



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS
550 W 7th Avenue, Suite 1100
Anchorage, AK 99501-3560
Main: 907.269.8800
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May 16, 2018

CERTIFIED MAIL
RETURN SERVICE REQUESTED

Barry Foote
Alliance Exploration LLC
634 Main Street, Suite 300
East Aurora, NY 14052
bcfoote@aol.com
snappi@allianceenergy.net
dfoote45@gmail.com

Re: Guitar Unit Initial POE Update

Dear Mr. Foote:

In my August 23, 2017 decision approving your application to form the Guitar Unit I also approved your initial Plan of Exploration (POE). Because the term of your POE was greater than one year I required yearly updates due on or before December 31 of each year so that the Division of Oil and Gas (Division) would be informed about the progress of planning and drilling the well required by the POE. After we failed to receive your yearly update on December 31, 2017, the Division reached out to Alliance about the overdue POE update multiple times by phone, email, and letter. The Division did not receive the update until April 30, 2018.

The update serves the purpose I intended in my approval decision; however, it makes several inaccurate statements about Alliance's application and the Division's approval of the unit and the POE. In particular, the update states:

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.

Neither your application to form the Guitar Unit or approved POE describes this condition. Nor does my approval of the unit and POE provide this condition. Had the Division agreed with or been aware of the condition that the well would not be drilled without the assignment of ADL 28249, I would have included that information in my August 23 decision, or may have denied the unit. If the assignment of ADL 28249 was integral to your unit plans I would expect a prudent operator to more clearly make this point as part of the unit application. Instead, Alliance

committed to drill a well, in the unit as it currently exists, on or before March 31, 2019. That is the drilling commitment Alliance offered, that is the drilling commitment I approved, and that is the drilling commitment that remains in place under the approved POE. Failure to meet this commitment will be a default of the unit agreement, and could lead to unit termination.

Should you have any questions, please contact the Kevin Pike at 907-269-8451 or Kevin.Pike@alaska.gov

Sincerely,



Chantal Walsh,
Director