

## Strong Energy Resources, LLC

July 25, 2025

### VIA HAND DELIVERY AND ELECTRONIC MAIL

Director Derek Nottingham  
Alaska Department of Natural  
Resources  
Division of Oil and Gas  
550 W. 7<sup>th</sup> Avenue, Suite 1100  
Anchorage, Alaska 99501-3563

**Re: Application for Approval of the Gubik Unit**

Dear Director Nottingham:

In accordance with 11 AAC 83.306, Strong Energy Resources, LLC ("Strong") the "Applicant", as owner of one hundred percent (100%) of the working interest in the State of Alaska oil and gas leases subject to this Application, hereby submit this Application for Approval of the Gubik Unit (the "Application") to the Alaska Department of Natural Resources, Division of Oil & Gas ("Division").

The proposed Gubik Unit Agreement ("Unit Agreement") is attached hereto as Attachment A. A description of the leases that the Applicant proposes to include in the unit (Unit Agreement Exhibit A) are attached hereto as Attachment B. A map of the proposed unit area (Unit Agreement Exhibit B) is attached hereto as Attachment C. In accordance with 11 AAC 83.341 and Section 9.1 of the Gubik Unit Agreement, the proposed initial 5-year Unit Plan of Exploration for the Gubik Unit ("Plan of Exploration" or "POE") (Unit Agreement Exhibit G) is attached hereto as Attachment D.

As requested by the Division, one original paper copy and a digital copy of the non-confidential portions of this Application have been submitted to the Division. The confidential portions of the Application have been delivered via USB drive with a request for confidential treatment under AS 38.05.035(a)(8)(C). The Applicant requests that the confidential portions of the Application be maintained as confidential in accordance with applicable statutory provisions.

### **I. Application Contents**

The Application contains the following:

**A. Background and Description of Unit Area:** A discussion of the background of the Applicant and the leases proposed for unitization and is provided in Section II below.

**B. Description of Area Proposed for Unitization:** A description of the area proposed for unitization is provided in Section III below.

**C. Discussion of Unit Approval Criteria:** A discussion of why the Application satisfies the criteria set out in 11 AAC 83.303 to approve a unit agreement as those criteria relate to the proposed Gubik Unit leases and request for written findings and approval of the proposed Gubik Unit Agreement pursuant to 11 AAC 83.303 is provided in Section IV below.

**D. GG&E Report:** Pertinent confidential geological, geophysical, engineering, and well data, and interpretation of that data have been submitted concurrently herewith as the confidential Geologic, Geophysical, and Engineering Report ("GG&E Report") to support the Application, as required by 11 AAC 83.306(4).

**E. Unit Agreement:** A proposed unit agreement ("Gubik Unit Agreement") based upon the standard State of Alaska model unit agreement form is included as Attachment A. The form is identical to the standard State of Alaska unit agreement form, and no modifications have been made. Pursuant to 11 AAC 83.306, the Unit Agreement includes a legal description of the lands included in the proposed unit (Exhibit A), a map of the proposed Gubik Unit (Exhibit B), and a proposed initial POE (Exhibit G). The Gubik Unit Agreement has been executed by the Applicant as the 100% working interest owner in the Gubik Unit leases.

**F. Deferral of Establishment of PA:** Pursuant to 11 AAC 83.351, the Applicant defers the establishment of the Participating Areas for the Gubik Unit until the entire structure is included and appraisal drilling has been completed or production information is obtained, at which point the Applicant will make appropriate Participating Area designations.

**G. Plan of Exploration:** As required by 11 AAC 83.306(1), an initial Plan of Exploration for the Gubik Unit is submitted with this Application as Attachment D and Exhibit G to the Gubik Unit Agreement. The five-year POE provides for the drilling of at least one and up to 2 exploration wells and the evaluation of all available geologic and geophysical data that relates to the Gubik Unit Area. The POE complies with the criteria provided in 11 AAC 83.341.

**H. Designation of Unit Operator and Unit Operating Agreement:** Strong is designated as the unit operator under the Gubik Unit Agreement submitted herewith. Strong is qualified to serve as unit operator under 11 AAC 83.331. As owner of 100% of the working interest in the leases proposed to be included in the unit, the Applicant defers the submission of the Unit Operating Agreement. The Gubik Unit Operating Agreement will be executed by all working interest owners and submitted in accordance with the provisions of 11 AAC 83.306(2) as soon as it is practical.

**I. Application Fee:** An application fee of \$10,000 is submitted herewith pursuant to 11 AAC 83.306(6) and 11 AAC 05.110(d)(3)(D).

## **II. Background**

Strong began to acquire leases in the Gubik Field in 2020 with a farm-in from Woodstone Resources, LLC ("Woodstone"). The leases were located in the State's Colville river bottom land totaling 1,622 acres. Strong then acquired an additional lease of 306 acres in the 2023 North Slope Areawide Sale with a bonus bid of \$7,871.61. Strong was the only company to acquire leases in the Gubik field area. Strong's combined current leasehold (collectively referred to herein as the



“Strong leases”) is 1,928.14 acres, and Strong has made annual lease rental payments on these holdings that total \$27,415 as of the date of this Application.

This area has a long history of geologic, geophysical and drilling.<sup>1</sup> The Gubik anticline was first drilled after World War II in 1951 by the U.S. Navy (currently referenced as Gubik #2). The well blew out while pulling pipe to change the bit. The blowout proved the structure to be hydrocarbon productive. Summary results for first wells drilled are:

Gubik Unit No. 1

- Drilled in 1963
- Operator: Colorado Oil and Gas Corp
- One zone tested at a max rate of 890 MCFPD
- Tested interval 1750' to 1754'
- Several tests: Another zone (1522' to 1569') tested 500 MCFPD

Gubik No. 2

- Drilled in 1951
- Operator: US Navy
- Well blew out while pulling pipe to change drill bit
- Blowout zone 1810' to 1858. Open-hole DST for this zone had a strong gas blow and high pressure of 1050 psi
- Estimated rate from 8 MMCFPD (lines froze up) on 32/64" choke

The Arctic Slope Regional Corporation (herein referred to “ASRC”) selected the Gubik acreage near and east of the Colville River as part of the Alaska Native Claims Settlement Act given the oil and gas potential. These lands did not include the river bottom acreage that the State retained. In 1998 ASRC entered into an agreement with Anadarko Petroleum Corporation (herein referred to as “Anadarko”). The agreement covered 3.2 million acres of native lands. Anadarko drilled two additional wells, No. 3 and 4, on the structure in 2008/2009. These wells further defined the Gubik anticline and the productive horizons.

Gubik No. 3

- Drilled in 2008
- Operator: Anadarko
- Two zones tested: Tuluvak and Nanushuk
- Tuluvak: Tested 14.4 MMCFPD; interval 1590' to 1640'
- Nanushuk: Tested 0.9 MMCFPD; interval 3542' to 3652'

Gubik No. 4

- Drilled in 2008
- Operator: Anadarko
- Gas shows on mud-log
- No test conducted –drilled late in the season

Anadarko drilled additional wells on ASRC's acreage in particular Chandler No 1, directly to the south of Gubik Field, which established the presence of a deeper gas reservoir. East Umiat also had gas potential. Based on a 3-D and well results Anadarko proposed a “bullet line”, a small diameter pipeline, from the area to provide gas to Southcentral Alaska. Activity in the area was

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<sup>1</sup> North Slope Foothills Areawide Oil & Gas Lease Sales Finding of the Director (Chapter 6)

supported by the State by conducting a proposed pipeline route, and a road for access. Anadarko was a proponent for an LNG pipeline given the resource potential of the Foothills. The investment climate for North Slope gas did not support further development at the time, and this proved to be true for a number of years.

