

THREE MILE CREEK UNIT

APPROVAL OF AN APPLICATION TO FORM
THE THREE MILE CREEK PARTICIPATING AREA

FINDINGS AND DECISION OF THE DIRECTOR, DIVISION OF OIL AND GAS
UNDER A DELEGATION OF AUTHORITY FROM THE COMMISSIONER,
DEPARTMENT OF NATURAL RESOURCES, STATE OF ALASKA

July 29, 2005

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I. Application for the Formation of the TMC PA

On June 6, 2005, Aurora Gas LLC (Aurora), the unit operator, submitted an application to form the Three Mile Creek Participating Area (TMC PA) within the Three Mile Creek Unit (TMC Unit) (the Application). The TMC Unit is located on the West side of Cook Inlet, about four miles west of the Beluga River Unit and seven miles north of the village of Tyonek. The TMC Unit encompasses approximately 8,080 acres within seven oil and gas leases. Approximately 5,520 acres lie within four State of Alaska leases (State Leases) and Cook Inlet Region, Inc. (CIRI) is the lessor of three oil and gas leases (CIRI Leases) that encompass the remaining 2,560 acres of the TMC Unit area. The State of Alaska, Department of Natural Resources, Division of Oil and Gas (the State, the DNR or the Division, as appropriate) and CIRI jointly administer the Three Mile Creek Unit Agreement (the Agreement). Aurora submitted the Application on behalf of itself and Forest Oil Corporation (Forest), the TMC Unit working interest owners (the Working Interest Owners or Applicants, as appropriate).

Aurora submitted the Application in accordance with 11 AAC 83.351 and Article 9 of the Agreement. The Application included the following exhibits to the Agreement: Exhibit A, a schedule describing the TMC Unit; Exhibit B, a map of the TMC Unit; Exhibit C, a schedule allocating unitized substances within the TMC PA; Exhibit D, a map of the TMC PA; Exhibit G, the Unit Plan of Development (First POD); and Exhibit G-1, TMC PA redetermination procedures. In addition, Aurora submitted Exhibit H allocating unit expenses and Exhibit I allocating participating area expenses in accordance with the contractual ownership interests agreed to between Aurora and Forest.

The proposed TMC PA contains portions of three leases and encompasses 960 acres (approximately 12% of the TMC Unit area), including 840 acres within one State Lease, ADL 388233, and 120 acres within the two CIRI Leases, C-061394 and C-061502. Aurora is the only working interest owner in the leases proposed for inclusion in the TMC PA, although Aurora has a contractual agreement to transfer 30% working interest ownership to Forest. Mobil Exploration and Producing North America, Inc. holds 1.46% overriding royalty interest in all three leases included in the TMC PA and Marathon Oil Corporation has 1.5% overriding royalty interest in C-061502. The State retains a 12.5% royalty on production from the State Lease and the three CIRI Leases specify a 16 2/3% royalty rate.

For the reasons set forth in this Findings and Decision, the Division approves the formation of the TMC PA effective July 1, 2005, subject to concurrent approval by CIRI. Supporting geological, geophysical, and engineering data provided by Aurora and otherwise available to the Division justifies the formation of the TMC PA. The data indicate that the Beluga Formation within the proposed TMC PA is capable of producing or contributing to the production of gas in paying quantities.¹ The TMC PA is stratigraphically limited to the Beluga Formation Sands between 3,530' and 4,605' measured depth (MD) in the TMC Unit 1 well within the area

¹ Paying Quantities is defined in 11 AAC 83.395(4) as follows: "paying quantities" means quantities sufficient to yield a return in excess of operating costs, even if drilling and equipment costs may never be repaid and the undertaking considered as a whole may ultimately result in a loss; quantities are insufficient to yield a return in excess of operating costs unless those quantities, not considering the costs of transportation and marketing, will produce sufficient revenue to induce a prudent operator to produce those quantities.

described in Exhibit C and depicted on Exhibit D to the Agreement.

The Division also approves the allocation of gas produced from the TMC PA to the individual leases on a surface acreage basis and the working interest owners shall pay royalties on that production based on the information set forth in Exhibit C. Therefore, 87.5% of production from the TMC PA will be allocated to the State Lease and 12.5% to the CIRI Leases and Aurora will be solely responsible for paying royalties to the State and CIRI. Unit expenses and TMC PA expenses, excluding royalties, will also be allocated on a surface acreage basis, but the expenses will be divided between Aurora and Forest based on the Working Interest Owners' contractual ownership set forth on Exhibit H and Exhibit I, respectively. The Division's evaluation of the Application is set out in this Findings and Decision.

II. Analysis of the Application for the Formation of the TMC PA

The Commissioner of DNR (the Commissioner) reviews unit-related applications, including the formation of participating areas, under AS 38.05.180(p) and 11 AAC 83.301—11 AAC 83.395. The State statute and the DNR regulations set out the standards and criteria for formation of a participating area. The Commissioner or his designee² may approve the formation of a participating area if he determines it is necessary or advisable in the public interest³. The Division's review of the Application is based on the criteria set out in 11 AAC 83.303 (a) and (b). The Division's evaluation of the Application under the six factors set out in 11 AAC 83.303 (b) is set out directly below, followed by the Division's findings under the subsection (a) criteria and the Division's decision approving the Application.

1. Prior Exploration and Development Activities and the Geological and Engineering Characteristics of the Reservoir

Technical data submitted in support of the Application included the following: type log, structural cross-section, stratigraphic correlation, log analysis, FMI analysis, sidewall core analysis, seismic sections, and structure maps. The Division will hold these data confidential under AS 38.05.035(a)(9)(C) and 11 AAC 96.220.

Cook Inlet area geology maps from the 1960s and 1970s identified the regional fault and anticlinal trend that is the structural basis of the TMC Unit. The Bruin Bay fault is the main structural feature in the unit area. The Moquawkie Anticline, a prominent anticlinal trend with an axial trace paralleling the fault, lies adjacent to and east of the Bruin Bay fault. Aurora identified two structural highs along the anticline in the TMC Unit area, the Three Mile Creek prospect (south) and the Olson Creek prospect (north), which are separated by a structural saddle. Aurora's objective in the Initial Plan of Exploration (Initial POE) was to delineate and test gas sands in the Beluga Formation above

² By memorandum dated September 30, 1999, the Commissioner approved a revision of Department Order 003 that delegated this authority to the Director of the Division of Oil and Gas.

³ The proposed unit action must be necessary or advisable in the public interest: "To conserve the natural resources of all or part of an oil or gas pool, field, or like area, the lessees and their representatives may unite with each other, or jointly or separately with others, in collectively adopting or operating under a cooperative or unit plan of development or operation of the pool, field, or like area, or part of it, when determined and certified by the commissioner to be necessary or advisable in the public interest." AS 38.05.180(p).

4,300 feet true vertical depth (TVD) within the two prospect areas.

The Tertiary (Miocene) Beluga Formation is present in the subsurface over much of the upper Cook Inlet Basin. It is well exposed in outcrops on the southern Kenai Peninsula near Homer and along the Beluga River. The Beluga Formation thins or is truncated locally on structural highs on the northeastern side of the Cook Inlet Basin. The Beluga Formation consists of interbedded, poorly sorted sandstone, siltstone, claystone, sub-bituminous coal and ash beds, with locally abundant pebbly sandstone and pebble conglomerate. The depositional environment for the Beluga Formation is interpreted as shallow braided streams. The Beluga Formation is 4,150 feet thick at its subsurface type section in the SOCAL Beluga River #1 well (now known as BRU #212-35), located east of the TMC Unit, within the Beluga River Unit. In the nearby Beluga River field, the Beluga Formation reservoir has an average porosity of 24%, and contains over 100 feet of net pay. In addition to the Beluga River field, the Beluga Formation also produced gas at Swanson River, Cannery Loop, Kenai, Lewis River, Nicolai Creek, North Cook Inlet, Stump Lake, Beaver Creek, and Theodore River fields.

