



DRAFT ENTRY AUTHORIZATION

ADL 422741

STAK Energy Corporation

AS 38.05.070

The Division of Oil and Gas (Division) is issuing this Entry Authorization (EA) to STAK Energy Corporation (STAK) for the following described state-owned land: ADL 422741, a principal gravel pad of approximately 640 acres, a 1.8-mile gravel access road connecting the site to the Dalton Highway, and associated maintenance buffers and lease area, totaling 715.4 acres in support of the STAK energy campus.

The site is located within Sections 1-4, 9-12, and 13-16, Range 13E, Township 6N, Umiat Meridian, and Sections 25-28 and 33-36, Range 13E, Township 7N, Umiat Meridian.

This Entry Authorization is under the **MONTH, DAY, YEAR**, Final Finding and Decision.

This Entry Authorization is conditioned on STAK submitting a performance guaranty and proof of insurance as set out in the **MONTH, DAY, YEAR**, Final Finding and Decision. STAK is responsible for obtaining approvals or permits from other persons or governmental agencies that may also be required for this activity. The Division may revoke this Entry Authorization upon violation of any of its terms, conditions, or stipulations, nonpayment of fees, or upon failure to comply with any other applicable laws, statutes, or federal or state regulations, or if the area is no longer used for the purposes intended. This Entry Authorization is effective **MONTH, DAY, YEAR**, and terminates on **MONTH, DAY, YEAR**. STAK is responsible for maintaining a current address with the Division during the term of this Entry Authorization.

Signature of Authorized State Representative
Director, Division of Oil and Gas

Date

Signature of Lessee or Authorized Representative

Date

Lessee's Address

Contact Person

Work Phone

**STAK Energy Campus
Lease
AS 38.05.070
Entry Authorization Stipulations**

The following standard stipulations will apply to the Entry Authorization (EA) and to any lease issued for the STAK Energy Campus.

- 1. Authorized Officer.** The Authorized Officer (AO) for the Department of Natural Resources (DNR) is the Director of Division of Oil and Gas (Director) or Director's designee. The AO may be contacted at 550 W 7th Ave., Suite 1100, Anchorage, Alaska 99501. The AO reserves the right to modify these stipulations or use additional stipulations as deemed necessary.
- 2. Indemnification.** Lessee assumes all responsibility, risk, and liability for all activities of Lessee, its employees, agents, invitees, contractors, subcontractors, or licensees, directly or indirectly conducted in connection with this authorization, including environmental and hazardous substance risks and liabilities, whether accruing during or after the term of this authorization. Lessee shall defend, indemnify, and hold harmless the State of Alaska, its employees, and agents from and against any and all suits, claims, actions, losses, costs, penalties, and damages of whatever kind or nature, including all attorney's fees and litigation costs, arising out of, in connection with, or incident to any act or omission by Lessee, its employees, agents, invitees, contractors, subcontractors, or licensees. Within 15 days Lessee shall accept any cause or action or proceeding upon tender by the State. This indemnification will survive the termination of this authorization.
- 3. Valid Existing Rights.** This authorization is subject to all valid existing rights in and to the land under this authorization. The State of Alaska makes no representations or warranties whatsoever, either expressed or implied, as to the existence, number, or nature of other valid existing rights.
- 4. Reservation of Rights.**
 - a. The Division reserves the right to grant additional authorizations to third parties for compatible uses on or adjacent to the land under this authorization. Authorized concurrent users of State land, their agents, employees, contractors, subcontractors, and licensees shall not interfere with the operation or maintenance activities of each user.
 - b. The Division may require authorized concurrent users of State land to enter into an equitable agreement regarding concurrent use.
 - c. The AO reserves the right to modify these stipulations or use additional stipulations as deemed necessary. Lessee will be notified in writing prior to the implementation of any change in the terms or conditions exercised by the AO under this provision. Lessee will be afforded the opportunity to review and comment regarding the effect of any proposed change to this authorization. Failure of the Lessee to notify the AO of any change to current officers or addresses shall not be sufficient grounds to invalidate the AO's compliance with this notification process.
- 5. Proper Location.** This authorization is for activities on State land managed by the Division and does not authorize any activities on private lands, federal lands, Native lands, municipal lands, or lands that are owned or managed by other offices and agencies of the State of Alaska and/or the DNR. The Lessee is responsible for proper location on site.

