been estimated using material balance methods from the available data for this reservoir. As shown in Figure 6.2.4, the estimated OGIP is 494.7 BCF. Based on an abandonment pressure of 165

psi, the 1P EUR is 459.2 BCF of gas, with a recovery efficiency of approximately 93 percent. Lowering the abandonment pressure to 125 psi results in a 2P EUR of 467.8 BCF of gas and a recovery efficiency of approximately 95 percent.

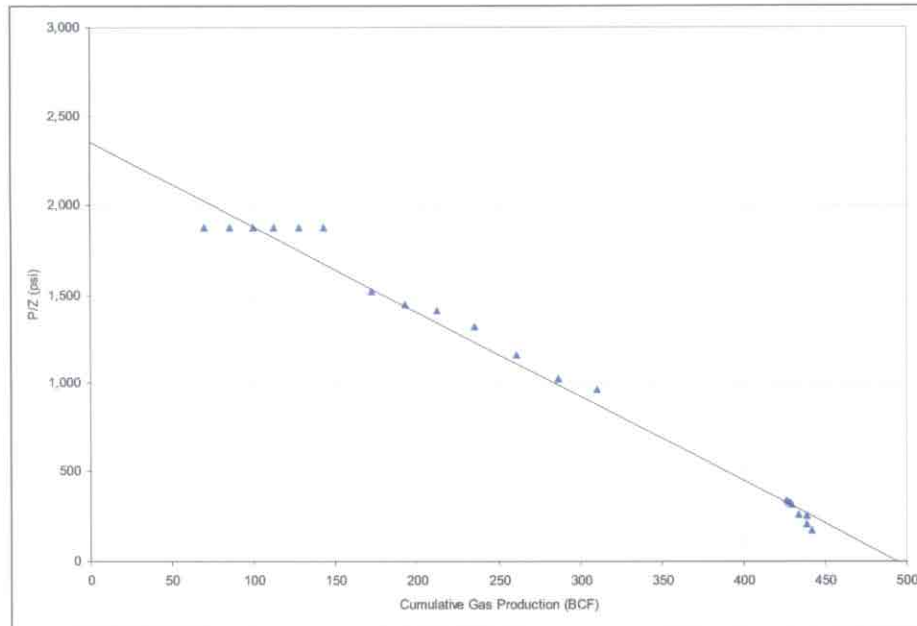


Figure 6.2.4 Material balance graph for the Kenai Sterling 4 Formation.

The constant P/Z data from 75 to 150 BCF of cumulative gas production were excluded from the trend line used for reserve estimation. These P/Z data were obtained from AOGCC annual reports from 1972 to 1977, where no bottomhole pressure change was reported. It can be reasonably inferred that these annual pressure submissions do not provide representative bottomhole pressures for this time period.

The following table summarizes the material balance parameter/result for the Kenai Sterling 4 Formation:

Parameter/Result	Gas (BCF)	
	1P	2P
Original Gas-in-Place	494.7	494.7
Cumulative Production through 12-31-2005	449.5	449.5
Estimated Ultimate Recovery	459.2	467.8
Gross (100 Percent) Reserves, as of 12-31-2005	9.7	18.3

6.2.3 Sterling 6 Formation

The Sterling 6 formation has produced from 20 wellbores. Since initial production began in November 1960, the formation has produced 523.4 BCF through December 2005. The monthly historical gas production and average well count by year are shown in Figure 6.2.5. The current average reservoir pressure, expressed as a P/Z value, is estimated at 220 psi.

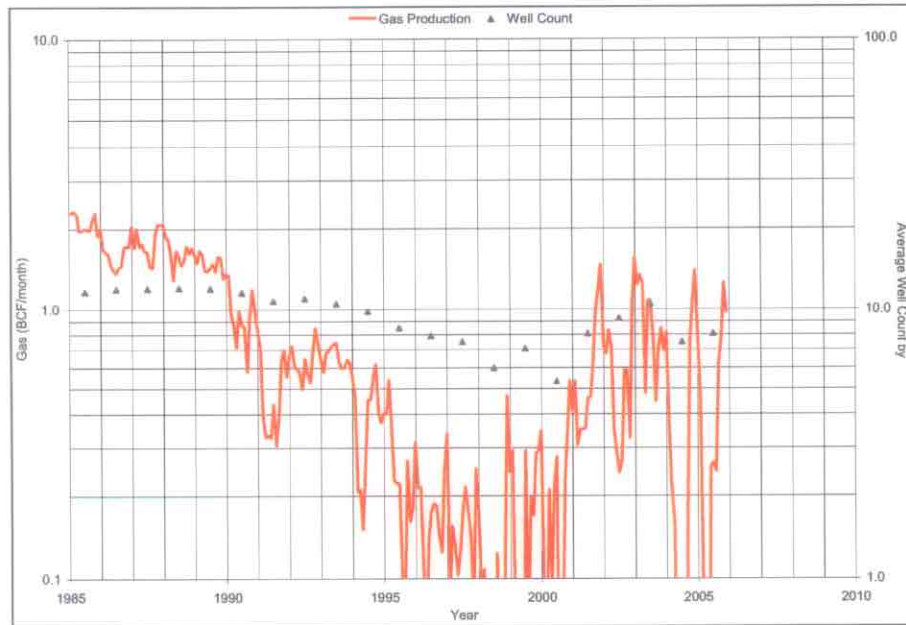


Figure 6.2.5 Monthly historical gas production and average well count by year for the Kenai Sterling 6 Formation.

Reserves have been estimated using material balance methods from the available data for this reservoir. As shown in Figure 6.2.6, the estimated OGIP is 571.9 BCF. Based on an abandonment pressure of 170 psi, the 1P EUR is 532.7 BCF of gas, with a recovery efficiency of approximately 93 percent. Lowering the abandonment pressure to 125 psi results in a 2P EUR of 542.8 BCF of gas and a recovery efficiency of approximately 95 percent.

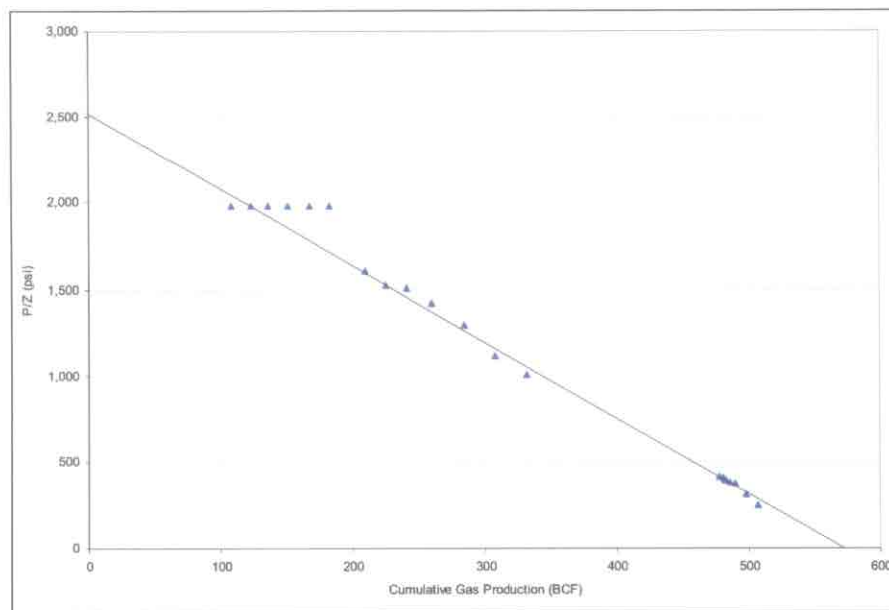


Figure 6.2.6 Material balance graph for the Kenai Sterling 6 Formation.

The constant P/Z data from 100 to 200 BCF of cumulative gas production were excluded from the trend line used for reserve estimation. This P/Z data were obtained from AOGCC annual reports from 1972 to 1977, where no bottomhole pressure change was reported. It can be reasonably inferred that these annual pressure submissions do not provide representative bottomhole pressures for this time period.

The following table summarizes the material balance parameter/result for the Kenai Sterling 6 Formation:

Parameter/Result	Gas (BCF)	
	1P	2P
Original Gas-in-Place	571.9	571.9
Cumulative Production through 12-31-2005	523.4	523.4
Estimated Ultimate Recovery	532.7	542.8
Gross (100 Percent) Reserves, as of 12-31-2005	9.3	19.4

6.2.4 Beluga/Upper Tyonek Formation

The Beluga/Upper Tyonek Formation has produced from 29 wellbores. Since initial production began in December 1967, the formation has produced 459.5 BCF of gas through December 2005. The Beluga and Upper Tyonek Formations were combined in 2003 for production reporting purposes. The Beluga/Upper Tyonek produced 1.26 BCF of gas in December 2005.

Reserves for producing wells have been estimated using decline curve analysis methods. A summary graph showing gross historical and projected gas production along with average well count by year is shown in Figure 6.2.7. An initial production rate of 1.2 BCF of gas per month in January 2006 and an exponential decline of 25 percent are forecasted.