The Three Mile Creek Reservoir is constrained by the Moquawkie anticline to the west and prior exploration wells drilled to the southeast and east. The southeast boundary is defined by the Three Mile Creek State #1 well, drilled by Superior Oil Company in October 1967, which is located within Tract 4 of the TMC Unit. Drilled to a total depth of 13,773 feet to explore for oil, Superior found indications of gas in the Beluga Formation, but abandoned the well without testing to determine if the well could produce hydrocarbons in paying quantities.

The North Tyonek State #1 well, drilled by Phillips Petroleum Company in 1973, is located just outside the eastern boundary of TMC Unit. Phillips drilled to a total depth of 6,063 feet and tested several intervals in the well, but abandoned the well because it could not produce gas in paying quantities.

The State and CIRI approved the formation of the TMC Unit effective January 31, 2004, for the exploration and development of two natural gas prospects identified within the unit area, the Three Mile Creek Prospect and the Olson Creek Prospect. The 3-year Initial POE contained plans to drill an exploration well in the Three Mile Creek Prospect, acquire new seismic data over the unit area within the first two years, and drill a second exploration well in the Olson Creek Prospect in the third year.

In 2004, Aurora acquired and evaluated 44 miles of new 2D seismic data. In December 2004, Aurora drilled the TMC Unit 1 well to 8,185' MD, 8,015.6' TVD. Aurora tested several intervals in the Tyonek and Beluga Formations in the well. The type log for the TMC Unit 1 well defines the stratigraphic interval of the productive Beluga Formation in the TMC PA. The top of the Beluga Formation occurs at 3,530' MD and the base of the interval occurs at 4,605' MD in the TMC Unit 1 well. The well test produced gas at a rate of approximately 2 million cubic feet per day (MMCFD) from the Tsuga 2-6 interval in the Beluga Formation. Aurora mapped the depth of the lowest known gas for each productive interval based on its interpretation of seismic and well control data. The TMC PA includes all 40-acre aliquot parts⁴

⁴ 11 AAC 88.185(11) "legal subdivision" means an aliquot part of a section of land according to the public land rectangular survey system, not smaller

that are intercepted by the 4,000' depth contour line depicted on Aurora's Tsuga 2-6 depth structure map.

The Division cannot disclose the details of the confidential data, but the well and geophysical data provided in support of the Application, and otherwise available to DNR, indicate that the land proposed for inclusion in the TMC PA is known or reasonably estimated to be capable of producing or contributing to production of Unitized Substances in Paying Quantities from the Three Mile Creek Reservoir. The Division's evaluation of the subsurface geology supports the formation of the TMC PA to include the lands described in Exhibit C and depicted in Exhibit D to the Agreement (Attachments 1 and 2 to this decision). The Applicants' prior exploration activities and the geological and engineering characteristics of the TMC PA support approval of the Application under 11 AAC 83.303(b)(2) and (3).

2. The Applicants' Plan of Development

Aurora proposed that the First POD be effective July 1, 2005 through January 31, 2007, which supersedes the remaining term of the Initial POE. In the Initial POE, Aurora committed to drill an exploration well within the Three Mile Creek Prospect and acquire additional seismic data over the unit area by January 31, 2006, and form a participating area and drill a second exploration well by January 31, 2007. Aurora fulfilled the first three requirements, and the First POD incorporates the remaining exploration commitment contained in the Initial POE.

The First POD includes plans to develop the reserves underlying the TMC PA and to explore the unit area outside of the participating area. Aurora will construct a production facility on the Central Pad for water separation, compression, and dehydration of the produced gas. Aurora will install a 6-inch gathering line to ship pipeline quality gas from the Central Pad approximately five miles south to Aurora's Lone Creek pipeline. Sustained production from the TMC PA is scheduled to start in July 2005. Aurora plans to slowly increase the production rate from the TMC Unit 1 well to approximately 5 MMCFD. When cumulative production from the TMC Unit 1 well reaches 300 MMCFD Aurora will shut-in the well to perform a pressure build-up test. If the reservoir pressure test is favorable, Aurora will proceed with further drilling to delineate the TMC PA.

The First POD includes plans to install two additional development drilling pads north and south of the Central Pad and drill four delineation/development wells. Aurora plans to drill two wells in 2005, TMC Unit 2 well from the North Pad and TMC Unit 3 well from the South Pad. Data from the first three wells will determine the bottom-hole locations for two additional wells. Aurora anticipates drilling the TMC Unit 4 well from the North Pad and the TMC Unit 5 well from the South Pad in 2006. Primary gas treatment facilities may be located on the North and South Pads with gathering lines installed to ship the gas to the Central Pad where it will be processed for sale.

than one-quarter of one-quarter of one section of land, containing approximately 40 acres; where a section of land contains section lots, "legal subdivision" also means those section lots; "legal subdivision" also means a protracted legal subdivision according to any protracted public land rectangular survey prepared by the division or Bureau of Land Management of the Department of the Interior, and made available to prospective applicants for leases;

11 AAC 83.351 (a) states “[T]he participating area may include only land reasonably known to be underlain by hydrocarbons and known or reasonably estimated through use of geological, geophysical, or engineering data to be capable of producing or contributing to production of hydrocarbons in paying quantities.” The Division staff believes there is insufficient data to reliably map the Three Mile Creek Reservoir or to judge with any certainty what acreage will contribute to production in paying quantities. Aurora has shown however, that all of the acreage in the proposed TMC PA may fulfill the paying quantities requirement and the activities outlined in the First POD will provide additional data to evaluate Aurora’s interpretation of the reservoir. Additional data obtained in the future may require revising the TMC PA boundary.

By January 31, 2006, the Unit Operator shall notify the DNR and CIRI if the Working Interest Owners decide not to drill a 2nd Exploration Well in the Olson Creek Prospect, and if so, Tracts 6 and 7 will automatically contract out of the unit and the Working Interest Owners shall pay the State an amount equal to \$16 per acre contracted.. If, by January 31, 2006, the Working Interest Owners commit to drill an exploration well in the Olson Creek Prospect, the Unit Operator shall, by January 31, 2007, 1) drill a 2nd Exploration Well to the base of the Tsuga 2-4 interval or the stratigraphic equivalent of the 4,300’ TVD marker, as seen in the Three Mile Creek State-1 Well, whichever is deeper to a bottom hole location within Tract 6, ADL 388232; 2) log the well (GR or SP, Resistivity and Neutron/Density or Porosity: appropriate triple combo log); and 3) complete, suspend, or abandon the well.

If the Unit Operator fails to drill the 2nd Exploration Well, as described above, by January 31, 2007, then 1) Tract 6 and Tract 7 will automatically contract out of the Three Mile Creek Unit; and 2) the Working Interest Owners shall pay the State an amount equal to \$24 per acre contracted out of the unit.

The Application, along with the First POD, contains sufficient plans and commitments to explore the TMC Unit and develop the hydrocarbons within the TMC PA. It protects the interests of the public, CIRI, and the State by committing the Applicants to drill delineation and production wells in the Three Mile Creek Reservoir, and to explore additional lands outside of the participating area. Therefore, Aurora’s plans for development of the Three Mile Creek Reservoir and exploration of the TMC Unit area support approval of the Application under 11 AAC 83.303(b)(4).

3. The Environmental Costs and Benefits

Approval of the TMC PA is an administrative action that does not authorize any on-the-ground activity and, in itself, has no environmental impact. The DNR’s approval of the First POD is only one step in the process to obtain approval to drill wells to develop the known gas reservoir within the TMC Unit. The unit operator must also obtain permits from various State and federal agencies including the Division’s approval of a plan of operations.

