

FRANK H. MURKOWSKI
GOVERNOR

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

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CERTIFIED MAIL
RETURN RECEIPT REQUESTED

June 23, 2003

Kevin A. Bolton
EnCana Oil & Gas (USA) Inc.
3601 C Street, Suite 1334
Anchorage, AK 99503

RE: Mc Covey Unit Termination Approved
Oil and Gas Leases Relinquished

Dear Mr. Bolton,

On June 4, 2003, the Division of Oil and Gas (the Division) received notice¹ of McCovey Unit termination and lease relinquishment, submitted by unit operator, EnCana Oil & Gas (USA) Inc. on behalf of working interest owners ConocoPhillips Alaska, Inc. and Chevron U.S.A. Inc. EnCana drilled the McCovey Unit well as prescribed in the Initial Plan of Exploration. However, the unit operator has elected not to further explore or develop the unit area, and working interest owners have relinquished all four state leases² in the unit back to the state.

Pursuant to 11 AAC 83.336(c), Article 14.4 of the McCovey Unit Agreement, and subject to concurrence by the Minerals Management Service Alaska Regional Supervisor, I approve the termination of the McCovey Unit, effective June 4, 2003³. This approval does not relieve the unit operator or working interest owners of any lease rehabilitation obligations under Article 15.4 of the McCovey Unit Agreement or Paragraph 21 of the individual lease forms⁴.

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 Thomas E. Irwin Commissioner,

¹ Letters received from Chevron U.S.A. Inc. (May 8, 2003), EnCana Oil & Gas (USA) Inc. (May 8, 2003), and Conoco Phillips Alaska, Inc. (June 4, 2003).

² ADL's 377055, 377056, 377059, and 377066.

³ The date upon which the Division received written notice that all working interest owners had agreed to surrender the McCovey Unit leases is the effective date of such surrender [11 AAC 82.635(b)], and for the purposes of 11 AAC 83.336 shall be the effective date of unit termination.

⁴ State of Alaska Competitive Oil and Gas Lease DNR 10-4037 (Revised 9/90 vers.2), Paragraph 21.

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

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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@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. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,

Original signed by Bonnie Robson for Mark Myers

Mark D. Myers
Director

cc: Patrick H. Noah, ConocoPhillips Alaska, Inc.
Corry Woolington, Chevron U.S.A. Inc.
Jeff Walker, MMS Alaska Region
Chair, AOGCC
Jeff Landry, DOL
Jim Cowan, DO&G