



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS
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March 2, 2018

CERTIFIED MAIL

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

Re: 53rd Plan of Development for the North Fork Unit

Dear Mr. Jones:

Cook Inlet Energy (CIE) submitted a proposed North Fork Unit (NFU) 53rd Plan of Development (POD) to the Department of Natural Resources, Division of Oil and Gas (Division) on December 28, 2017. This decision approves the 53rd 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 January 4, 2018 that the Division had deemed the POD submittal complete. CIE also delivered a technical presentation on February 26, 2018.

The NFU has been on production since 2011 and has produced 17.2 billion standard cubic feet of cumulative gas through December 2017.

For the 52nd POD period, CIE committed to:

- Complete reprocessing seismic data prior to the beginning of the POD period;
- Convert a depleted well into a Class II water disposal well;
- Conduct workover operations to increase production from the NFU 14-25 and NFU 41-35 wells; and
- Increase production, including perforating additional drilling pad locations.

Overall, CIE met most of its commitments from the previous POD. It reports completing several "small ball" projects to enhance production from currently producing wells. These projects range from setting downhole plugs to control water intrusion, locating and perforating some additional zones to increase production from the NFU 14-25 and NFU 42-35 well, running a production log and adding perforations to NFU 34-26, running a production log, setting a plug to shut off water and re-perforating NFU 32-35, to an optimization project to improve gas well process flow, and replacement of well houses on NFU 24-26 and NFU 42-35.

Because CIE could control water intrusion, it did not convert any wells to Class II water disposal wells as it was unnecessary now. CIE, however, will continue to monitor water volumes and may

complete this project at a future date. CIE did not reprocess the NFU 3D seismic data during this POD period.

For the 53rd POD period, CIE commits to:

- Complete “small production improvements” through projects like perforating additional zones and setting plugs as necessary to control water intrusion
- Enhance production from currently producing wells through infrastructure improvements like additional compression and separation facilities

CIE’s long-range proposed development activities for the NFU include converting a depleted well into a Class II water disposal well, where necessary, along with continuing a development drilling program to fully delineate and develop all fault blocks within the NFU. Long-range proposed development activities for the NFU further include consideration of additional drilling pad locations as necessary to fully develop and delineate the reservoir, negotiation of long-term gas sales contracts, and additional drilling of potential candidate wells NFU 42-35A and NFU 22-26 (which has a fallback location to NFU 14-26).

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 NFU, and incorporates those findings by reference.

As stated in the Division’s approval of CIE’s 52nd POD, continued production protects the State’s economic interests in developing its resources and minimizing impact to the land. Although CIE includes no specific drilling commitments for the 53rd POD, its activities are in the public interest, and the Division looks forward to more robust work commitments to further develop the unit in next year’s POD.

Considering the 11 AAC 83.303 criteria, and the continued production proposed with this POD, the Division approves the 53rd POD for the period March 31, 2018 through March 30, 2019. CIE will need to submit a proposed 54th POD to the Division 90 days before the expiration of 53rd POD, which is on or before December 30, 2018.

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 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 Ken Diemer with the Division at 907-269-8784 or via email at Ken.Diemer@Alaska.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chantal Walsh". The signature is fluid and cursive, with the first name "Chantal" and last name "Walsh" clearly distinguishable.

Chantal Walsh
Director