State unitization regulations require the Commissioner’s approval of a plan of operations before the unit operator performs any operations on or in the unit area to minimize surface impacts.⁵ A proposed plan of operations must describe the operating procedures designed to prevent or

⁵ 11 AAC 83.346.

minimize adverse effects on natural resources. When reviewing a proposed plan of operations, the Division will consider the unit operator's ability to compensate the surface owner for damage sustained to the surface estate and the plans for rehabilitation of the unit area.

Unitization does not waive or reduce the effectiveness of the mitigating measures that condition the lessee's right to conduct operations on these leases. Article 8.2 of the Agreement requires that the unit plan of operations must be consistent with the leases, mitigation measures, and lessee advisories developed by the DNR for the State's most recent Cook Inlet Areawide lease sale. The mitigation measures include habitat and wildlife protection such as stream and water body setbacks and seasonal use restrictions to protect sensitive birds and animals. Mitigation measures such as seasonal restrictions on specific activities in certain areas can reduce the impact on bird, fish and mammal populations. State designated primary waterfowl areas protect bird populations. Regulating waste disposal is another way to limit environmental impacts. DNR also requires consolidation of facilities to minimize surface disturbances. With these and other mitigating measures, the anticipated exploration and development related activity is not likely to significantly impact bird, fish, and mammal populations.

Exploration and development within the TMC Unit is subject to these mitigation measures, if proposed operations involve State surface or subsurface. When the unit operator submits a unit plan of operations for approval, the Division will apply the current mitigation measures uniformly across the unit, ensuring environmental protections that might not otherwise occur on private lands. However, the Division does not have the authority to approve a plan of operations or impose the State's mitigation measures for operations solely on CIRI lands.

The TMC Unit is within the Alaska Coastal Zone, and therefore subject to the Alaska Coastal Management Program (the ACMP). Whether the activity is on State or CIRI land, the appropriate federal, State, and local agencies must determine if the unit operator's plans are consistent with the ACMP, and the lessees may not commence drilling or development operations until all agencies have granted the required permits.

Area residents use the TMC Unit area for subsistence hunting and fishing. Oil and gas activity may impact some wildlife habitat and may affect subsistence activity. The environmental impact will depend on the level of development activity, the effectiveness of mitigation measures, and the availability of alternative habitat and subsistence areas. In any case, the anticipated activity within the TMC Unit will have less impact on habitat and subsistence activity than if the lessees developed the leases individually. Unitized exploration, development and production will minimize surface impact.

The benefits of consolidated exploration and development, application of the State's Areawide mitigation measures, and the use of existing roads, lower the potential costs to the surrounding environment. Forming the TMC PA minimizes the environmental impacts and costs of exploration and development of the unit area supports approval of the Application under the 11 AAC 83.303(b)(1).

4. The Economic Costs and Benefits to the State

Production will be allocated to each tract in the TMC PA based on its surface acreage within the participating area as a percentage of the total acreage in the TMC PA. If Aurora proceeds with delineation and development of the TMC PA in accordance with the First POD, it will acquire additional well data and a year of production data by July 1, 2006. This data may justify a revision of the TMC PA boundary, which would affect the allocation of production to the individual leases. Therefore, the Applicants, the Division, and CIRI agreed to the redetermination procedures set out in Exhibit G-1. By August 1, 2006, Aurora shall apply to revise the TMC PA based the parties' analysis of the data available through July 1, 2006. The Revised TMC PA will include lands then regarded as reasonably estimated to be producing or contributing to production in paying quantities and exclude lands reasonably proven to be incapable of contributing to production in paying quantities. Following approval by the DNR and CIRI, the Revised TMC PA shall be effective with respect to all parties retroactive to the first day of the commencement of production from the TMC PA. The parties will evaluate the production data and drilling schedule annually, and implement any subsequent revisions of the TMC PA in accordance with the procedures in Exhibit G-1. The redetermination procedures ensure that production will be allocated based on the best technical data available, and retroactive adjustments will ensure that the parties receive their fair share of royalties on production from the TMC PA.

Approval of the proposed TMC PA and the First POD will result in both short-term and long-term economic benefits to the State. TMC PA production will generate construction jobs in the short-term and some long-term employment. Development and production from the TMC PA will provide royalty and tax revenues to the State over the life of the field. The lessees may reinvest revenues in new exploration and development in the State. Additionally, the TMC PA will deliver new natural gas supplies that help to stabilize the local and regional economy. Royalty, tax, and employment benefits derived from production and economic development will far exceed any additional administrative burdens associated with permitting TMC PA facilities, administering the unit leases, or collecting royalties on production.

In summary, the economic benefits outweigh the costs. The working interest owners made meaningful commitments to explore and develop the unit area and the State will receive taxes, royalties, and increased economic activity. The redetermination procedures and retroactive adjustments to the production allocation schedule allow the State to maximize production revenue. Moreover, the discovery of additional gas reserves in Cook Inlet may help to maintain stable, low cost energy supplies for the surrounding area. Therefore, the DNR's evaluation of the economic costs and benefits to the State supports approval of the Application under 11 AAC 83.303(b)(5).

5. Other Relevant Factors

The Agreement requires joint approval of the Application by the DNR and CIRI because the Three Mile Creek Reservoir underlies both State and CIRI leases. The Division and CIRI agreed to Aurora's proposal to allocate production from the TMC PA based on surface acreage. With joint management of the TMC PA, the State and CIRI will review Aurora's plans to delineate and develop the reservoir. The TMC Unit Plans of Development must be consistent with State

regulations and include plans to explore the area outside of the TMC PA.

Reaching agreement on an acceptable development plan and an equitable allocation of production required the cooperation of all parties. Joint management of the TMC Unit and the TMC PA provides for development of State and private lands under a unified plan that reduces environmental impacts, conserves resources, and protects the interests of all parties. Joint management of the TMC PA supports approval of the Application under 11 AAC 83.303(b)(6).

III. Findings

1. Promote the Conservation of all Natural Resources

The TMC PA will promote the conservation of both surface and subsurface resources through unitized, rather than lease-by-lease, development. Approval of the Application will reduce both the number of facilities required to explore for and develop reserves and the aerial extent or the footprint required to accommodate those facilities.

The formation of oil and gas units, as well as the formation of participating areas within units, generally conserves hydrocarbons. Formation of the TMC PA will provide for efficient, integrated development of the Beluga Formation within the TMC Unit. A comprehensive operating agreement and plan of development governing the area will help avoid duplicative development efforts on and beneath the surface.

There will be environmental impacts associated with reservoir development, but it must proceed according to an approved unit plan of development. Additionally, before undertaking any specific operations on State land, the unit operator must obtain the Division's approval of a unit plan of operations that must undergo extensive multi-agency review. The Division may condition its approval of a unit plan of operations and other permits with mitigation measures developed for the most recent Cook Inlet Areawide lease sale in addition to those in the leases. Compliance with the mitigation measures will minimize, reduce or avoid adverse environmental impacts.

Creating the TMC PA will help maximize oil and gas recovery, while minimizing negative impacts on other natural resources. This reduction in environmental impacts and conservation of hydrocarbon resources is in the public interest.

2. Promote the Prevention of Economic and Physical Waste

Forming a participating area prevents economic and physical waste by eliminating redundant expenditures for a given level of production, and by increasing ultimate recovery with the adoption of a unified reservoir management plan. Marginally economic reserves, which otherwise would not be produced on a lease-by-lease basis, can be produced from the TMC PA in combination with more productive leases. Facility consolidation lowers capital costs and promotes optimal reservoir management. Pressure maintenance and secondary recovery procedures are easier to design and achieve through joint, unitized efforts than would otherwise be possible. In combination, these factors allow the unit operator to develop and produce less profitable areas of a reservoir in the interest of all parties, including the State.

Reducing costs and environmental impacts through unitized operations will expedite development of reserves and will promote greater ultimate recovery of oil and gas from the unit area. This may increase and extend the State's income stream from production taxes and royalties.

