

# Cook Inlet Energy

January 29, 2016

Ms. Corri Feige, Director  
Alaska Division of Oil and Gas  
550 W. 7<sup>th</sup> Ave., Suite 1100  
Anchorage, AK 99501-3560

**Re: Submittal of West McArthur River Unit 25<sup>th</sup> Plan of Development and Redoubt Unit 16<sup>th</sup> Plan of Development**

Ms. Feige:

Cook Inlet Energy, LLC ("CIE") hereby provides its Unit Plans of Development as required under 11 AAC 83.343 to the Division of Oil and Gas ("Division").

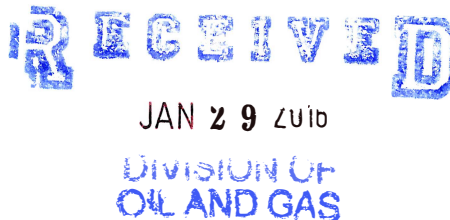
A technical meeting with Division staff will be scheduled in February for CIE to present technical information to support the operations proposed in the enclosed plans.

CIE has been diligently working to meet its obligations under its leases and unit agreements.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Jones", with a large, sweeping flourish extending from the end of the signature.

Tim Jones  
Senior Landman



CC: Hak Dickinson, Unit Manager

## **Redoubt Unit**

### **16<sup>th</sup> Plan of Development**

#### **Overview**

The 16<sup>th</sup> Plan of Development ("POD") shall cover the period from May 1, 2016 through April 30, 2017.

By letter dated April 21, 2015 the Division approved the 15<sup>th</sup> POD submitted by CIE as Operator of the Redoubt Unit. The 15<sup>th</sup> POD approval was for the period May 1, 2015 through April 30, 2016.

#### **Annual Report**

The following is CIE's annual report under 11 AAC 83.343 (d).

The development plans contained in the 15<sup>th</sup> POD consisted of:

- CIE plans to –
  - sidetrack the RU 7A well as RU 7B, which may include a hydraulic fracture stimulation; or
  - plug back and sidetrack RU 3 or RU 4A and complete the well for oil production; or
  - complete the RU 7B sidetrack and also complete a sidetrack of either the RU 3 or RU 4A well.
- In addition, CIE plans to use Rig 35 to change out the pump in RU 9, and continue well maintenance and optimization for all Redoubt Unit wells as necessary and appropriate.
- CIE intends to examine the various options for continuing the exploration and development of the South Stepout and arrive at a preferred course of action.
- CIE will schedule a technical meeting in the 1Q16 to present any updates to its geologic interpretation of the reservoir(s) within the Redoubt Unit.

*(1) the extent to which the requirements of the previously approved plan were achieved*

- CIE continued well maintenance and optimization in the Redoubt Unit, including implementation of a waterflooding program in the Central fault block, which resulted in increased production rates.
- CIE completed maintenance activities on the Osprey platform in anticipation of resuming drilling operations, including repairs and

upgrades to the two dedicated cranes and some electrical work on Rig 35, the drilling rig permanently located on Osprey.

*(2) actual operations that deviated from or did not comply with the previously approved plan and an explanation of the deviation or noncompliance*

- Due to a steep drop in the price of oil and other factors, CIE was forced to file for Chapter 11 bankruptcy protection during the 15th Plan year. During the bankruptcy and the period that preceded it, CIE was unable to acquire sufficient capital investment to undertake the drilling program planned for the 15th Plan year, and did not complete any drilling in the Redoubt Unit.

### **Updated Plan of Development**

The following components of the 16<sup>th</sup> POD follow the outline contained in 11 AAC 83.343 (a) and incorporate all planned development activities anticipated based on all data reasonably available at this time. The following components of the 16<sup>th</sup> POD meet the requirements contained in 11 AAC 83.343 (c).

*(1) long-range proposed development activities for the unit, including plans to delineate all underlying oil or gas reservoirs, bring the reservoirs into production, and maintain and enhance production once established*

- CIE plans to continue drilling operations, including further delineation and development drilling within the Central, Southern and Northern FBs.
- Specifically, CIE intends to drill the RU 4B sidetrack well into the Central FB and complete it for oil to further develop the Hemlock PA. This drilling should commence by 4/1/2018, depending on favorable economic conditions.
- CIE is exploring the possibility of converting the RU 3 well from a production well to a waterflood injection well to enhance production.