- 6. Preference Rights.** No preference right for use or conveyance of the land is granted or implied by this authorization.
- 7. Public Trust Doctrine.** The Public Trust Doctrine guarantees public access to, and the public right to use, navigable and public waters and the land beneath them for navigation, commerce, fishing, and other purposes. This authorization is subject to the principles of the Public Trust Doctrine regarding navigable or public waters. The AO reserves the right to grant other interests consistent with the Public Trust Doctrine.
- 8. Public Access.** The construction, operation, use, and maintenance of the authorized area shall not interfere with public use of roads, trails, waters, landing areas, and public access easements. The ability to use or access state land or public waters may not be restricted in any manner. However, if a specific activity poses a safety concern, the AO may allow the restriction of public access for a specific period of time. The Lessee is required to contact the AO in advance for approval. No restriction is allowed unless specifically authorized in writing by the AO.
- 9. The Alaska Historic Preservation Act.** The Lessee shall consult the Alaska Heritage Resources Survey so that known historic, archaeological and paleontological sites may be avoided. The Alaska Historic Preservation Act (AS 41.35.200) prohibits the appropriation, excavation, removal, injury, or destruction of any state-owned historic, prehistoric (paleontological) or archaeological site without a permit from the commissioner. Should any sites be discovered during the course of field operations, activities that may damage the site will cease and the Office of History and Archaeology in the Division of Parks and Outdoor Recreation shall be notified immediately.
- 10. Destruction of Markers.** All survey monuments, witness corners, reference monuments, mining claim posts, bearing trees, and unsurveyed lease corner posts shall be protected against damage, destruction, or obliteration. The Lessee shall notify the AO of any damaged, destroyed, or obliterated markers and shall reestablish the markers at the Lessee's expense in accordance with accepted survey practices of the Division.
- 11. Survey.** The Lessee is responsible for completing an Alaska State Land Survey (ASLS) of the proposed lease site. The survey must be submitted to DMLW's Survey Section for approval no later than one year after issuance of the survey instructions. Failure to do so will cause the forfeiture of the performance guaranty as outlined in the Penalties stipulation listed below. The survey must properly locate the lease boundaries, all infrastructure, and easements. If the submitted survey is accepted by the Division, the measurements identified will be used to accurately calculate the total acreage.
- 12. Compliance with Governmental Requirements.** Lessee shall, at its expense, comply with all applicable laws, regulations, rules, and orders, and the requirements and stipulations included in this authorization. Lessee shall ensure compliance by its employees, agents, contractors, subcontractors, licensees, or invitees.
- 13. Change of Contact Information.** The Lessee shall maintain current contact information with the AO. Any change of contact information must be submitted in writing to the AO.
- 14. Waiver of Forbearance.** Any failure on the part of the AO to enforce the terms of this authorization, or the waiver of any right under this authorization by the Lessee, unless in writing,

shall not discharge or invalidate the authorization of such terms. No forbearance or written waiver affects the right of the AO to enforce any terms in the event of any subsequent violations of terms of this authorization.