Formation of the TMC PA will facilitate the equitable division of costs and allocation of the hydrocarbon shares, and provide for a diligent development plan that helps to maximize hydrocarbon recovery from the reservoir. Further, the formation of a participating area, which enables commingled production, facility sharing opportunities, and adoption of a unified reservoir management strategy, may allow for the development of economically marginal hydrocarbon accumulations.

3. Provide for the Protection of all Parties of Interest, Including the State

Because hydrocarbon recovery will more likely be maximized under a unified plan, the TMC PA protects the economic interests of the State, CIRI, and the overriding royalty interest owners. Formation of the TMC PA advances the efficient evaluation and development of the hydrocarbon resources while minimizing impacts to the area's cultural, biological, and environmental resources.

Formation of the TMC PA protects the economic interests of the working interest owners and royalty owners of a common reservoir. The approved production allocation schedule ensures an equitable allocation of revenue to the lessors commensurate with the value of their leases. In addition, the redetermination procedures applicable to the TMC PA will protect the economic interests of all parties.

The TMC PA will not diminish access to public and navigable waters beyond those limitations imposed by law or already contained in the oil and gas leases covered by the Agreement. The Agreement provides for future expansions and contractions of the participating area, as warranted by data obtained by exploration or otherwise. The TMC PA and the Agreement thereby protect the public interest, the rights of the parties, and the correlative rights of adjacent landowners.

IV. Decision

The Division reviewed the statutes, oil and gas unitization regulations, the TMC Unit Agreement, and materials supplied by Aurora in support of the Application. Formation of the TMC PA within the TMC Unit will promote the conservation of all natural resources, promote the prevention of economic and physical waste, and provide for the protection of all parties in interest including the State, as discussed above. The Application adequately and equitably protects the public interest, is in the State's best interest, and it meets the requirements of AS 38.05.180(p) and 11 AAC 83.303 (a) and (b).

1. Aurora requested that approval of the TMC PA be effective July 1, 2005 through January 31, 2007, which is consistent with the proposed term of the First POD.⁶ I

⁶ Article 9.5 of the Agreement states: "The Proper Authority will establish the effective date of the initial Participating Area. That effective date shall be

approve the TMC PA effective July 1, 2005, subject to concurrent approval by CIRI.

2. The TMC PA includes:
 - a. 960.00 acres described in Exhibit C and depicted in Exhibit D, and
 - b. all unitized substances in the Beluga Formation Sands between 3,530' MD and 4,605' MD in the TMC Unit 1 well within the boundary of the approved participating area.
3. DNR accepts Exhibits A, B, C, D, G, H, and I to be true and correct as submitted; those exhibits are attached hereto as Attachments 1 through 7, respectively.
4. I approve the allocations of production to the tracts within the TMC PA set forth in Exhibits C and the allocation of TMC Unit expenses and TMC PA expenses set forth in Exhibits H and I, respectively.
5. The Division assigns Accounting Unit Code "TM01" to report test production prior to the effective date of the TMC PA. Aurora shall submit operator reports for gas produced and vented from the Three Mile Creek Unit 1 well that reference Accounting Unit Code TM01 and all test production shall be allocated to Tract 4, ADL 388233.
6. The Division assigns Accounting Unit Code "TMTM" to the TMC PA for royalty accounting purposes. All operator and royalty reports must reference this Accounting Unit Code for all gas produced after the effective date of the TMC PA.
7. The Unit Operator shall submit copies of the Facility Report of Produced Gas Disposition (AOGCC Form 10-422) that specify the volume of gas produced from the TMC Unit that is vented, flared, sold, or otherwise disposed.
8. I approve the First POD, as set forth in Exhibit G, for the period from July 1, 2005 through January 31, 2007. In accordance with Article 8.1.1 of the Agreement and State regulation 11 AAC 83.343, the unit operator shall submit an annual report to CIRI and the Division on January 31, 2006. The annual report must describe the extent to which the unit operator fulfilled the requirements of the First POD, and must include an explanation of any deviation or noncompliance with the approved plan. It must also provide detailed plans for the term of the plan and long-range development plans for the TMC PA.
9. In accordance with the redetermination procedures outlined in Exhibit G-1, by August 1, 2006, Aurora shall apply to the Division and CIRI to revise the TMC PA boundary based on the technical data available through July 1, 2006. The application must include detailed plans for the remaining term of the First POD and long-range development plans for the revised TMC PA.

no later than the date of the first Sustained Unit Production."

10. If all parties agree that the data available through July 1, 2006 supports a continuation of the TMC PA boundary approved by this Finding and Decision, Aurora's proposed Second Plan of Development will be due on November 2, 2006, 90 days before the First POD expires. The Second POD must describe the extent to which the unit operator fulfilled the requirements of the First POD, and must include an explanation of any deviation or noncompliance with the approved plan. It must also provide detailed plans for the term of the Second POD and long-range development plans for the TMC PA.

A person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal 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 Thomas E. Irwin, 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@dnr.state.ak.us. This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Original signed by Mark D. Myers, Director

July 29, 2005

Mark D Myers, Director
Division of Oil and Gas

Date

cc: Thomas E. Irwin, DNR Commissioner
Teresa Ressler, CIRI
John Norman, Chairman AOGCC
Jeff Landry, Assistant Attorney General

Attachments:

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Three Mile Creek Unit Agreement

