

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND 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**

January 2, 2008

T. Mitch Little
Production Manager
Alaska Operations
Marathon Oil Company
P. O. Box 196168
Anchorage, Alaska 99519-6168

via Fax (565-3076) and Mail

Subject: Kasilof Unit
Contraction of Unit Area

Dear Mr. Little:

The Alaska Department of Natural Resources, Division of Oil and Gas (Division) approved the Kasilof Unit (KU) on October 25, 2002. The original KU, containing 13,289 acres, is comprised of three State of Alaska Leases, ADL 384529 (3772 acres), ADL 384534 (5760 acres) and ADL 389502 (3757 acres). In a December 14, 2007, letter to the Division, Marathon Oil Company (Marathon), as unit operator and sole working interest owner (WIO) in the KU, applied, among other things, to contract the KU (Application). The Marathon proposed contracted KU encompasses 379.63 acres within ADL 384534 (260 acres) and ADL 384529 (119.63 acres).

Under the Application, Marathon submitted revised Exhibits and A and B to the KU Agreement, enclosed Attachments 1 and 2, for the contracted unit area, and requested that the Division approve the proposed contraction as described in the Attachments, effective December 31, 2007. Marathon further agreed, among other things, to waive the extension provisions of 11 AAC 83.140 and the notice and hearing provisions of 11 AAC 83.374 regarding lands contracted or eliminated from the unit.

Under Article 13.5 of the KU Agreement, the unit area may be contracted with the Commissioner's approval and an affirmative vote of the WIOs. I approve the proposed KU contraction as described in Attachments 1 and 2 to this letter, retroactive to December 31, 2007.

ADLs 384529 and 384534 expired on February 1, 2003 and were extended beyond their primary term by inclusion in the KU. The portions of these leases eliminated from the KU will be severed from the

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

Mr. T. Mitch Little
Kasilof Unit Contraction
January 2, 2008
Page 2

leases and expire as of December 31, 2007. ADL 389502 expires on May 1, 2008, and will continue only in accordance with the terms and conditions of the lease, statutes and regulations.

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. 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,



Kevin R. Banks
Acting Director

Attachments

cc: AOGCC
R.A. Province, Marathon
D. Martens, Marathon

EXHIBIT "A"
CONTRACTED KASILOF UNIT
DECEMBER 2007

Schedule of Leases
 State: Alaska

TRACT NO.	DESCRIPTION OF PROPERTY	GROSS ACRES	LESSOR/ROYALTY OWNERS	ROYALTY	ORRIS	LESSEE/ WI OWNER	WI %	DATE
<u>STATE OF ALASKA LANDS</u>								
1	TOWNSHIP 3N, RANGE 13 W Section 24: S/2 SE/4; E2 SE/4 SW/4 (100.00) Section 25: NE/4 (160.00)	260.00	State of Alaska ADL # 384534	12.50%	None	Marathon Oil Company	100%	2/1/2003
2	TOWNSHIP 3N, RANGE 12 W Section 19: SW/4 SW/4 (34.00) Section 30: W/2 NW/4; N/2 NW/4 SW/4 (85.63)	119.63	State of Alaska ADL # 384529	12.50%	None	Marathon Oil Company	100%	2/1/2003

TOTAL: 379.63

EXHIBIT "B"
Contracted Kasilof Unit
December 2007



ADL 384534	T3N, R13W, S.M. Section 24: S/2 SE4	80.00 acres
	E/2 SE/4 SW/4	20.00 acres
	T3N, R13W, S.M. Section 25: NE/4	160.00 acres
		<u>260.00 acres</u>
ADL 384529	T3N, R12W, S.M. Section 19: SW/4 SW/4	34.00 acres
	T3N, R12W, S.M. Section 30: W/2 NW/4	68.50 acres
	N/2 NW/4 SW/4	17.13 acres
		<u>119.63 acres</u>
Grand Total:		379.63 acres