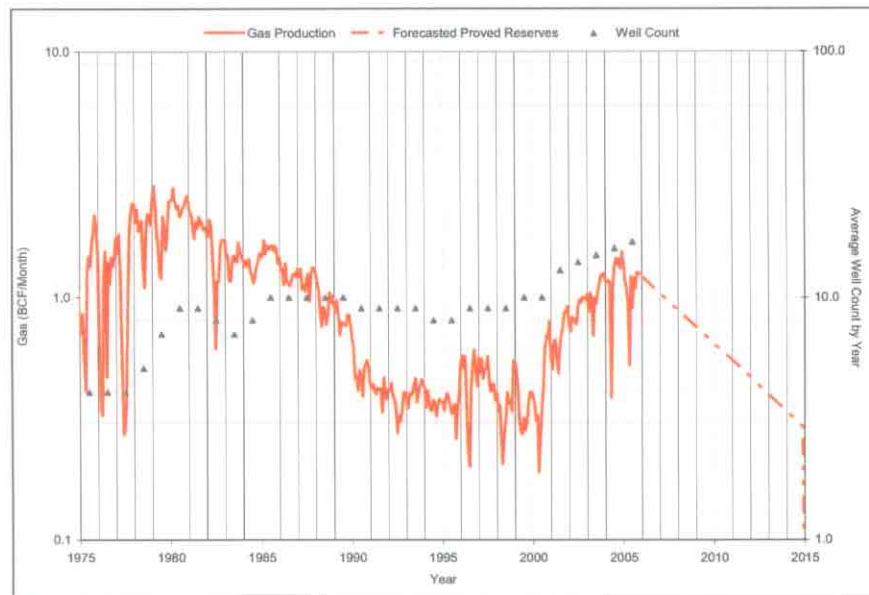


Figure 6.2.7 Monthly historical and projected gas production along with average well count by year for producing wells in the Kenai Field Beluga/Upper Tyonek Formation.

Reserves for probable behind pipe zones in existing wells have been estimated using volumetric methods. Digital log data for existing wells were provided by the AOGCC and were processed and analyzed to determine net feet of pay, porosity, and water saturation for each zone. Recovery factors are based on analogous production in the Beluga/Upper Tyonek Formation in Kenai. A total of 20 zones were evaluated from 7 wells, with probable behind pipe reserves of 16.3 BCF of gas.

A Beluga/Upper Tyonek structure map produced by Marathon was available at the AOGCC and is shown in Figure 6.3.2. Based on this map and its included annotations, four probable undeveloped locations were evaluated, all below the current lowest known gas from a recent well as annotated on the map. The lowest known gas refers to the deepest structural level where gas has been seen on a well log, but does not necessarily represent the deepest structural level where gas is present in the reservoir. The by-well reserves for the four probable undeveloped locations were estimated using a lognormal distribution based on the estimated ultimate recovery of wells in the Beluga/Upper Tyonek in Kenai Field. A probable reserve estimate was determined as the P(50) value taken from the lognormal distribution shown in Figure 6.2.8. Probable reserves of 10.05 BCF of gas per location were estimated using this methodology. The probable reserves from this analysis are 40.2 BCF of gas.

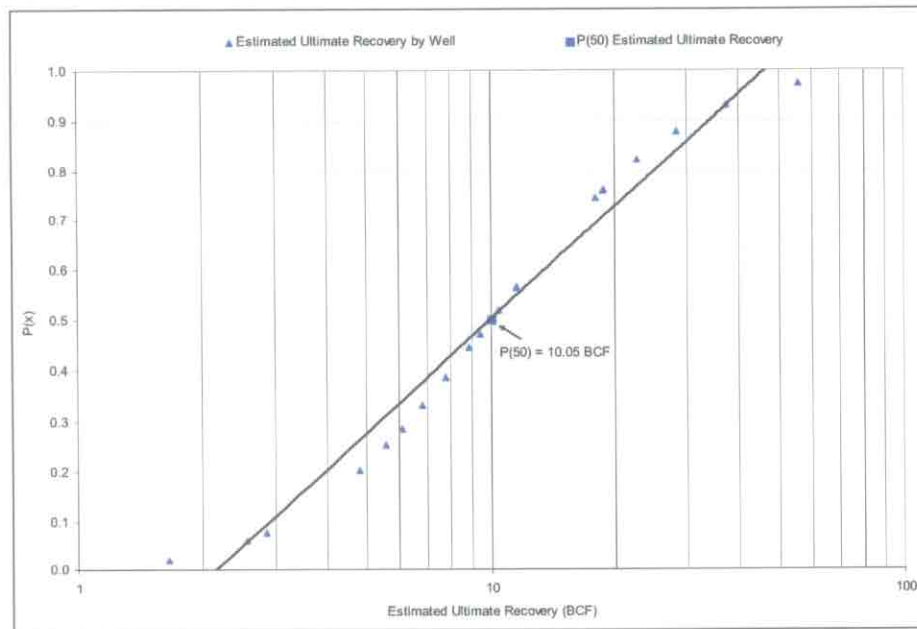


Figure 6.2.8 EUR lognormal distribution for the Kenai Field Beluga/Upper Tyonek Formation.

The following table summarizes the gross (100 percent) gas reserves, as of December 31, 2005, for the Kenai Beluga/Upper Tyonek Formation:

Category	Gross (100 Percent) Gas Reserves (BCF)
Total Proved (1P)	70.0
Probable	56.5
Proved + Probable (2P)	126.5

