



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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July 17, 2016

CERTIFIED MAIL
RETURN SERVICE REQUESTED

Ms. Teresa Imm
ASRC Exploration, LLC
3900 C Street, Suite 1000
Anchorage, AK 99503

Re: Placer Unit 2017 2nd POD – Approved

Dear Ms. Imm:

ASRC Exploration, LLC (AEX) submitted a proposed Placer Unit 2nd Plan of Development (2017 POD) to the Department of Natural Resources, Division of Oil and Gas (Division) on June 9, 2017. The 2017 POD provides information about development activities, as prescribed by 11 AAC 83.343. Accordingly, the Division notified AEX by email on June 19, 2017 that the 2017 POD is complete. This decision approves the 2017 POD.

POD Supplement

As part of the 2017 POD, AEX requested and marked a four-page supplement as confidential. Upon request, DNR will keep certain information confidential, including geological, geophysical, and engineering data and cost data and financial information. AS 38.05.035(a)(8). AEX's supplement did not appear to include any of these categories of information, so the Division notified AEX by email on June 21 and invited AEX to provide a basis for seeking confidentiality. AEX responded by email July 3, 2017, but none of AEX's explanations demonstrate that the POD supplement is confidential:

- AEX contends that bullets 1 and 2 on page 2 of the supplement include geological and engineering data. Bullet 1 observes that the Placer #3 well was certified, a fact that is not geological or engineering data and is a matter of public record following a public DNR decision-making process. Bullet 2 states that AEX and its contractor have analyzed geologic and engineering data, but AEX only refers to the fact of the analysis without setting forth any of the geological or engineering data being analyzed. Thus bullets 1 and 2 on page 2 are not geological or engineering data that DNR can keep confidential.
- AEX contends that bullet 3 on page 2 refers to confidential facility sharing and facility use agreements. The Division has not seen these documents and thus is unaware if the parties included confidentiality provisions. But even assuming the terms of these agreements are confidential, AEX's generalized reference to the existence of the agreements does not fall within any of the categories of information that DNR may keep confidential under AS 38.05.035(a)(8). Thus page 2, bullet 3 is not confidential.
- AEX contends that bullet 1 on page 3 is confidential because it refers to a facility study and cost estimate. DNR may keep cost and financial information confidential under AS

38.05.035(a)(8), but AEX only states that a cost estimate was completed without setting forth any actual cost or financial information. Thus page 3, bullet 1 is not confidential.

- AEX states that bullet 2 on page 3 references seismic reprocessing and its project plan and that AEX would like to keep that confidential. Documents submitted to DNR are public documents and DNR can keep information confidential only as provided by law. Bullet 2 states that AEX received seismic data and is in the process of awarding a contract to merge and reprocess the data, but does not set forth any seismic data or any geological, geophysical, or engineering data. Again, DNR may keep certain data confidential, but not mere references to the existence of such data. Thus page 3, bullet 2 is not confidential.

In its July 3, 2017 email, AEX stated that “[t]here is nothing more distracting tha[n] reading about your project” in the media and that a news article “creates more time consuming activities where that time could be better spent working diligently on the POD plan.” DNR is a public agency managing public oil and gas resources. Its processes and records are open to the public. The media is part of the public. DNR cannot and will not limit access to public documents when a request happens to come from the media, nor is an operator’s desire to keep information from the media grounds for claiming confidentiality. The legislature provided a few narrow categories of information that DNR keeps confidential upon request. Aside from those narrow categories, documents submitted to DNR are available to the public.

AEX further stated that “[i]f we revise our POD based on confidentiality then there will be less detail for the Division.” If AEX is suggesting that it will revise the 2017 POD to exclude the POD supplement, that supplement is already a public record and submitting a revised POD will not eliminate that public record from DNR’s files. If AEX is suggesting that it will provide less detailed PODs in the future, the Division notes that AEX must continue to provide PODs with sufficient detail to comply with regulations and the unit agreement and for the Division to evaluate a POD.

AEX’s POD supplement does not include information that DNR may keep confidential under AS 38.05.035(a)(8) such as geological, geophysical, engineering, cost, or financial data. Nor has AEX provided a basis on which DNR could keep any portion of this document confidential. Accordingly, the Division finds that the POD supplement is not confidential.

2017 POD

For its 2016 (1st) POD, AEX committed to several analysis and planning activities, but no actual operations. Specifically, AEX planned to:

- Analyze all geologic and engineering data from drilling and testing three wells;
- Discuss facility access and facility sharing with Brooks Range Petroleum Corporation (BRPC) and ConocoPhillips Alaska, Inc. (CPAI);
- Obtain Tabasco 3D seismic data from CGG Veritas and develop a plan for merging it with other data;

- Develop a high-level cost estimate for infrastructure.

