



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

550 W 7th Avenue, Suite 1100
Anchorage, AK 99501-3560
Main: 907.269.8800
Fax: 907.269.8939

April 4, 2017

CERTIFIED MAIL
RETURN SERVICE REQUESTED

Tim Jones
Senior Landman
Cook Inlet Energy
601 W 5th Ave, Suite 310
Anchorage, AK 99501

Re: 2017 26th Plan of Development for the West McArthur River Unit

Dear Mr. Jones:

Cook Inlet Energy (CIE) submitted a proposed West McArthur River Unit (WMRU) 26th Plan of Development (2017 POD) to the Department of Natural Resources, Division of Oil and Gas (Division) on January 31, 2017. This decision approves the 2017 POD.

CIE's proposed POD provides information about development and operational activities, as prescribed by 11 AAC 83.343. Accordingly, the Division notified CIE by email on February 9, 2017 that the Division had deemed the POD submittal complete. CIE also provided a technical presentation on February 16, 2017.

WMRU is currently producing 720 Stock Tank Barrels per day, and gas at 270 thousand cubic feet per day.

For the 2016 (25th) POD period, CIE committed to analyzing production from wells, exploring options for enhancing production, and optimizing production facilities to maximize efficiency. CIE also stated that it anticipated drilling another well into the Sword PA before April 30, 2018.

CIE reports that during the 2016 POD period it completed its work commitments. This includes completing a well and facility optimization program, converting the WMRU-2B, WMRU-5, WMRU-6, and Sword wells from jet pump completions to electric submersible pump (ESP) completions, and perforating additional zones in the WMRU-2B and WMRU-5 wells.

For the 2017 POD period, CIE commits to continuing to analyze production from wells and enhancing production through perforation adds, well workovers, and pump replacements. In addition, CIE is developing and permitting drilling plans for the Sabre prospect.

When considering a POD, the Division considers 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 of 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). The Division previously considered these factors in approving the unit and earlier PODs for WMRU, and incorporates those findings by reference.

Continued production from WMRU and CIE's efforts to enhance production from existing wells protects the State's economic interests in developing its natural resources. Production was down during the 2016 POD period, but CIE explained during the technical presentation that this was because of downtime necessary to install ESPs. The fact that CIE is beginning to process to explore the Sabre prospect further protects the State's interest in developing resources. CIE's planned activities do not increase its impact to the land, demonstrating the conservation and environmental benefits of unitized development.

Considering the 11 AAC 83.303 criteria and the continued production proposed with this POD, the Division approves the 2017 POD for the period May 1, 2017 through April 30, 2018. CIE will need to submit a proposed 2018 POD to the Division 90 days before the expiration of 2017 POD, which is on or before January 30, 2018. This approval is for a general plan of development; specific field operations will require an approved Plan of Operations.

A 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 Andrew T. Mack, 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. 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 Becky Kruse with the Division at 907-269-8799 or via email at Becky.Kruse@Alaska.gov.

Sincerely,



Chantal Walsh
Director