FIGURES

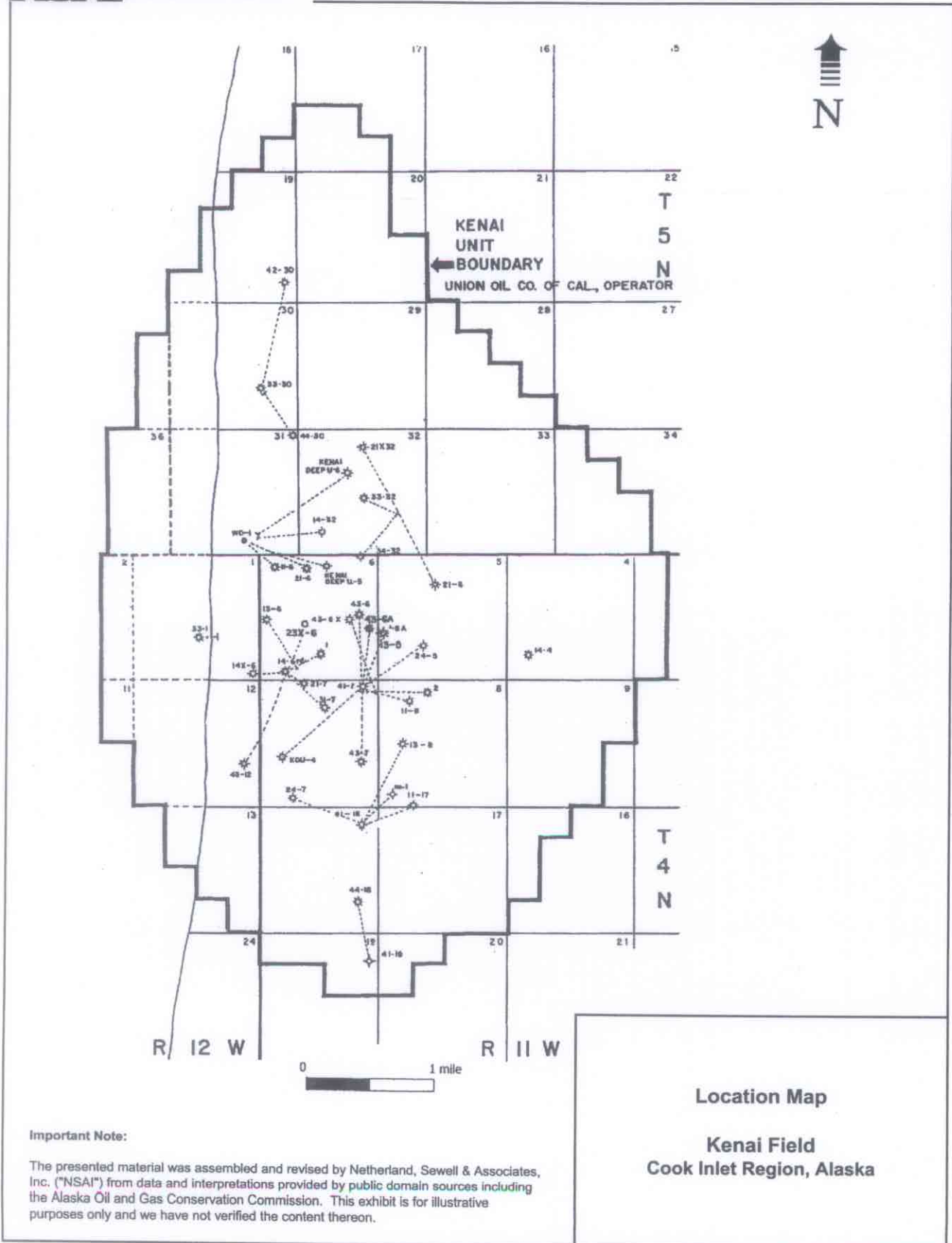


Figure 6.3.1

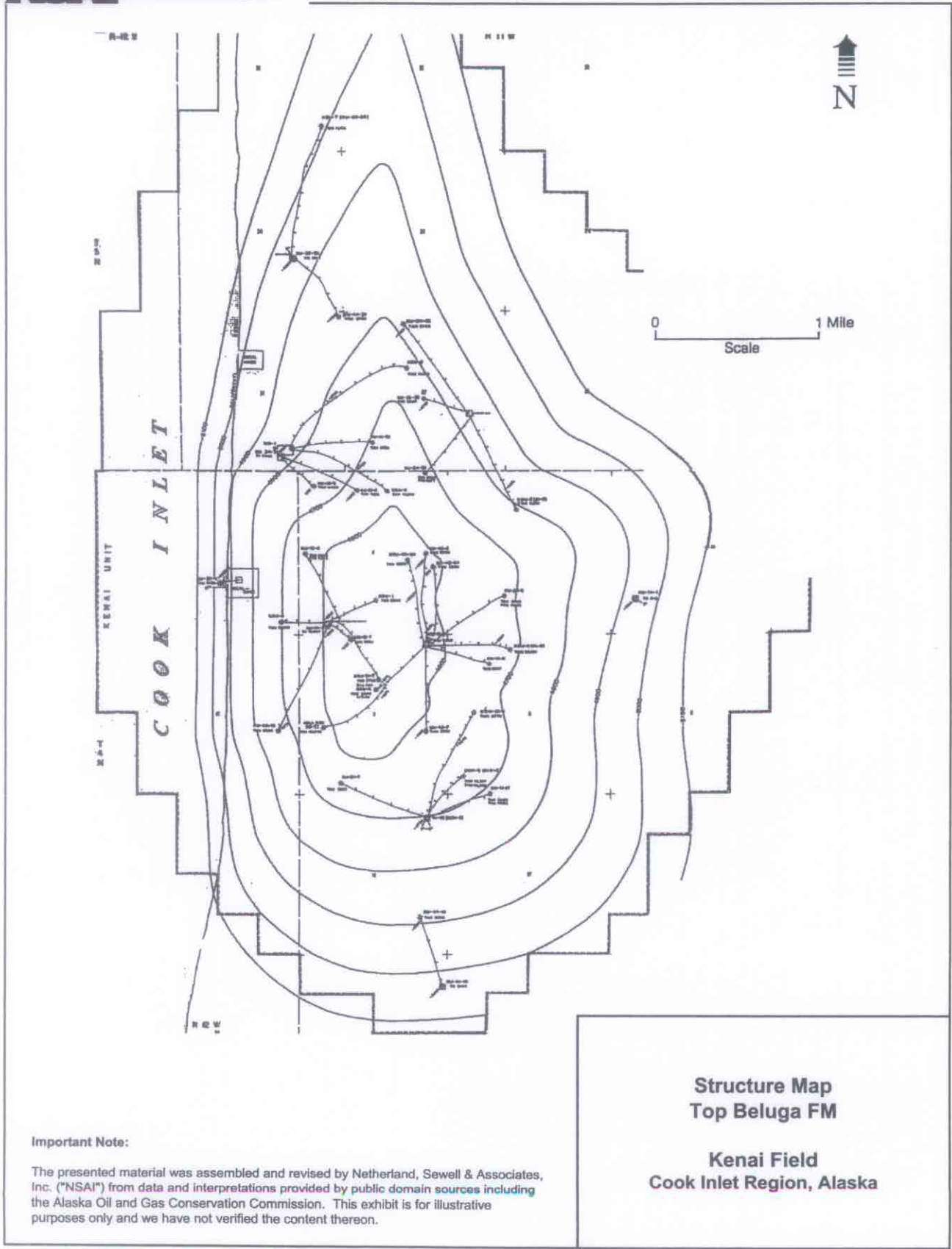


Figure 6.3.2

7.0 MCARTHUR RIVER FIELD

7.1 OVERVIEW

In 1968 gas production began from McArthur River Field and was used as fuel gas supply for the Trading Bay Unit oil production operations. Current gas production is from the Union Oil Company of California-operated Steelhead Platform. Cumulative production through December 2005 is 1,285.8 BCF of gas. There are approximately 78 active oil wells and 14 active gas wells. The monthly historical gas production and average well count by year are shown in Figure 7.1.1. A location map and representative structure map are shown in Figure 7.3.1 and Figure 7.3.2, respectively.

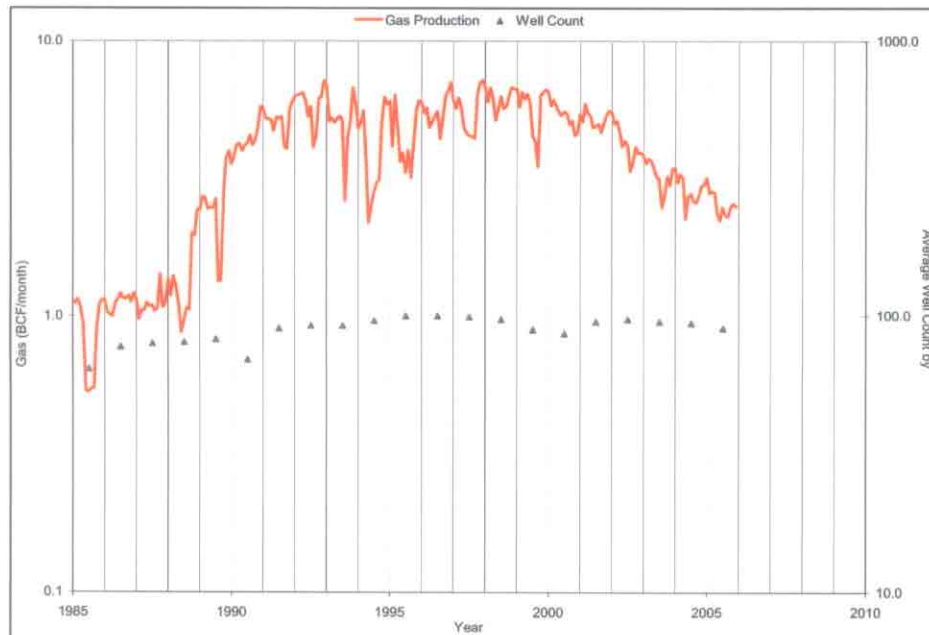


Figure 7.1.1 Monthly historical gas production and average well count by year for McArthur River Field.

7.2 RESERVES SUMMARY

We estimate the gross (100 percent) gas reserves for McArthur River Field, as of December 31, 2005, to be:

Formation	Gross (100 Percent) Gas Reserves (BCF)	
	1P	2P
Middle Kenai	89.4	174.9

7.2.1 Middle Kenai Formation

Field gas production comes primarily from the Kenai group formations, referred to as the Middle Kenai. Cumulative gas production from this formation, through December 2005, is 1,028.8 BCF.

Material balance analysis of a subset of completions primarily located on the Steelhead Platform indicates an estimated OGIP of 1,249.9 BCF, as shown in Figure 7.2.1. Based on an abandonment pressure of 250 psi, the estimated 1P EUR is 1,118.2 BCF of gas, with a recovery efficiency of 89 percent.

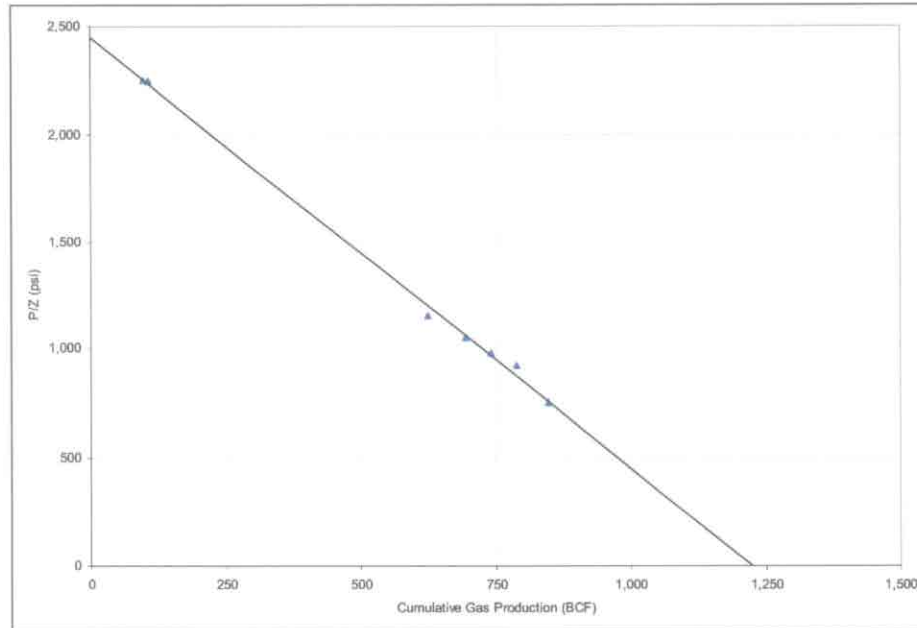


Figure 7.2.1 Material balance graph for the McArthur River Middle Kenai Formation.

The following table summarizes the material balance parameter/result for the McArthur River Middle Kenai Formation:

Parameter/Result	Gas (BCF) 1P
Original Gas-in-Place	1,249.9
Cumulative Production through 12-31-2005	1,028.8
Estimated Ultimate Recovery	1,118.2
Gross (100 Percent) Reserves, as of 12-31-2005	89.4

For estimates of 2P reserves, decline curve analysis was performed on each active gas well. For each completion, an abandonment rate of 500 MCF per day was assumed, and an exponential decline was fit to the historical data trend. Individual graphs showing the historical and projected production for each active gas well are shown in Figure 7.3.3. The estimated remaining gas reserves are 174.9 BCF for the 2P case. A summary plot showing gross historical and projected gas production along with average well count by year for the 2P case is shown in Figure 7.2.2.

