

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

LEASE / UNIT* PLAN OF OPERATIONS APPLICATION

Applicant: Usibelli Coal Mine, Inc. Date: 06/16/2014

Contact Person: Charlotte MacCay Telephone #: (907) 344-3448 Fax # _____

Mailing Address: 6407 Brayton Dr., Suite 204, Anchorage, AK, 99507 E-mail Address: cmaccay@owlridgenrc.com

Is this activity within a Unit? NO Unit name: _____ Operator: _____

Is any part of the proposed project or activity discussed in the approved Unit Plan of Exploration or Development filed with the Division of Oil and Gas? ☒ Yes ☐ No

If no, attach a detailed explanation.

The Applicant is: ☐ Unit Operator ☒ Lessee* ☐ Tract Operator ☐ Other*: _____

Project Description: UCM proposes to conduct exploration activities for natural coal bed methane gas to power the existing coal mine and possible local use.

Project Location / Facility Name: Healy Basin Gas Only Exploration License - Healy Creek Exploration

ADL # (mandatory): 390606 Oil and Gas Bond #: In Process

Plan of Operations require a \$250.00 permit fee; payable to the State of Alaska, Department of Revenue; and *should* accompany this application.

1. Plan of Operations: Healy Gas Only Exploration Plan of Operations is attached to this application.

(Attach extra sheets if necessary, include applicable diagrams and drawings)

2. Surface Property Owner: State of Alaska, Alaska Railroad, Municipal, University of Alaska, Alaska Mental Health Authority

3. Legal Description: Section 16, Township 12S, Range 6W, Meridian Fairbanks

Section _____, Township _____, Range _____, Meridian _____

Decimal Degrees, NAD 83 Latitude N63 52' 22.3" Longitude W148 43' 40.1"

(Include all necessary maps and use <http://transition.fcc.gov/mb/audio/bickel/DDDMMSS-decimal.html>)

4. Site Access: Existing roads

5. Proposed Start-up Date: 08/01/2014 6. Expected Completion Date: 10/31/2015

7. Project Material: None - no pad construction 8. Material Source: _____

a) Amount: (pad) NA cy (road) NA cy (other) NA cy

b) Acreage Covered: (pad) 0.5 (road) NA (other) NA

9. Snow Removal Plan: Summer Operations Only. Not Applicable.

* Unit Plan of Operations approvals are not considered complete until the consent of the Unit Operator has been obtained by the applicant.

10. Will Any Off-road (tundra or ice) Travel be Required? No

a) Period of Off-road Travel: NA

b) Equipment to be Utilized: NA

11. Will a Temporary Water Use Permit be Required? Yes.

a) Purpose: Drilling

b) Sources: Healy Creek, Cripple Creek, Hangar Pond

c) Access: existing road d) Max. Anticipated Withdrawal: 7000gal/day 100,000/yr

12. Will Fuel or Any Other Hazardous Substances be Stored on Site? None expected-refueled by fuel truck as needed

a) Type: Small amounts of oils and diesel - most fuel will arrive daily by truck for transfer to the equipment

b) Volume: < 1320 gallons

c) Handling Technique: Fuel transfers will include placement of secondary containment or a surface liner under all tank w/ft and outlet ports, hose connections and hose ends.

d) Access: Existing roads

e) Duration of Storage: 3 months

13. If a Pipeline is Being Constructed, will the line be a:

☐ Common Carrier Pipeline ☐ Field Gathering Line ☐ Other: _____

a) Location / Route: NA

b) Number, Diameter and Length: NA

c) Type and Use: NA

d) Construction Access: NA

14. Plan for Rehabilitation: ☒ Upon Abandonment ☐ Specific: see attached plan

15. Is Any Part of this Application Confidential? No

16. How will Solid Waste be Disposed of? Taken off site - See Plan of Operations Sect. 8

17. What Infrastructure will be Used to Support the Project? Existing roads

18. Additional Comments: See Plan of Operations

The undersigned hereby requests that each page of this application marked **confidential** be held confidential under AS 38.05.035(a)(8).

Charlotte L. MacCoy
Signature

Manager, Permitting/Owl Ridge Consultants/Agent for UCM
Title

06/16/2014
Date

Please fill out the form, print it, and sign it.

LESSEE/SURFACE-OWNER INTERACTION

Statutes and regulation are explicit about how surface and subsurface owners and lessees shall interact; the subsurface estate is controlling. We have paraphrased here the relevant portions of AS 38.05.125 and AS 38.05.130 (a photocopy of the full text may be obtained by calling 269-8775):

AS 38.05.125 Reservation. (a) *Each contract for the sale, lease or grant of state land, and each deed . . . is subject to the following reservation:*

" . . . Alaska, hereby expressly saves . . . and reserves out of the grant . . . forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every . . . kind . . . which may be in or upon said land . . . and the right to explore the same . . . , and it expressly saves and reserves . . . the right to enter . . . upon said land, . . . at any and all times for the purpose of opening, developing, drilling, and working mines or wells . . . and taking out and removing . . . oils [and] gases . . . and to that end it further expressly reserves . . . the right to erect, construct, maintain, and use all such buildings, machinery, roads, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said land . . . for the foregoing purposes and to occupy as much of said land as may be necessary or convenient . . . expressly reserving to itself, its lessees, successors, and assigns, . . . all rights and powers in, to, and over said land . . . reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby . . . reserved."

That language is part of each deed awarded when the state transfers the surface estate; it retains the subsurface. The reservation includes the right to use the surface to develop the subsurface as well as to use existing facilities such as roads for the benefit of the entire state. Protection from damages is afforded surface owners at AS 38.05.130:

AS 38.05.130 Damages and posting of bond. *Rights may not be exercised by the state, its lessees, successors or assigns under the reservation . . . [AS 38.05.125] . . . until the state, its lessees, successors, or assigns make provisions to pay the owners of the land full payment for all damages sustained . . . by reason of entering upon the land. If the owner refuses . . . to settle the damages, the state, its lessees, successors, assigns . . . may enter upon the land in the exercise of the reserved rights after posting a surety bond determined by the director, after notice and an opportunity to be heard, to be sufficient as to form, amount, and security to secure . . . payments for damages, and may institute legal proceedings . . . to determine to damages which the owner may suffer.*

In addition, there are general stipulations in the regulations at 11 AAC 96.140 that address the conduct of operations. Most relevant here is (10):

No person may engage in mineral exploratory activity on land, the surface of which has been granted or leased by the State of Alaska . . . until good-faith attempts have been made to agree with the surface owner . . . on settlement for damages If agreement cannot be reached, . . . operation may be commenced . . . only with specific approval of the director, and after making adequate provisions for full payment of any damages . . .