Strong, as a partner in Renaissance Alaska, LLC first acquire Gubik leases (ADL 392717 and 39718) in 2007/8. In addition to geologic studies, Renaissance shot a high resolution seismic across the structure. Renaissance was capturing a gas source for fuel and pressure maintenance to enhance the recovery at the Umiat Field (to the south and west). Renaissance sold the Umiat Field to Linc Energy ("Linc") in 2010. Linc later relinquished the leases.

Woodstone acquired ADL 392717 and 392718 in 2015, and Strong acquired the Woodstone leases in June 2020. Strong retained geological and geophysical expertise with direct knowledge of the area. An in depth evaluation of the Gubik feature using 2-D seismic and well data from DNR's database has been recently concluded.

Recent emphasis on Alaska LNG has changed the investment climate, however, given the remoteness of the field all potential gas sources need to be further defined, in particular, ASRC holdings, and incorporated into a feasibility study to arrive at the commerciality threshold. Provided a major pipeline for LNG moves forward, and availability of pipeline capacity, further drilling may be warranted.

### **III. Description of the Area Proposed for Unitization**

A "unit" is defined as "a group of leases covering all or part of one or more potential hydrocarbon accumulations, or all or part of one or more adjacent or vertically separate oil or gas reservoirs, which are subject to a unit agreement[.]"<sup>2</sup> A "reservoir" is an "oil or gas accumulation which has been discovered by drilling and evaluated by testing and which is separate from any other accumulation of oil and gas."<sup>3</sup> A "potential hydrocarbon accumulation" is "any structural or stratigraphic entrapping mechanism which has been reasonably defined and delineated through geophysical, geological, or other means and which contains one or more intervals, zones, strata, or formations having the necessary physical characteristics to accumulate and prevent the escape of oil and gas."<sup>4</sup> A unit must encompass the minimum area required to include all or part of one or more oil or gas reservoirs, or all or part of one or more potential hydrocarbon accumulations.<sup>5</sup>

The Gubik Unit Area includes multiple stacked reservoirs and potential hydrocarbon accumulations that may comprise one or more Participating Area ("PA"). The full extent of these accumulations is unknown, but the proposed unit area will allow Applicant to further explore, delineate, and develop the leases collectively to maximize the significant investment required to do so while minimizing impacts to the environment in a way that would not be possible on a lease- by-lease basis. As noted above, consistent with 11 AAC 83.351, the Applicant will apply for formation of a PA at least 90 days prior to sustained unit production.

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<sup>2</sup> 11 AAC 83.395(7).

<sup>3</sup> 11 AAC 83.395(b).

<sup>4</sup> 11 AAC 83.385(7).

<sup>5</sup> 11 AAC 83.356.



A map of the Gubik Unit Area is attached as Attachment C. The Applicant seeks to unitize all of the following State of Alaska leases, totaling 1,928.14 acres:

Lease	Lessee	Effective Date	Primary Term	Expiration Date
ADL 392717	Strong	July 1, 2015	10	June 30, 2025
ADL 392718	Strong	July 1, 2015	10	June 30, 2025
ADL 394181	Strong	September 1, 2024	10	August 31, 2034

A description of the leases proposed to be included in the Gubik Unit is also provided in Attachment B.

#### **IV. Discussion of 11 AAC 83.303 Criteria**

Under 11 AAC 83.303(a), a new unit shall be approved upon a finding that the proposed unit will: (1) promote the conservation of all natural resources, (2) promote the prevention of both environmental and physical waste, and (3) provide for the protection of all parties of interest, including the State. In evaluating the 11 AAC 83.303(a) criteria, the Commissioner considers (1) the environmental costs and benefits of unitized exploration or development; (2) the geological and engineering characteristics of the potential hydrocarbon accumulation or reservoir proposed for unitization; (3) prior exploration activities in the proposed unit area; (4) the applicant's plans for exploration or development of the unit area; (5) the economic costs and benefits to the state; and (6) any other relevant factors, including measures to mitigate impacts identified above, that the Commissioner determines necessary or advisable to protect the public interest, as set forth at 11 AAC 83.303(b).

As described below, the Gubik Unit satisfies the 11 AAC 83.303(a) criteria as considered pursuant to the 11 AAC 83.303(b) criteria.

##### **A. 11 AAC 83.303(a) Criteria Support Unitization**

The proposed Gubik Unit satisfies each of the 11 AAC 83.303(a) criteria.

##### **i. The Gubik Unit Will Promote the Conservation of All Natural Resources Including All or Part of an Oil and Gas Pool, Field or Like Area (11 AAC 83.303(a)(1)).**

A unit may be formed to conserve the natural resources of all or a part of an oil or gas pool, field, or like area when determined to be necessary or advisable in the public interest.<sup>6</sup> Conservation of the natural resources of all or part of an oil or gas pool, field, or like area means "maximizing the efficient recovery of oil and gas and minimizing the adverse impacts on the surface and other resources."<sup>7</sup>

Unitization of the multiple stacked reservoirs and potential hydrocarbon accumulations in

<sup>6</sup> AS 38.05.180(p).

<sup>7</sup> 11 AAC 83.395(1).

the Strong Leases for development under the proposed Gubik Unit Agreement will promote efficient evaluation and development of the State's resources and minimize the impacts to the area's cultural, biological, and environmental resources. The areal extent of the Gubik field is not fully defined, and approval of the Gubik Unit will allow the Unit Operator to build and utilize one set of infrastructure and facilities to develop all of the Gubik field leases, maximizing the efficient recovery of oil and gas from the leases and minimizing the adverse impacts on the surface and other resources, including hydrocarbons, gravel, sand, water, wetlands, and valuable fish and wildlife habitat. The resulting reduction in environmental impacts and preservation of subsistence access is in the public interest and supports unitization.

**ii. The Gubik Unit Will Prevent Economic and Physical Waste (11 AAC 83.303(a)(2)).**

Unitization of the Gubik Unit leases will prevent economic and physical waste by reducing the number of wells needed for efficient recovery or delineation of the oil and gas in place. Unitization will also prevent economic and physical waste by eliminating redundant expenditures and avoiding the loss of ultimate recovery through the adoption of a unified reservoir.

A finding that the proposed unit will prevent economic and physical waste is supported by Gubik's GG&E Report submitted to the Division with this Application. The GG&E Report illustrates that the proposed Gubik Unit Area encompasses all or part of one or more potential hydrocarbon reservoirs and justifies inclusion of the proposed Gubik Unit leases, as further described above.

**iii. The Gubik Unit Will Protect All Parties of Interest, Including the State (11 AAC 83.303(a)(3)).**

Both the State and its people have an interest in maximizing the economic and physical recovery of the State's oil and gas resources.<sup>8</sup> Approval of the Gubik Unit will move forward the economic and physical recovery of the State's resources.

Operating under the terms of the Gubik Unit Agreement will ensure an equitable allocation of costs and revenues commensurate with the resources. Formation of the Gubik Unit promotes the State's economic interests by improving the probability of hydrocarbon recovery and producing additional State revenue from the unit's production. Diligent exploration and development under a single approved unit plan without the complications of competing leasehold interests promotes the State's interest. Operating under the Gubik Unit Agreement will provide for accurate reporting and record keeping, State approval of plans of exploration and development and operating procedures, royalty settlement, in-kind taking, and emergency storage of oil and gas, all of which will further the State's interests.

**B. 11 AAC 83.303(b) Criteria Support Unitization**

Analysis of the proposed unit under the 11 AAC 83.303(b) criteria further support approval of the Gubik Unit.

**i. Environmental Costs and Benefits of Unitized Exploration or Development (11 AAC 83.303(b)(1))**

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<sup>8</sup> AS 38.05.180(a).



