



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of Natural Resources

Office of the Commissioner  
Anchorage Office

550 W. 7<sup>th</sup> Avenue Suite 1400  
Anchorage, Alaska 99501-3650  
Main: 907.269.8431  
Fax: 907.269.8918

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

December 17, 2013

Mark R. Landt  
Vice President, Land & Business Development  
Buccaneer Alaska, LLC  
952 Echo Lane, Suite 420  
Houston, Texas 77024

Subject: West Eagle Unit Notice of Failure to Cure Default  
Retention of Bond

Dear Mr. Landt:

This letter provides notice that Department of Natural Resources (DNR) is retaining a \$600,000 bond, as set forth in the notice of default of the West Eagle Unit (WEU). The State of Alaska (State), DNR Division of Oil and Gas (Division) approved formation of the WEU on February 14, 2013 retroactively effective September 30, 2012. (Decision). The Decision required the 100% working interest owner, Buccaneer Alaska, LLC, (Buccaneer) to conduct proposed exploration activities in accordance with timelines specified in a Plan of Exploration (POE). In a letter dated September 24, 2013 the WEU was placed in default under 11 AAC 83.374 after Buccaneer failed to fulfill the commitments outlined in the POE. This letter outlined the following opportunity to cure the default:

- A. Buccaneer shall drill and test or plug and abandon the West Eagle No. 1 well by January 31, 2014 to the shallower of the Tyonek intervals as seen between 4,965 feet and 5,100 feet in the Socal #1 Anchor River well or 6,000 feet TVD.
- B. DNR will hold the \$1,200,000.00 in previously furnished bonds (two \$600,000 bonds) to satisfy the requirements listed directly above in (A), payable to DNR upon failure to cure. If the West Eagle No. 1 is spudded before December 1, 2013, \$600,000.00 will be released by DNR. If the West Eagle No. 1 is tested, or plugged and abandoned by January 31, 2014, in the shallower of the Tyonek intervals as seen between 4,965 feet and 5,100 feet in the Socal #1 Anchor River well or 6,000 feet TVD, the second \$600,000.00 will be released by DNR.

Buccaneer has failed to fulfill the requirement to spud before December 1, 2013. Buccaneer requested some additional leniency and forecast a new spud date before December 15<sup>th</sup>. As of this date, December 17<sup>th</sup>, the well has not yet been spud and Buccaneer has thus forfeited the \$600,000 bond. This forfeiture does not relieve Buccaneer from the commitment to test, or plug and abandon the West Eagle No. 1 well by January 31, 2014. The second \$600,000.00 will be forfeit if Buccaneer fails to test, or plug and abandon by January 31, 2014. If Buccaneer has spud the well before January 31, 2014 and significant progress has been made but total depth has not been reached, DNR will consider an extension of the cure date and modification of the bond conditions.

Under 11 AAC 83.374:-

- (a) Failure to comply with any of the terms of an approved unit agreement, including any plans of exploration, development, or operations which are a part of the unit agreement, is a default under the unit agreement.
- (b) The commissioner will give notice to the unit operator and defaulting party (if other than the unit operator) of the default. The notice will state the nature of the default and include a demand to cure the default by a specific date, which in the case of failure to pay rentals or royalties will be a date determined by the commissioner and in the case of any other default will be a date not less than 90 days after the date of the commissioner's notice of default.
- (c) If a default occurs with respect to a unit in which there is no well capable of producing oil or gas in paying quantities and the default is not cured by the date indicated in the demand, the commissioner will, in his discretion, and after giving the unit operator and defaulting party (if other than the unit operator) reasonable notice and opportunity to be heard, terminate the unit agreement by mailing notice of the termination to the unit operator and defaulting party. Termination is effective upon mailing the notice.
- (d) If a default occurs with respect to a unit in which there is a well capable of producing oil or gas in paying quantities and the default is not cured by the date indicated in the demand, the commissioner will, in his discretion, seek to terminate the unit agreement by judicial proceedings.

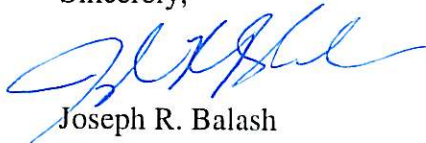
If Buccaneer does not fulfill the above commitments and cure the default by January 31, 2014 unit termination is a possible outcome after reasonable notice and opportunity to be heard.

A request for reconsideration must be received in writing within 20 calendar days after issuance of the decision as defined by 11 AAC 02.040. If reconsideration is not requested within the time allowed, the decision goes into effect as a final order and decision on the 31<sup>st</sup> day after issuance. Failure of the Commissioner to act on the request for reconsideration within 30 days after issuance

of the decision is an automatic denial of reconsideration (AS 44.62.540(a)) and is a final administrative order and decision for purposes of an appeal to Superior Court (AS 44.37.011; 11 AAC 02.020(c)). The decision may then be appealed to Superior Court within a further 30 days in accordance with the rules of the court, and to the extent permitted by applicable law. An eligible person must first request reconsideration of this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court (11 AAC 02.020).

If you have questions regarding this decision, contact Kevin Pike with the Division at 907-269-8451 or via email at [Kevin.Pike@Alaska.gov](mailto:Kevin.Pike@Alaska.gov).

Sincerely,



Joseph R. Balash  
Commissioner

cc: W.C. Barron, Director, Division of Oil and Gas  
Department of Law



DEPARTMENT OF NATURAL RESOURCES  
OFFICE OF THE COMMISSIONER  
550 W. 7TH AVE., SUITE 1400  
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1. Article Addressed to:

Mark R. Landt  
Vice President, Land & Business Development  
Buccaneer Alaska, LLC  
952 Echo Lane, Suite 420  
Houston, TX 77024

**COMPLETE THIS SECTION ON DELIVERY**

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<b>B. Received by ( Printed Name )</b>		<b>C. Date of Delivery</b>

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If YES, enter delivery address below:

☐ Mail ☐ Express Mail  
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4. Restricted Delivery? (Extra Fee) ☐ Yes

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