



**PLACER UNIT**

**REMAND BY THE COMMISSIONER OF THE DEPARTMENT  
OF NATURAL RESOURCES FOR THE STATE OF ALASKA OF  
APPEAL FROM THE JANUARY 14, 2013 DENIAL OF THE PLACER  
UNIT EXPANSION APPLICATION AND DENIAL OF THE  
REQUEST TO AMEND THE PLAN OF EXPLORATION**

**September 24, 2013**

On February 4, 2013, ASRC Exploration, LLC (AELLC) timely appealed to the Commissioner of the Alaska Department of Natural Resources (DNR) the January 14, 2013 decision of the Director of the Division of Oil and Gas (Director or Division) denying AELLC's August 20, 2012 application to expand the Placer Unit and to amend the Plan of Exploration (POE). In its appeal, AELLC requested a hearing; this request is still pending.

In its January 14, 2013 decision to deny the Placer Unit expansion and amendment of the POE, the Division stated the following:

“Expansion of the unit and delay of the work commitments protects AELLC’s interest, but not the state’s interest. It is inappropriate to relieve AELLC of the commitments it made to induce the state to approve formation of the unit. The unit should not be expanded before AELLC has met those commitments” (Page 19 of Decision).

While it is critical that the State hold companies to their commitments in order to advance the State’s interests in a timely fashion, we also recognize that resource development is a fluid process, changes can occur, and contingencies arise. Flexibility in DNR’s overall outreach and engagement with industry is also important. We are very interested in working with companies across the resource development sector toward this shared interest.

On September 12, 2013, AELLC and Brooks Range Petroleum Corporation LLC (BRPC) met with the Division to present a unified position with respect to a work commitment for the greater Placer area. BRPC brought a broader dataset and geological and geophysical interpretations of the area, including resource potential outside the existing unit, to support a proposed unit expansion. In addition, AELLC has a desire to farm out its lease interests in the greater Placer area to BRPC and BRPC in turn has a desire to farm in. The result of this transaction would be a new well drilled in 2014.

DNR is willing to work together with AELLC to finalize the requested expansion of the Placer Unit and to modify the Plan of Exploration. It is in the State's interest to see a new exploration well that assesses the resources of multiple leases this winter. It is also in the State's interest to secure financial surety in the event that work commitments are not fulfilled.

Accordingly, the appeal is remanded to the Director for additional findings in accordance with the following direction and objectives:

- Amend the POE with timelines for work commitments that result in a well being drilled in 2014;
- Evaluate the proposed expansion of the unit to ensure that any expanded area does not reset the five-year clock on the initial unit formation (approved September 8, 2011);
- Require that farm in and farm out agreements be provided to the division; and
- Impose a performance bond sufficient to protect the State's interest.

The Director shall send the response to this remand order to the DNR Commissioner's Office, AELLC, and BRPC. Given these strict timelines, time is of the essence on the response to this remand order and the need for the Director, AELLC, and BRPC to engage directly with each other to incorporate the above direction and objectives into a course of action consistent with this order. AELLC may file a notice of appeal to the DNR Commissioner from the Director's response to this remand order, and AELLC may supplement or continue to rely on the appeal materials it has filed to date. If AELLC does not appeal from the Director's response to this remand order, this appeal will be processed based on the existing record and the Director's response.



Daniel S. Sullivan

Commissioner

Department of Natural Resources

Date: September 24, 2013