

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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July 2, 2003

John Cookson and Dan Kruse
GKA Development
ConocoPhillips Alaska, Inc.
ATO-1200
Anchorage, Alaska 99510

Subject: Correction for the Automatic Contraction of the Tarn Participating Area and Associated Contraction of the Kuparuk River Unit

Dear Mr. Cookson and Mr. Kruse:

According to the Sixth Kuparuk River Unit (KRU) Expansion and Tarn Participating Area (TPA) Formation Decision dated September 24, 1998, within two years of the effective date of the TPA, the TPA will automatically be contracted to exclude the non-drilled areas and the leases or portions of the leases not included in a participating area within five years of the effective date of the Decision and Findings will be automatically eliminated from the KRU.

By letter dated May 30, 2003, ConocoPhillips Alaska, Inc. (CPAI) submitted an application for a proposed revised Tarn Participating Area (TPA) and new Exhibits C and D. A second letter dated June 3, 2003 asked for four relatively small areas to remain in the Kuparuk River Unit in order to streamline permitting and ease administrative burdens on all parties involved. A third and final letter also dated June 3, 2003 requested that ADLs 375073, 375074, 375077, 375078, 375079, 375080, and 373111 continue to be held within the Kuparuk River Unit until a market is available and a participating area can be established for the Cairn Gas Resource.

This letter is the Division's response to this series of letters that were sent to the division to document the results of and defer in part the automatic contraction provisions of the Sixth KRU Expansion and TPA Formation Decision.

Tarn Participating Area Contraction

After reviewing CPAI's May 30, 2003 letter, the Division and CPAI agreed on some minor modifications to the TPA boundary and CPAI agreed to drill specific areas as listed below. If the drilling commitments are not satisfied by the dates below, those areas will be automatically contracted out of the TPA, but will remain part of the Unit.

Area 1: Drill 2 wells in this area by July 1, 2005
Area 2: Drill 1 well in this area by July 1, 2006
Area 3: Drill 1 well in this area by July 1, 2006
(See Attachments 1 and 2)

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

CPAI will submit new exhibits A, B, C and D by September 1, 2003 to reflect the changes noted on the attached map and CPAI will supply new exhibits within 60 days of any automatic contractions in the future.

Kuparuk River Unit Contraction

In reference to the first June 3, 2003 letter, which requests four areas to remain in the unit due to the location of the pipelines and roads, please note that the first area is not subject to the automatic contraction provisions because it is held by the Kuparuk Participating Area. The Division is willing to allow a substantial portion of the other three areas to remain in the Unit to streamline permitting and ease administrative burdens on all parties. (See Attachments 3 and 4)

In reference to the second June 3, 2003 letter, the Division recognizes CPAI's request to defer the automatic contraction of ADLs 375073, 375074, 375077, 375078, 375079, 375080, and 373111 and the Division grants a deferral of the automatic contraction for these areas of the Unit until 5:00 pm September 1, 2003, while the Division works with CPAI to determine the future of these leases.

Since the TPA doesn't cover ADLs 375107, 380050 and 380049 and there are no future exploration or development plans for these leases, they will contract out of the KRU, effective July 1, 2003.

The new Tarn Participating Area and Kuparuk River Unit Boundaries are shown on attachment 2. The Unit boundary basically follows the TPA boundary except for the areas that will be kept in the unit to streamline the management of the road and pipeline system.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040 (c) and (d), and may be mailed or delivered to Tom Irwin, Commissioner, DNR, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by e-mail to dnr_appeals@dnr.state.ak.us. This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court.

