



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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December 3, 2015

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Alexis Nikouline
Cook Inlet Reservoir Engineer
ConocoPhillips Company
700 G. Street, ATO-986
P.O. Box 100360
Anchorage, AK 99510-0360

Subject: North Cook Inlet Unit 2016 Plan of Development

Dear Mr. Nikouline:

On October 1, 2015, ConocoPhillips Company (ConocoPhillips) timely submitted to the Department of Natural Resources, Division of Oil and Gas (Division) a proposed 2016 North Cook Inlet Unit Plan of Development (2016 NCIU) Plan of Development (POD). The Division notified ConocoPhillips by email on October 8, 2015 that the Division had deemed the POD submittal complete. The POD covers the period from January 1, 2016 through December 31, 2016. This decision approves the 2016 NCIU POD.

ConocoPhillips continues to manage this mature gas field through continued optimization of full life cycle subsurface depletion. The NCIU has been on production since 1969 and has produced over 1,894 billion standard cubic feet of cumulative gas through September 30, 2015. The field is operated from the Tyonek platform in the northern waters of the Cook Inlet. Currently, ConocoPhillips has 100 percent working ownership and production supports the local Southcentral Alaska energy market. An influx of water from higher pressure acquirers was found in some wells causing the field average reservoir to increase from 2008 to 2011. The 2015 survey showed an average pressure of 486 pounds per square inch (psia) at reference datum (4100' Sub Sea True Vertical Depth (SSTVD)), which is close to the 2012 survey's average. Well shut-in bottom-hole pressures range from 228 psia to 1,353 psia. Production has been declining since 2009 due to declining reservoir pressure in most zones and sand production in isolated zones.

A unit POD must contain sufficient information for the Commissioner to determine whether the plan is consistent with the provisions of 11 AAC 83.303. ConocoPhillips as the Operator of the NCIU submitted relevant development and operational activities information for the unit as prescribed by 11 AAC 83.343 for the 2016 NCIU POD.

ConocoPhillips reported the previous year's planned operational efforts, and described short and long term activities for development of NCIU. A new deep gas lift system was installed in B-01-

A in March 2015, and deep gas lift system was also re-ran in A-06 and A-14 during 2015. ConocoPhillips upgraded the turbine compressors to decrease the well flow tubing pressure and both second stage compressors were re-staged in March 2015. Well work was performed and evaluated in several wells to maintain well integrity and optimize resource recovery. ConocoPhillips deferred plans to sandblast and recoat two additional girder tanks. Detailed engineering for facility siting project was completed in 2015, and temporary quarters were installed to accommodate ongoing facilities operations. Temporary living quarters located on the Tyonek Platform drilling deck are occupied as of September 2015.

During the 2016 POD year, ConocoPhillips plans to continue to evaluate potential development activities within the unit area, including plans to delineate all underlying oil and gas reservoirs, bring reservoirs into production, and maintain and improve production from the reservoirs. It will continue to evaluate workover and drilling opportunities. A rig-workover program is planned for 2017. As a part of continuing evaluation of the unit, ConocoPhillips plans to evaluate potential underdeveloped accumulations as well. The planned operations for the current POD year includes continued operations and efficient management of produced fluids. The plans include maintenance of asset and operating integrity, performance of annual inspections, and optimization of resource recovery.

When considering a POD, the Division must consider the criteria in 11 AAC 83.303(a) and (b). Accordingly, the Division considered the public interest, conservation of natural resources, prevention of economic and physical waste, protection all interested parties including the state, environmental costs and benefits, geological and engineering characteristics or 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).

In approving the earlier PODs for NCIU, the Division considered 11 AAC 83.303 and found that the PODs promoted conservation of natural resources, promoted prevention of waste, and protected the parties' interests. The Division incorporates by reference those findings.

The 2016 NCIU POD will slow the decline in production by performing remedial well operations to help maintain production. Maintenance of existing facilities will continue to preserve opportunities for future development and production. If economical, well workovers may restore some production and further slow the decline of production.

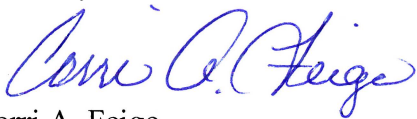
Considering the 11 AAC 83.303 criteria, and the continued production proposed with this POD, the Division finds the 2016 NCIU POD complies with the provisions of 11 AAC 83.303, 11 AAC 83.343, and protects the public interest. The 2016 NCIU POD is approved for the period January 1, 2016 through December 31, 2016.

This approval is only for a general plan of development. Specific field operations require separate approval under 11 AAC 83.346, Unit Plan of Operations. Under 11 AAC 83.343, the 2016 NCIU POD is due on October 1, 2016, 90 days before the 2016 NCIU POD expires.

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 Mark Myers, 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. If no appeal is filed by the appeal deadline, this decision is a final administrative order and decision. 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 Kathleen King with the Division at 907-269-8813 or via email at kathleen.king@alaska.gov.

Sincerely,



Corri A. Feige
Director

cc: DOL