

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

Division of Oil and Gas

SEAN PARNELL, GOVERNOR

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December 14, 2011

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Greg Vigil
Savant Alaska, LLC
7501 Village Square Drive, Suite 204
Castle Rock, CO 80108

Subjects: Badami Unit Ninth Plan of Development Approval
Badami Unit Contraction Deferral

Dear Mr. Vigil:

The Division of Oil and Gas (Division) has reviewed the proposed 9th Plan of Development (POD) for the Badami Unit submitted on August 29, 2011, by BP Exploration Alaska, Inc. (BPXA) and proposed for a two year period November 15, 2011 through November 15, 2013. On August 30, 2011, the Division received notice from BPXA tendering its resignation as Badami Unit Operator. On October 14, 2011, the Division approved Savant Alaska LLC, as successor unit operator.

This decision is comprised of three parts: 1) 9th POD approval, 2) unit contraction deferral, 3) relinquishment of unit acreage.

9th POD Approval

Based on our review the Ninth POD satisfies the criteria set out in 11 AAC 83.303 and 11 AAC 83.343, and is approved for the period of December 15, 2011 to July 15, 2013. Approval is in the State's interest because: 1) exploration and development under the Ninth POD should result in increased production from the Badami Unit compared to contracting the unit and re-leasing the undeveloped unit lands; 2) unit lands (as described in the 9th POD) encompass seismically mapped exploration, exploitation and development opportunities and will be timely explored; 3) relinquished unit lands will immediately become available for re-leasing.

Contraction Deferral

Under 11 AAC 83.356(b), the Division defers the Badami Unit automatic contraction, originally scheduled for August 1, 2008, until July 15, 2013, contingent on successful completion of the exploration and development drilling rig contract and well drilling commitments set out in the 9th POD.

“Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans.”

Relinquished Unit Acreage

The Division reviewed the proposed acreage relinquishment, presented in the August 16, 2011 technical meeting, and approves the relinquishment of 2,560 acres from the Badami Unit as follows:

- T 10 N., R 20 E, Section 20
- T 10 N., R 19 E, Section 24
- T 10 N., R 19 E, Section 27
- T 9 N., R 19 E, Section 13

Drilling Commitments and Unit Contraction

If Savant Alaska LLC fails to complete any of the exploration drilling rig contract and well drilling commitments proposed in the 9th POD, Savant Alaska LLC shall immediately relinquish, without appeal, all leases or portions of leases within the Badami Unit that are not held by the Badami Sands Participating Area (BSPA).

In addition to the commitments set out in the 9th POD, Savant Alaska LLC shall:

1. By August 15, 2012, provide the Division an update of activities conducted during the 2011/2012 winter season.
2. In the event the Red Wolf (Kekiktuk) prospect is not drilled during the 2011-2012 drilling season, provide the Division a copy of the drilling rig contract and corresponding authorization funding expenditure by December 15, 2012 or the unit will automatically contract to the BSPA on that date.
3. By August 15, 2013, provide the Division with a briefing on the results of exploration drilling and production well sidetracking proposed in the 9th POD and preliminary plans for the 10th POD.
4. Within 60 days from the date of this decision, provide the division with amended exhibits A and B reflecting the amended unit acreage.

In accordance with 11 AAC 83.343(c), the 10th POD for the Badami Unit will be due to the Division 90 days before the expiration date of the 9th 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 Dan Sullivan, 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. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department. 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 any questions regarding this decision, contact Don Perrin with the Division at (907) 269-8813 or via email at donald.perrin@alaska.gov .

Sincerely,



W. C. Barron
Director

Cc: Cammy Taylor, DO&G
Don Perrin, DO&G
Don Krouskop, DO&G
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Michael Heumann, DO&G
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