Exhibit A, Unit Tracts and
Exhibit F, Unit Tract Expense Participation

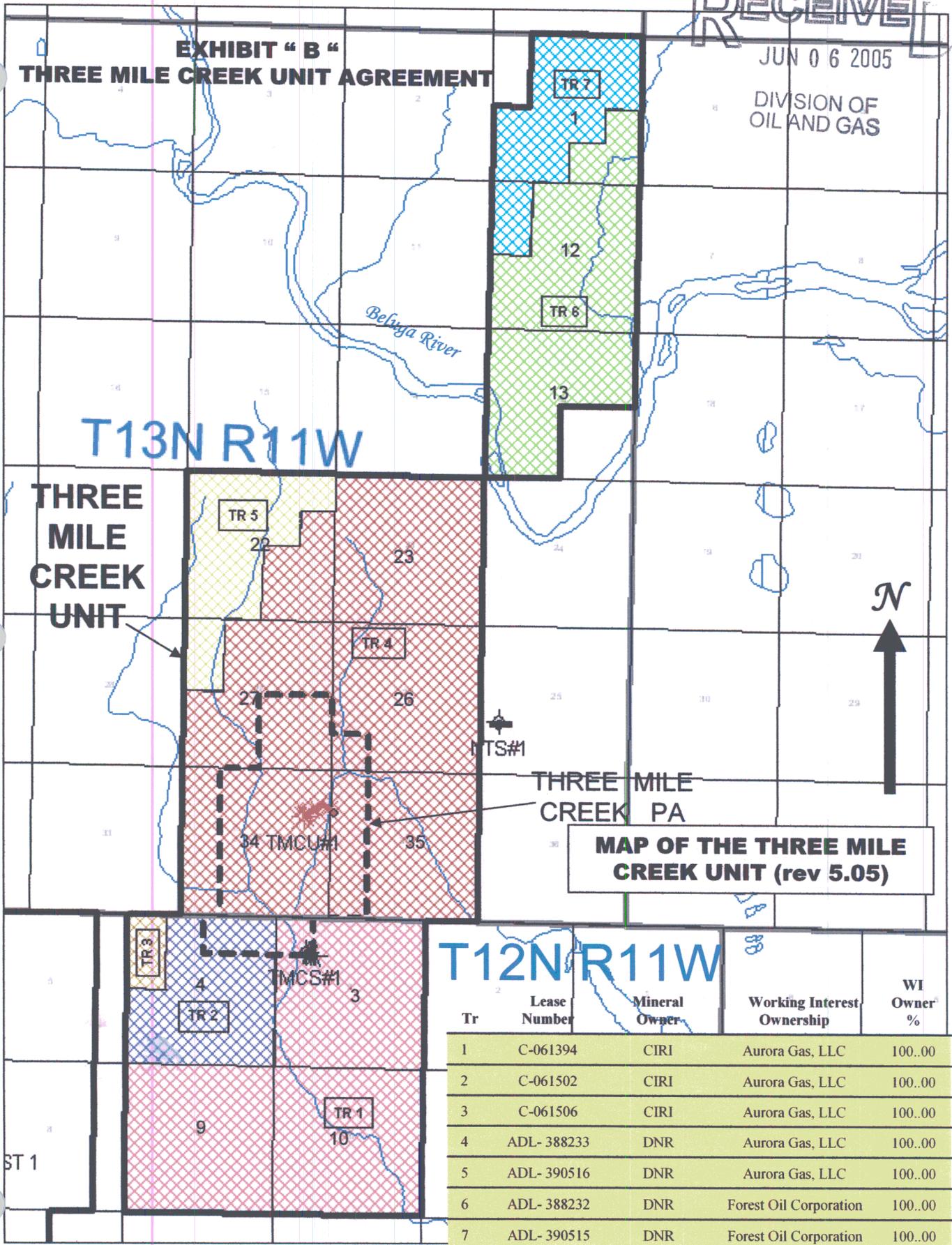
Tract	Tract Legal Description	Section Acreage	Tract Acreage	Unit Tract Participation	Mneral Owner	Lease Number	Expiration Date	Royalty Rate	ORRI Burdens	ORRI	WIO	WIO %
1	Township 12 North, Range 11 West, Seward Meridian, Alaska		1,920.00	23.76%	Cook Inlet Region, Inc.	C-061394	2/28/2006	16.6667%	1.46%		Aurora Gas, LLC	100%
	Section 3: All;	640.00							1.46%	Mobil Exploration & Producing North America, Inc. *		
	Section 9: All;	640.00										
	Section 10: All.	640.00										
	containing approximately 1,920 acres, more or less.											
2	Township 12 North, Range 11 West, Seward Meridian, Alaska		560.00	6.93%	Cook Inlet Region, Inc.	C-061502	2/28/2006	16.6667%	2.96%		Aurora Gas, LLC	100%
	Those portions more particularly described as protracted:								1.46%	Mobil Exploration & Producing North America, Inc. *		
	Section 4: E1/2, SW1/4, E1/2NW1/4;	560.00							1.50%	Marathon Oil Corporation		
	containing approximately 560.00 acres, more or less											
3	Township 12 North, Range 11 West, Seward Meridian, Alaska		80.00	0.99%	Cook Inlet Region, Inc.	C-061506	2/28/2006	16.6667%	2.96%		Aurora Gas, LLC	100%
	Those portions more particularly described as protracted:								1.46%	Mobil Exploration & Producing North America, Inc. *		
	Section 4: W1/2NW1/4;	80.00							1.50%	Marathon Oil Corporation		
	containing approximately 80.00 acres, more or less											
4	Township 13 North, Range 11 West, Seward Meridian, Alaska, Tract A		3,320.00	41.09%	State of Alaska, DNR	ADL 388233	1/31/2004	12.5%	1.46%		Aurora Gas, LLC	100%
	Segment 1								1.46%	Mobil Exploration & Producing North America, Inc. *		
	Section 22: Unsurveyed, SE1/4;	160.00										
	Section 23: Unsurveyed, S1/2;	320.00										
	Section 26: Unsurveyed, All;	640.00										
	Section 27: Unsurveyed, E1/2, SW1/4, E1/2NW1/4;	560.00										
	Section 34: Unsurveyed, All;	640.00										
	Section 35: Unsurveyed, All;	640.00										
	containing approximately 2,960.00 acres, more or less	2,960.00										
	Segment 2											
	Section 22: Unsurveyed, SE1/4NE1/4;	40.00										
	Section 23: Unsurveyed, N1/2;	320.00										
	containing approximately 360.00 acres, more or less	360.00										
	Entire tract contains approximately 3,320.00 acres, more or less.											

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DIVISION OF OIL AND GAS

EXHIBIT " B "
THREE MILE CREEK UNIT AGREEMENT



THREE MILE CREEK PA

MAP OF THE THREE MILE CREEK UNIT (rev 5.05)

T12N R11W

Tr	Lease Number	Mineral Owner	Working Interest Ownership	WI Owner %
1	C-061394	CIRI	Aurora Gas, LLC	100.00
2	C-061502	CIRI	Aurora Gas, LLC	100.00
3	C-061506	CIRI	Aurora Gas, LLC	100.00
4	ADL- 388233	DNR	Aurora Gas, LLC	100.00
5	ADL- 390516	DNR	Aurora Gas, LLC	100.00
6	ADL- 388232	DNR	Forest Oil Corporation	100.00
7	ADL- 390515	DNR	Forest Oil Corporation	100.00

Three Mile Creek Unit Agreement
Three Mile Creek Participating Area

Exhibit C, PA Tract Production Participation and
Exhibit E, PA Tract Expense Participation

Tract	Tract Legal Description	Section Acreage	Tract Acreage	PA Tract Participation	Mineral Owner	Lease Number	Expiration Date	Royalty Rate	ORRI Burdens	ORRI	WIO	WIO %	
1	Township 12 North, Range 11 West, Seward Meridian, Alaska		40.00	4.17%	Cook Inlet Region, Inc.	C-061394	2/28/2006	16.66667%	1.46%		Aurora Gas, LLC	100%	
	Section 3: NW1/4NW1/4; containing approximately 40 acres, more or less.	40.00							1.46%	Mobil Exploration & Producing North America, Inc. *			
2	Township 12 North, Range 11 West, Seward Meridian, Alaska		80.00	8.33%	Cook Inlet Region, Inc.	C-061502	2/28/2006	16.66667%	2.96%		Aurora Gas, LLC	100%	
	Those portions more particularly described as protracted:								1.46%	Mobil Exploration & Producing North America, Inc. *			
	Section 4: N1/2NE1/4; containing approximately 80.00 acres, more or less	80.00							1.50%	Marathon Oil Corporation			
4	Township 13 North, Range 11 West, Seward Meridian, Alaska, Tract A		840.00	87.50%	State of Alaska, DNR	ADL 388233	1/31/2004	12.5%	1.46%		Aurora Gas, LLC	100%	
	Segment 1								1.46%	Mobil Exploration & Producing North America, Inc. *			
	Section 26: Unsurveyed, SW1/4SW1/4;	40.00											
	Section 27: Unsurveyed, SE1/4;	160.00											
	Section 34: Unsurveyed, E1/2, E1/2W1/2;	480.00											
	Section 35: Unsurveyed, W1/2W1/2; containing approximately 840.00 acres, more or less	160.00											
	Total Participating Area Acreage		960.00	100%									
					Aurora				Forest				
	Mineral Ownership		Acreage	Percent	Acreage	% of Aurora	% of Lessor	Acreage	% of Forest	% of Lessor	Sum Acreage	Sum %	
	CIRI		120.00	12.5%	120.00	12.5%	100.0%	-	#DIV/0!	0.0%	120.00	100.0%	
	STATE		840.00	87.5%	840.00	87.5%	100.0%	-	#DIV/0!	0.0%	840.00	100.0%	
					960.00	100.0%		-					
	TOTAL		960.00	100.0%	100.00%			0.00%			960.00		
			* Although AURORA has reservations about the validity of this interest, in an abundance of caution and to recognize the DNR's regulations regarding Unitization protocol, AURORA elects to identify this interest now while deferring to address the validity issue later.										

