



Brooks Range Petroleum

September 24, 2014

Joe Balash, Commissioner  
AK Department of Natural Resources  
Division of Oil and Gas  
550 West 7<sup>th</sup> Avenue, Suite 1400  
Anchorage, Alaska 99501-3560

DEPARTMENT OF  
NATURAL RESOURCES

SEP 25 2014

COMMISSIONER'S OFFICE  
ANCHORAGE

**RE: Request for Reconsideration  
Beechey Point Unit - Notice of Automatic Unit Termination**

Dear Commissioner Balash:

In accordance with the Commissioner's letter of September 5, 2014 and the requirements under 11 AAC 02.030, Brooks Range Petroleum Corporation ("BRPC"), on behalf of the Working Interest Owners ("WIO") in the Beechey Point Unit ("BPU") leases, timely submits this Request for Reconsideration to address the Commissioner's Notice of Automatic Unit Termination. This reconsideration request is timely filed in accordance with 11 AAC 02.040.

The WIO's are AVCG, LLC, Ramshorn Investments, Inc., and Brooks Range Development Corporation.

*Basis for BRPC's Appeal (11 AAC 02.030(a)(8))*

The Commissioner found that the BPU was at the end of its term, did not contain any certified unit wells and did not have an approved Plan of Development. The Commissioner therefore concluded that the BPU automatically terminated in accordance with 11 AAC 83.336. BRPC appeals the Commissioner's termination decision for two reasons.

*First*, the BPU does contain certified wells. Two wells drilled within the current unit boundary that are certified as capable of producing in paying quantities: the Gwydyr Bay South #1 (certified in March 1976), and the North Shore #1 well (July 2008). In addition, the BPU boundary is adjacent to the Dewline Unit, the Prudhoe Bay Unit, and a lease known as "Kup Delta" (ADL 47466) with the Gwydyr Bay Unit Well No. 2-A, which is certified as capable of producing in paying quantities.

*Second*, BRPC would like an opportunity to negotiate an acceptable Plan of Development that would result in the drilling of wells and production in the near future.

Accordingly, BRPC believes that by working with DNR to arrive at an acceptable POD, it would satisfy the criteria under 11 AAC 83.336 for extending a unit beyond its primary term. BRPC therefore requests that DNR reinstate the BPU and grant an extension to the BPU term. We believe it is in the state's best interest to allow an extension to the BPU term to bring a multi-party commercial development plan back to the state with work commitment scenarios for seismic acquisition and drilling as early as 2015.

*Relief Requested (11 AAC 02.030(a)(10))*

BRPC requests the reinstatement of the BPU so that it can negotiate the terms of an acceptable POD that will bring the BPU into production.

### Current Status

The Beechey Point Unit was approved by DNR effective as of August 31, 2009. The initial Plan of Development was submitted and approved with an expiration date of August 31, 2014. Annual reports were submitted and technical sessions were held as required. During 2008 through 2010, BRPC conducted North Shore Development Project operations and obtained required permits, met with agencies for coastal and ocean management consistency and other environmental reviews, secured material sales contracts, submitted plans of operations, and obtained other required approvals from the North Slope Borough and other local governmental entities, among other activity. However, during the period after unitization, unit drilling commitments were not accomplished.

The Unit is comprised of seven (7) leases, and is adjacent to the Dewline Unit, the Prudhoe Bay Unit, and BRPC lease ADL 392146 acquired in a 2011 state lease sale. The leases are ADLs 47468, 389947, 390425, 390426, 390427, 390429, and 391779.

The DNR has cited 11 AAC 83.336(a) to implement an automatic termination of the Beechey Point Unit five (5) years after the Unit effective date. According to the September 5<sup>th</sup> letter, the DNR has not extended the term of the Unit due to a failure to have "...a "unit well" certified capable for producing hydrocarbons in paying quantities within the unit, having hydrocarbons being 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 if exploration operations have been conducted in accordance with an approved plan, and the commissioner issues a written "public interest" decision extending the unit term."

