

April 25, 2018

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DIVISION OF
OIL AND GAS

Ms. Chantal Walsh
Alaska Division of Oil & Gas
550 W. 7th Ave., Suite 1100
Anchorage, AK 99501-3560

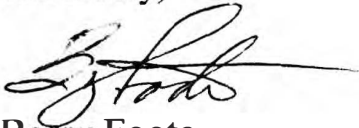
Re: Submittal of Guitar Unit Plan of Exploration, Annual Report

Ms. Walsh,

Alliance Exploration, LLC (“Alliance”) hereby provides its annual update on its Initial Plan of Exploration for the Guitar Unit as required by the Division of Oil and Gas (“Division”).

Alliance has been diligently working to meet its obligations under the lease and unit agreement. If the Division would like to schedule a meeting to discuss in more detail this submission, please do not hesitate to let us know.

Sincerely,



Barry Foote
Alliance Exploration LLC
910-264-6034

Annual Update to Alliance’s First Plan of Exploration

When the Division approved Alliance Exploration, LLC’s (“Alliance”) application to form the Guitar Unit on August, 23, 2017, it approved an Initial Plan of Exploration with a two-year term. Under the Initial POE, Alliance was required to drill one well on or before March 31, 2019.

Prior to unit formation, Alliance informed DNR that drilling the well was premised on the Division issuing a decision assigning ADL 28249

to Alliance. Alliance understood that this lease would be assigned in the Fall of 2017. DNR, in turn, understood that Alliance would not drill the well without ADL 28249.

Complications surrounding the assignment of ADL 28249 have jeopardized Alliance's ability to drill the well before March 31, 2019.

Nonetheless, in an effort to meet the requirements set out in the Initial POE to drill a well by March 31, 2019, Alliance has undertaken the following activities:

- entered into a PSA to acquire ADL 28249
- acquired and processed 3D seismic over the unit area
- hired Doug Waters and Waters' Petroleum Advisors to identify optimal bottom-hole locations for the well and to continue to evaluate the resource potential underlying the Guitar Unit
- contracted the services of AECOM to begin permitting the exploration well
- initiated the permitting process for a Contingency Plan
- obtained preliminary cost numbers for the ice pad and ice road for drilling the proposed exploration well
- received offers from multiple drilling companies and made a preliminary decision on a vendor
- hired a marketing expert to develop plans to get oil to market

Statement of Operator

Alliance, as the Guitar Unit Operator, submits this annual report and update to the Initial Plan of Exploration under 11 AAC 83.341. The Operator believes that this update satisfied all legal requirements.