



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

AUG 30 2006

Dale Hoffman, Staff Landman  
Pioneer Natural Resources Inc.  
700 G Street, Suite 600  
Anchorage, Alaska 99501

Dear Mr. Hoffman:

The Minerals Management Service (MMS) has received your letter dated July 31, 2006 with your proposed "State Unit Third Plan of Exploration and Federal Unit Third Plan of Operation" (POE/POO) for the Cosmopolitan Unit. The MMS hereby approves the Third POE/POO for the Cosmopolitan Unit for the period of August 31, 2006 through November 14, 2008.

The MMS concurs with the conditions outlined in the State of Alaska; Department of Natural Resources (DNR) letter dated August 30, 2006 conditionally approving the 3<sup>rd</sup> POE/POO for the Cosmopolitan Unit (copy enclosed). This letter includes specific commitments and schedule for submission of information to DNR and the MMS. Failure to meet these conditions would result in the termination of the Unit.

The MMS notes that compensation charges for unrealized bonus payments, outlined in items 2 and 4 of DNR's letter are not required or allowed for under federal regulations. These costs should not be considered a Unit expense charged to federal leases in the Unit area.

Sincerely,

Jeff Walker  
Regional Supervisor  
Field Operations

Enclosure

cc: William Van Dyke, State of Alaska; DNR



# STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS

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

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

August 30, 2006

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

RECEIVED  
Anchorage, Alaska

AUG 30 2006

REGIONAL SUPERVISOR  
FIELD OPERATION  
MINERALS MANAGEMENT SERVICE

Subject: Third Plan of Exploration – Cosmopolitan Unit, Cook Inlet Alaska

Dear Mr. Hoffman:

The Division of Oil and Gas (Division) reviewed the proposed, and attached, Third Plan of Exploration (3<sup>rd</sup> POE) for the Cosmopolitan Unit (CU), dated July 31, 2006 and submitted by the unit operator, Pioneer Natural Resources Alaska, Inc. (Pioneer). The Division considered the criteria in 11 AAC 83.303 and 11 AAC 83.341, and disapproves the 3<sup>rd</sup> POE as previously submitted by Pioneer. However, the Division approves a 3<sup>rd</sup> POE for the CU for the period August 31<sup>st</sup>, 2006 through November 14, 2008 subject to the following conditions:

1. On or before November 14, 2006 Pioneer shall either terminate the CU or commit in writing to the Division to drill a well or sidetrack the "Hansen well" into the CU to a minimum depth of 6000' TVD subsea and provide the Division and Federal Minerals Management Service (MMS), consistent with Division permit requirements associated with the seismic shoot conducted under the second plan of exploration, the following processed seismic data at a minimum within the unit boundary:

Digital navigation data (SEG P1, or UKOOA P-84 formats) and supporting post-plots including navigation for the corners of the final processed 3D volume and the datum for the coordinates.

Final migrations in SEG Y format (including both pre-stack time, and pre-stack depth volumes when available) and nmo-corrected gathers with navigation in the trace headers.

Acquisition & Processing Report.

Data medium should be DLT.

In this special and unique circumstance the depth and location of the bottomhole location (BHL) is not required to be finalized until September 1, 2007 (step # 2) due to existing economic and geologic uncertainties.

2. On or before September 1, 2007 Pioneer shall provide the Division and the MMS the depth and location of the BHL for the well described in step #1 and a technical presentation to review interpreted seismic results and other technical data relevant to the drilling and exploration program, or terminate the unit and pay the Division a lease extension charge of \$20,000.00 to compensate the state for unrealized bonus payments in the planned May, 2007 Cook Inlet lease sale. The Division and MMS would prefer that the technical presentation take place sooner than September 1, 2007 and that the BHL be defined sooner than that date, but allows for time to further resolve existing economic and geologic uncertainties.
3. On or before November 14, 2007 Pioneer shall commence drilling a well as planned and described in steps #1 and #2, or terminate the unit and pay the Division a lease extension charge of \$20,000.00 to compensate the state for unrealized bonus payments in the planned May, 2007 Cook Inlet lease sale.
4. On or before October 14, 2008, a 4<sup>th</sup> Plan of Exploration for the CU, or a plan of development under 11 AAC 343, is due in this office 30 days prior to the expiration of the 3<sup>rd</sup> POE on November 14, 2008.
5. On or before October 14, 2008, Pioneer shall share results of its feasibility study to determine the commercial feasibility of further developing the Cosmopolitan Unit Lands with the Division and MMS exclusive of any proprietary commodity pricing data, or terminate the unit and pay the Division a lease extension charge of \$40,000.00 to compensate the state for unrealized bonus payments in the planned May, 2008 Cook Inlet lease sale.
6. At any time during the 3<sup>rd</sup> POE, Pioneer may propose to the Division and MMS a plan of development (POD) to supersede the 3<sup>rd</sup> POE. The POD is subject to Division and MMS review and approval and the 3<sup>rd</sup> POE will remain in effect during its specified term unless superseded by an approved POD.
7. Pioneer waives the extension provisions of 11 AAC 83.140 and the notice and hearing provisions of 11 AAC 83.374, applicable to default and termination of the Cosmopolitan Unit.

The Division has coordinated this approval with the MMS. The Division will continue to make its best efforts to coordinate future approvals with the MMS for the CU as long as the unit contains both state and federal leases.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. The Department of Natural Resources (the DNR) must receive an appeal within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040 (c) and (d). The DNR will accept appeals mailed or delivered to Michael Menge, Commissioner, DNR, 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](mailto:dnr_appeals@dnr.state.ak.us). This decision takes effect immediately. If no one files an appeal 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. Any DNR regional information office can provide a copy of 11 AAC 02.

Sincerely,



*Wm* William Van Dyke  
Acting Division Director

Cc: Doug Choromanski, MMS  
Jeff Walker, MMS  
Art Copoulos, DO&G  
Pirtle Bates, DO&G  
Jeff Landry, DO&G  
Julie Little, CPAI  
P. McAlister, Devon Energy Corp.  
J. Arlington, Forest Oil Corporation