



THE STATE  
*of* **ALASKA**  
GOVERNOR BILL WALKER

**Department of Natural Resources**

DIVISION OF OIL & GAS

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June 29, 2017

CERTIFIED MAIL  
RETURN SERVICE REQUESTED

Dale Hoffman  
Manager, Land & External Affairs  
Caelus Natural Resources Alaska, LLC  
3700 Centerpoint Dr, Suite 500  
Anchorage, AK 99503

RE: Eleventh Plan of Development, Oooguruk Unit—Approved

Dear Mr. Hoffman:

On June 1, 2017 the Division of Oil and Gas (Division) timely received the proposed Oooguruk Unit (OU) Eleventh Plan of Development (POD). The Division met with Caelus Energy Alaska, LLC (Caelus) on June 7, 2017 for a technical meeting. On June 8, 2017, the Division notified Caelus that the 11th POD submission was complete.

### **Unit History**

The OU was formed effective July 11, 2003 with Pioneer Natural Resources Alaska, Inc. as the Operator with 70% working interest and ENI Petroleum US LLC with 30% working interest ownership. The OU comprises 25 state leases for a total of approximately 53,344 acres. On April 15, 2014 Caelus succeeded Pioneer as operator of the Unit. Based on production reports submitted to AOGCC, cumulative oil production from OU is approximately 30 million barrels through April 2017.

Forty-three wells have been drilled within OU, including twenty-eight development wells in the Oooguruk Nuiqsut Participating Area (ONPA); five development wells in the Oooguruk Kuparuk Participating Area (OKPA); and four development wells in the Oooguruk Torok Participating Area (OTPA).

### **10th POD Activities**

No drilling activities were planned and none were conducted during the 10<sup>th</sup> POD period due to “market conditions”. Caelus planned to continue production, maintain facilities through ongoing maintenance and inspection, and expand WAG and enhanced recovery operations. Well ODSN-07 was converted to injection in January 2017. Plugs were set in ODSN-06i in July of 2016 to isolate suspected thief zones, the plugs were removed in April of 2017 and the well placed on WAG injection. Mechanical diversion fracture stimulations were completed on five wells (59 stages pumped) and high-pressure-breakdowns were completed on four additional wells during

the winter ice season of the 10<sup>th</sup> POD. This well work was critical in helping maintain production levels during the suspension of drilling operations.

### **Proposed 11th POD Activities**

No drilling activities are expected during the 11th POD period, although rig workovers on eight wells are planned which include casing repairs and recompletions with new electric submersible pumps, and the addition of a Kuparuk completion and test in well ODSN-29. Caelus will also continue various other facility maintenance and optimization activities.

### **Decision**

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 of 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 earlier PODs for the OU, 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.

The proposed 11<sup>th</sup> POD will maintain production through well work and facilities maintenance. Testing of the Kuparuk formation in the ODSN-29 may lead to new production. Both activities benefit Alaskans through additional royalties and investment for future production.

Having considered the 11 AAC 83.303(a) and (b) criteria, the Division finds the 11th POD complies with the provisions of 11 AAC 83.303. Accordingly, the 11th POD is approved for the period September 1, 2017 through August 31, 2018.

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 12th POD is due on June 1, 2018, ninety (90) days before the 11th POD expires.

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](mailto: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, contact Kevin Pike with the Division at 907-269-8451, or by email at [kevin.pike@alaska.gov](mailto:kevin.pike@alaska.gov)

Sincerely,



Chantal Walsh  
Director  
Division of Oil and Gas