



THE STATE
of ALASKA
GOVERNOR SEAN PARNELL

Department of Natural Resources

Division of Oil & Gas
Anchorage Office

550 W. 7th Avenue Suite 1100
Anchorage, Alaska 99501-3560
Main: 907.269.8800
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July 11, 2013

Greg Vigil
Savant Alaska, LLC
7501 Village Square Drive, Suite 102
Castle Rock, CO 80108

CERTIFIED MAIL

Re: Badami Unit, Tenth Plan of Development Approval

Dear Mr. Vigil:

On April 30, 2013, the Alaska Department of Natural Resources, Division of Oil and Gas (Division) timely received the proposed Tenth (10th) Plan of Development (POD) for the Badami Unit submitted by Savant Alaska, LLC (Savant). The Division notified Savant by email on May 9, 2013 that the Division had deemed the POD application complete. The Division met with Savant on June 18, 2013 for a discussion of the 10th POD. Savant requests the 10th POD be approved effective July 15, 2013 through November 15, 2014 to allow any well work or drilling activities conducted in the winter 2013/2014 ice road season to be analyzed and incorporated into a presentation to the Division on or before August 15, 2014.

On December 14, 2011, the DNR approved the Ninth Badami Unit POD for the period of December 15, 2011 through July 15, 2013 and deferred the Badami Unit contraction under 11 AAC 83.356 (b) until July 15, 2013.

During the Ninth POD, Savant contracted a suitable drilling rig and drilled the Red Wolf (Kekiktuk) exploration prospect from a remote ice pad in the winter of 2011-2012 drilling season resulting in a dry hole. Savant performed a propellant fracture stimulation on the B1-38 well to break down all perforated intervals and is attempting to make arrangements to conduct a hydraulic fracture stimulation in the summer of 2013. Savant installed an electric submersible pump in the B1-16 well, resulting in 54,259 barrels of a low GOR, relatively high viscosity and low gravity oil being produced from the well from May 2012 through March 2013. A tubing leak in well B1-28 was repaired allowing the mechanical integrity of the well to be restored. Savant is attempting to make arrangements to drill out a cast iron bridge plug in the liner and return the well to production in the summer of 2013. Savant continued to produce all wells currently capable of production in the Badami Unit while employing a revised clean out method using slick line equipment resulting in more consistent production from each well. Savant also relinquished 2,560 acres from the Badami Unit.

During the term of the Tenth Plan of Development, Savant proposes to relinquish 6,377 acres from the Badami Unit, stimulate the B1-18A and B1-38 wells using available fracture technology, and subject to securing an adequate rig on commercially reasonable terms and successfully appealing the Approval, in Part, of the First Expansion of the Badami Unit by DNR, timely drill an exploratory test well from the Badami Unit gravel infrastructure to a Killian sand target further described in the unit expansion application.

Savant proposes to maximize production from all wells currently capable of producing in commercial quantities in the Badami Unit while focusing on reducing lease operating expenditures. Savant expects the work commitments proposed under the Tenth POD to result in increased production from the Badami Unit.

Under 11 AAC 83.356(b), 10 years after sustained unit production begins, the unit area must be contracted to include only those lands then included in an approved participating area and lands that facilitate production including the immediately adjacent lands necessary for secondary or tertiary recovery, pressure maintenance, reinjection, or cycling operations. The Division reviewed the acreage relinquishment proposed in the 10th POD and approves the relinquishment of 6,377 acres from the Badami Unit as follows:

T10N, R20E Section 19, comprising 617 acres more or less

T10N, R19E Sections 25, 26, 34, 35, and 36 comprising 3,200 acres more or less

T9N, R19E, Sections 1, 2, 11, and 12, comprising 2,560 acres more or less

When considering a POD, the Division must consider whether the POD complies with the provisions of 11 AAC 83.303. Accordingly, the Division considers the environmental costs and benefits of unitized exploration or development; the geological and engineering characteristics of the reservoir or potential hydrocarbon accumulations; prior exploration activities in the unit area; the applicant's plans for exploration or development of the unit area; the economic costs and benefits to the state; and any other relevant factors, including measures to mitigate impacts identified above, that the commissioner determines necessary or advisable to protect the public interests. 11AAC83.303(b). Then the Division considers whether the POD is necessary or advisable to protect the public interest; will promote conservation of all natural resources, including all or part of an oil or gas pool, field, or like area; will promote the prevention of economic and physical waste; and will provide for the protection of all parties of interest including the state. 11 AAC 83.303(a).

In approving the prior PODs for the BU, the Division considered the criteria in 11 AAC 83.303 and found that the BU PODs complied with the provisions of 11 AAC 83.303, 11 AAC 83.343, and protected the public interests. The Division incorporates by reference those findings.

Considering the 11 AAC 83.303 criteria and the continued production and evaluation proposed with the BU 10th POD, the Division finds the BU 10th POD complies with the provisions of 11 AAC 83.303, 11 AAC 83.343, and protects the public interest. I approve the BU 10th POD for the period of July 15, 2013 through November 15, 2014. The approval is only for the general plan of development. Specific field operations may require additional approvals.

Under 11 AAC 83.343(c), the 11th POD for the BU is due in this office ninety days before the expiration of the 10th BU POD, that is, on or before August 17, 2014.

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 Daniel S. 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. 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 questions regarding this decision, contact Don Perrin with the Division at 269-8813, or via email at donald.perrin@alaska.gov.

Sincerely,

W.C. Barron
Director

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Sent to: Gregory R. Vigil, Manager
Savant Alaska LLC
7501 Village Square Dr. Ste 102
Castle Rock, CO 80108-3700

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Gregory R. Vigil, Manager
Savant Alaska LLC
7501 Village Square Dr. Ste 102
Castle Rock, CO 80108-3700

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