

KELLOGG, HUBER, HANSEN, TODD, EVANS & FIGEL, P.L.L.C.

SUMNER SQUARE
1615 M STREET, N.W.
SUITE 400
WASHINGTON, D.C. 20036-3209

(202) 326-7900

FACSIMILE:

(202) 326-7999

(202) 326-7951
dfrederick@khhte.com

May 4, 2006

By E-Mail and First Class Mail

Ralph J. Lancaster, Jr., Esq.
Pierce Atwood
One Monument Square
Portland, ME 04101

Re: *New Jersey v. Delaware*, No. 134 Original: Delaware's Third Progress Report

Dear Mr. Lancaster,

Pursuant to the Case Management Plan, we respectfully submit Delaware's third progress report on the status of the case.

1. Delaware's discovery efforts. During the past month Delaware has continued its search of regional archives and libraries for historical and legal documents that shed light on the meaning of the Compact of 1905 and the States' course of conduct thereunder. On April 28, 2006, pursuant to the Case Management Plan, Delaware served its initial disclosures on New Jersey. Also on April 28, 2006, Delaware served subpoenas directed to third parties Fenwick Commons LLC and Diamond Entertainment Group LLC.

2. Unresolved disputes. On March 20, 2006, New Jersey filed a Motion to Strike Delaware's Issues of Fact No. 1, 2, 6, 8, and 9 and to Preclude Discovery on these Issues, and an opening brief in support thereof. Pursuant to Case Management Order No. 3, dated April 5, 2006, Delaware will file its brief in opposition to the Motion to Strike on May 5, 2006, and New Jersey will file its reply brief on May 22, 2006.

As reported last month, Delaware has been conferring with counsel for BP in an effort to resolve issues that have arisen regarding BP's production of documents responsive to subpoenas issued by Delaware. Despite partial success in these discussions and BP's production of some requested documents, Delaware anticipates filing a motion to compel production of documents from BP on May 15, 2006. Subject to your approval, Delaware and BP have agreed to a briefing

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schedule pursuant to which Delaware will file its opening brief on May 15, 2006, BP will file its opposition brief on June 9, 2006, and Delaware will file its reply on June 22, 2006. In its motion, Delaware anticipates raising issues regarding BP's assertion of a "common interest" with New Jersey in this litigation, so as to shield from Delaware's review communications between BP and New Jersey as to the filing and direction of this litigation. In addition, Delaware will challenge BP's confidentiality designations, which would shield from public scrutiny numerous documents, including its own privilege log, notwithstanding the public interest in an open proceeding.

3. Further discovery anticipated during the current month. Delaware will continue to search for historical and legal documents and to seek third-party discovery. Pursuant to the Case Management Plan, Delaware anticipates serving on New Jersey interrogatories and requests for production of documents by May 29, 2006.

4. General status of the matter. In our view the case continues to move forward efficiently in its initial stage.

Respectfully,

/s/

David C. Frederick

cc: Rachel J. Horowitz, Esq.
Barbara Conklin, Esq.
Collins J. Seitz, Esq.
Stuart A. Raphael, Esq. (counsel for BP)