



THE STATE  
*of* **ALASKA**  
GOVERNOR BILL WALKER

**Department of Natural Resources**

Division of Oil & Gas

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October 31, 2018

**CERTIFIED MAIL**

Bart Armfield  
Vice President, Exploration  
Brooks Range Petroleum Corporation  
510 L Street, Suite 601  
Anchorage, AK 99501

Re: Southern Miluvecach 2019 (6th) Plan of Development - Approval

Dear Mr. Armfield:

Brooks Range Petroleum (BRPC) submitted its proposed 2019 Sixth Plan of Development for the Southern Miluvecach Unit (SMU) to the Department of Natural Resources, Division of Oil and Gas (Division) on October 2, 2018. BRPC's 2019 POD provides the information regarding development and operational activities required by 11 AAC 83.343. The Division notified BRPC that the POD submittal was complete by email on October 12, 2018. Director Walsh has delegated authority to Deputy Director Beckham to review this matter. This decision approves the 2019 POD.

By way of background, the North Tarn 1A well became a certified unit well on December 20, 2017. In conjunction with that certification, regulation requires BRPC to be actively producing from that well or to be conducting operations under an approved POD to keep the Unit active. 11 AAC 83.336(a)(1). At the time North Tarn 1A was certified, BRPC did not have plans for continuous production from the well, so it needed an approved POD and to conduct operations under that approved POD. Its 2018 POD was approved on December 20, 2017, with the condition that BRPC provide quarterly written updates regarding its operations at SMU to ensure the Division that work was progressing at the Unit.

For its 2018 POD, BRPC initially committed to:

- Install any remaining on-pad piles in first quarter 2018;
- Begin installing Alaska-fabricated modules in June 2018 and complete installation of these modules by end of December 2018;
- Install the Canada-fabricated modules by September 30, 2018;
- Install cross-country pipelines in fourth quarter 2018 (or first quarter 2019, which is the following POD period); and

- Complete the Alpine tie-in fourth quarter 2018 (or first quarter 2019, during the following POD period).<sup>1</sup>

BRPC's 2018 work commitments were identical to its 2017 work commitments, given that its 2017 POD commitments were not completed.<sup>2</sup> BRPC has a history of failing to meet its commitments at SMU that is documented in past POD approvals and partial approvals and will not be restated here. Suffice to say, at the start of 2018 the survival of SMU was based entirely on BRPC completing work at the Unit.

BRPC fulfilled its obligations to provide quarterly updates, submitting written reports on April 2, July 11, and September 27. BRPC's final 2018 quarterly update will be submitted in December.

In addition, BRPC submitted an amendment to the 2018 POD on May 16, 2018. The amendment set forth a new strategy and new set of work commitments at SMU, described in the April 2, 2018 quarterly update but not previously contemplated in the Fifth POD. BRPC now plans to utilize an Early Production Facility (EPF) at the Mustang Pad while it works to construct a permanent facility. BRPC also plans to pre-produce its SMU M-02 well before converting it to a gas injection well. During pre-production BRPC proposed to truck oil and flare excess gas until the Alpine Pipeline tie-in is complete. BRPC's amendment also postponed the operational timeline set forth in the original 2018 POD to accommodate BRPC's new strategy.

The Division partially approved the amendment on July 5, 2018. The Division disapproved BRPC's plan to flare gas for an indefinite period pursuant to 11 AAC 83.303(a)(2), but otherwise approved the POD amendment. Following and as a result of the Division's approval of the amendment, BRPC's 2018 work commitments then included:

- Installation of any remaining on-pad piles in third quarter 2018;
- Begin installation of Alaska-fabricated modules in June 2018 and complete installation of the modules by end of December 2018;
- Conduct engineering for CPAI-executed pipeline tie-in work, with field work beginning in fourth quarter 2018;
- Telecoms survey work to be conducted summer 2018;
- Preparation of Mustang Pad for installation of the EPF in third quarter 2018;
- Installation of EPF third quarter 2018; and
- Functional checkout of the EPF (upon completion) fourth quarter of 2018.<sup>3</sup>

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<sup>1</sup> BRPC's 2018 POD also included activities that are not operations in or on the Unit. Although the information about BRPC's planned activities are welcome, they are not directly relevant to the operational activities considered under 11 AAC 83.343.

