

WEST MCARTHUR RIVER UNIT

APPROVAL OF THE FORMATION OF THE
SWORD PARTICIPATING AREA

SWORD WELL CERTIFIED CAPABLE OF PRODUCING HYDROCARBONS IN PAYING
QUANTITIES AND SUSTAINED PRODUCTION

Findings and Decision of the Director
of the Division of Oil and Gas
Under Delegation of Authority
from the Commissioner of the State of Alaska
Department of Natural Resources

July 23, 2015

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I. INTRODUCTION AND DECISION SUMMARY

The State of Alaska (State), Department of Natural Resources (DNR), Division of Oil and Gas (Division), approved the formation of the West McArthur River Unit (WMRU) effective July 27, 1990. Thereafter, the Division approved the formation of “Area 1 Participating Area” (Area 1 PA) on September 19, 1994.

On August 28, 2014, Cook Inlet Energy, LLC (CIE), along with an application for expansion and contraction of the WMRU, submitted an application (Application) to form Sword Participating Area (Sword PA), which includes ADL 17602 and ADL 359111. The Application also included a request for certification of a well capable of producing in paying quantities. On January 9, 2015, the Division issued a separate decision on the expansion and contraction of the unit. The approved expansion of the WMRU includes approximately 640 acres (ADL 17602), and approved contraction area includes 1,100 acres (ADL 359112).

At least “90 days before the sustained production from a reservoir, the unit operator shall submit to the Commissioner a description of the proposed participating area...” 11 AAC 83.351(a). A participating area “may include only the land reasonably known to be underlain by hydrocarbons and known or reasonably estimated through use of geological, geophysical, or engineering data to be capable of producing or contributing to the production of hydrocarbons in paying quantities.” *Id.*

CIE submitted confidential and public information in the Application. The confidential geological, geophysical, and engineering data support the Application and indicate that Hemlock Zone, Lower Tyonek “G” Oil Zone, and Lower Tyonek “G” Upper Zone within the Sword PA are capable of producing or contributing to production of hydrocarbons in paying quantities.

The Division finds that the formation of the Sword PA promotes conservation of all natural resources, promotes the prevention of economic and physical waste and provides for the protection of all parties of interest, including the State. The DNR approves the Application in accordance with the criteria under 11 AAC 83.303 and in compliance with 11 AAC 83.351(a). The effective date of the Sword PA is November 1, 2013, coinciding with the approval date of the unit expansion.

The Division also finds that Sword #1 Well is certified as capable of producing hydrocarbons in paying quantities in accordance with requirements set forth in 11 AAC 83.361 and 11 AAC 83.395(4).

II. APPLICATION AND LEASE HISTORY

The WMRU is an oil and gas unit located in the Cook Inlet Region of the State. The State approved the WMRU effective July 27, 1990. The unit area encompassed two state leases, ADL 359111 and ADL 359112, covering 6,330 acres, prior to this Application.

CIE became the unit operator in December 2009 after purchasing the assets of Pacific Energy Resources, Ltd., out of bankruptcy. In 2013, CIE began drilling outside the WMRU into ADL

17602 in an attempt to locate new reserves. ADL 17602 is held by production from the Trading Bay Unit (TBU) where a portion of the lease is allocated production from the McArthur River Hemlock Oil Pool PA in the TBU. CIE drilled the Sword #1 Well, a non-consent well, into Segment 1 of ADL 17602 where CIE and Hilcorp jointly own the lease segment. Upon finding that the Sword #1 Well was commercial, Hilcorp assigned its interest in the Sword #1 Well production to CIE under a farmout agreement but retained its working interest ownership in ADL 17602. Hilcorp assigned their 30% interest in ADL 17602, segment 1 to CIE effective August 1, 2014. CIE has 100% working interest since then. The Sword #1 Well has been on pilot production since November 2013. The Sword #1 Well is currently producing under three Division-approved lease operations.

CIE submitted the Application to form Sword PA on August 28, 2014, in accordance with 11 AAC 83.351 and Article 9 of the Unit Agreement. The Application included various attachments and information including: a cover letter requesting expansion and contraction of the WMRU area and creation of the Sword PA; a request for certification of the Sword #1 Well to be considered capable of producing hydrocarbons in paying quantities under 11 AAC 83.361; a description of unit lease, tract, and working interest owners that legally describes the proposed expansion and contraction areas, its leases, and ownership interests, including the State's interests and overriding royalty interests (ORRI); an amended unit operating agreement; a map of the proposed expanded unit; an order (Conservation Order 685A) dated March 5, 2014, from the AOGCC authorizing comingling of oil production from two formations—Hemlock Zone and Lower Tyonek “G” Oil Zone; and Exhibits C and D to the unit agreement. The Application included confidential economic, engineering, and technical data, and evidence of notice to proper parties.

Exhibit C displays the tract numbers, legal descriptions, lease numbers, working interest ownership, royalty interest ownership, ORRI ownership, and unit tract allocation percentages for the WMRU. Exhibit D is the map of Sword PA, showing the unit boundary, unit tract boundary, and the Sword PA (T. 8 N., R. 14 W., S.M., Secs. 2 and 3); ADL 17602 (STAND 12.5%) and ADL 359111 (NFC 12.5%) are both within Sec. 3.

