United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Colorado State Office
2850 Youngfield Street
Lakewood, Colorado 80215-7076

AUG 1 2 2009

IN REPLY REFER TO:
CO-922(KZ)
COC67538
COC67540
COC67541
Oil & Gas

Certified Mail

Decision

Encana Oil & Gas (USA) Inc.
370 – 17th Street, Ste. 1700
Denver, Colorado 80202

Oil & Gas Leases Withdrawn; Invalid Ab Initio
Refunds Authorized

The above-referenced leases were sold to Contex Energy Company in the May 13, 2004, oil and gas competitive lease oral auction. The leases were later assigned to Encana Oil & Gas (USA) Inc. effective on August 1, 2005, July 1, 2005, and February 1, 2005, respectively.

Western Resource Advocates, et. al. filed protests on the sale of the three leases on May 12, 2004. The Colorado State Office dismissed the protests and issued the leases on August 30, 2004, effective September 1, 2004. The decision dismissing the protests was appealed by the above named protesters to the Interior Board of Land Appeals (IBLA) on September 30, 2004.

The Colorado State Office decision dismissing the protests was reversed in part and set aside in part by the IBLA decision dated December 20, 2007, IBLA 2005-9, 2005-10 (consolidated appeals). The leases received a suspension of operations and production effective December 1, 2007, until the necessary administrative action was completed by the Bureau of Land Management (BLM) as directed by the IBLA.

The leases are located on the White River National Forest, U.S. Department of Agriculture lands. IBLA stated in their decision that BLM is jointly responsible with the Forest Service, U.S. Department of Agriculture, for oil and gas leasing within the national forests. The BLM must comply with the National Environmental Policy Act in deciding whether to include national forest parcels in a competitive oil and gas lease sale. BLM may adopt the environmental impact statements of other agencies as its own or prepare its own analysis and environmental document. In this case, BLM neither adopted the Forest Service's environmental documents nor conducted any environmental review of its own when deciding whether to make these parcels available for leasing.

Exhibit 2

Accordingly, the suspension of operations and production decision is vacated and the leases are declared invalid ab initio, retroactively withdrawn from the date of issuance, August 30, 2004, and are hereby canceled. The Minerals Management Service is authorized to process the refund of the rental and the bonus bid for each lease. The filing fees in the total amount of $225 will be refunded by BLM. If you have any questions, please contact me at 303-239-3795.

Karen Zurek

Karen Zurek
Chief, Fluid Minerals Adjudication

cc:
FOM, GSFO
MMS, Nicole Sweeney
U.S. Forest Service
BLM Accounts