- 15. Incurred Expenses.** The Lessor shall in no way be held liable for expenses incurred by the Lessee connected with the activities directly or indirectly related to this authorization.
- 16. Other Authorizations.** The issuance of this authorization does not alleviate the necessity of the Lessee to obtain authorizations required by other persons or agencies for this project. Failure to obtain said authorizations shall constitute a violation of this authorization, subject to action as described herein.
- 17. Access.** The Lessee may restrict third party access to the surface as necessary for work site safety within the lease area. The Lessee shall provide DNR an opportunity to review and approve access control plans. The area of third-party access restriction must not extend outside of the area granted under the lease.
- 18. Fire Prevention, Protection and Liability.** The Lessee shall take all reasonable precautions to prevent and suppress fires and shall assume full liability for any damages to state land resulting from negligent use of fire. The State of Alaska is not liable for damage to the Lessee's personal property and is not responsible for fire protection of the Lessee's activity.
- 19. Fuel and Hazardous Substances.** The use and/or storage of hazardous substances by the Lessee must be done in accordance with existing federal, state, and local laws, regulations and ordinances. Debris (such as soil) contaminated with used motor oil, solvents, or other chemicals may be classified as a hazardous substance and must be removed and disposed of in accordance with existing federal, state and local laws, regulations and ordinances. In addition to existing federal, state and local laws, regulations and ordinances:
 - a. The Lessee shall provide secondary containment for fuel or hazardous substances.
 - b. Container marking. All independent fuel and hazardous substance containers must be marked with the contents and the Lessee's name using paint or a permanent label.
 - c. Fuel or hazardous substance transfers. Secondary containment or surface liners must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or hazardous substances to respond to a spill of up to five gallons. Transfer operations must be attended by trained personnel at all times. Vehicle refueling must not occur within the annual floodplain or tidelands. This restriction does not apply to water-borne vessels provided no more than 30 gallons of fuel are transferred at any given time.
 - d. Storing containers within 100 feet of waterbodies. Containers with a total capacity larger than 55 gallons that contain fuel or hazardous substances, shall not be stored within 100 feet of a waterbody.
 - e. Exceptions. DNR may, under unique or special circumstances, grant exceptions to this stipulation on a case-by-case basis. Requests for exceptions shall be made to the DNR.
 - f. Lessee shall protect the property from leaking or dripping hazardous substances or fuel from equipment and vehicles. The Lessee shall comply with this stipulation by placing drip pans or other surface liners designed to catch and hold fluids under the property or

by developing an area for storage using an impermeable liner or other suitable containment mechanism.

g. Definitions.

- i. "Containers" means any item used to hold fuel or hazardous substances. This includes tanks, drums, double-walled tanks, portable testing facilities, fuel tanks on small equipment including light plants and generators, flow test-holding tanks, slop oil tanks, bladders, and bags. Manifolder tanks or any tanks in a series will be considered as single independent containers. Vehicles, including mobile seismic tanks, are not included under this definition.
- ii. "Hazardous substances" are defined under AS 46.03.826(5) as (a) an element or compound which, when it enters the atmosphere, water, or land, presents an imminent and substantial danger to the public health or welfare, including fish, animals, or vegetation; (b) oil; or (c) a substance defined as a hazardous substance under 42 U.S.C. 9601(14).
- iii. "Secondary containment" means an impermeable diked area, portable impermeable containment structure, or integral containment space capable of containing the volume of the largest independent container. The containment shall, in the case of external containment, have enough additional capacity to allow for local precipitation.
- iv. "Surface liner" means any safe, non-permeable container (e.g., drip pans, fold-a-tanks, etc.) designed to catch and hold fluids for the purpose of preventing spills. Surface liners should be of adequate size and volume based on worst-case spill risk.

20. Spill Notification.

- a. The Lessee or entraperson shall immediately notify the Alaska Department of Environmental Conservation (ADEC) by telephone, and immediately afterwards send ADEC a written notice by facsimile, hand delivery, or first class mail, informing ADEC of: any unauthorized discharges of oil to water, any discharge of hazardous substances other than oil; and any discharge or cumulative discharge of oil greater than 55 gallons solely to land and outside an impermeable containment area. If a discharge, including a cumulative discharge, of oil is greater than 10 gallons but less than 55 gallons, or a discharge of oil greater than 55 gallons is made to an impermeable secondary containment area, the Lessee or entraperson shall report the discharge within 48 hours, and immediately afterwards send ADEC a written notice by facsimile, hand delivery, or first class mail. Any discharge of oil greater than one gallon up to 10 gallons, including a cumulative discharge, solely to land, must be reported in writing on a monthly basis. The posting of information requirements of 18 AAC 75.305 shall be met. Scope and Duration of Initial Response Actions (18 AAC 75.310) and reporting requirements of 18 AAC 75, Article 3 also apply.
- b. The Lessee or entraperson shall supply ADEC with all follow-up incident reports. Notification of a discharge must be made to the nearest ADEC Area Response Team during working hours: Anchorage (907) 269-3063, fax (907) 269-7648; Fairbanks (907) 451-2121, fax (907) 451-2362; Juneau (907) 465-5340, fax (907) 465-2237. The ADEC oil spill report number outside normal business hours is (800) 478-9300.
- c. The Lessee or entraperson shall immediately notify the AO of any spill or discharge that is reported to ADEC.
- d. The Lessee or entraperson shall immediately notify the AO of any pollution or explosion in the project area.