Unitization of the Strong Leases will allow exploration and development activities to be conducted with the least environmental impacts, consistent with the well-established prudent, efficient, and environmentally sound industry practices. Unitization allows for coordinated use of infrastructure and the completion of required work in an orderly and rational manner over a wide geographic area, instead of focusing on lease-by-lease activities and making investment decisions based on lease preservation. As noted above, the Gubik Unit Area includes multiple stacked reservoirs and potential hydrocarbon accumulations. The environmental impacts would be significantly greater if the reservoirs were developed on a lease-by-lease or well-by-well basis, rather than on an integrated unitized basis encompassing the minimum area required to include all or part of the oil or gas reservoirs and potential hydrocarbon accumulations involved. Development under the terms of the Gubik Unit Agreement will promote efficient evaluation and development of the State's resources and will minimize impacts to the area's cultural, biological, and environmental resources.

Ultimately, unitized exploration will reduce environmental costs by reducing duplicate exploration activities such as drilling multiple wells to explore an area when one would be sufficient. The Unit Operator also must obtain approval of a plan of operations from the State and permits from various agencies before drilling a well or wells or initiating development activities to produce reservoirs within the unit area.<sup>9</sup> Potential effects on the environment are also analyzed when permits to conduct exploration or development in the unit area are reviewed. Strong will operate under an approved plan of operations and the attached plan of exploration, which the Commissioner can approve with this Application.

## **ii. Geological and Engineering Characteristics of the Gubik Unit Reservoirs (11 AAC 83.303(b)(2))**

The confidential GG&E Report submitted separately with this Application describes the geological and engineering characteristics of the Gubik Unit reservoirs and offset areal extent. The Gubik Unit leases, acquired in 2015 and 2024, have direct offset wells that tested hydrocarbons in the Brookian sequence. Within these leases, the Applicant have identified contiguous geologic pay horizons in the Tuluvak and Nanushuk formations.

The on-structure offset wells substantially decreased technical risks for these pay horizons supported by a series of successful tests within the ASRC acreage, most recently starting with the notable Gubik No. 3 well in 2007. These wells have delineated gas column within the proposed Gubik Unit area, collectively containing in excess of one trillion cubic feet of sweet gas. There is also evidence of light oil in the system.

Strong has initiated its exploration activities in the Gubik Unit area by conducting extensive reviews of the successful wells, examining the Tuluvak and Nanushuk potential in the area, and studying the petroleum systems capable of high pressure at unusually shallow depths. This foundational work is proposed to continue with well and seismic on offset lands, identifying the basis for a potential commercial gas development.

## **iii. Prior Exploration Activities in the Proposed Gubik Unit Area (11 AAC 83.303(b)(3))**

To date, the Applicant has focused on acquiring and maintaining their leases, and acquiring and evaluating relevant geologic, geophysical, and well data that informs their analysis of the Gubik

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<sup>9</sup> 11 AAC 83.346.

Unit Area. Since 2020, Strong has compiled an extensive collection of seismic and well data to bolster its understanding of the Gubik Field.

Although no exploration wells have been drilled on the Applicant's leases, several wells drilled in close proximity to the proposed Gubik Unit as part of the multi-decade drilling program have formed Strong's geological interpretations. Gubik wells currently numbered 1, 2, 3 and 4 and Chandler No. 1 provide excellent geologic control regarding the reservoir, source, and seal characteristics of the rocks they penetrated and are crucial for understanding the reservoir characteristics, source rock potential, and sealing capabilities of the region.

These and other wells have been studied and tied to the local seismic dataset. Anadarko's 3-D along with the Renaissance Alaska's 2-D and 3-D seismic surveys represents the most recent seismic data acquisition in the area of the proposed Gubik Unit. Multiple vintages of 2-D seismic data were acquired after the start of the NPRA drilling program, with the most significant data being GSI USGS NPRA data set.

#### **iv. Plan of Exploration or Development of the Gubik Unit Area (11 AAC 83.303(b)(4))**

Strong believes that the Federal Government's current emphasis on Alaska resource development has improved the investment climate, and the company is committed to advancing the Foothills gas to market. Public reserve estimates place the Gubik Field reserves at approximately 1 TCF of sweet gas in-place, with no CO<sub>2</sub> or H<sub>2</sub>S processing required. Furthermore, substantial gas reserves in the immediate Foothill area were referenced during the previous consideration of the "Bullet Line" feasibility.

Strong believes there is a timely opportunity to further assess both the Gubik Field and the Foothills region. This window of opportunity could facilitate a timely commercial update, potentially opening up the area for development.

As provided in the proposed POE (attached hereto as Attachment D), the Applicant plans to collect and assess the drilling and seismic data in the Gubik Foothill Area to determine the reserve distribution, and then let a contract to a third party(ies) study to determine the commercial feasibility of a gas development. Based on this valuation, it is expected that collectively the Gubik Foothill Area contains sufficient potential reserves to justify the estimated development and infrastructure costs for the stranded gas accumulations. This will lead to additional seismic and drilling in the area in the five year timeframe.

Strong believes this approach represents a viable path to develop and enhance the natural resources in the area.

The Applicant's field program will be supported by an approximately 80 mile tundra snow pack trail extending from Dalton Highway to the Gubik Unit. All-terrain vehicles will transport equipment and materials to and from the Gubik Unit. In the immediate vicinity of the Gubik Unit, local ice roads and pads may be constructed to enable conventional rolling stock vehicles to support the drilling operations. Access to the area during the summer is augmented by the nearby Seabee airstrip and pad.

The proposed POE for the Gubik Unit will advance the understanding of the resource potential of the ASRC and Gubik Unit leases and provide additional data needed to evaluate both the hydrocarbon potential of the leases and the economics of future development.



**v. Economic Costs and Benefits to the State (11 AAC 83.303(b)(5))**

A primary goal of the formation of the proposed Gubik Unit is to facilitate efficient and expeditious exploration of the lands within the unit. The formation of the proposed Gubik Unit will support investment in exploration, which may lead to the development of new, currently undeveloped formations underlying the leases. The State's economic interests are protected by expediting exploration drilling, efficiently allocating exploration resources, and maximizing the physical recovery of hydrocarbons from the Gubik Unit reservoirs. Maximizing hydrocarbon recovery assures that the production-based revenue to the State is also maximized.

Formation of the proposed Gubik Unit will also advance new production sources that can supplement the North Slope associated gas with sweet gas, generate jobs for North Slope residents and other Alaskans, and provide royalty and tax revenue to the State of Alaska and the North Slope Borough. The State's economic interests are therefore clearly advanced by unitized development of the Gubik Unit leases.

**vi. Other Relevant Factors (11 AAC 83.303(b)(6))**

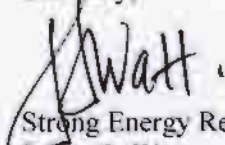
As discussed in this Application and the materials submitted herewith, development of the Gubik Unit Area will require innovative development methods that require significant planning and investment. The Applicant has demonstrated their commitment to developing the State's resources in the Gubik Unit Area and are preparing to execute the program described in the POE. Unitization of the Gubik Unit leases will enable the Applicant to undertake the monumental exploration and development program in a way that will promote efficient evaluation and development of the State's resources; minimize impacts to the area's cultural, biological, and environmental resources; and maximize the benefits to the State and its people.

**V. Request for Approval of Application and Unit Plan of Exploration**

In accordance with 11 AAC 83.303, 11 AAC 83.341, and Section 9.1 of the proposed Gubik Unit Agreement, the Applicant requests that the Division approve the formation of the Gubik Unit and the proposed Unit Plan of Exploration.

The Applicant appreciates the Division's consideration of this Application and look forward to discussing the Application further. Please do not hesitate to contact me if you have questions or would like to discuss any of the information submitted with this Application.

