



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

June 26, 2018

CERTIFIED MAIL
RETURN SERVICE REQUESTED

Dale Hoffman
Manager, Land & External Affairs
Caelus Natural Resources Alaska, LLC
3700 Centerpoint Dr, Suite 500
Anchorage, AK 99503-5818

RE: Twelfth Plan of Development, Oooguruk Unit—Approved

Dear Mr. Hoffman:

On May 29, 2018 the Division of Oil and Gas (Division) timely received the proposed Oooguruk Unit (OU) Twelfth Plan of Development (POD). On June 4, 2018, the Division notified the unit operator Caelus Energy Alaska, LLC (Caelus) that the 12th POD submission was complete. Division staff met with Caelus on June 13, 2018 for a technical meeting.

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 34.3 million barrels through April 2018.

11th POD Activities

No drilling activities were planned and none were conducted during the 11th POD period, however eight workover completions were planned and executed. These operations included casing repairs, ESP replacements, and additional perforations. This well work was critical in helping maintain production levels during the suspension of drilling operations.

Proposed 12th POD Activities

No drilling activities are expected during the 12th POD period, although rig workovers on three wells are planned and are pending approval by Caelus management. This work includes ESP replacements with gas lift completions and a wellbore repair. 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 12th POD will support production through continued well work and facilities maintenance. 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 12th POD complies with the provisions of 11 AAC 83.303. Accordingly, the 12th POD is approved for the period September 1, 2018 through August 31, 2019.

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 13th POD is due on June 1, 2019, ninety (90) days before the 12th 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. 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

Sincerely,



Chantal Walsh
Director