

PLACER UNIT

2016 ANNUAL REPORT OF PLAN OF EXPLORATION

and

1st PLAN OF DEVELOPMENT

Submitted by

ASRC Exploration LLC

June 9, 2016

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**DIVISION OF
OIL AND GAS**

Annual Report of Placer Unit Plan of Exploration for the Period December 31, 2014 through September 8, 2016

The Placer #3 well was drilled to the following BHL (State Base Plane Coordinates NAD27):
X = 444,749.3', Y = 5,975,826.8', Z = 6,369' TVD.

The well was drilled to total depth and met the activities committed to in the Initial POE as follows:

- Drilling Rig Contract was entered into with Kuukpik Drilling on June 30 , 2015
- Placer Unit Plan of Operations was submitted to DNR to drill Placer #3 on August 28, 2015
- ADEC Oil Discharge Prevention and Contingency Plan was approved November 25, 2015
- An ice road and ice pad for Placer #3 were constructed December 15, 2015 through January 6, 2016.
- The Placer #3 well was drilled to 6,380' MD (6,370' TVD) from January 23 to February 8, 2016.
- All well geologic and operational data was submitted to DNR/DOG by May 9, 2016.
- Initial interpreted results from Placer #3 were submitted with this annual report with the request to be held confidential per AS 38.05.035 and 11AAC 82.810.

**Placer Unit 1st Plan of Development
for the Period September 9, 2016 through September 8, 2018**

ASRC Exploration, LLC. (AEX) proposes the following 2 year Plan of Development to bring the Placer Unit in to production per 11 ACC 83.343.

- 1) The long-range proposed development activities for Placer Unit include plans to delineate all underlying oil or gas reservoirs, bring the reservoirs into production, and maintain and enhance production once established.
 - a. Currently there is only one productive interval identified in the Placer Unit.
 - b. AEX, at a later date, will undertake efforts to determine if other zones have productive capability within the Placer Unit.
- 2) The plans for the exploration or delineation of any land in the unit not included in a participating area.
 - a. Initial plan will be to define the initial participating area through detailed mapping and engineering/reservoir analysis of the three Placer Unit wells.
 - b. AEX, at a later date, will undertake efforts to determine if other zones have productive capability within the Placer Unit.
- 3) The proposed operations for the Placer Unit for the two year period of the plan is detailed as follows:
 - a. Year 1: September 9, 2016 to September 8, 2017
 - i. Analyze all geologic and engineering data from the drilling and testing of the three Placer wells in order to estimate the extent, size and continuity of all producible reservoirs.
 - ii. Initiate discussions with BRPC and COP for terms of facility access/sharing to determine most cost effective method to produce/process Placer Unit oil.
 - iii. Obtain the CGG Tabasco 3D seismic data. Develop plan to merge new seismic with existing surveys for reprocessing and interpretation. Map structure and prospective reservoir sands. This activity may not be complete until sometime in the second year of this POD, depending on when the Tabasco data is received and when the processing/merge/interpret/map is completed.
 - iv. Develop high level infrastructure cost estimate.
 - b. Year 2: September 9, 2017 to September 8, 2018

- i. Use the results of the reservoir mapping and data analysis to plan development well locations for any producible reservoirs.
 - ii. Perform engineering and cost studies to determine optimal location of drill pad(s), roads and pipelines to a third party processing facility to develop the producible reservoir(s) in the Placer Unit.
 - iii. Propose appropriate Participating Areas based on reservoir studies.
- 4) The surface location of proposed facilities, drill pads, roads, docks, causeways, material sites, base camps, waste disposal sites, water supplies, airstrips, and any other operation or facility necessary for Placer Unit operations will be studied as follows:
 - a. Complete reservoir mapping to determine well locations required to develop producible reservoirs.
 - b. Review facilities access options to determine location of roads and three-phase pipelines to processing facility.

Note: A supplement for the Plan of Development was submitted with confidential details of the plans described in 3) above, with the request to be held confidential per AS 38.05.035 and 11AAC 82.810.

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