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JUN 06 2005

DIVISION OF
OIL AND GAS

Beluga River

T13N R11W

THREE
MILE
CREEK
UNIT

TMCU#1

TMS#1

THREE MILE
CREEK PA

N

TR 3

TR 2

TMCS#1

TR 1

TR 7

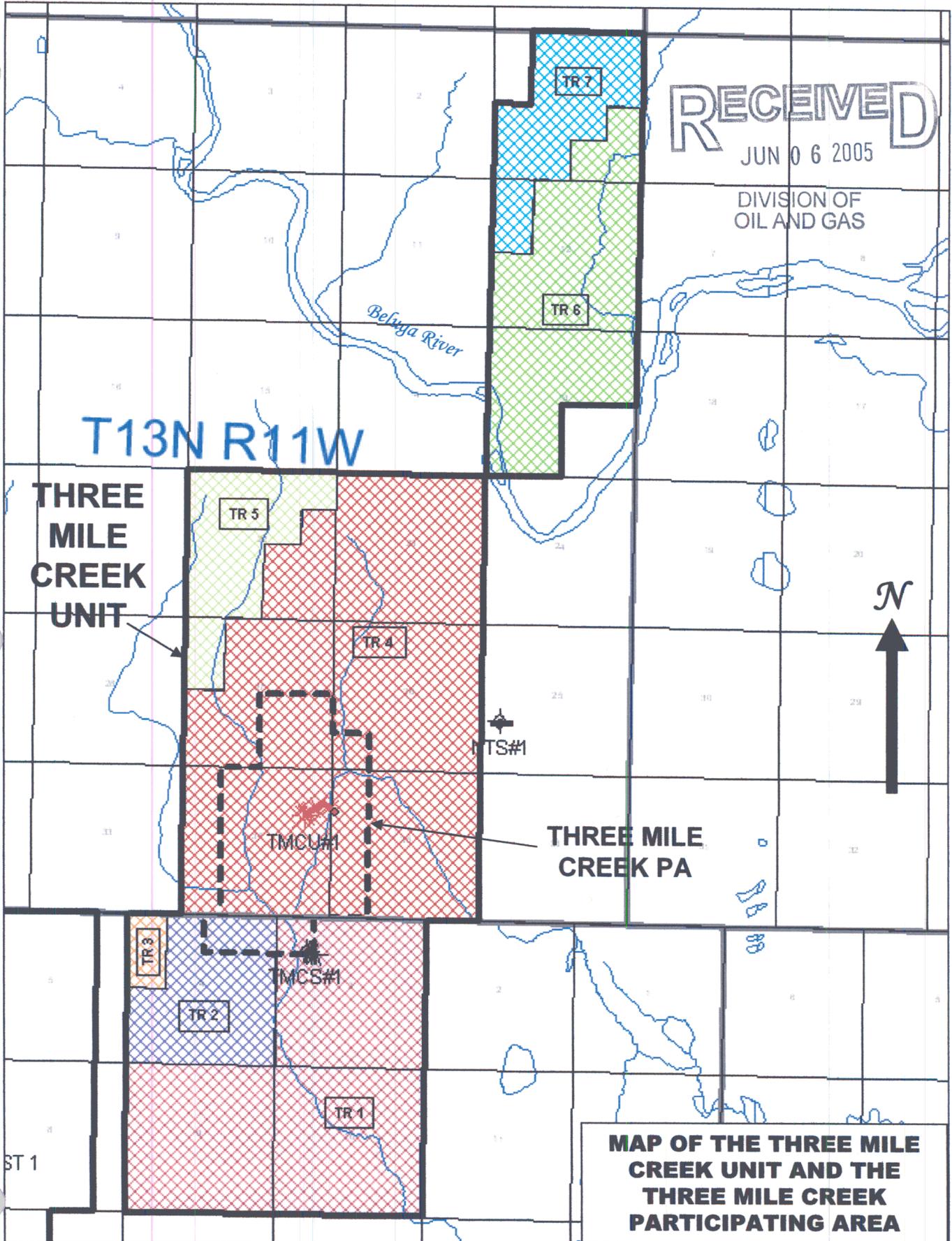
TR 6

TR 5

TR 4

ST 1

MAP OF THE THREE MILE
CREEK UNIT AND THE
THREE MILE CREEK
PARTICIPATING AREA



**Exhibit G to the
Three Mile Creek Unit Agreement
First Plan of Development**

A. DURATION:

This plan shall be effective from July 1, 2005, through January 31, 2007, and supersedes the remaining term of the Initial Plan of Exploration.

B. ACTIVITY DURING THE INITIAL PLAN OF EXPLORTION

The Three Mile Creek Unit No. 1 Well was drilled during December 2004 and four zones of interest were perforated and drill-stem tested in the Tyonek and Beluga formation reservoirs within January 2005. The lower two zones were non-commercial and plugged back, and a completion packer and tubing were run above the shallower two zones, which tested at a combined rate of about 2,000 mcf/day. The Nabors 129 rig was released in late January.

The Unit Operator submitted an application for a proposed Three Mile Creek Participating Area.

C. THE THREE MILE CREEK PARTICIPATING AREA

1) Drilling Operations

Testing in the Three Mile Creek No. 1 Well will resume with another rig in the spring of 2005. At that time, several additional shallower Beluga sandstone zones will be perforated and tested, and packers and tubing will likely be run for either a dual or selective completion to isolate some of the shallower zones from the deeper zones, due to initial reservoir pressure differentials between the multiple zones.

AURORA plans to drill up to two (2) appraisal/development wells within the Three Mile Creek Participating Area during CY 2005.

Subject to environmental reviews and permits being sought, two development drilling pads will be constructed to the north and south of the existing well pad (TMC Central Pad). The Three Mile Creek Unit No. 2 Well will be drilled from the northern pad (TMC North Pad) then the Three Mile Creek Unit No. 3 Well will be drilled from the southern pad (TMC South Pad). The Three Mile Creek Unit Nos. 4 and 5 Wells, planned for CY-2006, will be sited after a review of the results of the subsequent drilling.

2) Other Development Activities:

AURORA plans to construct a production facility on the TMC Central Pad for water separation from and compression, and dehydration of the sales gas, and, assuming successful development drilling, minor satellite facilities will be installed on the TMC North and South pads. A 6-inch gas gathering pipeline will connect the TMC Central Pad facility to AURORA's Lone Creek gas gathering

pipeline, approximately 5 miles to the south. Pipeline construction will be facilitated by and will follow a pre-existing gravel road, generally known as the Superior Road.

3) **Production:**

The initial production from the Three Mile Creek Unit is expected to occur on or before **July, 1, 2005**. The initial production from the Three Mile Creek No. 1 Well will be from the Beluga formation. AURORA expects to be producing from up to 3 wells by the end of CY 2005. The Three Mile Creek Unit No. 1 Well will be placed onto production and initial rates will slowly be increased to approximately 5MMcfd until cumulative production meets or exceeds 300MMcf at which time the well will be shut-in. Pressures will be taken followed by a 48 hour buildup with a surface pressure check recorder to confirm surface and calculate BH pressures. It is our anticipation no pressure loss of greater than 1 psi per hour loss will occur. Favorable reservoir pressure data will result in the Three Mile Creek Unit No. 2 Well being prosecuted.

4) **Well Data:**

Drilling-	0
Producing-	0
Shut-in Pending Facility Installation-	1
Suspended-	0
Abandoned-	0

D. EXPLORATION ACTIVITIES OUTSIDE OF THE THREE MILE CREEK PARTICIPATING AREA

- 1) If the Working Interest Owners decide not to drill a 2nd Exploration Well:
 - a) the Unit Operator shall notify DNR and CIRI in writing of the no-drill decision by January 31, 2006;
 - b) Tract 6 and Tract 7 will automatically contract out of the Three Mile Creek Unit; and
 - c) the Working Interest Owners shall pay the State of Alaska a payment equal to \$16/acre x contracted acreage.

- 2) By January 31, 2007, the Unit Operator must drill a 2nd Exploration Well
 - a) to the base of the Tsuga 2-4 interval or the stratigraphic equivalent of the 4,300' TVD marker, as seen in the Three Mile Creek State-1 Well, whichever is deeper;
 - b) to a bottom hole location within Tract 6, ADL 388232;
 - c) log the well (GR or SP, Resistivity and Neutron/Density or Porosity: appropriate triple combo log); and
 - d) complete, suspend, or abandon the well.

