



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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May 19, 2016

CERTIFIED MAIL

RETURN SERVICE REQUESTED

Leland Tate, COO
Cook Inlet Energy, LLC
For Savant Alaska, LLC
601 W 5th Avenue, Suite 310
Anchorage, AK 99501

Re: Badami Unit 13th Plan of Development – Approval

Dear Mr. Tate:

On April 15, 2016, the Alaska Department of Natural Resources (DNR), Division of Oil and Gas (Division) received from Savant Alaska LLC (Savant), the operator of the Badami Unit, its 13th Plan of Development (POD) for the Badami Unit (Unit). The Division notified Savant by email on April 20, 2016, that the Division considered the POD application complete. On May 3, 2016 the Division and Savant held a technical meeting to discuss the 13th POD. Savant currently seeks approval from the Division for the 13th POD, covering July 16, 2016 through July 15, 2017.

Unit History

The Unit was formed effective March 13, 1995, and is located west of the Point Thomson Unit on the North Slope. The Unit produced a cumulative 7.485 million Stock Tank Barrels (STB) of crude oil through March 2016. For the month of March 2016, the Unit produced 32,442 STB of crude oil. In 2014, Miller Energy Resources, Inc. (Miller) acquired Savant through a merger, and Savant became a wholly-owned subsidiary of Miller. The merger was completed in December 2014 during the 11th Plan year. In April 2016, Miller changed its name to Glacier Oil and Gas Corp. (Glacier), and Savant remains a wholly-owned subsidiary of Glacier.

Savant applied to expand the Unit on November 16, 2012. The Division granted the application in-part, and denied in-part, on March 15, 2013. The Division found that of the seven leases proposed for expansion, only portions of the two leases included in the decision promoted conservation of natural resources, promoted the prevention of economic and physical waste, provided for protection of all parties of interest, including the state, and protected the public interest. The two leases, ADLs 391001 and 390825, were severed by the decision and approved in-part for inclusion in the Unit. Savant appealed that decision to the Commissioner of the DNR on April 4, 2013, which is still pending.

Subsequent to the appealed decision Savant was informed by the Division that the appeal cannot stay the work commitment required under the approved Plan of Exploration (POE). The POE was incorporated as part of the decision as Exhibit G. The approved POE required Savant to directionally drill an exploration test well through the entire Canning Formation and tag the underlying Hue Shale to evaluate the hydrocarbon production potential of the hydrocarbon-bearing Killian interval as encountered in the East Mikkelsen Bay #1 well. In the event of a commercially viable discovery, Savant was to complete the well, obtain necessary permits to perform an extended well test, and present the results of the well test to the Division by June 30, 2014. The location of the exploration drill site is within the expanded Unit area approved by POE drilling commitment.

Savant has not yet complied with the drilling requirement. In its submission of the 13th POD, the operator stated, “[a]lthough Savant has met with DNR regarding this appeal and request for stay, the matter remains unresolved, which makes planning difficult for further delineating and developing the field. Savant wishes to continue to work with DNR to resolve the matter.”

12th POD

During the 12th POD year, Savant planned to complete hydraulic fracture stimulation in one or both of the wells B1-18A and B1-38. Subject to economic conditions, including crude prices, Savant planned to drill up to two high-angle Brookian Sands development wells to improve the production rate. In addition, Savant planned to improve production through operations and surface maintenance, including smart pigging of the Badami oil sale pipeline.

During the 12th POD year Savant did not complete planned hydraulic fracture stimulation of the B1-18A or B1-38 wells. Savant states that it postponed the wells due to unfavorable economic conditions, need for additional geological review under the new ownership, and the bankruptcy filing. Savant, along with its parent company, Miller, filed a Chapter 11 bankruptcy petition in October 2015. Savant and Miller emerged from bankruptcy after reorganization March 29, 2016.

13th POD

Savant states that it is in the process of conducting a full review of all potential targets within and outside of the participating area, including, but not limited to, the Killian sands on the eastside of the Unit. In this regard, Savant recently began conducting a geological and geophysical review of the Badami and Killian sands and associated producing wells, including the review of files obtained from BP Exploration (Alaska) Inc., the predecessor operator of Badami. As operator with new management, Savant will evaluate the historical wells and currently available seismic information and well logs. Savant will also continue well and facility maintenance operations and explore options to enhance production.

Savant anticipates that it will be able to arrive at a firm plan for development of Badami sands and/or Killian sands within in two or three months of the date of the technical meeting. Savant also indicated that to attain its goal of maximum recovery per well it is in the process of discussing a range of potential options for drilling activities, including hydraulic fracturing stimulation, with its partner at Badami, ASRC Exploration LLC. Once the drilling plans for Badami are agreed to by the partners, Savant has agreed to meet with the Division to discuss the plans. The Division and Savant have agreed to meet with the Division no later than September 30, 2016, to discuss the operational plans.

The Division must consider the criteria in 11 AAC 83.303(a) and (b) when evaluating a POD for approval. 11 AAC 83.303(c)(3). The Division will approve a POD upon a finding that it is necessary or advisable to protect the public interest and that it will: (1) promote conservation of all natural resources, including all or part of an oil or gas pool, field, or like area; (2) promote the prevention of economic and physical waste; and (3) provide for the protection of all parties of interest including the state. 11 AAC 83.303(a). In evaluating conservation, prevention of waste, and the parties' interest, the Division will consider: (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, the Commissioner determines necessary or advisable to protect the public interest. 11 AAC 83.303(b).

As new operator of the Unit, after emerging from the bankruptcy, Savant is conducting a geologic and geophysical review of the Badami sands, Killian sands, and associated producing wells. Given the current economic environment and the operator's own financial condition Savant did perform minor workovers on the B1-11A and B1-36, identifying 321 feet of additional zones to perforate. As a result of the well enhancement in November 2015, production from the Unit increased by 369 BOPD. Savant is also currently engaged in discussions with ExxonMobil to coordinate and share smart pigging responsibilities of the Point Thomson and Badami pipelines. This work is anticipated to take place in or around July 2016.

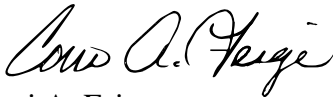
Based on its findings, the Division approves the 13th POD for the period of July 16, 2016 through July 15, 2017. This approval is only for a general plan of development. Specific field operations require separate approval under 11 AAC 83.346, Unit Plan of Operations. Pursuant to 11 AAC 83.343–11 AAC 83.346, a 14th POD will be due in the Division offices at least ninety (90) days prior to the expiration of the 13th POD, on or before April 15, 2017.

Appeal Rights

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 Marty Rutherford, Acting Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to 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 Hak Dickenson with the Division at 269-8799, or via email at hak.dickenson@alaska.gov.

Sincerely,



Corri A. Feige
Director

cc: Teresa Imm, ASRC
DOL