<sup>2</sup> BRPC did conduct "operations" in 2017, in the form of reentering and flow testing the North Tarn 1A well. BRPC amended the 2017 POD to reflect this work.

<sup>3</sup> BRPC again included activities that do not constitute "operations" under the regulations, as well as drilling operations that are planned for the 2019 POD period. The list provided here includes only those operations planned for the 2018 POD period following BRPC's amendment to the Fifth POD.

Many of these work commitments remain outstanding, however, operations have been occurring at SMU. Specifically, BRPC conducted the following planned operations during the 2018 POD period:

- Telecoms installation was conducted during the third quarter of 2018 and continues into the fourth quarter;
- Preparation of the Mustang Pad began during the third quarter of 2018 and is ongoing;

In addition, BRPC conducted the following operations, not contemplated in its 2018 POD:

- A thermistor was installed during the third quarter of 2018 in preparation for ice road construction; and
- Pipeline tie-in work started during third quarter 2018 as well.

Additionally, BRPC still plans to begin EPF installation at the Mustang Pad during the fourth quarter of 2018.

BRPC has been on notice since well before its Fifth POD was approved that regulation requires that “operations *are being* conducted.” 11 AAC 83.336(a)(1) (emphasis added). This means BRPC must conduct operations on a continual, sustained basis. In other words, BRPC needs to be actively operating the Unit to achieve production so that sustained production can then provide the basis for extending the Unit. “Operations” are the type of activities that require a Plan of Operations under 11 AAC 83.346.

BRPC’s reported operations from third quarter 2018 forward are sufficient for the Division to find that operations were conducted during the POD period and are still being conducted at SMU.

BRPC has proposed the following operations in its Sixth POD, covering the 2019 POD period:

- Installation of cross-country pipelines and completion of tie-in work expected to be complete by second quarter 2019;
- Completion of EPF installation at the Mustang Pad, expected to be complete by second quarter 2019;
- Functional check out of the EPF following installation;
- Transportation of produced oil from the EPF to the Alpine Pipeline to begin in first or second quarter 2019;
- Planned production from existing wells, including North Tarn 1A, Mustang 1 (requiring the drilling of a lateral extension or sidetrack in first quarter 2019), and SMU M-02 (requiring perforation and stimulation prior to EPF completion);
- Pre-production from SMU M-02; and
- The drilling of up to four new wells during 2019.

BRPC's planned 2019 operations as described in its Sixth POD represent continued and increasing operations at SMU during the coming POD period. These operations need to be conducted under an approved POD. 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 of 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 considered these factors in approving earlier PODs for SMU and incorporates those findings by reference.

BRPC's 2019 POD work commitments, listed above, relate both to infrastructure and production. The purpose of the proposed infrastructure is to achieve sustained production from the Unit. BRPC has proposed drilling both a lateral well at Mustang 1 and four additional new wells during the 2019 POD period. Production would protect the State's economic interests in its oil and gas resources. Any development and production activities pose some environmental risk, but BRPC's proposed facilities minimize the impact to the land, particularly as compared to multiple facilities for individual leases.

Having considered the 11 AAC 83.303(a) and (b) criteria, the Division finds that the 2019 POD complies with the provisions of 11 AAC 83.303. Accordingly, the 2019 POD is approved for the period January 1, 2019 through December 31, 2019.

This decision thus provides the approved POD necessary for BRPC to extend the Unit. But as discussed above, it is essential that BRPC actually complete its work commitments so that it will be conducting operations sufficient to keep the Unit from expiring. The Division also plans to continue to monitor BRPC's activities on a regular basis to ensure it is conducting operations. The Division is not requiring quarterly written updates in 2019, based on BRPC's recent progress at the Unit. However, Division staff will be conducting quarterly meetings to stay abreast of BRPC's progress at SMU.

BRPC must submit a 2020 POD by October 2, 2019, 90 days before the 2019 POD expires. This approval is only for a general plan of development. Specific field operations will require an approved Plan of Operations.

If you have questions regarding this decision, contact Jes Spuhler with the Division at 907-269-8817 or via email at [Jes.Spuhler@Alaska.gov](mailto:Jes.Spuhler@Alaska.gov).

An eligible 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 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](mailto: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.

Sincerely,



James B. Beckham  
Deputy Director