21. Site Maintenance. The area subject to this lease shall be maintained in a neat, clean, and safe condition, free of any solid waste, debris, or litter. The State of Alaska assumes no responsibility for maintenance of improvements constructed on state land or liability for injuries or damages attributed to that construction.

22. Site Disturbance. Unless specified herein:

- a. Site disturbance shall be kept to a minimum to protect local habitats. All activities at the site shall be conducted in a manner that will minimize the disturbance of soil and vegetation and changes in the character of natural drainage systems.
- b. Brush clearing is allowed but shall be kept to the minimum necessary to conduct or complete the authorized activity. Removal or destruction of the vegetative mat outside of the authorized area is not allowed.
- c. Establishment of, or improvements to, tidal, submerged, shoreland, or riparian landing areas (e.g., leveling the ground, bank cutting, or removing or modifying a substantial amount of vegetation) is prohibited without the prior written consent of the AO.
- d. The Lessee shall conduct all operations in a manner that will prevent unwarranted erosion and siltation. Any such erosion or siltation shall be repaired in a manner satisfactory to the AO at the Lessee's expense.

23. Destruction of Markers. The Lessee shall protect all survey monuments, witness corners, reference monuments, mining claim posts, bearing trees, and unsurveyed corner posts against damage, destruction, or obliteration. The Lessee shall notify the AO of any damaged, destroyed, or obliterated markers and shall reestablish the markers at the Lessee's expense in accordance with accepted survey practices of the DNR.

24. Waste Disposal. All waste generated during construction activities under this authorization shall be removed or otherwise disposed of as required by State and Federal law. On-site waste disposal is prohibited, unless specified herein. "Waste" in this paragraph means all discarded matter, including, but not limited to, human waste, trash, garbage, litter, oil drums, petroleum, ashes, and discarded equipment.

25. Corrective Work Actions and Violations.

- a. Directives may be issued for corrective actions that are required to correct a deviation from design criteria, project specifications, stipulations, state statutes, or state regulations. Work at the area subject to the Directive may continue while implementing the corrective action. Corrective action may include halting or avoiding specific conduct, implementing alternative measures, repairing any damage to state resources that may have resulted from the conduct, or other action as determined by DNR.
- b. This authorization may be revoked upon violation of any of its terms, conditions, stipulations, nonpayment of fees, or upon failure to comply with any other applicable laws, statutes and regulations (federal and state). A revocation may not become effective until 60 days after the Lessee has been notified in writing of the violation during which time the Lessee has an opportunity to cure any such violation, unless such violation presents an immediate health or safety hazard.
- c. Should any unlawful discharge, leakage, spillage, emission, or pollution of any type occur due to Lessee's, or its employees', agents', contractors', subcontractors', licensees', or invitees' act or omission, Lessee, at its expense, shall be obligated to clean the area to the reasonable satisfaction of the State of Alaska.

26. Disposition and Removal of Improvements and Site Restoration Upon Termination. Upon termination of this authorization, whether by expiration, abandonment, revocation, or any other means, disposition of Lessor-approved chattels or improvements left on the leased parcel shall be governed by AS 38.05.090. Improvements not approved by the Lessor shall, at the Lessor's sole option, either be removed from the leased parcel and the site restored to its original condition at the Lessee's sole expense or be forfeited to the Lessor. The Lessee shall complete any required removal within 30 days of termination and shall restore the site to a condition acceptable to the AO. Should the Lessee fail or refuse to remove structures or improvements within the time allotted, they shall revert to and become the property of the State; however, the Lessee shall not be relieved of the cost of removal or site restoration. The Lessee shall be liable to the Lessor for any costs, expenses, or damages arising out of the disposition of improvements not approved by the Lessor and may be required to pay rent on any improvements or chattels remaining on the leased parcel in accordance with 11 AAC 58.680.

