

WESTERN GRAY WHALE ADVISORY PANEL  
7<sup>th</sup> Meeting  
PUBLIC

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ENGLISH

**Letter of May 27 from Exxon Neftgas to WWF Russia**  
Submitted by: Yablokov

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May 27, 2009  
No. 09-05-25-03

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**Re: Exxon Neftegas Limited Position on the Creation of Sakhalin Morskoy Sanctuary Specially Protected Natural Area**

Exxon Neftegas Limited (ENL), the operator of Sakhalin-1 project has reviewed the environmental and economic substantiation materials on Sakhalin Morskoy Sanctuary Specially Protected Natural Area (SPNA) submitted by the World Wildlife Fund (WWF) of Russia for public consultations and would like to express its concern about the proposed creation of the state sanctuary.

It has been proposed that the SPNA be created onshore and offshore the Northeast Coast of the Sakhalin Island, including the Piltun Lagoon (with the internal sea waters of Piltun and Astokh Bays) and a 6 km zone of the Sea of Okhotsk starting at Cape Tupoy in the north and progressing to Lake Piltun in the south. Additionally, to ensure the special protective status, a further 5 km buffer zone, bordering the main area along the sea side and a 5 km onshore protection strip adjacent to Piltun Lagoon on the west, have been projected. It is envisaged that all activities contrary to the stated goals and objectives of the SPNA will be banned within its area. The ban would cover exploration for and development and production of mineral resources, construction and operation of producing platforms, pipelines, cables and hydraulic structures over the entire area of the proposed SPNA. It is advocated that the SPNA will ensure preservation of the Korean-Okhotsk western gray whale (WGW) population and habitats of benthic organisms which comprise part of the food chain for the whales on the Sakhalin shelf in the summer and fall periods.

Recognizing the need for maintaining the marine ecosystem of the Northeast Sakhalin for preservation of the WGW population, ENL would like to draw your attention to the fact that oil and gas field development has been undertaken by Sakhalin-1 Consortium in the onshore part of Northern Sakhalin, which includes the SPNA area, for several decades. The Consortium has been developing hydrocarbon resources off the Northeast Coast of Sakhalin in an environmentally responsible and sensitive manner by relying on careful design and taking appropriate measures to mitigate and minimize all environmental impacts under the existing regulatory framework. For over

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a decade, Sakhalin-1 project has demonstrated that high standards of environmental care and application of appropriate mitigation measures applied to exploration, seismic data acquisition, construction and operation of facilities to produce the area's oil and gas resources have made it possible for the industry to co-exist in harmony with the many diverse species, including those listed in the Red Book, found within the proposed SPNA boundaries.

We believe that the available research indicates that conservation activities conducted under the existing regulatory framework have and continue to provide comprehensive, effective, and sufficient protection for the WGW population, waterfowl and near-shore birds, fish and other flora and fauna within the proposed area of the SPNA from adverse impacts arising from hydrocarbon operations. Moreover, for 12 years the WGW population has been studied under the Western Gray Whale research program (WGW Program) jointly funded by the Sakhalin-1 and Sakhalin-2 Consortia. The WGW Program's integrated and comprehensive research has been endorsed by Rosprirodnadzor and the annual reports are submitted to the authorized environmental and fishery resource protection agencies of the Russian Federation. The majority of empirical information about the WGW population is the result of the WGW Program. Through the efforts of the WGW Program, the gray whale feeding area has been demonstrated to extend well beyond the Piltun Coast and includes the offshore area east of the Chayvo Bay region as well as areas in the Kamchatka region.

Based on the results of the WGW Program it has been established that the WGW population has steadily increased over the last decade. This is in parallel with the offshore oil and gas development involving the international oil and gas industry. In ENL opinion this demonstrates that the existing environmental standards and safeguards are and have been effective in protecting the WGW from adverse impact from offshore oil and gas projects. Furthermore, the imposition of the very broad restrictions and prohibitions contained in the Sakhalin Morskoy Sanctuary SPNA regulation are unjustified by any scientifically demonstrated adverse impact from the current offshore hydrocarbon development activities. Establishment of the proposed SPNA has not been justified by its advocates on the basis of scientific evidence of adverse impacts on the various species and habitats in this area. We believe the type of research offered by the WGW Program constitutes the best basis for continuing to enhance understanding of and improving chances of this marine mammal population's long-term survival. The SPNA regulation, if enacted, would establish an additional, unnecessary and unjustified layer of regulatory approvals and oversight control negatively impacting the WGW Program, and creating an impediment to successful program implementation.

The area of proposed state sanctuary covers Odoptu-Offshore subsoil license block which is currently under development by the Sakhalin-1 project. The rights of the subsoil resource user are further supported by subsoil resource use licenses, water use agreements and land plot lease contracts issued by the Federal and Regional regulatory agencies of the Russian Federation. The restrictions imposed by the proposed SPNA would be inconsistent with the Russian Federation's obligations under the Production Sharing Agreement for Sakhalin-1 Project and the other statutory documents mentioned above. ENL considers it necessary to emphasize that the said hydrocarbon projects have been and are implemented in compliance with the existing environmental standards and project materials have obtained positive conclusions of the State Environmental Expert Review. Further, Sakhalin-1 international project provide enormous benefits to the communities in which it operates: jobs, training, infrastructure development, tax revenues and royalties are only a few to be named.

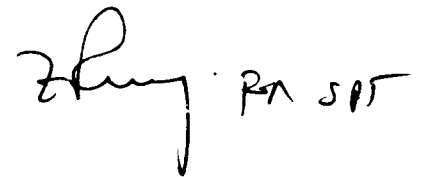
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Thus, ENL believes long-term studies as well as measures implemented to mitigate impact from oil and gas field development offshore northeast Sakhalin Island on the protected animal species,

developed within the framework of the existing environmental legislation, are sufficient for preservation of the WGW population. We do not see verifiable grounds for creation of the proposed SPNA and believe the resulting additional limitations will bring a wide range of negative impacts to the oil and gas sector of Sakhalin Oblast, and specifically the Sakhalin-1 Project.

Sincerely,

Handwritten signature in black ink, appearing to read "Zheny". To the right of the signature, the initials "PA 505" are written.