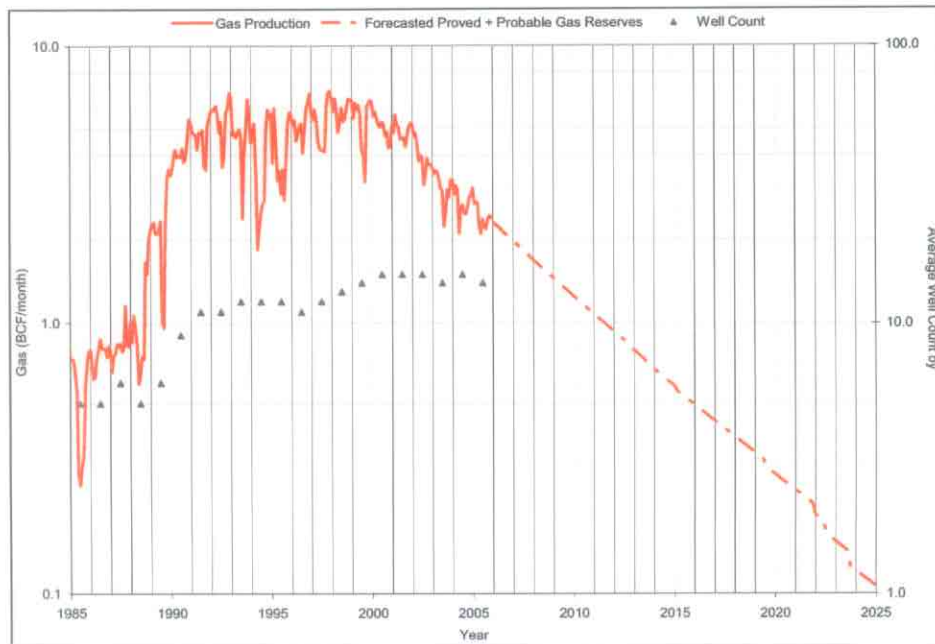
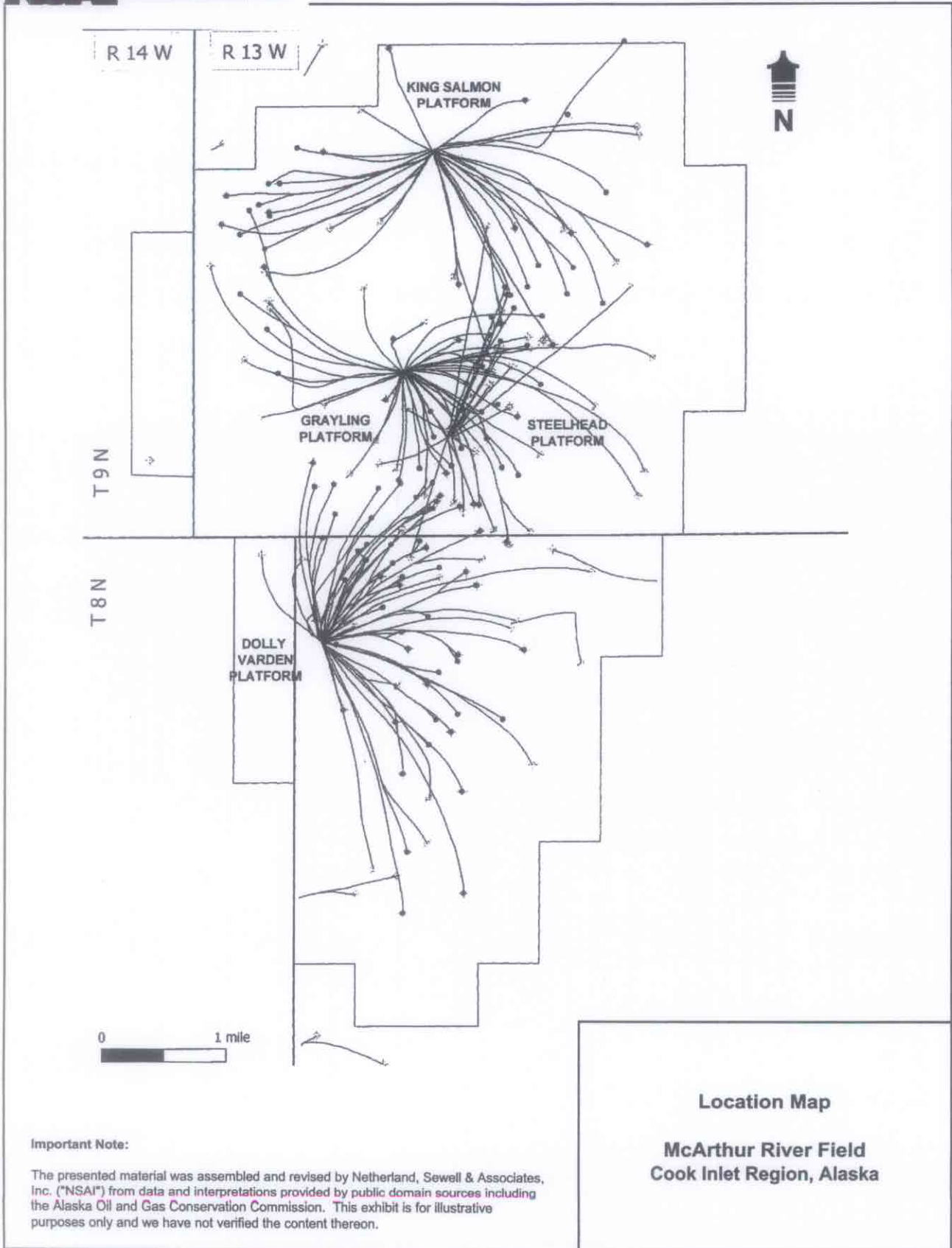


Figure 7.2.2 Monthly historical and projected gas production and average well count by year in the Middle Kenai Formation from active gas wells.

FIGURES



Important Note:

