

ATTACHMENT B

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SUPPLEMENTAL DECLARATION OF PETER E. SLAIBY

Peter E. Slaiby declares as follows:

1. My name is Peter E. Slaiby. I have first-hand experience with, and personal knowledge of, the facts and matters discussed in this declaration.
2. This Declaration supplements the Declaration of Peter E. Slaiby dated April 2, 2010 ("Slaiby Chukchi Declaration"). Except as herein supplemented, I affirm and adopt by reference my prior declaration.
3. On April 9, 2010, Region 10 issued a final PSD permit for SOI's planned Beaufort Sea operations.
4. At the outset of Shell's 2010 summer Arctic OCS drilling program in early July, 2010, Shell needs to have both the Beaufort and Chukchi Sea Air Permits in a form that would actually allow for exploration operations on that date because, in the face of uncertain ice conditions and weather, Shell may not be able immediately to explore in one or the other sea. Shell cannot confidently predict which sea will be sufficiently ice-free by July to allow drilling. For this reason, as well as other contingencies, Shell needs the flexibility afforded by having both permits in effect in order to increase the chances of drilling and completing one or more wells in one or the other sea during the short 2010 drilling season.
5. Under the MMS-approved Plan of Exploration ("EP"), SOI is authorized to enter the Arctic OCS waters on July 1, 2010, enabling exploration drilling to begin in the Beaufort Sea on or about July 10, 2010, and to continue operations until October 31, 2010 – an effective potential drilling season of about 110 days. However, the EP also requires SOI to suspend drilling during the Alaska Native whaling season, which begins on August 25 and continues until captains from the Alaska Native Villages of Nuiqsuit and Kaktovik have taken their respective quotas of

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whales – usually requiring between 14 and 28 days – yielding an effective drilling season of about 80-95 days. As noted in Paragraph 12 of the Slaiby Chukchi Declaration, between April 1 and May 31, 2010, Shell will commit to new funding well in excess of \$300 million to prepare for 2010 Arctic operations. Thus, in April and May 2010, Shell will incur 2010 out-of-pocket costs of, on average, over \$2.5 million for each day of a maximum 120-day Arctic drilling season, whether or not Shell is able to drill. This daily cost is even higher for lost days of drilling in the Beaufort Sea due to the much shorter drilling season authorized by MMS. Every day of delay in Shell's ability to begin the drilling season in the Beaufort Sea on July 10, 2010, will result in a lost day of potential operations in a finite drilling season, and the drilling that cannot be accomplished during this period of delay will have to be made up in subsequent seasons, and paid for a second time, at roughly the same \$2.5 million per day cost, or higher.



PETER E. SLAIBY

Executed in Anchorage, Alaska on April 14, 2010.