



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Natural Resources

Division of Oil & Gas  
Anchorage Office

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November 19, 2015

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Lawrence J. Vendl  
Vice President, Exploration  
Brooks Range Petroleum Corporation  
5410 L Street, Suite 601  
Anchorage, AK 99501

Re: Southern Miluveach 3<sup>rd</sup> Plan of Development - Approval

Dear Mr. Vendl:

On September 1, 2015, the State of Alaska's Department of Natural Resources (DNR), Division of Oil and Gas (Division) timely received the proposed Southern Miluveach Unit (SMU) 3<sup>rd</sup> Plan of Development (POD) and annual report. The Division notified Brooks Range Petroleum Corporation (BRPC), Unit Operator, by letter dated September 11, 2015, that it had deemed the POD application incomplete and requested additional information. On September 11, 2015, BRPC provided to the Division a copy of the Mustang Development Project sanction document and, on September 21, 2015, additional POD information. The Division deemed the SMU 3<sup>rd</sup> POD complete on October 1, 2015 via email to BRPC.

The SMU is located on the North Slope, and has five leases totaling 8,960 acres. The SMU was approved by the Division effective March 31, 2011. The SMU's initial POE was approved through December 1, 2013, and required BRPC to drill, evaluate, and test three wells (North Tarn #1A, Mustang #1, and Mustang #2) in the Kuparuk formation by May 31, 2012. Two wells, North Tarn #1A and Mustang #1 (SMU M-01), were timely drilled. At BRPC's request, on February 23, 2012, the Division extended the Mustang #2 (SMU M-02) well drilling requirement date to May 31, 2014. BRPC did not drill, evaluate, and test the SMU M-02 by the deadline. By letter dated November 18, 2014, the DNR commissioner issued a notice of default with a cure demand to drill, evaluate, and test the SMU M-02 well by May 31, 2015. The notice was timely appealed by BRPC on December 8, 2014.

During the 2<sup>nd</sup> POD period, BRPC planned to commission a rig and drill three wells beginning with the SMU M-02 well. Additionally, BRPC planned to install piles for pipeline support, execute pipeline tie-ins, set pipe racks, fabricate short lead process modules, and construct non-process infrastructure such as a warehouse, utility building, and permanent camp. In the first quarter of 2015, BRPC commissioned the Nabors Rig 16E and drilled the SMU M-02. On April 3, 2015, BRPC notified the Division that the SMU M-02 well had been drilled and completed as an injection well. The DNR waived the requirement to test the SMU M-02 well and found that BRPC had cured the SMU default. BRPC then attempted to drill the Mustang #3 (SMU M-03)

well and a horizontal lateral off the existing SMU M-01 wellbore. Both wells encountered drilling difficulties and had to be suspended above the reservoir interval.

BRPC also continued facility and infrastructure construction during the 2<sup>nd</sup> POD period. Contracting and fabrication are ongoing for oil processing, control room, and gas compression and conditioning modules. BRPC reports fabrication of 470 piles and vertical support members for module, pipeline, and platform support with 284 piles installed in the field. Two off-pad pipeline platforms, the Alpine pipeline tie-in and the BRPC pipeline pigging platform, were fabricated and installed. Two 5-megawatt dual-fueled turbine power generation packages were shipped to BRPC in Alaska. Other associated facility packages and equipment have been ordered or bid upon during the 2<sup>nd</sup> POD period. BRPC reports that engineering is approximately 65% complete for work yet to be completed.

During the 3<sup>rd</sup> POD period, BRPC proposes to use Managed Pressure Drilling to facilitate controlled drilling in over-pressured conditions. In order to continue with their drilling plans, BRPC may modify the Nabors Rig 16E or contract for another suitable rig. Reentering, completing, and testing the SMU M-01A and SMU M-03 would be the priority drilling activities. Engineering would be expected to be completed and fabrication of all remaining processing modules would be finished.

### **Findings and Decision**

When considering a POD, the Division must consider the criteria in 11 AAC 83.303(a) and (b). Accordingly, the Division considered the public interest, conservation of natural resources, prevention of economic and physical waste, protection of all interested parties including the state, environmental costs and benefits, geological and engineering characteristics or reservoirs or potential hydrocarbon accumulations, prior exploration activities, plans for exploration or development, economic costs and benefits to the state, and any other relevant factors, including mitigation measures. 11 AAC 83.303(a), (b).

In approving previous PODs, the Division considered 11 AAC 83.303 and found they promoted conservation of natural resources, promoted prevention of waste, and protected the parties' interests. The Division incorporates those findings by reference.

The Division has considered the 11 AAC 83.303(b) factors and (a) criteria. The activities conducted during the 2<sup>nd</sup> POD period included drilling three new wells and continued installation of facilities and infrastructure in the unit. The 3<sup>rd</sup> POD activities would continue the drilling, engineering, and infrastructure work necessary to move the SMU into production. The proposed activities build on earlier exploration and existing geological and engineering data. Moving the SMU closer to sustained production may result in increases to state revenue through royalty and tax payments which is in public interest.

Considering the Division's earlier approvals and analysis of the 11 AAC 83.303 (a) and (b) factors for the additional development work proposed, the Division finds that the 3<sup>rd</sup> SMU POD protects the public interest, promotes conservation, prevents waste, and protects the parties' interests.

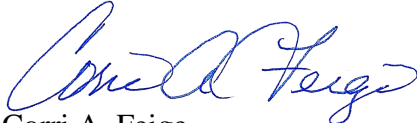
Based on its findings, the Division approves the 3<sup>rd</sup> POD for the period December 1, 2015 through March 31, 2016. BRPC and the Division have discussed the five-year unit term deadline for the SMU. The SMU unit term ends on March 31, 2016 and the 3<sup>rd</sup> POD approval will also be effective only until March 31, 2016. Separate decisions to address unit term extension, under 11 AAC 83.336(a)(2), and any necessary further POD decisions will be issued subsequent to this decision.

This approval is only for a general plan of development. Specific field operations will require an approved Plan of Operations. If the SMU unit term is extended, BRPC must either submit 1) a 4<sup>th</sup> POD or 2) request to amend the 3<sup>rd</sup> POD prior to March 31, 2016.

An eligible person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Mark Myers, Commissioner, Department of Natural Resources, 550 W. 7<sup>th</sup> Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to [dnr.appeals@alaska.gov](mailto:dnr.appeals@alaska.gov). This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

If you have questions regarding this decision, please contact Kathleen King with the Division at 269-8813, or via email at [kathleen.king@alaska.gov](mailto:kathleen.king@alaska.gov).

Sincerely,



Corri A. Feige  
Director

cc: DOL