

# STATE OF ALASKA

**DEPARTMENT OF NATURAL RESOURCES  
OFFICE OF THE COMMISSIONER**

**SEAN PARNELL, GOVERNOR**

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February 8, 2012

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Catherine Suda, Land Manager  
Teck American Incorporated  
P.O. Box 3087  
Spokane, Washington 99220-3087

Re: Notice of Sakkan Unit Termination  
Expired State Leases ADLs 389248, 349249, 389250, and 389251

Dear Ms. Suda:

The Sakkan Unit, operated by Teck Alaska Incorporated (Teck), was approved by the Division of Oil and Gas (Division) on October 31, 2006 for a five year term. In an email dated October 10, 2011, the Division was notified that Teck had elected to let the Sakkan Unit (the Unit) lapse at the end of its term. In its final report dated December 22, 2011, Teck confirmed it had elected to let the Unit and the state oil and gas leases lapse at the end of the unit term. Therefore, the Sakkan Unit automatically terminated on October 31, 2011. 11 AAC 83.336.

Upon termination of the Unit, 11 AAC 83.140 provides that the leases formerly committed to the Unit remain in effect for not less than 90 days after termination and so long thereafter as drilling operations are conducted. Teck elected to let the four state oil and gas leases, ADLs 389248, 349249, 389250, and 389251 (the Leases) lapse when the Unit terminated on October 31, 2011. Since the Leases are beyond their primary term and Teck elected to let the Leases lapse and there are no on-going drilling operations, the Leases expired January 30, 2012.

Teck fulfilled its obligations in the 2<sup>nd</sup> Amendment to the Unit Plan of Exploration. The Division received well information from its drilling activities in 2011, and Teck submitted its final written report on December 22, 2011. In its December 22, 2011 letter, Teck acknowledged it has an on-going obligation to the Division that if it ever completes a shale gas feasibility study for the Red Dog Mine area, a copy will be provided to the Division. The Division understands that Teck will be working with the AOGCC to plug and abandon the wells on NANA land during 2012, and the pads and access roads will be reclaimed during 2012 and 2013. Since the wells, pads and access roads are not located on state land, no further action is required by the Division.

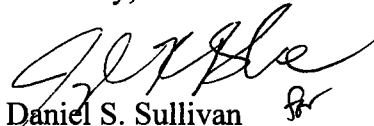
Unit termination does not relieve Teck from its obligations under Article 15.3 of the Unit Agreement and the individual leases to remove all machinery, equipment, tools and materials, and to restore the surface of the state lease area by October 31, 2012. Upon the expiration of that period

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or extension of that period, and at the option of the Division, any machinery, equipment, tools, and materials that are not removed from state land become the property of the state or may be removed by the state at the working interest owners' expense.

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 Daniel S. Sullivan, 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](mailto:dnr.appeals@alaska.gov). This decision takes effect immediately. If reconsideration is not requested by the reconsideration deadline, this decision is a final administrative order and decision. 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 31<sup>st</sup> day after issuance for the purposes of an appeal to Superior Court. An eligible person must first request reconsideration of 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.

Sincerely,



Daniel S. Sullivan  
Commissioner

Cc: W.C. Barron, DO&G  
Jeff Landry, DOL  
Terry Peterson, DO&G  
Sakkan Unit Team, DO&G