



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
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April 4, 2018

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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

Re: 27th Plan of Development for the West McArthur River Unit

Dear Mr. Jones:

Cook Inlet Energy (CIE) submitted a proposed West McArthur River Unit (WMRU) Plan of Development (POD) to the Department of Natural Resources, Division of Oil and Gas (Division) on January 31, 2018. This decision approves the 27th 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 8, 2018 that the Division had deemed the POD submittal complete. CIE also provided a technical presentation on February 26, 2018.

WMRU currently is producing 805 stb/day (excluding Sword), 1177 stb/day (including Sword), with cumulative production at 14.4 million barrels (excluding Sword), 15.1 million barrels (including Sword) through November 2017. Gas production currently is at 181,000 cubic feet per day (including Sword), 124,000 cubic feet per day (excluding Sword), with cumulative production at 3.87 billion cubic feet (including Sword), and 3.67 billion cubic feet (excluding Sword) through November 2017.

For the 26th POD period, CIE committed to continued analysis of production from wells and enhancing production through perforation adds, well workovers, and pump replacements. CIE additionally committed to developing and permitting drilling plans for the Sabre project.

CIE met its commitments and further completed the process of moving its production processing of WMRU wells to the Kustatan Production Facility (KPC), which is a newer existing facility capable of handling greater production volumes than the WMRU production facility. This consolidation included discontinuing use of high-pressure oil injection jet pumps in the WMRU field, which simplified operations and increased overall field safety.

For the 27th POD period, CIE commits to:

- Continue to explore methods to enhance production, manage production decline, and increase total ultimate recovery from existing wells within WMRU

- Continue to analyze production from all wells within the WMRU and enhance production from the Unit as appropriate through perforation adds within wells, well workovers, and pump replacements
- Continue to permit drilling plans for the Sabre project (an offshore exploratory well drilled from a jack-up drilling rig).

As stated in the 2017 POD approval, continued production from WMRU, CIE's efforts to enhance production from existing wells protects the State's economic interests in developing natural resources. CIE's continued permitting process for exploration of the Sabre prospect further protects the State's interest in developing resources. Finally, CIE's planned activities do not increase impact to the land, further demonstrating the conservation and environmental benefits of unitized development.

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.

Considering the 11 AAC 83.303 criteria, and the continued production proposed with this POD, the Division approves the 27th POD for the period May 1, 2018 through April 30, 2019. CIE will need to submit a proposed 28th POD to the Division 90 days before the expiration of 27th POD, which is on or before January 30, 2019.

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,



Chantal Walsh
Director