



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

Department of Natural Resources

COMMISSIONER'S OFFICE

550 W 7th Avenue, Suite 1400
Anchorage, Alaska 99501-3560
Main: 907.269.8431
Fax: 907.269.8918

February 7, 2019

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Samuel Nappi
President
Alliance Exploration LLC
634 Main Street, Suite 300
PO Box 876
East Aurora, NY 14052

Re: Guitar Unit Notice of Default and Opportunity to Cure

Dear Mr. Nappi:

This letter serves as notice of default for the Guitar Unit for failure to comply with the Plan of Exploration (POE). Alliance may cure default by completing the work commitments set forth below.

In the Division of Oil and Gas August 23, 2017 decision approving your application to form the Guitar Unit, the Director also approved your initial POE. This POE contained a commitment to drill a well in the unit during either the 2017-2018 drilling season or 2018-2019 drilling season. This well commitment was integral to the approval of the Guitar Unit.

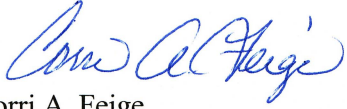
Alliance has not drilled this well. On January 18, 2019 you requested a deferral of the well commitment from the Division. That request remains pending before the Director. But in that request, you indicated that you have not, and will not, drill the well during the 2018-2019 season as required by the approved POE. Instead, you requested the well commitment be deferred until March 31, 2021. It is also late enough in the season that it would be impracticable, if not impossible, for you to change course and complete the well commitment this season. Thus based on your statements and the timing, Alliance has failed to meet its drilling commitment.

Under 11 AAC 83.374 and Article 18 of the Guitar Unit Agreement, failure to comply with the terms of an approved plan of exploration is a default under the unit agreement. You have not drilled the well required by the approved POE and will not have drilled the well by the March 31, 2019 deadline. Therefore, the Guitar Unit is placed in default. This default can be cured by drilling the well described in the approved POE on or before March 31, 2020. Failure to timely cure default can result in unit termination.

An eligible person affected by this decision may request reconsideration of it in accordance with 11 AAC 02. Any request for reconsideration must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Commissioner, Department of Natural Resources, 550 W 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. An eligible person must first request reconsideration of this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. If the Commissioner does not act on a request for reconsideration within 30 days after issuance of this decision, the request for reconsideration is considered denied and this decision becomes a final administrative order and decision

on the 31st day after issuance for the purposes of an appeal to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,



Corri A. Feige
Commissioner

CC: Chantal Walsh, Director, Division of Oil & Gas