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DIVISION OF
OIL AND GAS

June 9, 2017

Rebecca D. Kruse
Alaska Department of Natural Resources
Division of Oil & Gas
550 W. 7th Ave., Suite 1100
Anchorage, AK 99501-3557

Subject: Placer Unit Annual Report and 2nd Plan of Development

Dear Ms. Kruse:

In accordance with 11 AAC 83.341(d) and 11 AAC 83.343 and pursuant to the terms of Article 8 of the Placer Unit Agreement, ASRC Exploration, LLC (AEX), as Operator and on behalf of AEX as the only working interest owner of the Placer Unit, hereby petitions the Department of Natural Resources (the "Department") to acknowledge receipt of the Placer Unit Annual Report and approve the proposed Second Plan of Development (2nd POD) for the Placer Unit.

In accordance with 11 AAC 83.341(d), an annual report is attached describing the operations conducted under the Placer Unit 1st Plan of Development during the period from September 9, 2016 through September 8, 2017.

In accordance with 11 AAC 83.343, and Article 8 of the Placer Unit Agreement, AEX proposes the attached 2nd POD for the Placer Unit.

AEX respectfully submits that the proposed 2nd POD is consistent with the provisions of 11 AAC 83.303 because it meets the following criteria:

11 AAC 83.303(a) Criteria

- Promotes the conservation of oil and gas by providing an efficient, integrated approach to development of the Placer reservoirs while reducing the environmental impact by unitized development of these accumulations;
- Promotes the prevention of economic and physical waste by setting forth a development plan that allows maximization of physical and economic recovery as well as efficient use of future facilities; and

- Provides for the protection of the interests of all parties including the State of Alaska.

11 AAC 83.303(b) Criteria

1. Environmental Costs and Benefits of Formation of the Placer Unit (11 AAC 83.303(b)(1)).

During future development operations of the Placer Unit, activities will have the minimum amount of surface impact consistent with the prudent and efficient development practices of the oil and gas resources on the North Slope.

2. Geological and Engineering Characteristics of the Placer reservoirs (11 AAC 83.303(b)(2)).

Geological, Geophysical, Engineering and Well Information previously submitted describe the characteristics of the Placer reservoirs and potential reservoir developments. Additional interpretation of data from Placer #3 will be presented in an Annual Report meeting to be scheduled in July 2017.

3. Prior Exploration Activities in the Proposed Unit Area (11 AAC 83.303(b)(3)).

Three wells, the Placer #1, #2, and #3, have been drilled in the Placer Unit area. Placer #3 was drilled by AEX in January 2016 under the Placer Initial Unit Plan of Exploration, as amended.

4. Plans for Development of the Proposed Placer Unit Area (11 AAC 83.303(b)(4)).

The attached 2nd POD for the Placer Unit sets forth the Placer Unit working interest owner's proposed plans.

5. Economic Costs and Benefits to the State (11 AAC 83.303(b)(S)).

The State's economic interest is protected by maximizing the physical recovery of hydrocarbons from the Placer reservoirs. Maximizing hydrocarbon recovery in turn assures that the production-based revenue occurring to the State is also maximized. Future development of the Placer reservoirs will increase the economic well-being of the State and its residents by creating jobs for the construction of facilities and operation of the field. Operations within the proposed Placer Unit Area will allow for minimal impacts to the area's cultural, biological, and environmental resources.

Placer Unit 2017 Annual Report and 2nd POD Submittal Letter
June 9, 2017
Page 3

If you have any questions or require additional information, please contact me at
(907) 339-6014 or timmm@asrc.com.

Sincerely,

A handwritten signature in blue ink that reads "Teresa Imm". The signature is fluid and cursive, with the first name "Teresa" being more prominent than the last name "Imm".

Teresa Imm - President
ASRC Exploration, LLC

Enclosures

PLACER UNIT
2017 ANNUAL REPORT
and
2nd PLAN OF DEVELOPMENT

Submitted by

ASRC Exploration LLC

June 9, 2017

Placer Unit 2017 Annual Report for the Period September 9, 2016 through September 8, 2017

Following are the accomplishments during the 1st Plan of Development:

- Detailed analysis of data from the Placer #3 well - including pressure transient analysis of the long term production test and thin section photography and description of the sidewall cores.
- Submitted to DNR – Division of Oil and Gas and received approval of Certification of Paying Quantities for Placer #3.
- Initiated facility sharing agreement discussions with nearby operators for processing Placer Unit production.
- Completed an infrastructure initial design and cost estimate for roads, pipelines and wellsite facilities to develop Placer Unit.
- Received Tabasco 3D seismic data set and selected contractor to reprocess and merge with adjacent WBA and Kookpuk 3D data sets that are licensed by AEX.

Note: A supplement for the Annual Report was submitted with confidential details of the accomplishments described above, with the request to be held confidential per AS 38.05.035 and 11AAC 82.810.

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Placer Unit 2nd Plan of Development for the Period September 9, 2017 through September 8, 2018

ASRC Exploration, LLC. (AEX) proposes the following 2nd Plan of Development (2nd POD) 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 within 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, reservoir analysis and engineering utilizing the three Placer Unit wells and the merged seismic dataset.
 - 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 2nd POD for the period September 9, 2017 through September 8, 2018 are detailed as follows:
 - a. Complete the acquisition and begin the reprocessing and merge of the Tabasco data with the existing WBA and Kookpuk 3D data set.
 - b. Complete initial reservoir mapping and use the results of the reservoir mapping and data analysis to generate geologic and dynamic reservoir models to plan development well locations within the target reservoir.
 - c. Progress facility sharing negotiations.
 - d. Undertake Phase II 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.
 - e. Pending successful seismic reprocessing/merge/mapping/interpretation and results of Phase II engineering and cost studies, apply for a Participating Area 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 initial reservoir mapping and reservoir modeling to determine well locations required to develop producible reservoirs.
 - b. Pending favorable results of facility sharing negotiations, finalize review of adjacent 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.

-End-

PLACER UNIT
CONFIDENTIAL SUPPLEMENT

to

2017 Annual Report

and

2nd Plan of Development

Submitted by

ASRC Exploration LLC

June 9, 2017

CONFIDENTIAL UNDER AS 38.05.035 and 11AAC 82.810