



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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March 22, 2016

CERTIFIED MAIL
RETURN SERVICE REQUESTED

Conrad Perry
Vice President and Drilling Manager
Cook Inlet Energy
601 W 5th Ave, Ste 310
Anchorage, AK 99501

Re: 16th Plan of Development for the Redoubt Unit

Dear Mr. Perry:

On January 29, 2016, Cook Inlet Energy (CIE), as the Unit Operator of Redoubt Unit (RU), timely submitted for approval its 16th Plan of Development (POD) to the Department of Natural Resources, Division of Oil and Gas (Division). The Division notified CIE by email on February 4, 2016, that the application is complete. The Division met with CIE on February 24, 2016, for a technical presentation on the Redoubt Unit, along with West McArthur River Unit, and North Fork Unit.

The 15th POD contained CIE's plans to continue drilling operations, including further delineation and development within the Central, Southern, and Northern fault blocks (FBs). The Operator planned to sidetrack RU-7A as RU-7B and possibly frac, or plug back and sidetrack RU-3 or RU-4 and complete as oil producer. CIE also planned to replace failed electric submersible pump (ESP) in RU-9 and restore production and continue well maintenance and optimization as necessary.

In its annual review, CIE reported that it continued to maintain and optimize the well operations at the RU, including implementation of a waterflood program in the Central FB, which increased production rates. CIE also completed maintenance activities on the Osprey platform in anticipation of resuming drilling operations, including upgrades to the two dedicated cranes and some electrical work on Rig 35, which is permanently located on Osprey. During the year CIE completed initial planning for RU-7A, RU-3, and RU-4 planned sidetracks and completed comprehensive geologic mapping and review to update 2007 volumetric study (RU-1A, RU-2A, RU-5B data incorporated).

On August 6, 2015, Baker Hughes Oilfield Operations, Inc., M-1, LLC d/b/a MI-SWACO, and Schlumberger Technology Corporation filed an involuntary chapter 11 bankruptcy petition against CIE in the United States Bankruptcy Court for the District of Alaska. CIE is a wholly owned subsidiary of Miller Energy Resources, Inc. (Miller). On October 1, 2015, Miller and its subsidiaries, including CIE, filed for voluntary chapter 11 bankruptcy in the United States Bankruptcy Court for the District of Alaska. Miller and CIE are currently proceeding chapter 11 issues through the Bankruptcy Court.

When considering a POD, the Division must consider 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 of all interested parties, including the state, environmental cost and benefits, geological and engineering characteristics or reservoirs or potential hydrocarbon accumulations, prior exploration activities, plans for exploration or development, economic and benefits to the state, and any other relevant factors, including mitigation measures. 11 AAC 83.303(a), (b).

In approving earlier PODs for the NFU, 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 those findings by reference.

Under the 16th POD, upon emergence from bankruptcy, CIE (or its successor) intends to continue a development drilling program that includes sidetrack RU-4A and RU-4B into Central FB and complete as oil producer by 2018. CIE may also plug back and sidetrack RU-3 and complete as a water injection well in Southern FB, or sidetrack, frac, and complete as RU-7B as oil producer depending upon economic conditions. CIE will continue to employ Rig 35 to maintain and optimize RU wells, including ESP in either RU- 1A or RU-9, or both. Permitting favorable economic conditions, CIE hopes it can continue to evaluate oil and gas potentials of the area north of the Northern FB with exploration wells to test these areas.

Considering the 11 AAC 83.303 criteria, and the continued production proposed with this POD, the Division finds the 16th POD approved for the period May 1, 2016 through April 30, 2017.

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 17th POD will be due to the Division 90 days before the expiration of 16th POD, which is on or before January 31, 2017.

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 Marty Rutherford, Acting Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 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 any questions regarding this decision, you may contact Hak Dickenson with the Division at 907-269-8799 or via email to hak.dickenson@alaska.gov.

Sincerely,


Corri A. Feige
Director

cc: DOL