### Drilling and Development History

The Commissioner's letter mentions the North Shore #1 well drilled by BRPC in 2008, prior to unitization on lease ADL 47468. Under 11 AAC 83.105, the state determined the well was capable of producing hydrocarbons in paying quantities on July 10, 2008, and required that BRPC seek redetermination of the well certification by August 1, 2010. BRPC objected to the redetermination requirement and had support from the lease working interest owners ConocoPhillips and ExxonMobil Production. The companies submitted written objection to the redetermination requirement citing a contradiction to existing lease and regulatory conditions, and the implementation of a new policy and practice by DNR to be enforced on this single well, of which the conditions of the new policy and practice had not previously been enforced on any other well. On July 30, 2010, BRPC submitted a request to DNR to reconsider the redetermination requirement and to recertify the North Shore #1 well. No response to this request letter was received from DNR.

On November 30, 2009, BRPC submitted the North Shore Participating Area ("PA") Application for the Beechey Point Unit in accordance with 11 AAC 83.351. The PA Application has remained with DNR since that date without a decision being made.

Although BRPC has not drilled "unit wells" as required by the deadline of May 31, 2014, DNR has not responded to the 2009 PA Application, and has not replied to the 2010 request for reconsideration for recertification of the North Shore #1 well.

### Exploration Investment

BRPC has invested over \$85.5 Million pursuing Beechey Point Unit exploration and development.

### Exploration Area Potential – North Shore, Kup Delta and Dewline Unit

There have been two wells drilled within the current unit boundary that are certified as capable of producing in paying quantities: the Gwydyr Bay South #1 (certified in March 1976), and the North Shore #1 well (July 2008). Other less successful wells within the unit are Gwydyr Bay State #1, Pete's Wicked 1, West Storkersen 1, and Gwydyr Bay State Unit 1. As previously mentioned, the BPU boundary is

adjacent to the Dewline Unit, the Prudhoe Bay Unit, and a lease known as "Kup Delta" (ADL 47466) with the Gwydyr Bay Unit Well No. 2-A, which is certified as capable of producing in paying quantities.

The potential for successful exploration and development in this area requires the compilation of several prospects with known reservoir reserves in close proximity to one another. The smaller known prospects need to be a part of a larger program; each independent prospect does not support an economic development model. The Kup Delta lease, currently leased to ConocoPhillips ("CPAI"), is not within the BPU, however, has been held by a single well since 1981. The "East Shore" of BPU has been in BRPC's drilling plans since acquiring the BPU leases and lease ADL 392146 adjacent to the unit. The Dewline Unit potential is of interest to BRPC as well; however, UltraStar's current status of operations is unknown, and leases are not available for leasing.

BRPC has contacted CPAI several times regarding a potential farmout of the Kup Delta lease and is in discussions with UltraStar regarding the Dewline Unit leases. BRPC and CPAI are currently discussing a new prospect area for the BPU, with considerations for releasing western area leases within the unit. These commercial discussions have been mentioned to the Commissioner; however, the timing of the opportunity is not in BRPC's favor given the September 5<sup>th</sup> letter.

It should be noted that, if BPU is automatically terminated, lease ADL 47468 currently leased by Exxon/Chevron would no longer be held by BPU.

BP is acquiring seismic data over the BPU for itself and partners to determine the area's potential; BRPC contacted the same seismic contractor over a year ago to include the BPU leases in the acquisition area in an effort to work collaboratively with other operators. We continue to pursue the availability of the contractor to include the BPU leases so that we can determine the full potential of the Kup Delta and BPU eastern area, including the Dewline Unit.

Request for Reconsideration


BRPC requests a Reconsideration of the automatic termination of BPU and requests a hearing prior to the end of the 30-day decision deadline on this appeal.

BRPC requests a hearing with DNR to discuss commercial intentions it has with other parties for exploration and development during the next one-year period. BRPC and other parties hope to preserve certain BPU leases and to form a new unit to encompass the area prospects discussed above.

Should a hearing and extension not be granted by DNR, BRPC requests formal notification of DNR's final decision implemented under 11 AAC 02.040(c) – (e).

I would welcome the opportunity to meet with your staff to discuss the above, if desired. If you have any questions, please call me at (907) 339-9965.

Sincerely,

  
Bart Armfield  
Chief Executive Officer

cc: Bill Barron, Director, Division of Oil and Gas  
Nick Powell, AVCG, LLC  
J.R. "Digger" Smith, Ramshorn Investments, Inc.  
Brooks Range Development Corporation