27. Completion Report.

- a. A completion report shall be submitted within 30 days of expiration without a lease being issued, termination, or revocation of the authorized activities. The report shall contain the following information:
 - i. A report covering any known incidents of damage to the vegetative mat and underlying substrate, and follow-up corrective actions that may have taken place while operating under this authorization.
 - ii. Photographs of the site taken before, during and after the proposed activity to document authorization compliance. Photographs must consist of a series of aerial view or ground level view photos that clearly depict compliance with site cleanup and restoration guidelines.
- b. Failure to submit the required report may subject the site to a final field inspection. The Lessee may be assessed a fee for this inspection.
- c. The performance guaranty will not be released until a satisfactory completion report has been received and approved.

28. Surface Drainage. The Lessee shall install adequate culverts to maintain surface drainage and to prevent ponding and erosion.

29. Operation of Vehicles.

- a. Blading or removal of the vegetative mat is prohibited unless expressly approved in writing by the DNR.
- b. DNR will determine cross-country travel opening and closure based on snow cover and frost depth conditions. Cross-country travel must be completed within 72 hours of notification of tundra closure by DNR. The winter operation of ground contact vehicles for off-road travel must be limited to areas where ground frost and snow cover are adequate to prevent damage to the vegetative mat and underlying substrate.
- c. Ice roads and ice pads may be constructed in the work areas as long as they are thick enough to prevent damage to the tundra and underlying substrate. A valid ice road/pad construction permit is required.
- d. Vehicle maintenance, campsites, and storage or stockpiling of material on the surface ice of lakes, ponds, or rivers is prohibited unless expressly approved in writing by DNR.
- e. During equipment maintenance operations, the site must be protected from leaking or dripping hazardous substances or fuel. The Lessee shall comply with this stipulation by

placing drip pans or other surface liners designed to catch and hold fluids under the property or by developing an area for maintenance using an impermeable liner or other suitable containment mechanism.

- f. Incidents of tundra damage and follow-up corrective actions that may have taken place while operating under this authorization must be reported to DNR within 72 hours of discovery of damage.

- 30. Violations.** This authorization may be revoked upon violation of any of its terms, conditions, stipulations, nonpayment of fees, or upon failure to comply with any other applicable laws, statutes, and regulations (Federal and State). A revocation may not become effective until 60 days after the Lessee has been notified in writing of the violation, during which time the Lessee has an opportunity to cure any such violation. Should any unlawful discharge, leakage, spillage, emission, or pollution of any type occur due to the Lessee's, or its employees', agents', contractors', subcontractors', licensees', or invitees' act or omission, the Lessee, at its expense, shall be obligated to clean the area to the reasonable satisfaction of the State of Alaska.
- 31. Severability.** If any clause or provision of this authorization is, in a final judicial proceeding, determined illegal, invalid, or unenforceable under present or future laws, then the Lessor and Lessee agree that the remainder of this authorization will not be affected, and in lieu of each clause or provision of this authorization that is illegal, invalid, or unenforceable, there will be added as part of this authorization a clause or provision as similar in terms to the illegal, invalid, or unenforceable clause or provision as may be possible, legal, valid, and enforceable.
- 32. Inspection.** Authorized representatives of the State of Alaska shall have access to the lease area for inspections. The Lessee may be charged fees under for routine inspections of the authorized area, inspections concerning non-compliance, and a final close-out inspection.
- 33. Improvements.** The Lessee or entryperson must obtain advance written approval from the AO prior to making any changes or improvements to the site or their operations not already included in this authorization.
- 34. Entry Authorization.** In the case of issuance of an EA pending issuance of a final authorization, Lessee agrees to remove any improvements and to rehabilitate the area to a condition acceptable to the AO as provided above if the final lease is not issued or the Lessee fails to complete the lease process within the term of this EA. Lessee also understands that entry is undertaken at his/her own risk in the event that the final authorization is not issued.
- 35. Entry Authorization Extensions.** Any request for EA extension will be considered upon receipt of a written request received prior to the expiration of the EA, the required filing fee, and any additional required documents. Any extension may be granted or denied in the discretion of the AO.
- 36. Fine Tuning.** Any changes in the alignment of the project area will require the prior written approval of the AO. The AO reserves the discretionary authority to require a redetermination of the State's best interest for any significant proposed changes.
- 37. Amendment or Modification.** To amend or modify the uses allowed under this authorization, the Lessee shall submit a request in writing to the AO. Any amendment or modification must be approved by the AO and may require additional fees.

