



CIRI

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

December 6, 2006

Mr. Bruce D. Webb
Aurora Gas, LLC
2500 City West Blvd., Suite 2500
Houston, TX 77042

RE: Three Mile Creek Unit Termination

Dear Bruce:

This letter will serve as our written acknowledgement of the letter addressed to Cook Inlet Region, Inc. (CIRI) and the Division of Oil and Gas (Division) dated October 27, 2006 in which Aurora Gas, LLC (Aurora) and Forest Oil Corporation (Forest) requested the termination of the Three Mile Creek Unit (TMCU) effective November 1, 2006.

It is my understanding that your request to voluntarily terminate the unit is based on unfavorable reservoir characteristics and drilling results which do not provide the justification necessary from your perspective to complete the work commitment to sustain the unit. Since the approval of the jointly managed TMCU by the Alaska Department of Natural Resources (DNR) and CIRI on January 30, 2004, Aurora has drilled and completed two natural gas wells located on ADL 388233 and built processing facilities and a sales pipeline. Your letter also indicates that Aurora plans to continue producing gas from the lease and you have requested the unit plans of development and operations be approved for lease production and operations.

Consistent with Article 15.4 of the unit agreement as well as the DNR letter to Aurora dated November 16, 2006, the termination of the unit requires the concurrent approval of the DNR and the President of CIRI. CIRI notes the termination will have the following results:

1. CIRI lease C-061394 currently held by unit/production will expire upon termination of the unit since the lease is outside its primary term.
2. CIRI leases C-061502 and C-061506 currently held by unit/production will continue to be effective on a lease basis through 12/31/06.

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3. Per the TMCU Agreement, Section 3.7, the Unit Operator (Aurora) shall have the rights to surface use that are granted in the respective lease(s). Additionally, Section 16.4 of the TMCU Agreement provides for the restoration and rehabilitation of the surface of the leases. Based on these sections in the TMCU Agreement as well as Section 21 of Lease C-061394, within one year after the termination of the unit, any continued use of surface estate by Aurora shall be subject to agreement between CIRI and Aurora in their sole discretion.

CIRI hereby approves the termination of the TMCU effective November 1, 2006 subject to the following condition:

CIRI requests the Department of Natural Resources continue to provide copies of any proposed plan of operations or plan of development for ADL 388233 to CIRI, Attention Land & Resource Department, simultaneous upon receipt of same from Aurora.

This unit termination approval does not release Aurora from its obligations under the TMCU Agreement and the individual CIRI leases, including its responsibility for well and facility abandonment and restoration as well as the unit and lease conditions related to environmental matters.

Sincerely,

COOK INLET REGION, INC.



Keith Sanders
Sr. Vice President of Land & Legal Affairs
For: Margaret L. Brown, President & CEO

cc: Kevin Banks, Acting Director, DNR
Brian Havelock, Natural Resource Specialist, DNR
James D. Arlington, Forest Oil Corporation
John K. Norman, AOGCC