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Figure 7.3.1

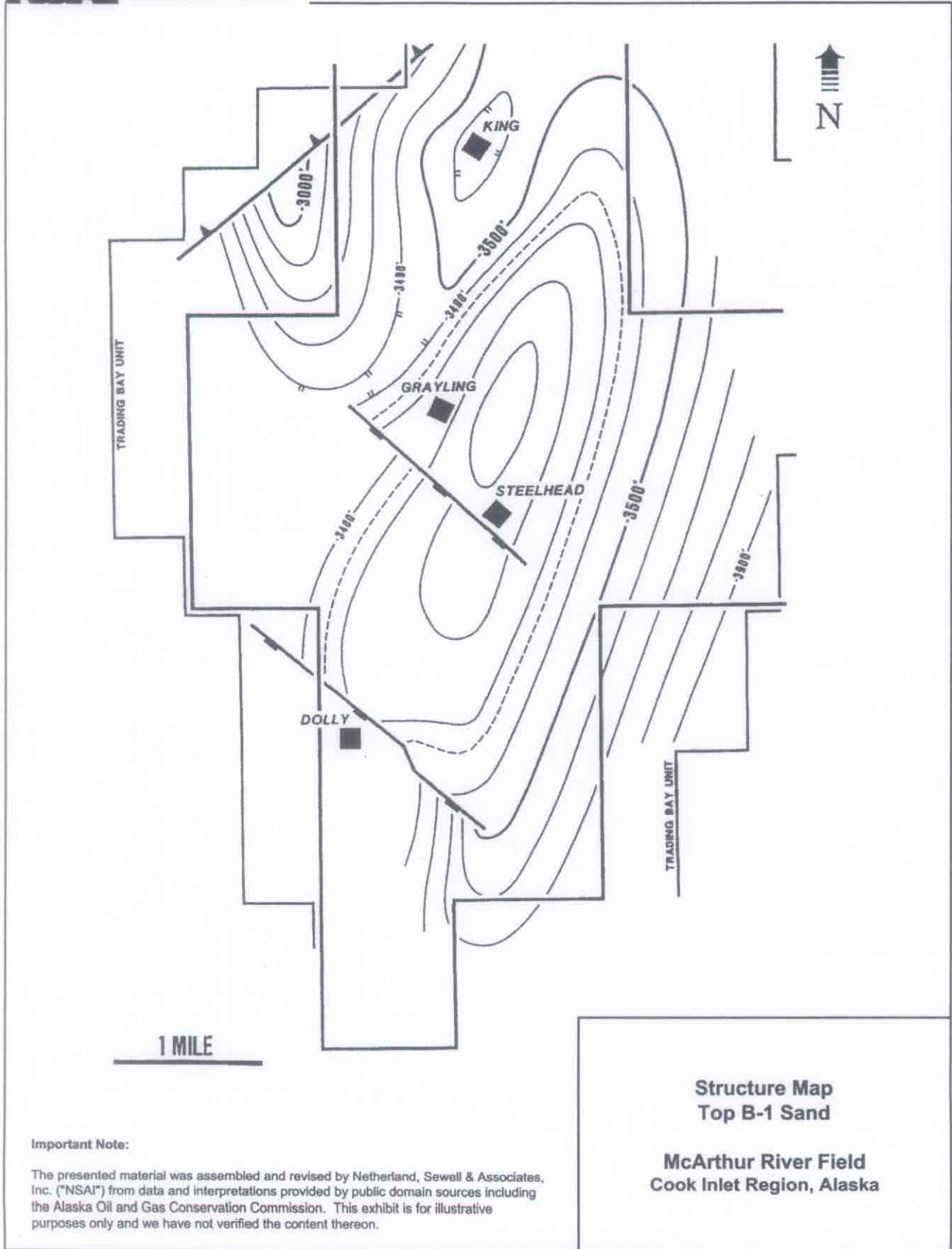
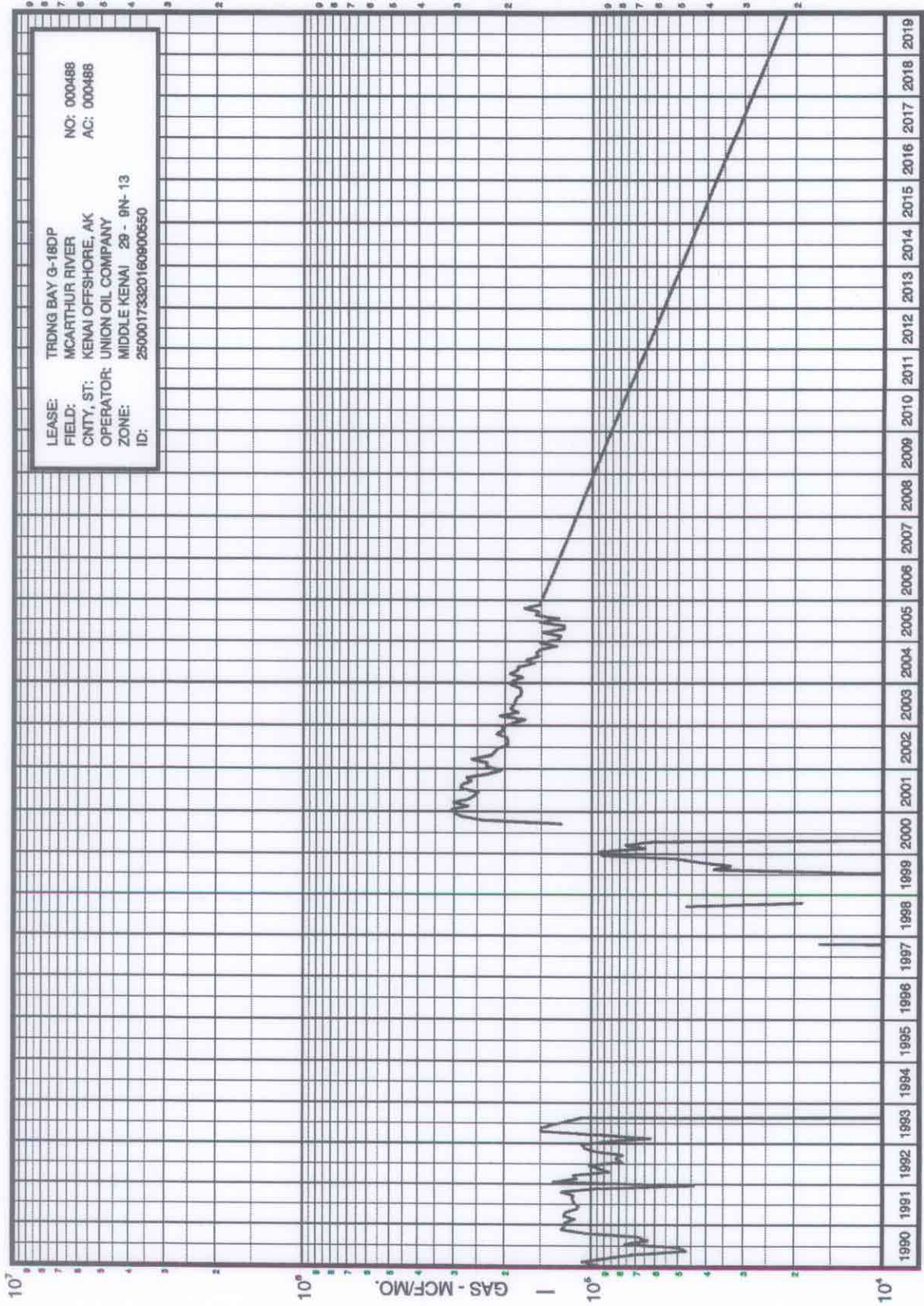
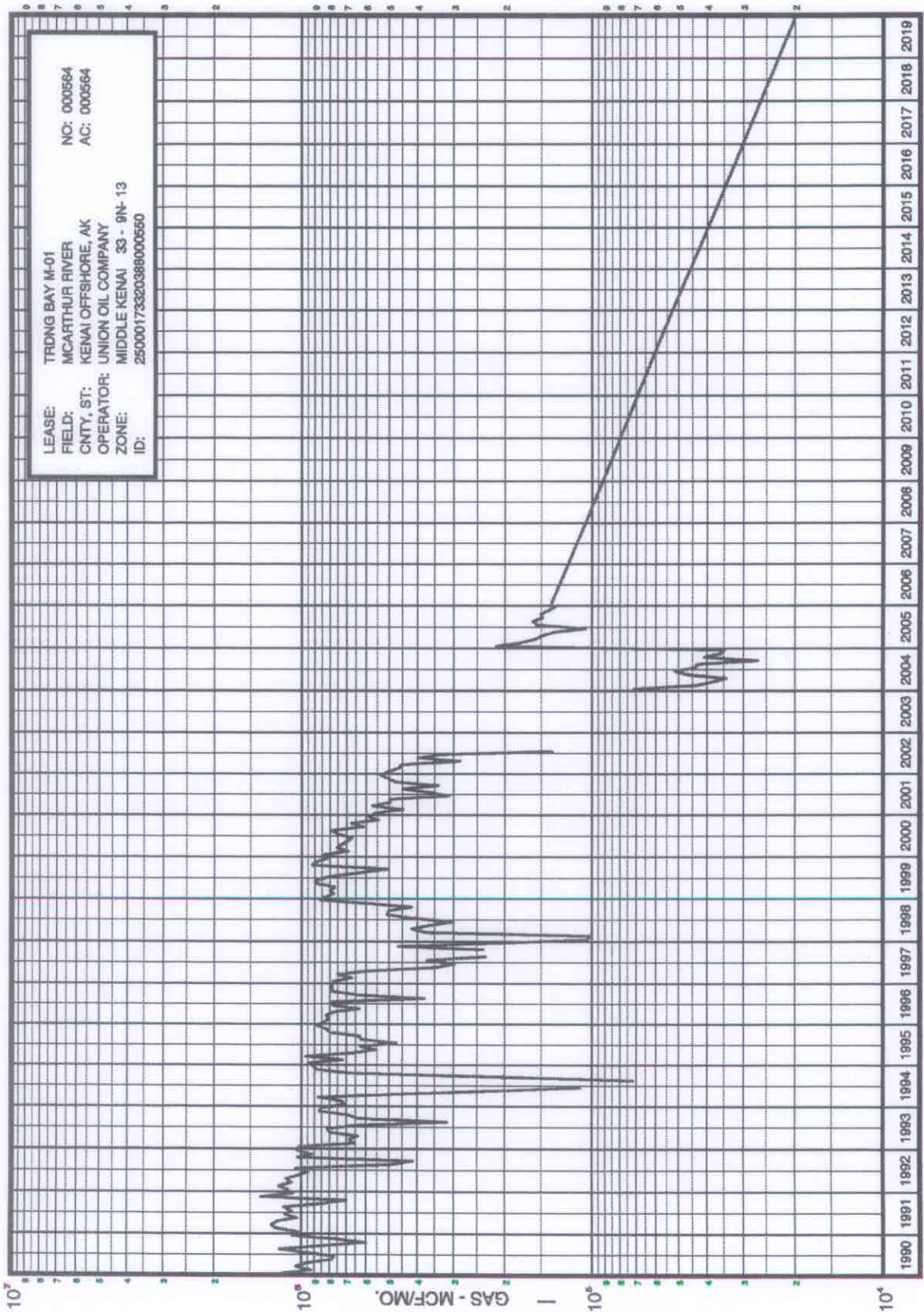


Figure 7.3.2



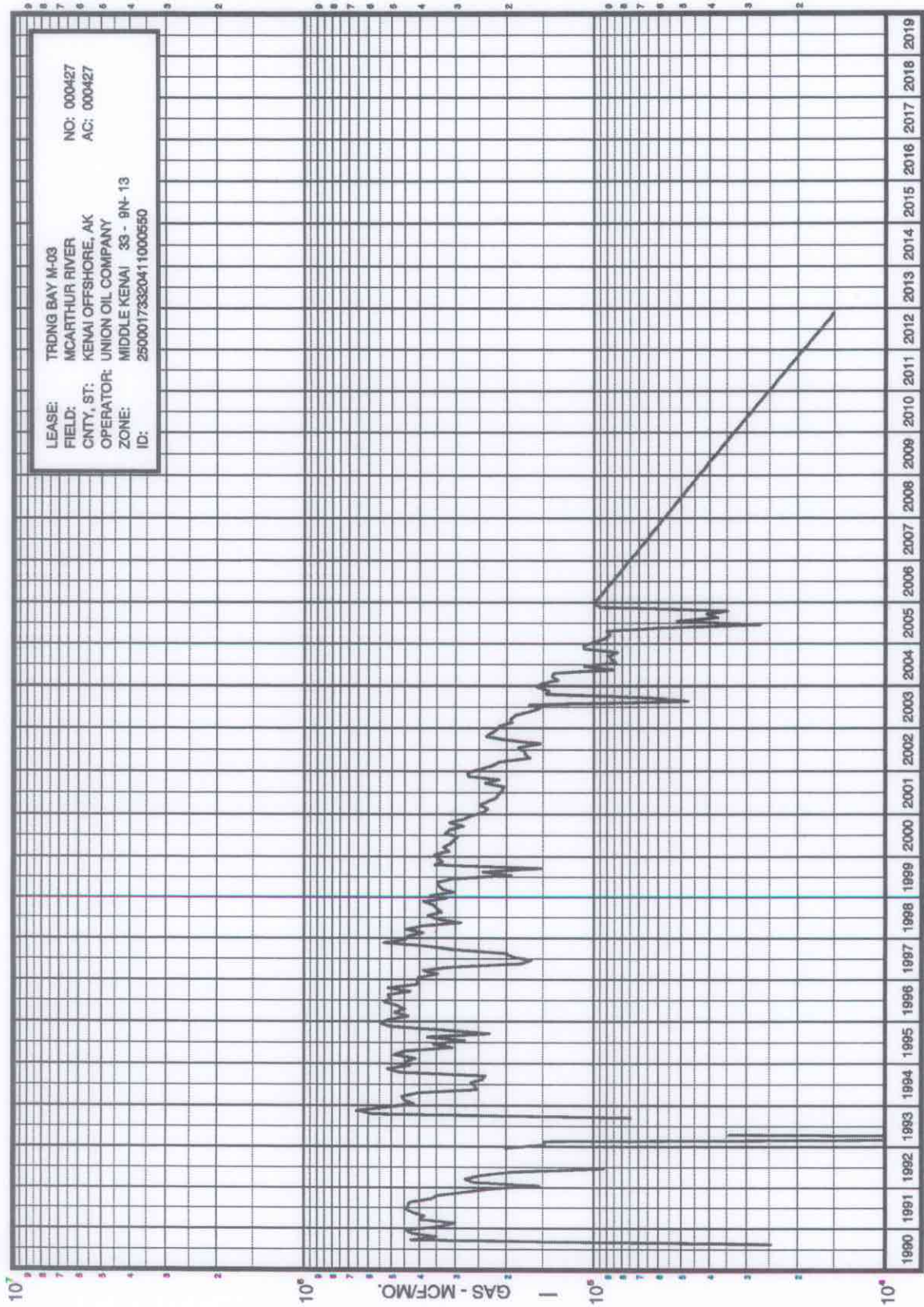
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Figure 7.3.3.1



