

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

Division of Oil and Gas

SEAN PARNELL, GOVERNOR

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November 15, 2011

James R. Winegarner
Brooks Range Petroleum Corporation
510 L Street, Suite 601
Anchorage, AK 99501

Re: Findings and Decision of the Director, Approval in Part of the Application to Form the Southern Miluveach Unit – Errata #2, Pages 5 and 19

Dear Mr. Winegarner:

The State of Alaska, Department of Natural Resources, Division of Oil and Gas (Division) issued the Findings and Decision of the Director, Approval in Part of the Application to Form the Southern Miluveach Unit on October 28, 2011 (Decision). The Decision approved the formation of two units, the Southern Miluveach Unit and the Kachemach Unit.

In the Decision, there was another typographical error in the ADL numbers for two leases proposed in the Southern Miluveach Unit application. On page 5 of the Decision, in the table listing the leases proposed in the application, the second listing for ADL 391932 should read ADL 391934, and the second listing for ADL 391933 should read ADL 391936. On page 19 of the Decision, third sentence in paragraph 22, ADL 391933 should read ADL 391936. Attached are corrected pages 5 and 19 for your copy of the Decision. The corrected Decision is posted on the Division website at <http://dog.dnr.alaska.gov/Units/Units.htm>.

Please note that the correction of these typographical errors does not affect the original Decision date of October 28, 2011. The Southern Miluveach Unit and the Kachemach Unit remain effective as of March 31, 2011.

If you have questions, please contact Wendy Woolf at (907) 269-8779 or via email at wendy.woolf@alaska.gov.

Sincerely,



W.C. Barron
Director

Attachment: SMU Findings and Decision of the Director – Pages 5 and 19 Corrected

Cc: Rebecca Kruse, Dept. of Law

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

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ADL No.	Total Acres	Effective Date	Expiration Date	State's Royalty Rate	ASRC's Royalty Rate	DNR Lease Form	Working Interest Ownership
390682	1,280.00	7/1/2005	6/30/2012	16.66667%	0.0%	DOG 200204 Rev 10/2003	AVCG 24%; TG World 20%; Ramshorn 20%; BRDC 16%; Eni 20%
391932*	640.00	5/1/2004	4/30/2011	8.333335%	8.333335%	DOG 200204AS, Rev. 10/2003	AVCG 30%; TG World 25%; Ramshorn 25%; BRDC 20%
391933*	640.00	5/1/2004	4/30/2011	8.333335%	8.333335%	DOG 200204AS, Rev. 10/2003	AVCG 30%; TG World 25%; Ramshorn 25%; BRDC 20%
391932* 391934*	612.00	4/1/2004	3/31/2011	8.333335%	8.333335%	DOG 200204AS, Rev. 10/2003	AVCG 30%; TG World 25%; Ramshorn 25%; BRDC 20%
390483*	1,232.00	4/1/2004	3/31/2011	8.333335%	8.333335%	DOG 200204AS, Rev. 10/2003	AVCG 30%; TG World 25%; Ramshorn 25%; BRDC 20%
391933* 391936	1,280.00	4/1/2004	3/31/2011	16.66667%	0.0%	DOG 200204AS, Rev. 10/2003	AVCG 30%; TG World 25%; Ramshorn 25%; BRDC 20%

* Leases jointly owned with ASRC.

IV. DISCUSSION OF DECISION CRITERIA

The DNR Commissioner (Commissioner) reviews applications related to units under AS 38.05.180(p) and 11 AAC 83.303 – 11 AAC 83.395. By memorandum dated December 21, 1998, the Commissioner delegated this authority to the Director of the Division of Oil and Gas (Director).

A unit may be formed to conserve the natural resources of all or a part of an oil or gas pool, field, or like area when determined and certified to be necessary or advisable in the public interest. AS 38.05.180(p). The conservation of the natural resources of all or part of an oil or gas pool, field or like area means maximizing the efficient recovery of oil and gas and minimizing the adverse impacts on the surface and other resources. 11 AAC 83.395(1).

The Commissioner will approve a proposed unit upon a finding that it will (1) promote conservation of all natural resources, including all or part of an oil or gas pool, field, or like area; (2) promote the prevention of economic and physical waste; and (3) provide for the protection of all parties of interest including the state. 11 AAC 83.303(a).

In evaluating these three criteria, the Commissioner will consider (1) the environmental costs and benefits of unitized exploration or development; (2) the geological and engineering characteristics of the potential hydrocarbon accumulation or reservoir proposed for unitization; (3) prior exploration activities in the proposed unit area; (4) the applicant's plans for exploration or development of the unit area; (5) the economic costs and benefits to the state; and (6) any other relevant factors, including measures to mitigate impacts identified above, the Commissioner determines necessary or advisable to protect the public interest. 11 AAC 83.303(b).

The Division's review of the Application is based on the criteria set out in 11 AAC 83.303(a) and (b). A discussion of the subsection (b) criteria, as they apply to the Application, is set out directly below, followed by a discussion of the subsection (a) criteria.

18. The rental rate for the five leases committed to the Southern Miluveach Unit, which will expire June 30, 2012, will be increased from \$3.00 per acre to \$4.50 per acre effective July 1, 2012.
19. The rental rate increase is a permanent amendment to the lease rental rate, regardless of whether the lease remains committed to the unit.
20. ADL 390483 is segregated as to lands committed to the Kachemach Unit and those lands not committed to the Kachemach Unit. 11 AAC 83.373(a). Upon approval of this decision, that portion of ADL 390483 not committed to the unit is severed and that portion outside the unit terminates effective March 31, 2011.
21. ADL 391321 is segregated as to lands committed to the Kachemach Unit and those lands not committed to the Kachemach Unit. 11 AAC 83.373(a). Upon approval of this decision, that portion of ADL 391321 not committed to the unit is severed and that portion outside the unit continues in effect for the remainder of its primary term, and will expire July 31, 2013.
22. Seventeen leases proposed for unitization are not included in either the new Southern Miluveach Unit or the Kachemach Unit. Three of those leases are beyond their primary term. Upon approval of this decision, ADLs 390507 and ~~391933~~ 391936 expired effective March 31, 2011; and ADL 390502 expired effective April 30, 2011. The remaining 14 leases not committed to either unit shall remain in effect for the duration of their respective primary terms.
23. If a participating area is not approved by March 31, 2016, the unit will automatically expire.

Unitization of the area described below for the new Southern Miluveach Unit and the Kachemach Unit, protects all parties' interests, including the people of Alaska, who have an interest in the development of the state's oil and gas resources to maximize the economic and physical recovery of the resources.

(Continued on Next Page)