Sincerely,



Strong Energy Resources, LLC  
James S. Watt  
President & CEO

Enclosures:    **Attachment A:** Gubik Unit Agreement  
                  **Attachment B:** Exhibit A to Proposed UA – Description of Leases  
                  **Attachment C:** Exhibit B to Proposed UA – Map of Unit  
                  **Attachment D:** Exhibit G to Proposed UA – Plan of Exploration

## **GUBIK UNIT AGREEMENT**

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## Exhibits

EXHIBIT A: UNIT TRACT TABLE

EXHIBIT B: UNIT MAP

EXHIBIT C: TABLE OF PARTICIPATING AREAS

EXHIBIT D: PARTICIPATING AREA MAP

EXHIBIT E: ALLOCATION OF PARTICIPATING AREA EXPENSES

EXHIBIT F: ALLOCATION OF UNIT EXPENSES

EXHIBIT G: UNIT PLAN

## **RECITALS**

This document is the proposed Gubik Unit Agreement ("Agreement"), executed by Strong Energy Resources, LLC, ("Strong") who is the Working Interest Owner of the leases proposed to be included in the unit (referred to generally as "Parties").

Strong submitted an application to the Alaska Department of Natural Resources ("DNR") for approval of formation of the Gubik Unit ("Unit") out of state oil and gas leases.

DNR may approve unitization of state oil and gas leases when it is necessary or advisable in the public interest.

DNR's decision on whether to approve formation of the Unit will be set forth in a separate appealable DNR decision.

## **ARTICLE 1: Purpose and Scope of Agreement**

- 1.1. In consideration of the mutual promises in this Agreement, the Parties commit their respective interests in the Unit Area defined in Exhibit A and depicted in Exhibit B to this Agreement, subject to (1) all state statutes and regulations currently in effect or enacted or promulgated after the effective date of this Agreement; (2) the terms of this Agreement; and (3) DNR's authority to manage state oil and gas resources and to resolve disputes by administrative decision and appeal.
- 1.2. The purpose of this Agreement is to conserve natural resources by maximizing the efficient and timely production of oil and gas resources from the leases and working interests committed to the Unit and minimizing the adverse impacts to the surface estate and other resources from development.
- 1.3. This Agreement is effective as of the Effective Date and automatically expires five years from the Effective Date as provided in 11 AAC 83.336, unless otherwise extended pursuant to 11 AAC 83.336(a)(1) or 11 AAC 83.336 (a)(2).
- 1.4. The Parties acknowledge that DNR is not a Party to this agreement but is instead the agency authorized by Alaska law to approve formation of a unit including state oil and gas leases when it is necessary and advisable in the public interest to explore, develop, and produce state oil and gas resources.



## ARTICLE 2: Definitions

- 2.1. **Alaska Oil and Gas Conservation Commission** ("AOGCC") means the independent quasi-judicial agency of the State of Alaska established by the Alaska Oil and Gas Conservation Act, Alaska Statute 31.05.
- 2.2. **Commissioner** means the Commissioner of the Department of Natural Resources, State of Alaska, or the Commissioner's authorized representative, including but not limited to the Director.
- 2.3. **Director** means the Director of the Department of Natural Resources, Division of Oil and Gas or the Director's authorized representative.
- 2.4. **Effective Date** means 12:01 a.m. on the date identified as the effective date in the Director's approval of the unit, and if no date is specified, the date of the unit approval decision.
- 2.5. **Lease or Leases** means one or more oil and gas leases subject to this Agreement.
- 2.6. **Operations** means physical activities in or on an oil and gas lease that a lessee or unit operator may not conduct without an approved plan of operations under 11 AAC 83.158 or 11 AAC 83.346; activities conducted in support of, in anticipation of, or in conjunction with physical activities in or on an oil and gas lease (including but not limited to analyses, review, negotiations, or other work more accurately described as administrative, technical, or commercial activity) do not constitute Operations.
- 2.7. **Participating Area** means all Unit Tracts and parts of Unit Tracts established under the provisions of Article 10 of this Agreement to allocate Unitized Substances produced from a reservoir.
- 2.8. **Participating Area Expense** means all costs, expenses, or indebtedness incurred by the Unit Operator under this Agreement for or on account of production from or Operations in a Participating Area and allocated solely to the Unit Tracts in that Participating Area.
- 2.9. **Royalty Interest** means the State's right to a share of production from the Unitized Area. It does not include an overriding royalty interest, which is a nonpossessory interest in oil and gas produced at the surface, free of the expense of production, that is derived from a Working Interest, but is not connected to ownership of the land or minerals. Overriding Royalty Interest owners are not proper parties to this Unit Agreement, nor do they have any rights to enforce the terms of this Unit Agreement.
- 2.10. **State** means the State of Alaska.
- 2.11. **Sustained Unit Production** means continuing production of Unitized Substances from a Unit Well in the Unit Area into production facilities and transportation from the unit Area

to market, excluding temporary production for initial testing, evaluation, or pilot production purposes.

- 2.12. **Unit Area** means the lands subject to this Agreement, described in Exhibit A and shown in Exhibit B to this Agreement.
- 2.13. **Unit Expense** means all costs, expenses, or indebtedness incurred by the Unit Operator under this Agreement for or on account of production from or Operations in the Unit.
- 2.14. **Unit Operating Agreement** means any and all agreements entered into by the Unit Operator and the Working Interest Owners, as described in Article 8 of this Agreement.
- 2.15. **Unit Operations** means all Operations conducted under this Agreement in accordance with a Unit plan of operations.
- 2.16. **Unit Operator** means the party designated by the Working Interest Owners and approved by the Director to conduct Unit Operations.
- 2.17. **Unit Plan** means a unit plan of exploration, plan of operations or plan of development as described in Article 9 of this Agreement.
- 2.18. **Unit Tract** means each separate parcel of land that is described in Exhibit A and given a Unit Tract number.
- 2.19. **Tract Participation** means the percentage of Unitized Substances and costs allocated to a Unit Tract in a Participating Area.
- 2.20. **Unit Well** means a well drilled within the Unit Area after the effective date of this Agreement unless specifically authorized by the Director.
- 2.21. **Unitized Substances** means all oil, gas, and associated substances produced from the Unit Area.
- 2.22. **Working Interest** means the interest held in lands by virtue of a Lease under which the owner of the interest is vested with the right to explore for, develop, and produce minerals. The right delegated to a Unit Operator by a Unit Agreement is not a working interest.

### **ARTICLE 3: Exhibits and copies of the agreement**

- 3.1. The Unit Operator will provide the following exhibits to the Director:
  - 3.1.1. Exhibits A, B, and G as part of the Unit Agreement when the unit formation application is filed and whenever there is a change to the Unit Area or in interests committed to the unit.



