



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
Senior Vice President of Operations
Cook Inlet Energy
601 W 5th Ave, Ste 310
Anchorage, AK 99501

Re: 25th Plan of Development for the West McArthur River Unit

Dear Mr. Perry:

On January 29, 2016, Cook Inlet Energy (CIE), as the Unit Operator of West McArthur River Unit (WMRU), timely submitted for approval its 25th 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 POD application is complete. The Division met with CIE on February 24, 2016, for a technical presentation on the WMRU, along with Redoubt and North Fork units.

CIE acquired its interest in the WMRU in 2009. The WMRU has produced through December, 2015, 14.28 million Stock Tank Barrels (STB) of crude oil. The WMRU is currently producing 1,250 STB per day, and gas at 630 thousand cubic feet per day. The Operator has improved production by drilling, sidetracks, workovers, and equipment enhancements.

For the 24th POD, CIE evaluated plans to complete a sidetrack of the WMRU 1A or 7A well and has determined that sidetracking of these wells would not be economically viable given present commodity prices. Under the 24th POD the Operator also continued its evaluation of data from the WMRU 8 to determine if it would also be a candidate for sidetracking. In addition the Operator continued its evaluation of the data from the Sword #1 well and, if appropriate, intends to drill the Sword #2 well within the Sword PA. CIE also continued its evaluation of drilling plans for the Sabre Prospect, which included the drilling of an extended reach exploration well.

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.

In approving earlier PODs for the WMRU, 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.

Upon emergence from bankruptcy, during the 25th POD period CIE (or its successor) intends to continue seeking ways to enhance production, manage production decline, and increase estimated recovery from wells within the existing unit. If economic conditions warrant, CIE still intends to drill another well into the Sword PA. CIE continues to explore options for the Sabre Prospect, which proposes an extended reach exploratory well. CIE is currently focusing its near-term drilling efforts on developing lower risk projects. Once CIE has more fully developed its proven projects, it will likely be in a better position to continue its exploratory drilling programs. CIE also reports that it is continuing to seek viable partners in the Sabre Prospect to reduce its risks on the project.

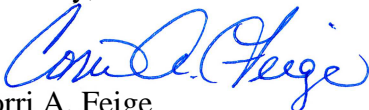
Considering the 11 AAC 83.303 criteria, and the continued production proposed with this POD, the Division finds the 25th POD approved for the period May 1, 2016 through April 30, 2017.

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 26th POD will be due to the Division 90 days before the expiration of 25th 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