



THE STATE
of ALASKA
GOVERNOR SEAN PARNELL

Department of Natural Resources

Office of the Commissioner
Anchorage Office

550 W. 7th Avenue Suite 1400
Anchorage, Alaska 99501-3650
Main: 907.269.8431
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September 5, 2014

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Bart Armfield
Chief Operating Officer
Brooks Range Petroleum Corporation
510 L Street, Suite 601
Anchorage, AK 99501

Re: Beechey Point Unit - Notice of automatic unit termination

Dear Mr. Armfield:

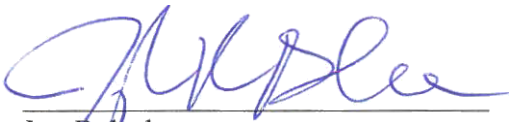
Effective August 31, 2009, the State of Alaska, Department of Natural Resources (DNR), Division of Oil and Gas (Division), approved Brooks Range Petroleum Company's (BRPC) application to form the 52,876 acre Beechey Point Unit (BPU). In an August 31, 2012, letter BPU Operator BRPC voluntarily contracted the unit to 10.757 acres.

11 AAC 83.336(a) provides that a unit agreement automatically terminates five years from its effective date unless certain conditions are met. More specifically, a unit agreement will be extended if there is a "unit well" certified capable of producing hydrocarbons in paying quantities, hydrocarbons are produced in paying quantities, or hydrocarbons can be produced in paying quantities and unit operations are being conducted in accordance with an approved plan, or if production ceases diligent operations are being conducted to restore production; or exploration operations have been conducted in accordance with an approved plan, and the commissioner issues a written "public interest" decision extending the unit term. As discussed below, none of these conditions exist at the BPU.

First, BRPC drilled the North Shore #1 well on ADL 47468 on February 6, 2008, before the unit was approved, and requested on April 23, 2008 that the Division, determine the well capable of producing oil in paying quantities. BRPC suspended the well on May 7, 2008. The Division determined the well capable under 11 AAC 83.105 on July 10, 2008 conditioned on its continuing "physical and economic capabilities to produce in paying quantities." It is my understanding that that well is physically incapable of producing hydrocarbons. Furthermore, the North Shore #1 well is not a "unit well" as defined under Article 1.26 of the BPU Agreement because it was not drilled in the unit area after the effective date of the BPU. Even if the North Shore #1 well were considered a "unit well," BRPC is neither producing hydrocarbons from the unit area, nor conducting unit operations in accordance with its approved October 4, 2012, exploration plan (by failing, among other things, to drill another well by May 31, 2014). Therefore, for the reasons set out in this notice, the BPU Agreement automatically terminated effective August 31, 2014.

An eligible person affected by this decision may request reconsideration, in accordance with 11 AAC 02. Any request for reconsideration 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 Joe Balash, 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 request reconsideration of this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. If the commissioner does not act on a request for reconsideration within 30 days after issuance of this decision, the request for reconsideration is considered denied and this decision becomes a final administrative order and decision on the 31st day after issuance for the purposes of an appeal to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,



Joe Balash
Commissioner
Department of Natural Resources

9/5/14

Date