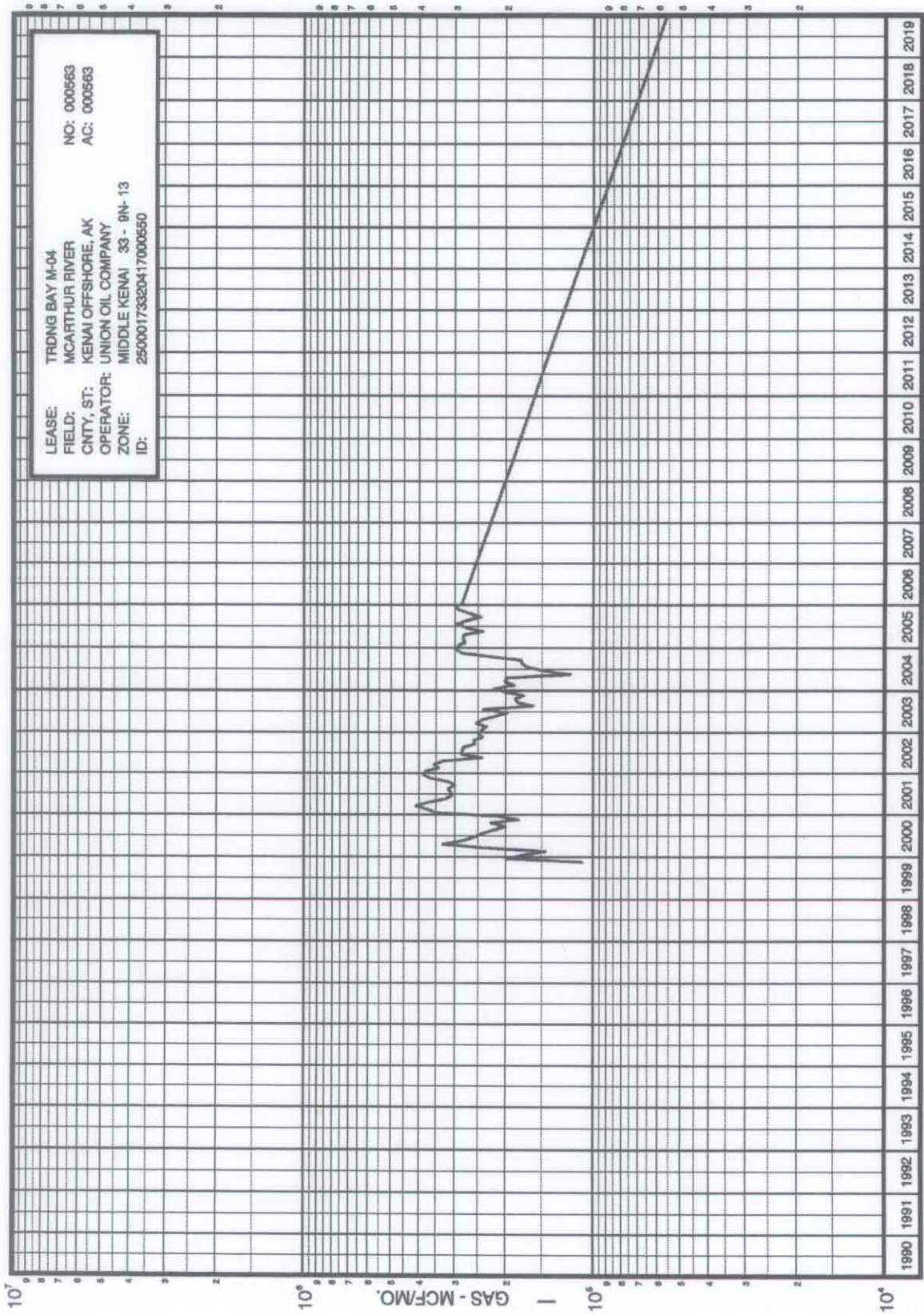
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Figure 7.3.3.2



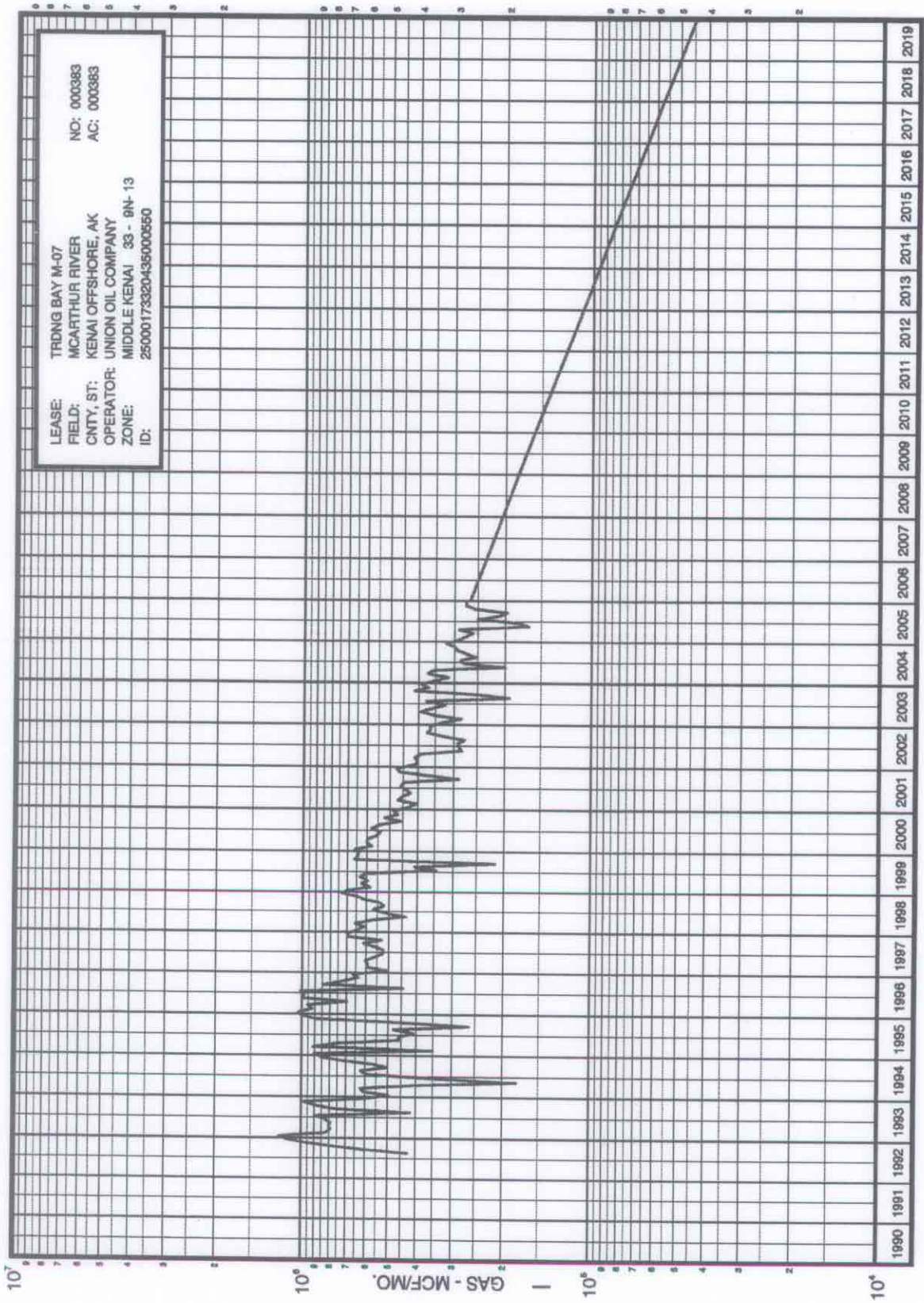
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Figure 7.3.3.3