- 38. Development Plan.** Development or use shall be limited to the authorized area and improvements specified in the approved development plan or subsequent modifications approved by the AO. The Lessee is responsible for accurately siting development and operations within the authorized area. Any proposed revisions to the development plan must be approved in writing by the AO before the change in use or development occurs.
- 39. Assignment.** This authorization may not be transferred or assigned without the prior written consent of the AO.
- 40. Subleasing.** The leased parcel may not be subleased without the Division's approval. The Division reserves the right to require an increased annual compensation as a condition of a sublease approval. "Sublease" includes any lease, sublease, rental, storage, use, or accommodation agreement between the Lessee and another individual, business or corporation utilizing or benefiting from the leased parcel. "Sublessee" shall be defined to mean any individual, business, corporation, or other entity executing an agreement, as described above, with the Lessee. The amount of sublease compensation shall be subject to change at the same time as the lease compensation adjustment and whenever the terms or conditions of the agreement between the Lessee and sublessee change. Notwithstanding other requirements described in this EA or the lease agreement, assignments or subleases shall be restricted to those entities which are also eligible to obtain a lease under AS 38.05.070. Approval of a sublease shall also be conditioned upon:
- a. the Lessee is in full compliance with EA conditions and is in good standing with all other authorizations per 11 AAC 96.145;
 - b. submission by the Lessee of a copy of the agreement(s) which will govern the relationship and compensation provisions between the Lessee and sublessee; failure of Lessee to provide complete, true and accurate information regarding sublease compensation will, at lessor's discretion, be grounds for termination of the EA;
 - c. submission by the Lessee of a proposed plan of operations and development for the subleased area and, if necessary, an amended plan of operations and development for the entire leased parcel; and
 - d. a best interest finding by the Division and amendments to the EA and any subsequent lease, as necessary, if significant changes to the use and development are proposed.
- 41. Change of Address or Officers.** Any change of address or authorized officers appointed by the Lessee must be submitted in writing to the AO.
- 42. Request for Information.** The AO, at any time, may require the Lessee to provide any information directly or indirectly related to this authorization, in a manner prescribed by the AO.
- 43. Performance Guaranty.** In accordance with AS 38.05.035 and AS 38.05.860, a Performance Guaranty must be submitted by the Lessee prior to lease issuance to incentivize performance of the conditions of this EA and the lease, and to provide a mechanism for the State to ensure that the Lessee shares the financial burden in the event of noncompliance for site cleanup, restoration, and any associated costs after termination or expiration of the leases. DNR will accept an appropriate Performance Guaranty from a sublessee, but at any time the Lessee may be required to supplement or replace any Performance Guaranty required from a sublessee. Such performance guaranty shall remain in effect for the term of this EA and shall secure performance of the Lessee's obligations hereunder. The amount of the performance guaranty may be adjusted

by the AO as a condition of approval of amendments to this authorization or changes in the development plan, and upon any change in the activities conducted, or performance of operations conducted on the premises. If the Lessee fails to perform the obligations under this EA, the State may perform Lessee's obligations at Lessee's expense. Lessee agrees to pay within 20 days following demand, all costs and expenses reasonably incurred by the State of Alaska as a result of the failure of the Lessee to comply with the terms of this EA. The provisions of this EA shall not prejudice the State's right to obtain a remedy under any law or regulation. If the AO determines that the Lessee has satisfied the terms and conditions of this authorization the performance guaranty may be released. The performance guaranty may only be released in a writing signed by the AO. The following bonds will be required:

Performance Bond

A performance guaranty provides a means to pay for corrective action if the lessee fails to comply with the lease requirements. In accordance with AS 38.05.035(a)(4), the Applicant will be required to submit a performance guaranty. The amount of the performance guaranty is based on an independent estimate, provided by the Applicant, that considers the scope and the nature of the activity and the potential cost of restoring the site. The performance guaranty is subject to periodic adjustments made during the term of the authorization to address increases or decreases in the costs of rectifying problems and rehabilitating state land due to inflation, changes in the level or nature of development, or other appropriate factors.

