

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

SARAH PALIN, GOVERNOR

550 WEST 7TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501-3560
PHONE: (907) 269-8800
FAX: (907) 269-8938

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

June 15, 2007

Mr. Dale Hoffman
Pioneer Natural Resources Alaska, Inc.
700 G street, Suite 600
Anchorage, Alaska 99501

Subject: Cronus Unit Terminated

Dear Mr. Hoffman,

Effective October 29, 2005, the State of Alaska Division of Oil and Gas (Division) issued the Findings and Decision of the Director, Division of Oil and Gas, Approving the Formation of the Cronus Unit, (Decision). The Cronus Unit contains approximately 11,343 acres underlying two leases, ADLs 389056 and 389161. Exhibit G to the Cronus Unit Agreement, the Cronus Unit Initial Plan of Exploration (POE), Section 3, paragraph c, states that during the Second Year of the POE the Working Interest Owners (WIOs) "may terminate the Unit and surrender ADLs 389161 and 389056 without any further obligation to the State. The WIOs waive the extension provisions of 11 AAC 83.140 and Article 15.2 of the Agreement and the notice and hearing provisions of 11 AAC 83.374 applicable to default, contraction, and termination of the unit."

On May 24, 2007, during the Second Year of the POE, Pioneer Natural Resources Alaska, Inc., (Pioneer) submitted a written surrender for ADLs 389056 and 389161. The Division approved the surrender, subject to AAC 11 82.635, which states

A surrender takes effect on the date it is filed or on the date of approval if approval is required, subject in either case to the continued obligation of the lessee or permittee and his surety to make payment of all accrued royalties and rentals and to place the surrendered land in condition satisfactory to the Commissioner for abandonment.

The surrender of all lands within the Cronus Unit effectively terminates the unit. The Division approves the termination of the Cronus Unit effective May 24, 2007 in accordance with 11 AAC 83.336(c). This unit termination approval does not relieve Pioneer from its obligations under the Cronus Unit Agreement Article 15.3 and the individual leases, including its responsibility for well and facility abandonment and lease surface restoration.

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-

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269-8918, or sent by electronic mail to dnr_appeals@dnr.state.ak.us. 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,



for

Kevin R. Banks
Acting Director
Cc: Jeff Landry