- 3) If the Working Interest Owners fail to drill the 2nd Exploration Well, as described above, by **January 31, 2007**:
 - a) Tract 6 and Tract 7 will automatically contract out of the Three Mile Creek Unit; and
 - b) the Working Interest Owners shall pay the State of Alaska a payment equal to \$24/acre x contraction acreage.

E. General Provisions:

- 1) After fulfilling all of the obligations in this First POD, any tract not having a portion of the lease included in an approved participating area by January 31, 2007, contracts out of the Unit Area, unless there is a well certified capable of producing in paying quantities located on that tract.
- 2) If the Three Mile Creek Unit terminates for failure to fulfill any of the commitments in this First POD, the Working Interest Owners will automatically surrender all expired State acreage within the Unit Area, effective the day the Unit terminates.
- 3) If acreage contracts out of the Three Mile Creek Unit area for failure to fulfill any of the commitments in this First POD, the Working Interest Owners shall automatically surrender all expired State acreage that contracts out of the Three Mile Creek Unit, effective the day the Unit contracts. The Commissioner and the President may delay contraction of the unit area if warranted.
- 4) The Working Interest Owners waive the extension provision of 11 AAC 83.140 and Article 16.2 of the Three Mile Creek Unit Agreement, and the notice and hearing provisions of 11 AAC 83.374 applicable to default and/or termination of the Three Mile Creek Unit.
- 5) AURORA Gas, LLC, designated as Unit Operator, reserves the right to modify this Plan of Development if economic or geological factors warrant; however, such modifications or operations are not to be commenced without prior consent of the DNR and CIRI.

**EXHIBIT G-1 to the
Three Mile Creek Unit Agreement**

Revising the Three Mile Creek Participating Area

The Three Mile Creek Participating Area (TMC PA) described in Exhibit C may be revised in accordance with the following provisions if well and/or production data derived from the TMC PA wells yield evidence to indicate and support a revision of a previously established and approved Participating Area (“Former PA”):

1.0 Revisions of the TMC PA require approval by the President and the Commissioner.

1.1 Proposal by Unit Operator- By August 1, 2006, the Unit Operator shall prepare and submit to the President and the Commissioner an application for expansion/contraction of TMC PA (the “Proposed PA”) based upon analysis of the data available through July 1, 2006. No application shall be necessary if CIRI and the DNR agree that the aforementioned data supports a continuation of the Former PA. The Proposed PA will include lands then regarded as reasonably estimated to be producing or contributing to production in paying quantities and exclude lands reasonably proven to be incapable of contributing to production in paying quantities, provided, however, no Former PA lands shall be excluded from a Proposed PA because of depletion of Unitized Substances.¹

1.2 Review and Approval of Proposed PA

1.2.1 The Unit Operator shall supply all appropriate supporting information to allow CIRI and the DNR to evaluate whether the Former PA should be expanded, contracted, or remain the same.

1.2.2 Within ten days after receipt of the Proposed PA and supporting data and analysis, CIRI and the DNR shall give the Unit Operator written notice as to whether the submission is complete. If CIRI and the DNR determine the submission to be incomplete, CIRI and the DNR shall provide the Unit Operator with a written notice of incompleteness, specifying the deficiencies in the submission. The Unit Operator shall submit additional data and analysis until CIRI and the DNR determine the submission to be complete. Nothing herein shall limit the rights of CIRI and the DNR under applicable statutes, regulations, leases and agreements, including Article 3.10 of the Three Mile Creek Unit Agreement, to request that the Unit Operator provide whatever data and interpretations the agencies deem necessary to fulfill their respective responsibilities.

1.2.3 The President and the Commissioner shall approve the Proposed PA or an Alternative Participation Area (the Revised PA). The DNR shall base its

¹ Article 9.6 of the Three Mile Creek Unit Agreement states “Land in a Participating Area shall remain in that Participating Area even if its Unitized Substances are depleted.”

recommendations and decision on the criteria provided in the applicable statutes and regulations, including but not limited to 11 AAC 83.303. CIRI will base its decisions on available scientific data and analysis.

- 1.3 Effective Date. Following approval by the Commissioner and the President, the First Revised PA shall be effective with respect to all parties retroactive to the first day of the commencement of production from the Former PA.
- 1.4 State Equalization Procedure. The Unit Operator and Working Interest Owners shall submit revised Operator and Royalty Reports for each month of production between the commencement of production and approval of the Revised PA. Debits and credits owed to or by the State shall be made to the State or the Working Interest Owners, as applicable, and calculated in the same manner as is required for payment for the royalty interests to the State in the Unitized Substances being produced from the TMC PA.
 - 1.4.1 State Lease Provision 37 “. . . The amount of all royalty in value payments which are not paid when due under this lease or the amount which is subsequently determined to be due to the state or the lessee as the result of a redetermination will bear interest from the last federal banking day of the calendar month following the month in which the oil, gas, or associated substances were produced, until the obligation is paid in full. Interest shall accrue at the rate provided in AS 38.05.135(d) or as may later be amended.”.
 - 1.4.2 State Statute AS 38.05.135(d) “If a royalty or net profit share payment to which the state is entitled under AS 38.05.135 – 38.05.181 is not paid or is underpaid when it becomes due under (c) of this section, the unpaid amount of the royalty or net profit share payment bears interest in a calendar quarter at the rate of five percentage points above the annual rate charged member banks for advances by the 12th Federal Reserve District as of the first day of that calendar quarter, or at the annual rate of 11 percent, whichever is greater, compounded quarterly as of the last day of that quarter.”
- 1.5 CIRI Equalization Procedure. The Unit Operator and Working Interest Owners shall submit revised Operator and Royalty Reports for each month of production between the commencement of production and the approval date of the Revised PA. Debits and credits owed to or by CIRI shall be made to CIRI or the Working Interest Owners, as applicable, and calculated in the same manner as is required for payment for the royalty interests to CIRI in the Unitized Substances being produced from the Three Mile Creek Participating Area.