44. Insurance. Consistent with AS 38.05.035(a), and to protect the State from liability associated with the use of the site, the Lessee shall provide and maintain a comprehensive liability insurance policy with the State of Alaska named as an additional insured party on the policy with respect to the operations of the Lessee on or in conjunction with the permitted premises referred to as ADL 422741. The Lessee, prior to the issuance of this EA, shall secure or purchase at its own expense and maintain in force at all times during the term of the lease, liability coverage and limits consistent with what is professionally recommended as adequate to protect the Lessee and the State, its officers, agents, and employees from the liability exposure of all the insured's operations on state land. The insurance requirement may be adjusted periodically.

45. Compensation and Late Payment Penalty Charges. This authorization is subject to an annual use fee payable on or before the anniversary date of the EA issuance. DNR may issue a lease at the approved, appraised market value of the land as determined under AS 38.05.840 or by another form of lease compensation specified from among those set out in AS 38.05.073(m) and designed to maximize the return on the lease to the State. A combination of methods, authorized under AS 38.05.073(m) shall be required to provide reasonable compensation to DNR on the lease.

The final lease will incorporate both a base rental rate and an additional rental based on a percentage of annual gross receipts from the lessee (and sublessees, if any). A formal appraisal, obtained at the expense of the applicant, will be required to establish annual rent based on fair market value. The Lessee shall provide all documentation requested by DNR and negotiate in good faith to establish a final lease compensation agreement prior to commencing construction activities under the lease. Additionally, prior approval by and compensation to the State will be required in the event of sublease. Failure of the Lessee to provide complete, true, and accurate information will, at DNR's discretion, be grounds for termination of the lease. In accordance

with AS 38.05.105, the annual rental payment or other form of lease compensation is subject to adjustment at five-year intervals.

The Lessee shall pay a fee for any late payment. The amount is the greater of either the fee specified in 11 AAC 05.030 or interest at the rate set by AS 45.45.010(a) and will be assessed on a past-due account until payment is received by the State.

46. Failure to Pay. Failure to pay annual fees when due is a default of the terms and conditions of this EA.

47. Use Agreement. Because this EA and any subsequent lease are being issued subject to an existing oil and gas lease and an existing pipeline right-of-way lease to third parties, which leases affect the leased parcel, it is recommended that the Lessee and those third parties enter into and maintain a Use Agreement between the parties that provides for coordination between the parties to ensure reasonable concurrent use and to minimize interference with oil and gas/pipeline operations and infrastructure. The Lessee shall provide a current copy of any agreement to the AO upon request.

48. Termination of Leasehold Interest. Failure to provide the required deliverables as described above and within the timeframe identified for the EA may be considered cause for termination of this EA or any leasehold interest.

Advisory Regarding Violations of the Entry Authorization Guidelines: A person who violates a condition of an authorization is subject to any action available to the Department of Natural Resources (DNR) for enforcement and remedy, including revocation, civil action for forcible entry and detainer, ejectment, trespass, damages, and associated costs, or arrest and prosecution for criminal trespass in the second degree. DNR may seek damages available under civil action including restoration damages, compensatory damages, and treble damages under AS 09.45.730 or AS 09.45.735, for violations involving injuring or removing trees or shrubs, gathering geotechnical data, or taking mineral resources.

If a person responsible for an unremedied violation or a condition of an authorization applies for a new authorization from DNR under AS 38.05.035, DNR may require the applicant to remedy the violation as a condition of the new authorization, or to begin remediation and provide security to complete the remediation before receiving the new authorization. If a person who applies for a new authorization under AS 38.05.035 has previously been responsible for a violation of a condition of an authorization issued under this chapter, whether remedied or unremedied, that resulted in substantial damage to the environment or to the public, DNR will consider that violation in determining the amount of the security to be furnished and may require the applicant to furnish three times the security that would otherwise be required.

Any correspondence regarding this EA may be directed to the Department of Natural Resources, Division of Oil and Gas, 550 West 7th Avenue, Suite 1100, Anchorage, AK, 99501-3560.