

# STATE OF ALASKA

**DEPARTMENT OF NATURAL RESOURCES**  
**DIVISION OF OIL AND GAS**

**SARAH PALIN, GOVERNOR**

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**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

January 5, 2009

Mr. Shannon W. Martin  
Land Representative  
MidContinent/Alaska  
Chevron North America Exploration and Production  
3800 Centerpoint Drive, Suite 100  
Anchorage, Alaska 99503

Subject: South Ninilchik Unit  
Default on Fourth Plan of Exploration and Unit Termination

Dear Mr. Martin:

Under the November 7, 2005, Revised Fourth Plan of Exploration (Revised Fourth POE) for the South Ninilchik Unit (SNU), the SNU sole working interest owner, Union Oil Company of California (Union), could elect a payment in lieu of drilling a well in any year of the three-year term of the Revised Fourth POE. The three-year term of the Revised Fourth POE is December 31, 2005 through December 31, 2008. However, Union's failure to drill a well in 2008 would result in a final payment and the SNU's automatic termination. In its November 12, 2008 letter, Union notified the Division of Oil and Gas (Division) that it (1) would not drill a well in 2008; and (2) would make the final payment by December 31, 2008, at which time the SNU would automatically terminate. Union submitted the final payment on December 1, 2008.

Under the Revised Fourth POE, Union waived the lease extension provisions of 11 AAC 83.140 and the notice, cure and hearing provisions of 11 AAC 83.374. ADL 384375 (SNU Tract 22) and ADL 390076 (SNU Tract 82), the two State of Alaska leases that are past their primary terms, expired on December 31, 2008, when the unit terminated.

This unit termination does not relieve Union from its obligations under Article 15 and Article 16 of the SNU Agreement and the individual leases, including its responsibility for well and facility abandonment and lease surface restoration.

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

Mr. Shannon W. Martin  
POE Default and Unit Termination  
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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, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to [dnr.appeals@alaska.gov](mailto:dnr.appeals@alaska.gov). This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kevin R. Banks".

Kevin R. Banks  
Director

cc: Jeff Landry, ADOL  
AOGCC  
Kim Cunningham, CIRI