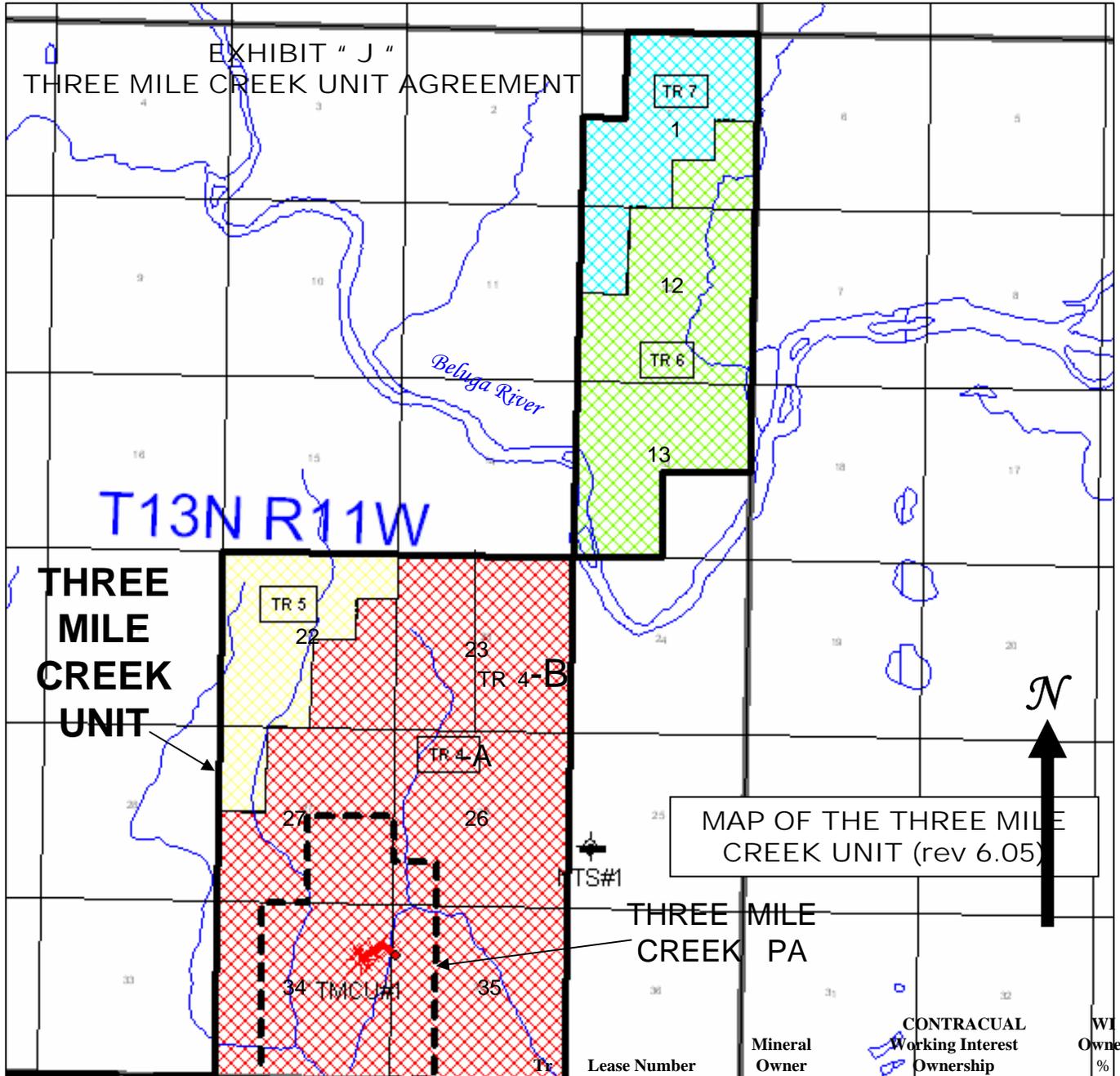
- 1.5.1 CIRC Lease Provision 35 (C-61394), Line 15 and Provision 25, Line 10 (C-61502) “ ...The amount of all royalty in value payments which are not paid when due under this Lease or which are subsequently determined to be due as the result of a redetermination will bear interest from the date the obligation accrued, until it is paid in full, at the Default Rate....”.
- 1.5.2 Default Rate is defined in CIRC Lease Provision 32.(k) (C-61394) and Provision 40 (f) (C-61502) as follows: “...a floating per annum rate equal to two percent (2%) above prime rate as announced by the National Bank of Alaska from time to time. However, in no event shall the Default Rate exceed the maximum interest rate permitted by law.”
- 1.6 Overriding Royalty Interest Equalization Procedure. Debits and credits owed to or by the Overriding Royalty Interests shall be made to the Overriding Royalty Interest or the Working Interest Owners, as applicable, and calculated in the same manner as is required for payment to the Overriding Royalty Interests in the Unitized Substances being produced from the TMC PA.
- 1.7 After the first revision of the TMC PA in 2006, the Unit Operator, the DNR, and CIRC shall review the drilling schedule and production data from the TMC PA in connection with the annual review of the Unit Plan of Development. Any of the parties may propose an expansion or contraction of the TMC PA as appropriate following the procedures outlined above. The Proper Authority will establish the effective date of each later revision of the TMC PA.

Three Mile Creek Unit Agreement

Exhibit H, Contractual Ownership of the Three Mile Creek Unit

Tract	Tract Legal Description	Section Acreage	Tract Acreage	Unit Tract Participation	Mneral Owner	Lease Number	Expiration Date	Royalty Rate	ORRI Burdens	ORRI	Contractual WIO	Contractual WIO %
1	Township 12 North, Range 11 West, Seward Meridian, Alaska		1,920.00	23.76%	Cook Inlet Region, Inc.	C-061394	2/28/2006	0.1666667	0.0146		Aurora Gas, LLC	70%
	Section 3: All;	640.00							0.0146	Mobil Exploration & Producing North America, Inc. *	Forest Oil Corporation	30%
	Section 9: All;	640.00										
	Section 10: All.	640.00										
	containing approximately 1,920 acres, more or less.											
2	Township 12 North, Range 11 West, Seward Meridian, Alaska		560.00	6.93%	Cook Inlet Region, Inc.	C-061502	2/28/2006	0.1666667	0.0296		Aurora Gas, LLC	70%
	Those portions more particularly described as protracted:								0.0146	Mobil Exploration & Producing North America, Inc. *	Forest Oil Corporation	30%
	Section 4: E1/2, SW1/4, E1/2NW1/4;	560.00							0.015	Marathon Oil Corporation		
	containing approximately 560.00 acres, more or less											
3	Township 12 North, Range 11 West, Seward Meridian, Alaska		80.00	0.99%	Cook Inlet Region, Inc.	C-061506	2/28/2006	0.1666667	0.0296		Aurora Gas, LLC	70%
	Those portions more particularly described as protracted:								0.0146	Mobil Exploration & Producing North America, Inc. *	Forest Oil Corporation	30%
	Section 4: W1/2NW1/4;	80.00							0.015	Marathon Oil Corporation		
	containing approximately 80.00 acres, more or less											
4-A	Township 13 North, Range 11 West, Seward Meridian, Alaska, Tract A		3,000.00	37.13%	State of Alaska, DNR	ADL- 388233	1/31/2004	0.125	0.0146		Aurora Gas, LLC	70%
	Segment 1								0.0146	Mobil Exploration & Producing North America, Inc. *	Forest Oil Corporation	30%
	Section 22: Unsurveyed, SE1/4;	160.00										
	Section 23: Unsurveyed, SW1/4;	160.00										
	Section 26: Unsurveyed, All;	640.00										
	Section 27: Unsurveyed, E1/2, SW1/4, E1/2NW1/4;	560.00										
	Section 34: Unsurveyed, All;	640.00										
	Section 35: Unsurveyed, All;	640.00										
	containing approximately 2,800.00 acres, more or less		2,800.00									
	Segment 2											
	Section 22: Unsurveyed, SE1/4NE1/4;	40.00										
	Section 23: Unsurveyed, NW1/4;	160.00										
	containing approximately 200.00 acres, more or less		200.00									
	Entire tract contains approximately 3,000.00 acres, more or less.											
4-B	Township 13 North, Range 11 West, Seward Meridian, Alaska, Tract A		320.00	3.96%	State of Alaska, DNR	ADL- 388233	1/31/2004	0.125	0.0146		Aurora Gas, LLC	30%
	Segment 1								0.0146	Mobil Exploration & Producing North America, Inc. *	Forest Oil Corporation	70%
	Section 23: Unsurveyed, SE1/4; 160.00 acres;	160.00										
	containing approximately 160.00 acres, more or less											
	Segment 2											
	Section 23: Unsurveyed, NE1/4; 160.00 acres;	160.00										
	containing approximately 160.00 acres, more or less											
	Entire tract contains approximately 320.00 acres, more or less.											

EXHIBIT " J "
THREE MILE CREEK UNIT AGREEMENT



MAP OF THE THREE MILE CREEK UNIT (rev 6.05)

Tr	Lease Number	Mineral Owner	CONTRACUAL Working Interest Ownership	WI Owner %
1	C-061394	CIRI	Aurora/FOC	70/30
2	C-061502	CIRI	Aurora/FOC	70/30
3	C-061506	CIRI	Aurora/FOC	70/30
4A	ADL- 388233	DNR	Aurora/FOC	70/30
4-B	ADL- 388233	DNR	Aurora/FOC	30/70
5	ADL- 390516	DNR	Aurora/FOC	70/30
6	ADL- 388232	DNR	Aurora/FOC	30/70
7	ADL- 390515	DNR	Aurora/FOC	30/70