- 3.1.2. Exhibit F as part of the Unit Agreement if the Unit Area includes or is proposed to include one or more net profit share leases.
- 3.1.3. Exhibits C, D, E, and F when a Participating Area application is submitted for approval, and upon approval of the Participating Area, they become part of this Agreement.
- 3.1.4. Revised Exhibits within 30 days of the information in an Exhibit no longer being accurate, a DNR decision affecting the information in an Exhibit, or a request from DNR for revised Exhibits. Events requiring revised Exhibits include, but are not limited to, expansion or contraction of the Unit Area, expansion or contraction of a Participating Area, changes to Tract Participation, and changes to working interest in Leases.
- 3.2. Exhibit A is a table that identifies and describes each Unit Tract, and displays the Unit Tract numbers, legal descriptions, lease numbers, Working Interest ownership, Royalty Interest ownership, and the applicable royalty and net profit share rates applicable to each Unit Tract.
- 3.3. Exhibit B is a map that shows the boundary lines of the Unit Area and of each Unit Tract, identified by Unit Tract number and lease number.
- 3.4. Exhibit C is comprised of a table for each Participating Area that displays the Unit Tract numbers, legal descriptions, lease numbers, Working Interest ownership, Royalty Interest ownership, and the percentage of Unitized Substances allocated to each ("Tract Participation"). Exhibit C must include a separate table for each Participating Area. Exhibit C and any revisions to Exhibit C are not effective until approved by the Director.
- 3.5. Exhibit D is comprised of a map for each Participating Area. Each Exhibit D map must show the boundary lines of the Unit Area, the Participating Area, and the Unit Tracts in that Participating Area identified by Unit Tract number and lease number.
- 3.6. Exhibit E is comprised of a table for each Participating Area that displays the allocation of Participating Area Expense to each Unit Tract in the Participating Area, identified by Unit Tract number and Lease number. Exhibits must include a separate table for each Participating Area in the Unit Area.
- 3.7. Exhibit F is a table that displays the allocation of Unit Expense to each Unit Tract in the Unit Area, identified by Unit Tract number and lease number. Exhibit F and any revisions to Exhibit F are not effective until approved by the Director.
- 3.8. Exhibit G is a Unit Plan for the Unit. Subsequent Unit Plans are part of this Agreement, but do not need to be labelled as a revised Exhibit G.
- 3.9. At least one copy of this Agreement will be filed with DNR, Division of Oil and Gas in Anchorage, Alaska and one copy will be filed with the AOGCC.

#### **ARTICLE 4: Creation and Effect of Unit**

- 4.1. All working interests in and to the lands described in Exhibit A and shown in Exhibit B are subject to this Agreement.
- 4.2. The provisions of a Lease committed to this Agreement and of any other agreement regarding that Lease are modified to conform to the provisions of this Agreement and to statutes and regulations regarding oil and gas leases and units existing on the Effective Date of this Agreement or enacted thereafter.
- 4.3. This Agreement does not transfer title to any Lease.
- 4.4. All data, information, and interpretations determined by the Director to be necessary for the administration of the Unit or for the performance of DNR responsibilities under Alaska law will be submitted to the Director by the Unit Operator or Working Interest Owners, or both, upon DNR written request. Upon request, DNR will keep records confidential to the extent allowed under applicable law.
- 4.5. When the Commissioner or Director makes a decision related to the administration of the Unit or Unit Leases in reliance on confidential information, and there is an appeal or request for reconsideration of that decision in which the confidential information is materially relevant to the issues on appeal, the Working Interest Owners agree to enter reasonable confidentiality agreement(s), as necessary, to provide parties to the appeal or reconsideration with access to the relevant confidential information.

#### **ARTICLE 5: Designation of Unit Operator**

- 5.1. Strong is designated as the Unit Operator until such time, if any, that a successor unit operator is designated and approved by the Director. Strong accepts the rights, duties, and obligations of the Unit Operator including to diligently conduct Unit Operations and to explore, develop, and produce the Unit Area.
- 5.2. Except as otherwise provided in this Agreement, and subject to the terms and conditions of an approved Unit Plan, the rights and obligations of the Working Interest Owners to conduct Operations to explore for, develop, and produce the Unit Area are delegated to and will be exercised by the Unit Operator. This delegation does not relieve a Working Interest Owner of the obligation to comply with all Lease terms. The Unit Operator will comply with all notification requirements of the Leases, this Agreement, the Unit Operating Agreement, and applicable statutes or regulations.
- 5.3. The Unit Operator will minimize and consolidate surface facilities to minimize surface impacts.
- 5.4. With the approval of the Director and the AOGCC, any Working Interest Owner is entitled to drill and operate a well on its Lease when the Unit Operator declines to drill



that well. The Working Interest Owner must comply with all applicable statutory, regulatory, and contractual obligations for drilling or operating a well.

- 5.5. A Working Interest Owner who assigns a working interest in a Lease that is subject to this Agreement is responsible for notifying the Unit Operator of Director approval of the assignment within 15 days of the approval.

#### **ARTICLE 6: Resignation or Removal of Unit Operator**

- 6.1. The Unit Operator may resign at any time, but the resignation is not effective until the Director approves a successor Unit Operator.
- 6.2. The Unit Operator may be removed by DNR for failure to perform the required duties and obligations set forth in the Agreement. The removal will not be effective until the Director gives the Unit Operator notice and an opportunity to be heard and DNR approves a successor Unit Operator.
- 6.3. Unless specified otherwise in the Unit Operating Agreement, the Unit Operator may be removed by an affirmative vote of the Working Interest owners owning a majority interest in the Unit. The removal is not effective until the Working Interest owners give the Director, the Unit Operator, and all Parties written notice of the removal and the Director approves a successor Unit Operator.
- 6.4. The resignation or removal of the Unit Operator will not release it from liability for any failure to meet obligations that accrued before the effective date of the resignation or removal.
- 6.5. When the resignation or removal of the Unit Operator becomes effective, the Unit Operator will relinquish possession of all unit equipment, artificial islands, wells, installations, devices, records, and any other assets used for conducting Unit Operations, whether or not located in the Unit Area, to the successor Unit Operator.
- 6.6. If the Unit Operator has a Working Interest in one or more leases committed to the unit, its obligations as a Working Interest Owner continue notwithstanding resignation or removal as Unit Operator.

#### **ARTICLE 7: Successor Unit Operator**

- 7.1. A proposed successor Unit Operator will accept all rights, duties, and obligations of a Unit Operator in writing before it will be considered for approval by the Director.
- 7.2. If a successor Unit Operator that is satisfactory to the Director has not been proposed within 30 days of notice of the resignation or removal of a Unit Operator, the Director may declare this Agreement terminated.

## **ARTICLE 8: Unit Operating Agreement**

- 8.1. The Unit Operating Agreement is an agreement between the unit Working Interest Owners regarding voting mechanisms, operational details, and non-Participating Area unit cost allocations for implementation of the Unit Agreement. It is not binding on DNR. The Unit Agreement, lease terms, statutes, and regulations control in the event of a conflict with the Unit Operating Agreement.
- 8.2. The unit applicant will file an executed copy of the Unit Operating Agreement with the Director as part of the application to form a unit. Amendments to the Unit Operating Agreement, and all other agreements between the Working Interest Owners that affect the rights, duties, and obligations of some or all of the Parties to this Agreement, must also be filed with the Director within 30 days of execution.

## **ARTICLE 9: Plans of Exploration, Development, and Operations; Bonding**

- 9.1. A Unit Plan must comply with 11 AAC 83.341, 11 AAC 83.343 or 11 AAC 83.346 depending on whether it is a plan of exploration, plan of development or plan of operations.
- 9.2. A proposed Unit Plan is not effective until approved by the Director and will remain in effect until the date specified by the Director in the approval.
- 9.3. Approved Unit Plans, including any updates or amendments, are part of this Agreement.
- 9.4. The Unit Operator will maintain an approved Unit Plan at all times. Failure to do so is cause for default.
- 9.5. The Director, at the time a Unit Plan is approved, may, where facts and circumstances necessitate, require that the Unit Operator provide performance guarantee surety bonds or other mechanisms approved by the Director, which are adequate in the determination of the Director to protect the Unit Area and the State's interest.
- 9.6. The Unit Operator may explore, develop, or produce in the Unit Area only in accordance with an approved Unit Plan. Failure to comply with an approved Unit Plan is cause for default.
- 9.7. The Unit Plan may, in the Director's sole discretion, include a commitment to drill a well unless the Unit Operator: (a) begins within five years from the effective date of this Unit Agreement either Sustained Unit Production or Unit Operations to install permanent infrastructure; or (b) demonstrates to the Director's satisfaction that the Unit Operator has drilled a well capable of producing in paying quantities, and a prudent operator would not continue drilling additional wells.