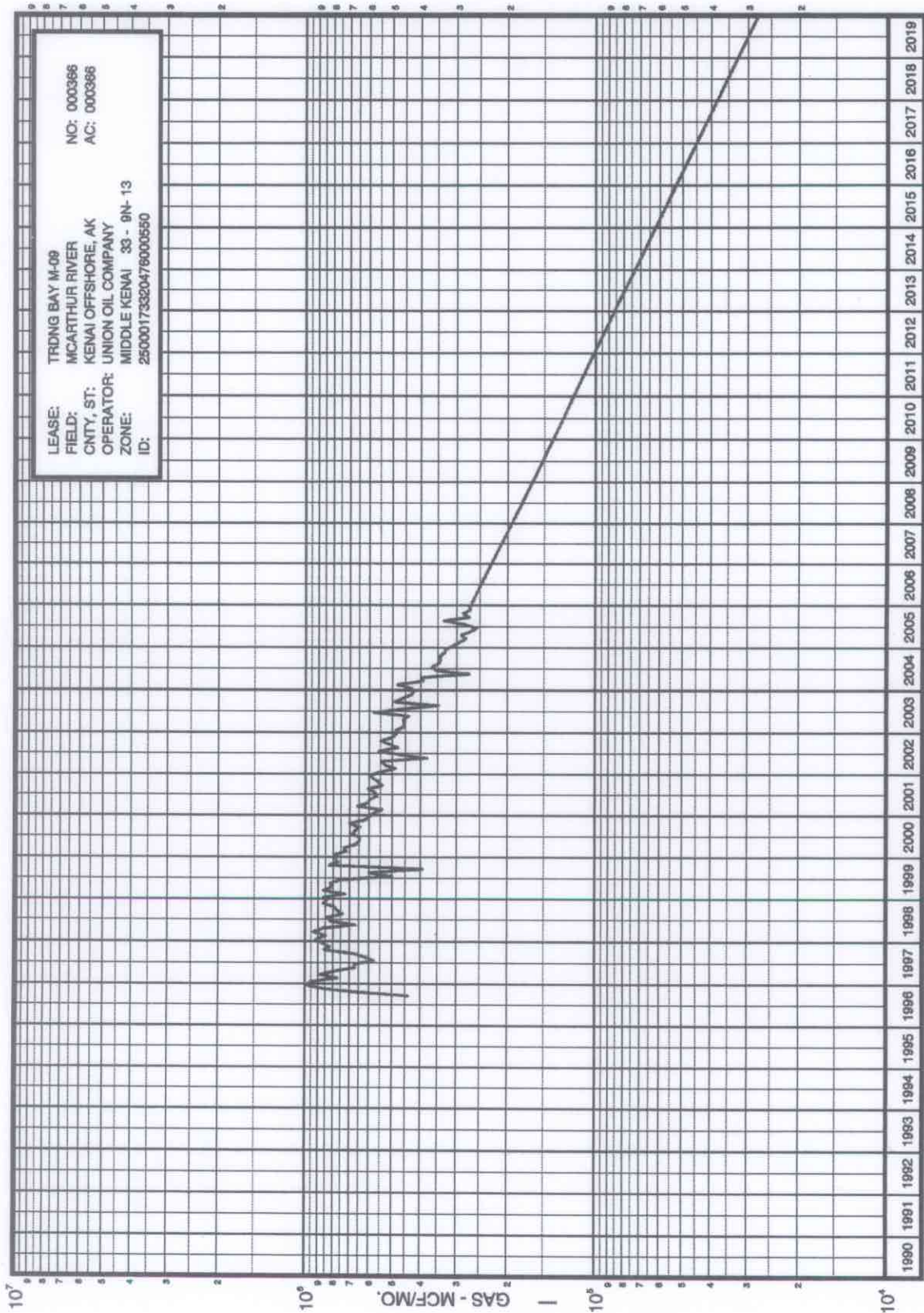
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Figure 7.3.3.4



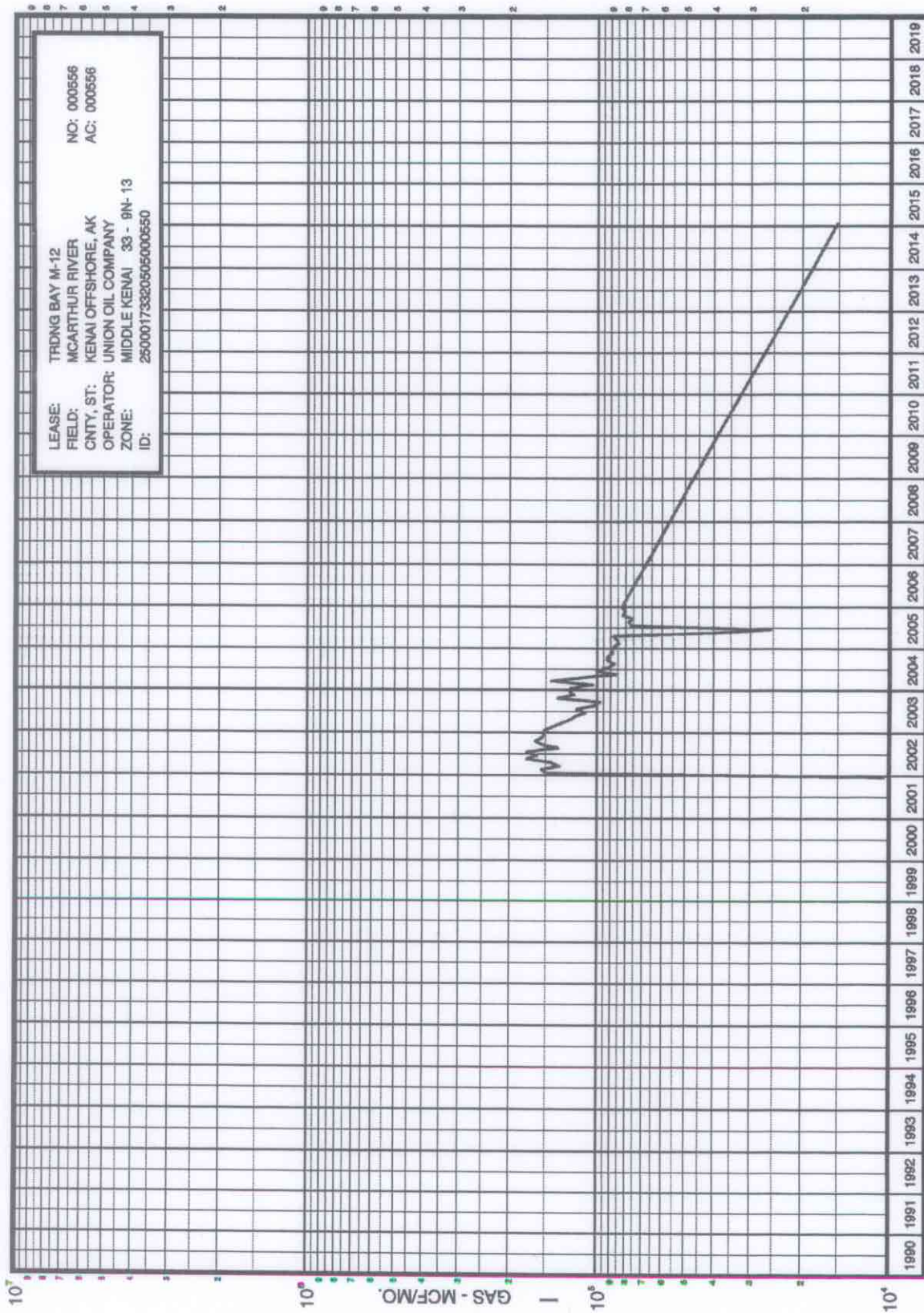
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Figure 7.3.3.5



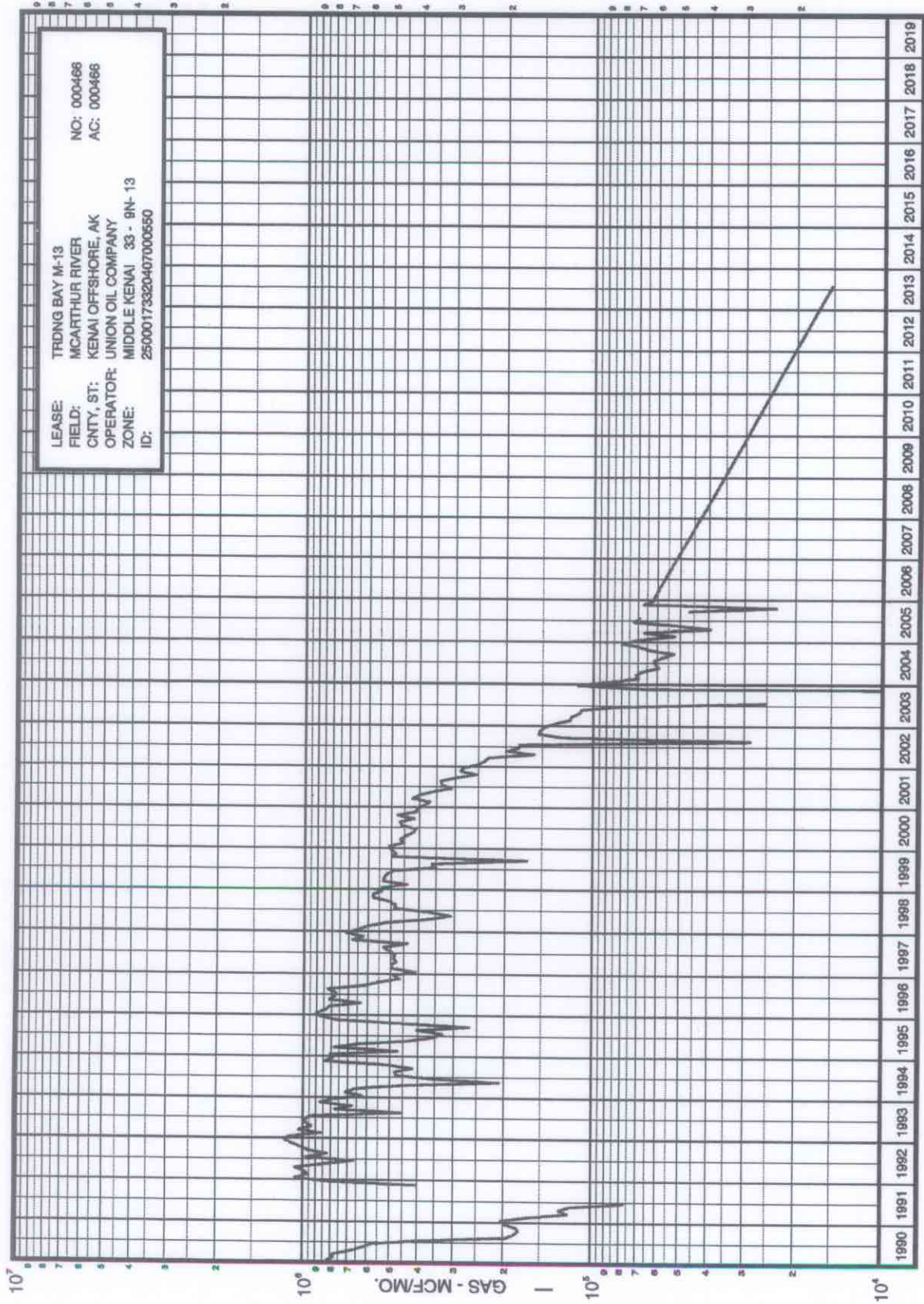
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Figure 7.3.3.6



