



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Department of Natural Resources

DIVISION OF OIL & GAS
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January 23, 2019

CERTIFIED MAIL
RETURN RECEIPT 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, Well Deferral

Dear Mr. Foote:

I am in receipt of your January 18, 2019 letter requesting resolution of several items you have listed as bullets a through e. I am writing to address each of these items, or at least clarify the process needed to resolve them. Each of them will require a separate application, and in many instances additional information, before I can consider them.

Item a. requests approval of a lease assignment of ADL 28249 in connection with your request to defer Guitar Unit deadlines. This application to assign a lease outside of the unit is a separate matter from the Division's administration of the unit and the work commitments Alliance Exploration, LLC (Alliance) made for the unit. The assignment application has remained under consideration by the Division while Alliance and the Division discuss the provision of a surety bond, including a surety bond agreement for the dismantlement, removal and restoration obligations associated with the lease. This is a separate matter that can only be resolved by timely discussions with the Division.

Item b. requests commitment of ADL 28249 to the Guitar Unit. An application to expand a unit is the same as an application to create a unit and is described in 11 AAC 83.306. This request does not meet the criteria for complete application because it does not include any of the required items, including a \$1500 application fee.

Item c. requests a two-year extension of all deadlines associated with ADL 28249. This issue is addressed in the Commissioner's Decision Re: Appeal of ADL 28249 — Order into Production, dated July 25, 2018, which also stayed the decision pending the outcome of the assignment application for this lease. Because the Division has not completed its adjudication of the assignment application — and because Alliance is not yet a working interest owner — it is premature for Alliance to make a request concerning the Commissioner's decision ordering the lease into production. When and if the assignment is granted, Alliance will need to direct any such request to the Commissioner.

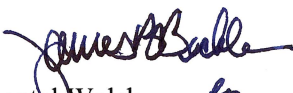
Item d. requests a two-year extension of all leases currently committed to the Guitar Unit. This request is unclear because leases committed to the unit are automatically extended while committed to the unit, and then at least 90 days after exclusion from the unit. If Alliance is seeking a different extension, please explain.

Item e. requests a two-year extension of all future deadlines contained in the approval to form the Guitar Unit and all of the Plans of Exploration submitted thereunder. I understand this to be a request to amend the unit plan of exploration and defer the well commitment described in my August 23, 2017 decision approving the unit and the initial plan of exploration. If Alliance is seeking deferral of another deadline, please explain. As to deferral of the well commitment, when considering any request to amend an approved unit plan, or new unit plan, I must consider the criteria listed in 11 AAC 83.303. Your request does not provide sufficient support to approve an amendment. Why does Alliance need a deferral of the well commitment? What has prevented Alliance from fulfilling its work commitment? Why should the Division grant a two-year extension instead of a single year? Why should the Division approve the request? Why should the Division consider a deferral when Alliance continues not to meet deadlines set forth in the August 23, 2017 unit approval, such as providing timely updates to the plan of exploration? In general, explain why the deferral is needed and in the best interests of Alliance and the State.

As Division staff have reminded Alliance numerous times, Alliance was required to submit an update to the initial plan of exploration on December 31, 2018. Your letter does not reference this update, nor does its contents provide the necessary information, so the Division does not understand the letter to be providing that update. Alliance is instructed to provide the update without further delay. The update should describe the work you have done from the time of your last update until now, your plans between now and the well commitment date of March 31, 2019, and explain why you will not meet that work commitment.

If you have questions regarding this decision, contact Kevin Pike with the Division at 907-269-8451 or via email at Kevin.Pike@alaska.gov

Sincerely,


Chantal Walsh
Director