- 9.8. Before beginning Operations on or in the Unit Area, the Unit Operator must obtain approval of its Unit Plan and any other required state, federal, or local permits and approvals. A plan of operations must be consistent with the mitigation measures set forth in the most recent state areawide lease sale best interest finding for the region that includes the Unit Area as of the time the plan of operations is submitted. An amendment to a plan of operations must be consistent with the mitigation measures in the most recent state areawide lease sale best interest finding as of the time of the amendment submittal.
- 9.9. The Unit Operator will give the Director written notice before beginning testing, evaluation, or pilot production from a well in the Unit Area.
- 9.10. If production from a Participating Area, but not the Unit as a whole, ceases and is not resumed within 90 days, then within 120 days of ceasing production from that Participating Area, the Operator will submit a plan of operations amendment that sets forth a rehabilitation plan for that Participating Area. The rehabilitation plan may address any continued use of improvements in the Participating Area for Unit Operations.
- 9.11. Sustained Unit Production will be maintained. If production should cease, the Operator will progress diligent Operations to restore Sustained Unit Production with lapses of no more than 90 days. The lapse may be longer if a suspension of Operations or production has been ordered or approved by the Director. An unapproved lapse in Sustained Unit Production of more than 90 days is cause for default.
- 9.12. After giving written notice to the Unit Operator and an opportunity to be heard, the Director may require the Unit Operator to modify from time-to-time, the rate of prospecting and development and the quantity and rate of production.

#### **ARTICLE 10: Participating Areas and allocation of production**

- 10.1. The Unit Operator will submit a request for approval of a proposed Participating Area to the Director for approval 90 days before the commencement of Sustained Unit Production from the proposed Participating Area.
- 10.2. A proposed Participating Area must be supported by an approved Unit Plan committing to Sustained Unit Production.
- 10.3. Unless another date is established by the Director, the effective date of a Participating Area will be no later than the date of first Sustained Unit Production.
- 10.4. Unitized Substance produced from one unit Participating Area ("originating Participating Area") may be injected into another unit Participating Area ("receiving Participating Area") for repressuring, recycling, storage, enhanced recovery, or other purposes only if the Director has approved the operation. The State will be paid royalty upon production from the originating Participating Area unless the Director approves payment of royalties

when the Unitized Substances injected are produced and sold from the receiving Participating Area under the following conditions:

- 10.4.1. The first Unitized Substances produced and sold from the receiving Participating Area will be considered to have been the injected Unitized Substances until a volume of Unitized Substances equal to the volume of injected Unitized Substances is produced and sold from the receiving Participating Area.
- 10.4.2. All Unitized Substances produced and sold from the receiving Participating Area that is considered to have been injected will be allocated back to the originating Participating Area.
- 10.4.3. The Unit Operator will provide monthly reports to the Director of the volumes transferred during the preceding month; and
- 10.4.4. The Working Interest Owners will pay royalties on injected substances produced and sold from a receiving Participating Area as if those injected substances were produced and sold from the originating Participating Area when they were produced from the receiving Participating Area.
- 10.5. The Commissioner's approval must be obtained for the proposed recovery rate and commencement date for recovery before any substance is injected within the Unit Area.
- 10.6. Production and costs will be allocated under 11 AAC 83.371 and any successor regulation. The Unit Operator will submit a proposed allocation plan, with supporting data, with the application to form a Participating Area. The allocation plan must be revised whenever a Participating Area is expanded or contracted.
- 10.7. The Working Interest Owners will pay royalties for each Unit Tract in proportion to each Working Interest Owner's ownership in that Unit Tract. The amount of Unitized Substances allocated to each Unit Tract will be deemed to have been produced from that Unit Tract.
- 10.8. If the Working Interest Owners allocate Unitized Substances, Participating Area Expense, or Unit Expense differently than described in Exhibits C, E, and F, that allocation will not be binding on the State or effective for determining royalty or net profit share payments. The Unit Operator will submit any allocation that is different than the allocations required in Exhibits C, E, or F to the Director under 11 AAC 83.371(b) for the State's information within 10 days of its effective date with a statement explaining the reason for the different allocation.
- 10.9. Royalties will not be due or payable to the State for the portion of Unitized Substances unavoidably lost or used in the Unit Area for development and production in accordance with prudent industry practices. Gas that is flared for any reason other than safety purposes as allowed by the AOGCC will not be deemed to be unavoidably lost and the Working Interest Owners will pay royalties for such flared gas as if it had been produced.



This exemption does not apply to Unitized Substances that are sold, traded, or assigned, including sales, transactions, or assignments among the Working Interest Owners.

#### **ARTICLE 11: Offset Wells**

- 11.1. Whenever there is a risk of drainage from production Operations on property outside the Unit Area, the Unit Operator shall drill wells to protect the State from loss by reason of drainage. If oil or gas is produced in Paying Quantities, as defined in 11 AAC 83.105, for 30 consecutive days from a gas well within 1,500 feet of the Unit or an oil well within 500 feet of the Unit, the Director may issue a written demand to drill. The Unit Operator will have an opportunity to be heard on the demand. If the Director then finds that production from a well outside the Unit is draining the Unit Area, the Unit Operator will begin drilling Operations for an offset well in the Unit Area within 30 days. In lieu of drilling a well required by this paragraph, the Working Interest Owners may compensate the State in full each month for the estimated loss of royalty through drainage in the amount determined by the Director.

#### **ARTICLE 12: Leases, Rentals, and Royalty Payments**

- 12.1. The Working Interest Owners will pay rent, royalty, and net profit share payments due under the Leases. Payments to the State must be made under 11 AAC 04.010 *et seq.*, 11 AAC 83.110, and 11 AAC 83.201 *et seq.*, and any successor regulations or statutes.
- 12.2. The royalty value, royalty in value, and royalty in kind provisions of state Leases committed to this agreement are amended to conform to the royalty value, royalty in value, and royalty in kind provisions of the lease attached to the state areawide lease sale best interest finding for the region that includes the Unit Area that is most recent as of the effective date of this Agreement.
- 12.3. If a state Lease committed to this Agreement provides for a discovery royalty rate reduction for the first discovery of oil or gas, that lease is amended to state that this Lease provision will not apply to a well spudded after the Effective Date.
- 12.4. Each month, the Unit Operator will furnish a schedule to the Director specifying for the previous month the amount of Unitized and Non Unitized Substances: 1) produced; 2) consumed in development and production Operations or unavoidably lost; 3) allocated to each unit tract; 4) allocated to each unit tract and delivered in-kind as royalty to the State; and 5) allocated to each Unit Tract for which royalty must be paid. The Unit Operator and Working Interest Owners will file all royalty and net profit share reports per 11 AAC 04.010 *et seq.* If any of the leases subject to this Agreement require net profit share payments, the operator will also provide an updated schedule of development costs and file net profit share reports in accordance with 11 AAC 83.201 *et seq.*