*(2) plans for the exploration or delineation of any land in the unit not included in a participating area*

- CIE hopes to evaluate the oil and gas potential of the areas north of the Northern FB with exploration wells to test these areas. CIE is still working on plans for these wells. When favorable economic conditions warrant, CIE intends to resume plans to drill wells into these areas.
- CIE intends to drill a well into the Northern FB. This drilling should commence by 4/1/2018, or when economic conditions warrant.

- CIE is continuing to evaluate results of drilling the RU 9 well and will determine if it is feasible to drill additional wells into the South Stepout. CIE is considering a changeout of the failed ESP and a possible hydraulic fracture of the well.

*(3) details of the proposed operations for at least one year following submission of the plan*

- CIE plans to sidetrack the RU 7A well as RU 7B, which may include a hydraulic fracture stimulation.
- In addition, CIE plans to use Rig 35 to continue well maintenance and optimization for all Redoubt Unit wells as necessary and appropriate, including ESP changeouts in either RU 1A, RU 5B, or both. If the first hydraulic fracture stimulation on RU 7B is successful, CIE may also stimulate one or both wells to increase production.
- CIE intends to examine the various options for continuing the exploration and development of the South Stepout and arrive at a preferred course of action.
- CIE will schedule a technical meeting in the 1Q17 to present any updates to its geologic interpretation of the reservoir(s) within the Redoubt Unit.

*(4) the surface location of proposed facilities, drill pads, roads, docks, causeways, material sites, base camps, waste disposal sites, water supplies, airstrips, and any other operation or facility necessary for unit operations*

CIE has no plans for additional facilities, etc. at this time.

*(5) Marketing and Facility Access*

CIE is adding this section to the RU 16th POD at the request of the Commissioner of the Department of Natural Resources ("DNR") in a letter dated January 14, 2016, in order to assist the DNR in their efforts to ensure maximum development and monetization of Alaska's energy resources.

CIE currently markets its oil in the RU through the Cook Inlet Pipeline and sells it to Tesoro at the Drift River facility. All gas produced from the RU is used to power operations at the Unit facilities.

CIE is always interested in entertaining offers to use its spare production capacity at all of its facilities, and is willing to enter into facility sharing agreements as reasonable and appropriate.

## Statement of Operator

Cook Inlet Energy, LLC, as Redoubt Unit Operator, submits this annual report and update to the Redoubt Unit Plan of Development under 11 AAC 83.343. The Operator believes that this 16<sup>th</sup> POD satisfies the requirements of 11 AAC 83.343, including compliance with the provisions of 11 AAC 83.303.



Conrad Perry  
Vice President and Drilling Manager

Attachments: Redoubt Unit Production  
Well Status

**Redoubt**

Date	Produced Oil (bbls)	Produced Water (bbls)	Produced Gas (MMCF)
Jan-15	30,027	24,984	7,203
Feb-15	30,368	22,841	7,288
Mar-15	34,260	11,377	8,223
Apr-15	31,653	10,393	7,597
May-15	30,715	9,243	7,373
Jun-15	30,682	9,880	7,364
Jul-15	31,052	10,745	7,451
Aug-15	30,072	10,796	7,217
Sep-15	29,040	11,308	6,969
Oct-15	30,117	12,778	7,227
Nov-15	28,292	11,849	6,815
Dec-15	26,019	13,410	5,392
TOTALS	362,297	159,604	86,119

## CURRENT WELL STATUS - Redoubt

WELL	STATUS	DATE	REASON
RU #1A	Shut-in	12/2015	ESP failure
RU #2A	Producing	6/2013	Hemlock PA - Oil
RU #3	Shut-in	6/2014	Low wellhead pressure
RU #4A	Shut-in	9/2014	Water loading issues
RU #5B	Shut-in	3/2015	ESP failure
RU #6 WF	In Service	12/2014	Waterflood
RU #7A	Inactive	11/2014	Preparation for sidetrack
RU #9	Shut-in	11/2014	ESP failure
RU #D1	In Service	4/2011	Class 1 Disposal