



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of Natural Resources

Division of Oil & Gas  
Anchorage Office

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November 1, 2013

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

David Hall, CEO  
Cook Inlet Energy, LLC  
601 W. 5<sup>th</sup> Ave, Suite 310  
Anchorage, AK 99501

Re: Otter Unit Formation

Dear Mr. Hall:

On May 23, 2013, the State of Alaska, Department of Natural Resources, Division of Oil and Gas (Division) issued the "Otter Unit Denial of Unit Application" which was appealed by the proposed Otter Unit operator, Cook Inlet Energy, LLC (CIE), on June 13, 2013. In response to the appeal, the Alaska Department of Natural Resources Commissioner (Commissioner) issued the "Commissioner's Conditional Approval of a Modified Otter Unit Agreement" (Decision) on August 30, 2013. The Decision required CIE to submit a modified unit agreement, modified plan of exploration, and a performance bond in the amount \$1.2 million as conditions of approving the Otter Unit. CIE submitted the modified Otter Unit Agreement and Plan of Exploration (POE) on September 27, 2013. The Commissioner approved the modified Otter Unit Agreement and POE by letter dated October 9, 2013. On October 23, 2013, the Division received from CIE the Otter Unit Performance Bond Agreement and the Certificate of Deposit for the performance bond in the amount of \$1.2 million. The performance bond documents satisfied the final condition of the Decision.

The Otter Unit is effective retroactive to September 27, 2013, the date CIE submitted the fully-executed, modified Otter Unit Agreement and POE. This letter clarifies the due date for the second POE or first Plan of Development (POD), the legal description of the lands included in the Otter Unit area, and the legal description and new ADLs assigned to the leases severed and segregated by unit formation.

Plan of Exploration

The Otter Unit initial POE expires March 31, 2015. The second POE or first POD is due to the Division at least 60 days before the expiration of the initial POE, on or before January 29, 2015.

Unit Boundaries

Attachment One (Exhibit A to the Otter Unit Agreement) provides the legal description of the Otter Unit leases. Attachment Two (Exhibit B to the Otter Unit Agreement) provides a map of the unit.

Lease Severance

In accordance with 11 AAC 83.373, the portions of the leases not committed to the Otter Unit are severed and segregated with new ADLs assigned. ADL 391621 is severed and segregated and the non-unitized portion assigned the new ADL 392396. ADL 391624 is severed and segregated and the non-unitized portion assigned the new ADL 392397. Table 1 summarizes the legal descriptions for the non-unitized portions of these two leases (see Table 1 below).

**Table 1 – New ADLs for Non-Unitized Leases**

Lease No. (ADL & Tract #)	Acres	Royalty	Lease Effective Date	Original ADL	Lease Expiration Date	Legal Description
392396	1,425	12.50%	3/1/2011	391621	2/28/2018	T. 14., R. 9W Seward Meridian, Alaska Sec 17: Unsurveyed, E1/2 Sec 19: Unsurveyed, All. Sec 20: Unsurveyed, S1/2, NE1/4.
392397	2,058	12.50%	3/1/2011	391624	2/28/2018	T. 14., R. 10W Seward Meridian, Alaska Sec 29: Unsurveyed, All Sec 30: Unsurveyed, All Sec 31: Unsurveyed, N1/2 Sec 32: Unsurveyed, N1/2, SE ¼.
<i>Total Acreage</i>						<i>3,483.00 acres</i>

If you have questions regarding this letter, please contact Kyle Smith with the Division at (907) 269-8807, or via email at [kyle.smith@alaska.gov](mailto:kyle.smith@alaska.gov).

Sincerely,



W.C. Barron  
Director

cc: Joe Balash, Acting Commissioner – Alaska Department of Natural Resources  
DOL

**Attachments:**

Exhibit A: Lease Descriptions for proposed Otter Unit (January 16, 2013)

Exhibit B: Outline of Current Leases and Proposed Otter Unit (January 16, 2013)

**ATTACHMENT ONE:**  
 Otter Unit – Exhibit A: Lease Descriptions for proposed Otter Unit (January 16, 2013)

Unit Tract No.	Lease No.	Legal Description	Tract Acreage	Royalty and ORRI Owners	Percentage	Working Interest Owners	NRI Percentage
1	ADL 390579	T. 14N., R. 30W., Seward Meridian Section 1, Unsurveyed, NE 1/4, S 1/2, 480.00 acres; Section 2, Unsurveyed, SE 1/4, 160.00 acres; Section 11, Unsurveyed, All, 640.00 acres; Section 12, Unsurveyed, All, 640.00 acres; Section 13, Unsurveyed, N 1/2, 320.00 acres; Section 14, Unsurveyed, NE 1/4, 160.00 acres.	2,400 acres	State of Alaska Daniel K. Donkel	12.5% 1%	Cook Inlet Energy, LLC	86.50%
2	ADL 390749	T. 14N., R. 9W., Seward Meridian Section 5, Unsurveyed, W 1/2, 320.00 acres; Section 6, Unsurveyed, All, 620.00 acres; Section 7, Unsurveyed, All, 622.00 acres; Section 8, Unsurveyed, W 1/2, 320.00 acres.	1,882 acres	State of Alaska Daniel K. Donkel	12.5% 1%	Cook Inlet Energy, LLC	86.50%
3	ADL 391621	T. 14N., R. 9W., Seward Meridian Section 17, Unsurveyed, W 1/2, 320.00 acres; Section 18, Unsurveyed, All, 623.00 acres; Section 20, Unsurveyed, NW 1/4, 160.00 acres.	1,103 acres	State of Alaska	12.50%	Cook Inlet Energy, LLC	87.50%
4	ADL 391624	T. 15N., R. 9W., Seward Meridian Section 31, Unsurveyed, S 1/2, 310.00 acres; Section 32, Unsurveyed, SW 1/4, 160.00 acres.	470 acres	State of Alaska	12.50%	Cook Inlet Energy, LLC	87.50%
<b>Total Acreage</b>			<b>5,855.00 acres</b>				

**ATTACHMENT TWO:**

Otter Unit - Exhibit B: Outline of Current Leases and Proposed Otter Unit (January 16, 2013)