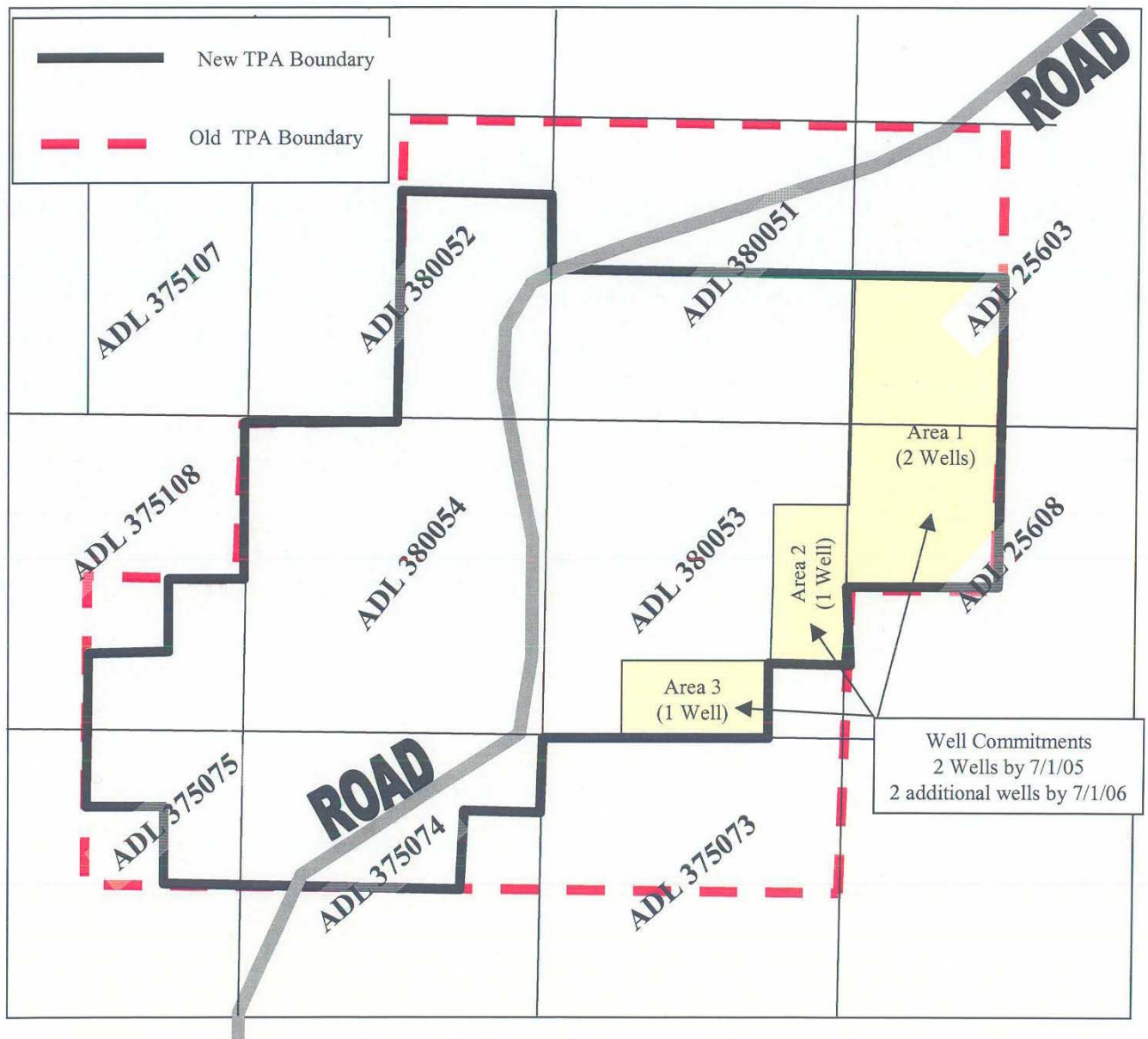
If you have any questions regarding this decision, contact Christopher Ruff with the Division at 907-269-8451.

Sincerely,

Signed by Bill Van Dyke for
Mark D. Myers
Director

July 2, 2003

Attachment 1: Map of Tarn Participating Area



Attachment 2 :TPA Land Description

ADL 380052	U.M., T. 10 N., R. 7 E.,	Sec. 15: S. ½ Sec. 22: All
ADL 380051	U.M., T. 10 N., R. 7 E.,	Sec. 23: All Sec. 24: All
ADL 25603	U.M., T. 10 N., R. 8 E.	Sec. 19: All
ADL 25608	U.M., T. 10 N., R. 8 E.	Sec. 30: All
ADL 380053	U.M., T. 10 N., R. 7 E.,	Sec. 25: All Sec. 26: All Sec. 35: All Sec. 36: N ½, SW ¼
ADL 380054	U.M., T. 10 N., R. 7 E.,	Sec. 27: All Sec. 28: All Sec. 33: All Sec. 34: All
ADL 375108	U.M., T. 10 N., R. 7 E.,	Sec. 32: NE¼, S ½
ADL 375075	U.M., T. 9 N., R. 7 E.,	Sec. 5: N ½, SE ¼
ADL 375074	U.M., T. 9 N., R. 7 E.,	Sec. 3: N ½, SW ¼ Sec. 4: All

Attachment 3 : Areas to remain in KRU for Road

ADL 380051

U.M., T. 10 N., R. 7 E., Sec. 13: All

U.M., T. 10 N., R. 7 E., Sec. 14: S ½

ADL 375074

U.M., T. 9 N., R. 7 E., Sec. 9: All

ADL 373112

U.M., T. 8 N., R. 7 E., Sec. 4: S ½, NE ¼

U.M., T. 8 N., R. 7 E., Sec. 5: SE ¼

U.M., T. 8 N., R. 7 E., Sec. 9: N ½

Attachment 4: KRU Map in Tarn Area