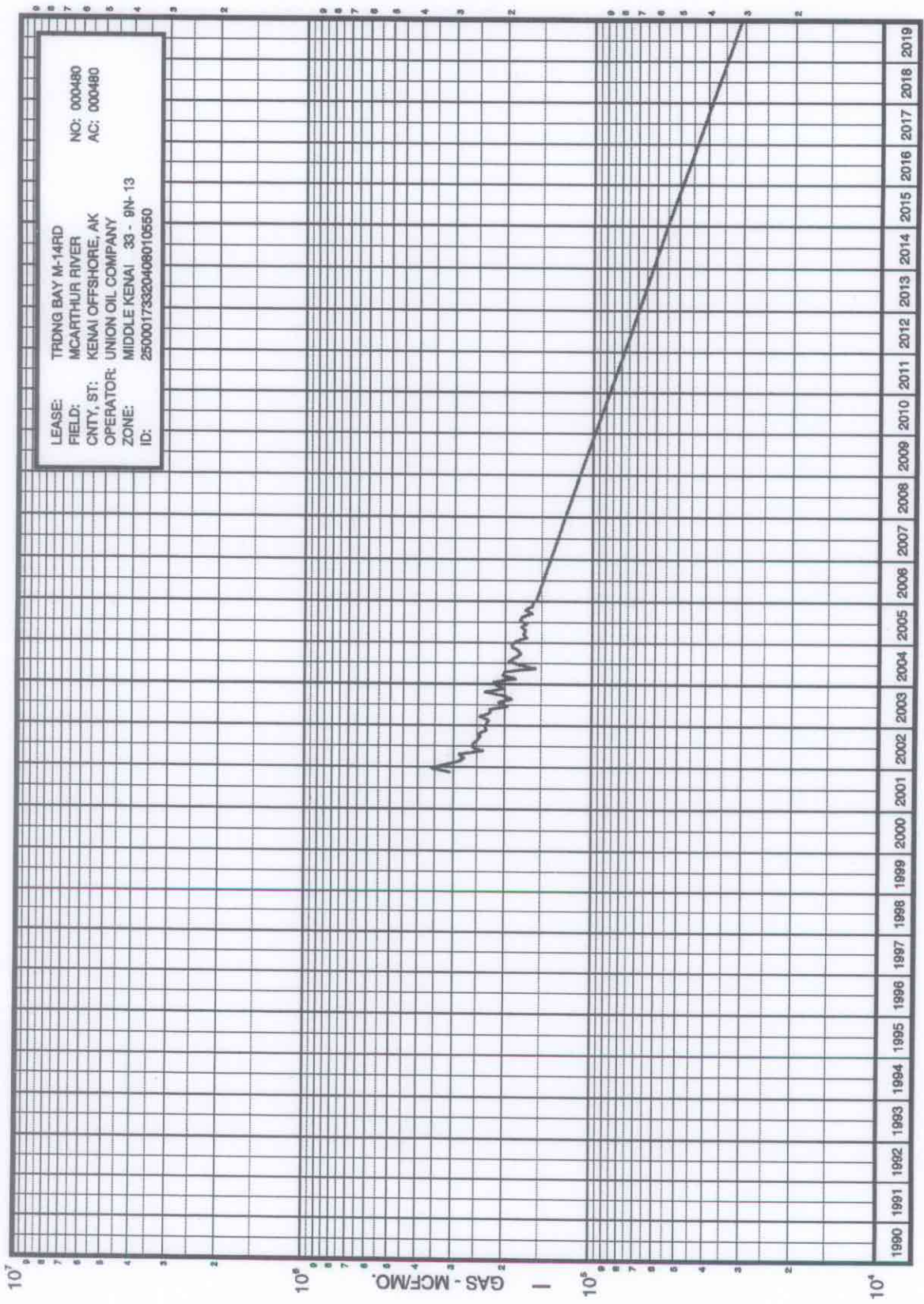
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Figure 7.3.3.7



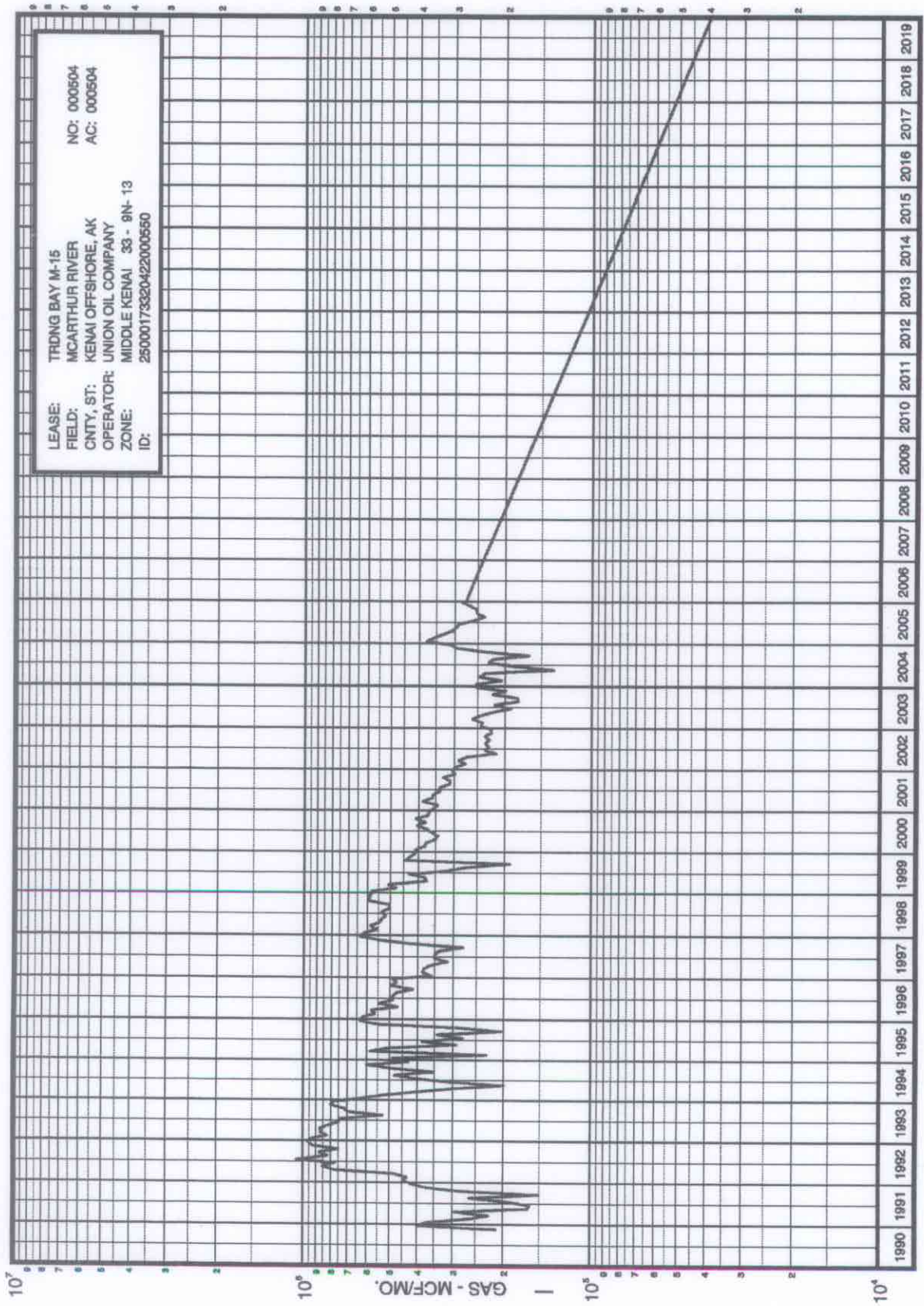
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Figure 7.3.3.8



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Figure 7.3.3.9



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Figure 7.3.3.10