AEX reports that it obtained the Tabasco 3D seismic data, but states that it received this data “from [the] State” and that there was “a delay” in obtaining the data “from the State of Alaska.” These statements are incorrect. Under the 1991 Settlement Agreement between the State and Arctic Slope Regional Corporation (ASRC) and an additional agreement from January 2017 between the State, ASRC, and CGG Veritas, the State provided the Tabasco data to ASRC. Under these same agreements, ASRC agreed to keep the Tabasco data confidential, sharing it only with employees and consultants. According to corporate records, AEX is a separate LLC from ASRC. Thus AEX is not ASRC or an employee or consultant of ASRC. AEX may have obtained the Tabasco seismic data earlier this year, but it did not receive it from the State. And under the terms of the 1991 and 2017 agreements, it should not have received this data from ASRC.

AEX further states that the Tabasco data is missing “from 0 seconds to 1.5 seconds.” To clarify, the data that the State provided to ASRC was complete. The Division is unaware how or from whom AEX obtained this data and thus cannot comment on any issues with the data AEX obtained.

Aside from the Tabasco data, AEX reports that it completed an initial design and cost estimate for infrastructure and completed an initial geologic and engineering study of the Placer #3 well data.

AEX further states that it completed thin section photography and description of the Side Wall Cores. The Division has not received this data. Within 30 days of this decision, please submit the thin sector photography and any petrographic analysis in accordance with 11 AAC 82.805.

AEX also states that it has signed a Memorandum of Understanding with Brooks Range Petroleum Corporation to begin discussing use of Southern Miluveach Unit (SMU) production facilities and has initiated discussions with CPAI to use Kuparuk River Unit (KRU) facilities. The Division is not privy to the MOU or ongoing discussions, but notes that the SMU and KRU working interest owners are not currently authorized by DNR to process oil or gas from outside their respective units.

For the 2017 POD, AEX again proposes no operations for the coming POD period. Instead, AEX plans to conduct further analysis and planning activities. In several instances, AEX describes these plans differently in its primary 2017 POD and the supplement that the Division found not to be confidential. For example, in the 2017 POD, AEX states that it will “Complete the acquisition and *begin* the reprocessing and merge of the Tabasco data with the existing WBA and Kookpuk 3D data set,” but in the supplement AEX states that it will “*Complete* the merging and reprocessing of the Tabasco 3D data with portions of the WBA and Kookpuk survey data” (emphasis added). Thus for purposes of considering AEX’s proposed activities, the Division combined the descriptions of proposed activities and understands that AEX will:

- Begin and complete reprocessing and merging Tabasco data with existing data;
- Map the extent of the Kuparuk C reservoir and generate geologic and dynamic reservoir models;

- Continue to analyze Placer #3 well data;
- Determine the type and locations of facilities and undertake Phase II engineering and cost studies for these facilities;
- Evaluate and continue negotiating facility sharing agreements with BRPC for SMU and CPAI for KRU;
- If appropriate, apply for a Participating Area.

Again, these are activities, not operations. Operations are the type of activities that AEX may not conduct without an approved Plan of Operations under 11 AAC 83.346. This is an important distinction because the Placer Unit is set to expire September 7, 2018. AEX certified the Placer #3 unit well, effective December 22, 2016. But a certified unit well extends the term of a unit only if the operator is also (a) producing in paying quantities; or (b) can produce in paying quantities and “unit operations are being conducted in accordance with an approved unit plan of exploration or development.” 11 AAC 83.336(a)(1). AEX is not currently producing and the 2017 POD includes no plans to produce. The 2017 POD also includes no “unit operations” that AEX will be conducting when the unit expires in September 2018.

When considering a POD, the Division considers 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). The Division previously considered these factors in approving earlier PODs, and incorporates those findings by reference.

AEX’s plans to analyze data and plan for infrastructure are activities that could lead to development. Unitized development can protect the State’s interests in developing its resources while minimizing adverse environmental impacts. But the fact that AEX has proposed no production or operations to extend the unit past September 7, 2018 makes unitized development highly unlikely. The Division will nonetheless approve the 2017 POD, but notes that the unit will expire at the end of this POD period unless AEX successfully amends the POD to add production or operations and is actively producing or conducting operations under an approved amended POD.

A 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 Andrew T. Mack, 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, contact Ken Diemer with the Division at 907-269-8784 or via email at Ken.Diemer@Alaska.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chantal Walsh". The signature is fluid and cursive, with the first name "Chantal" and last name "Walsh" clearly distinguishable.

Chantal Walsh
Director