- 12.5. Each Working Interest Owner will pay royalties and net profit share payments to the State as provided in the Lease and based on the production allocated to the Unit Tract and in accordance with 11 AAC 04.010 *et seq.* and 11 AAC 83.201 *et seq.*
- 12.6. Royalties, whether paid in-kind or in-value, must be free and clear of all Lease expenses, unit expenses, and Participating Area Expenses including, but not limited to, separating, cleaning, dehydration, saltwater removal, processing, compression, pumping, manufacturing, preparing production for transportation off the Unit Area, and gathering and transportation costs incurred before the Unitized Substances are delivered to a common carrier. No lien for any expenses will attach to rent or royalty or net profit share payments due on produced Unitized Substances. But royalty and net profit share will bear a proportionate part of any gas shrinkage that occurs during gas processing and blending.
- 12.7. Parties acknowledge that sales information, including but not limited to confidential sales pricing terms, of the Parties for the production and sale of hydrocarbons from the Unit may be used by the DNR to administer the Unit, and other leases or Units in the area, including valuation for royalty purposes and DNR may disclose such confidential sales information to other producer/lessees in the same area in the administration, collection, and/or audit of royalties and net profit share payments. DNR also reserves the right to utilize information filed by the Parties with the Department of Revenue in the administration, collection, and/or audit of royalties and net profit share payments.
- 12.8. Notwithstanding any contrary Lease term or regulation, all royalty deductions for transportation, including, but not limited to, marine, truck, and pipeline transportation, from the Unit Area to the point of sale are limited to the actual and reasonable costs incurred by the Working Interest Owners. Transportation deductions are only allowed for sales quality oil and after the oil has passed through a custody transfer meter approved by the AOGCC. The State reserves the right to audit these transportation deductions. These transportation costs must be determined by taking into account all tax benefits applicable to the transportation.
- 12.9. If the Unit Operator or Working Interest Owners commingle production from the Unit with production from other sources for processing, the Unit Operator and Working Interest Owners will provide the Director with a monthly statement that identifies the quality and volume of oil or gas produced from the Unit.
- 12.10. Any unpaid, underpaid, or overpaid royalty or net profit share payment from state Leases committed to this Agreement will accrue interest as provided in AS 38.05.135(d)-(e).
- 12.11. For each Participating Area, the Unit Operator will give the Director notice of the anticipated date for commencement of production at least ninety (90) days before the commencement of Sustained Unit Production. Each month after the commencement of Sustained Unit Production, the Unit Operator will provide the Director a written estimate of unit production for the following ninety (90) days. DNR may take the State's royalty share of unit production in-kind. The Director will give the Unit Operator 90 days'



written notice of the State's initial election to take all or a portion of its share of unit production in-kind. After taking has commenced, the Director may increase or decrease the amount of its royalty share taken in-kind.

- 12.11.1. The Director may elect to specify the Unit Tracts from which the State's royalty share of Unitized Substances taken in-kind are to be allocated. If the Director does not specify any Unit Tracts in the written notice to the Unit Operator, the Unitized Substances taken in-kind will be allocated to all Unit Tracts in accordance with the Tract Participation shown on Exhibit C to this Agreement.
- 12.11.2. The Unit Operator will deliver the State's in-kind royalty to the custody transfer meter at a common carrier pipeline capable of carrying those substances, or at any other mutually agreeable place. The Director may designate any individual, firm, or corporation to accept delivery.
- 12.11.3. The State's share of Unitized Substances taken in-kind will be delivered to the point of sale in sales and common carrier pipeline quality condition. If a Working Interest Owner processes its share of the Unitized Substances to separate, extract, or remove liquids, the Director may require the Working Interest Owner to also process the State's share of Unitized Substances being taken in-kind in the same manner without cost to the State. The State, or its buyer, will only pay tariffed transportation costs and shrinkage of the volume of gas resulting from processing.
- 12.11.4. Each Working Interest Owner will furnish storage in or near the Unit Area for the State's royalty share of Unitized Substances to the same extent that the Working Interest Owner provides storage for its own share of Unitized Substances.
- 12.12. If a purchaser of the State's royalty taken in-kind does not take delivery, the Director may elect, without penalty, to underlift for up to six months following the failed delivery. The State may underlift all or a portion of its royalty share. The State's right to underlift is limited to the portion of its royalty share taken in-kind that the purchaser did not take delivery of or what is necessary to meet an emergency condition. The Director will give the unit operator written notice 30 days before the first day of the month in which the State will accept the underlifted royalty share of Unitized Substances. The State may correct an underlift of its royalty share at a daily rate not exceeding 25 percent of its royalty share of daily production, unless otherwise agreed.
- 12.13. The Unit Operator will maintain records, and will keep and have in its possession, books and records including expense records, of all exploration, development, production, and disposition of all Unitized Substances and substances from outside the Unit Area that are injected into the unit, Unitized Substances that are injected outside the unit, and substances injected into a Participating Area that were produced outside the Participating Area. Each Working Interest Owner will maintain records of the disposition of its portion

of the Unitized Substances, substances produced from outside the unit that are injected into the Unit Area, and substances produced from outside a participating area that were injected into the Participating Area including sales prices, volumes, and purchasers. The Unit Operator or Working Interest Owner must provide the Director with copies of the records upon request. The books and records may be provided in a mutually agreeable electronic format. The books and records must employ methods and techniques that will ensure the most accurate figures reasonably available. The Unit Operator and the Working Interest Owners will use generally accepted and internally consistent accounting procedures, except when it would be inconsistent with net profit share lease regulations.

- 12.14. The Working Interest Owners acknowledge that when they provide records for DNR, either directly to DNR or indirectly through another State agency, DNR may disclose those records in an official investigation or proceeding, including an audit to which the records are relevant, in accordance with AS 38.05.036.
- 12.15. If a Lease requires payment of minimum royalty, the Lease is amended to delete that minimum royalty obligation.

#### **ARTICLE 13: Unit Expansion and Contraction**

- 13.1. Upon its own election or at the direction of the Director, the Unit Operator may apply to expand the Unit Area to include additional lands that include all or part of a reservoir or potential hydrocarbon accumulation or that facilitate production.
- 13.2. A Unit expansion is not effective until approved by the Director.
- 13.3. The Director will contract the Unit as provided in 11 AAC 83.356.
- 13.4. Within 30 days after approval by DNR of any expansion or contraction of the Unit Area, the Unit Operator will submit revised Exhibits A and B to the Director.

#### **ARTICLE 14: Unit and Lease Termination**

- 14.1. A Lease or portion of a Lease contracted out of the Unit Area may be maintained only in accordance with state law, the Lease, and this Agreement.
- 14.2. This Agreement may be terminated by an affirmative vote of the Working Interest Owners, subject to Director approval.
- 14.3. This agreement automatically expires and ceases to exist five years from the Effective Date of this Agreement as provided in 11 AAC 83.336. The Effective Date is not subject to change, regardless of any change to the Unit Area or amendment to this Agreement.
- 14.4. Each Lease committed to this Agreement is extended as provided in the Lease.



- 14.5. Each Lease committed to this Agreement on the day that this Agreement expires or terminates, will remain in force for an extension period of 90 days, or any longer period approved by the Director, and for so long thereafter as the Working Interest Owners are actively drilling or redrilling or producing from the Lease in paying quantities.
- 14.6. Upon the expiration or termination of state Leases committed to this Agreement, the Working Interest Owners will continue to have rights as set forth in the Lease, including rights to access the Lease area for purposes of well abandonment and dismantlement, removal, and restoration. Notwithstanding any contrary Lease terms, within 120 days after expiration or termination of this Agreement, the Working Interest Owners will provide DNR with a proposed rehabilitation plan for any Unit Area Leases that are no longer in force, including (a) the location of all improvements; (b) plans for dismantling and removing each improvement and rehabilitating the area of the improvement; and (c) any requests to leave an improvement in place. To ensure that the Working Interest Owners return the land in good condition, DNR will approve or disapprove the rehabilitation plan and determine which, if any, improvements, such as roads, pads, and wells, may be left intact and the Working Interest Owners relieved of further responsibility for its maintenance, repair, abandonment, and rehabilitation. Returning the land in good condition includes, but is not limited to, compliance with an approved rehabilitation plan. The Working Interest Owners, or the Unit Operator on behalf of the Working Interest Owners, may at any time within a period of one year after the termination of Unit Area Leases, or any extension of that period as may be granted by DNR, remove from the Unit Area all machinery, equipment, tools, and materials. Upon the expiration of that period and at the option of DNR, any machinery, equipment, tools, materials, and improvements that the Unit Operator or Working Interest Owners have not removed from the Unit Area may, at the election of the State, become the property of the State, or be removed by the State at the expense of the Working Interest Owners, or DNR may issue an order requiring the Working Interest Owners to remove any machinery, equipment, tools, materials, and improvements within 90 days.

#### **ARTICLE 15: Counterparts**

- 15.1. The signing of counterparts of this Agreement will have the same effect as if all parties had signed a single original of this Agreement.

#### **ARTICLE 16: Laws and Regulations**

- 16.1. This Agreement and all state Leases subject to this Agreement are subject to all applicable state and federal statutes and regulations in effect on the Effective Date of this Agreement, and to all statutes and regulations or amendments to statutes and regulations placed in effect after the Effective Date of this Agreement, without regard to whether this Agreement references a particular statute or regulation. A reference to a statute or regulation in this Agreement includes any change in that statute or regulation whether by

amendment, repeal and replacement, or other means. This Agreement does not limit the power of the State of Alaska or the United States of America to enact and enforce legislation or to promulgate and enforce regulations affecting, directly or indirectly, the activities of the parties to this Agreement or the value of interests held under this Agreement. In case of conflicting provisions, statutes and regulations take precedence over this Agreement.

#### **ARTICLE 17: Appearances and Notices**

- 17.1. If the State gives the Unit Operator a notice or order relating to this Agreement, it will be deemed given to all Working Interest Owners. All notices required by this Agreement will be given in writing and delivered electronically, personally, or by United States mail to the Unit Operator at the address listed below. All notices actually received will also be deemed properly given. The Unit Operator will give 30 days' written notice to the State and the other Working Interest Owners of any change in its notice address. The State will give 30 days' written notice to the Unit Operator of any change in its notice address.

##### **Address of the Unit Operator:**

Strong Energy Resources, LLC  
13702 Tosca Lane  
Houston, Texas 77079

##### **Address of the State:**

Director, Division of Oil and Gas  
550 West Seventh Avenue, Suite 1100  
Anchorage, Alaska 99501-3560

#### **ARTICLE 18: Default**

- 18.1. Failure to comply with any term of this Agreement, including Unit Plans or applicable statutes and regulations, is a default of this Agreement, without regard to any specific references to default in this Agreement.
- 18.2. The failure to comply with a Unit Plan or other aspect of this Agreement because of force majeure, as defined in 11 AAC 83.395, is not a default, so long as the Unit Operator is working diligently to overcome the force majeure condition. Failure to obtain a permit or other approval from a state, federal, or local agency or a landowner is not force majeure.
- 18.3. A seasonal restriction on Operations or production or other condition required in the Lease is not a suspension of Operations or production required by law or force majeure.



## **ARTICLE 19: Preservation of Rights**

- 19.1. Nothing in this Agreement shall diminish a Party's right to appeal a decision of the Director, in accordance with 11 AAC 02.

[signature page follows]

IN WITNESS OF THE FOREGOING, the parties have executed this Unit Agreement on the dates opposite their respective signatures.

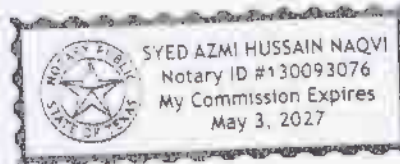
**WORKING INTEREST OWNER(S)**

By:  Strong Energy Resources, LLC

Date: 6/25/25

James S. Watt

President & CEO



SUBSCRIBED AND SWORN BEFORE ME

THIS 25<sup>th</sup> DAY OF JUNE 2025

  
\_\_\_\_\_  
NOTARY PUBLIC



# Exhibit A

## UNIT TRACT TABLE

Lease	Lessee	Effective Date	Primary Term	Expiration Date
ADL 392717	Strong	July 1, 2015	10	June 30, 2025
ADL 392718	Strong	July 1, 2015	10	June 30, 2025
ADL 394181	Strong	September 1, 2024	10	August 31, 2034

Tract: 2 ADL: 392717

T. 001N. R. 002E., Umiat Meridian, Alaska.

Section 1, Surveyed, by protraction, portion of Tract 37, 91.82 acres;

Section 12, Surveyed, by protraction, portion of Tract 37, 260.02 acres;

Section 13, Surveyed, by protraction, portion of Tract 37, 393.77 acres;

Section 14, Surveyed, by protraction, portion of Tract 37, 61.87 acres;

This Tract (NS0002) contains 807.48 acres, more or less.

According to the supplemental survey plat accepted by the United States Department of the Interior, Bureau of Land Management in Anchorage, AK on February 21, 2013.

Tract: 6 ADL: 392718

T. 001N. R. 003E., Umiat Meridian, Alaska.

Section 6, Surveyed, by protraction, portion of Tract 37, 428.66 acres;

Section 7, Surveyed, by protraction, portion of Tract 37, 323.80 acres;

Section 18, Surveyed, by protraction, portion of Tract 37, 62.15 acres;

This Tract (NS0006) contains 814.61 acres, more or less.

According to the supplemental survey plat accepted by the United States Department of the Interior, Bureau of Land Management in Anchorage, AK on February 21, 2013.

ADL: 394181

T. 001N. R. 002E., Umiat Meridian, Alaska.

Section 1, Surveyed by Protraction, Lot 2, 27.27 acres;

Section 2, Surveyed by Protraction, Portion of Tract 37, 67.98 acres;

Section 11, Surveyed by Protraction, Lots 2 and 3, 23.18 acres;

Section 12, Surveyed by Protraction, Lot 2, 20.85 acres;

Section 14, Surveyed by Protraction, Lot 1, 166.77 acres;

This Tract (NS0002) contains 306.05 acres, more or less.

According to the survey plat officially filed by the United States Department of the Interior, Bureau of Land Management in Anchorage, Alaska on July 2, 1994, and the supplemental plat officially filed the United States Department of the Interior, Bureau of Land Management in Anchorage, Alaska on June 6, 2014.

## Exhibit B

### UNIT MAP



Source: Alaska Mapper



## Exhibit G

### UNIT PLAN OF EXPLORATION

Strong believes there is a timely opportunity to further assess both the Gubik Field and the near Foothills region. To this end, Strong has engaged with ASRC and AGDC to gauge general interest and there is an openness to gas development following Phase 1 of the LNG pipeline. This suggests a timeframe of approximately five years for a potential lease extension.

This work should be concluded to align with the timeline and leverage the equipment and expertise of the major pipeline associated with LNG Phase 1.

Strong believes this approach represents a viable path to develop and enhance the natural resources in the area. This window of opportunity could facilitate a timely commercial update, potentially opening up the area for development. As part of a work program Strong plans to:

- Integrate the Anadarko and Renaissance 3-D programs, as well as the 2-D data in the 2026 -2027
- Initiate a third-party reserve and commercial feasibility study in 2027.
- Seek a major investor to acquire additional acreage surrounding the Gubik feature and to partner in the work program.
- Assess potential pipeline routes in collaboration with the State.
- Begin collecting environmental data to support project permitting, planning, and engineering for the proposed winter drilling program in 2030/2031.
- Drill one to two additional wells. One being potentially on the Gubik Unit, surface location permitting, at or near Anadarko's well Gubik #5, and one a delineation well on BLM lands.
- Finalize the area development plan and proceed with necessary approvals and environment permits.

A firm LNG pipeline commitment is needed prior to initiating the third party feasibility study, and a demonstration of commerciality is required before a major investor will step-in.

The pipeline route and permitting should be concluded to tie to the LNG Phase 1 to capture the equipment and expertise of the major pipeline.

Strong believes this approach represents a viable path to develop and enhance the natural resources in the area.