III. DISCUSSION OF DECISION CRITERIA

The DNR Commissioner (Commissioner) reviews participating area formation applications under 11 AAC 83.301 – 11 AAC 83.395. By memorandum dated September 30, 1999, the Commissioner approved a revision of Department Order 003 and delegated this authority to the Division Director. The Division's review of the Application is based on the criteria set out in 11 AAC 83.303 (a) and (b). Below is a discussion of the subsection (b) criteria, followed by a discussion of the subsection (a) criteria.

A. Decision Criteria Considered Under 11 AAC 83.303(b)

1. The Environmental Costs and Benefits of Unitized Exploration or Development

Approval of the formation of Sword PA has no direct environmental impact. This decision is an administrative action and does not authorize any on-the-ground activity. The formation of a PA

does facilitate unitized exploration and development which generally imposes less impact to the environment than exploration and development of individual leases.

A unit operator must obtain approval of a plan of operations from the State, and other permits from various agencies, before drilling a well or wells or initiating development activities. DNR considered environmental issues during the lease sale process, plans of development and operations for production from Hemlock Zone, Lower Tyonek “G” Oil Zone and Lower Tyonek “G” Upper Zone, and WMRU expansion. CIE has obtained the required permits for the current Sword PA well and is operating under an approved plan of operations.

2. Geologic and Engineering Characteristics and Prior Exploration and Development Activities of the Proposed Sword Participating Area

A participating area application must meet the requirements of 11 AAC 83.351(a). At least “90 days before the sustained production from a reservoir, the unit operator shall submit to the Commissioner a description of the proposed participating area...” A participating area “may include only the land reasonably known to be underlain by hydrocarbons and known or reasonably estimated through use of geological, geophysical, or engineering data to be capable of producing or contributing to the production of hydrocarbons in paying quantities.” 11 AAC 83.351(a).

Geologic and geophysical data provided by CIE in support of the application to form the Sword PA included: well test data, mud logs, MWD logs, structure grids, isopach grids, and fault locations. CIE requested confidentiality protection and as such, all proprietary data and interpretations will be held confidential in accordance with AS 38.05.035(a)(8)(C).

The West McArthur River field, situated on the west side of Cook Inlet, is a mature oil field located in the Tertiary Hemlock Formation. Since first production began in December 1992, more than 13 million barrels of oil have been extracted from the original Area 1 PA. The West McArthur River field lies on a southwest to northeast trending anticline cut by numerous faults and associated local folds. East-west faults along the crest of the anticline have created isolated oil accumulations such as those present in Area 1 PA and the proposed Sword PA.

The proposed Sword PA is located in the northeast corner of the WMRU, adjacent to Area 1 PA. The boundary of the proposed Sword PA is based on CIE seismic data interpretation in the area and well test results from the Sword #1 Well (completed in November 2013). The Sword #1 Well was first placed on production in November 2013. Daily production since that time has averaged 500 to 600 barrels of oil per day (with initial production of 800 barrels of oil per day) from the Hemlock Zone, Lower Tyonek “G” Oil Zone, and Lower Tyonek “G” Upper Zone.

The first exploratory drilling in the area of the proposed Sword PA began in 1965 when Pan American Petroleum Corporation drilled the West Foreland Unit No.1 (WFU 1) well. The WFU 1 Well was drilled within the boundary of the proposed Sword PA (less than one-half mile to the west of the Sword #1 Well location). The WFU 1 Well encountered oil stained and florescent reservoir rock in the Hemlock Formation but no free oil in the mud. A drill stem test was attempted; however, due to a failed packer, the well was ultimately plugged and abandoned.

In June 1991 Stewart Petroleum spud the WMRU 1 well approximately one mile to the south of WFU 1. The WMRU 1 well encountered the top of the Tertiary Hemlock Formation approximately 360 feet structurally higher than in the WFU 1 well. Following production testing, Stewart Petroleum estimated the WMRU 1 well would be capable of producing 2,600 to 3,400 barrels of oil per day from the Hemlock Formation. The well was completed in December 1991 and sustained production from Area PA 1 beginning in August 1993 within the West McArthur River field. Production from Area PA 1 reached a peak of 4,957 barrels per day in January 1996.

Information submitted by CIE to the Division, including Sword #1 Well production results to date, indicate a viable reservoir exists within the Hemlock Zone, Lower Tyonek "G" Oil Zone and Lower-Tyonek "G" Upper Zone. The Division has determined the data and interpretations are sufficient and reasonable to support the formation of the Sword PA.

The confidential geological, geophysical, and engineering data provided by CIE confirm and justify the size and areal extent of the Sword PA, which includes "only the land reasonably known to be underlain by hydrocarbons and known or reasonably estimated through use of geological, geophysical, or engineering data to be capable of producing or contributing to production of hydrocarbons in paying quantities." 11 AAC 83.351(a).

3. Plans of Exploration and Development for the Proposed Sword Participating Area

CIE submitted 22nd and 23rd plans of development (POD) as part of the Application process, and met with the Division for a technical presentation on February 26, 2014. CIE represented that it will continue to produce under the Division-approved lease operations through Sword #1 Well outside the current Area 1 PA and within the current expanded WMRU. CIE also plans to develop additional acreage in Section 2, covering a portion of ADL 17602, named Sabre, which is scheduled for drilling in the approved WMRU 23rd POD.

In addition CIE submitted for the expanded unit area a proposal that intends to evaluate options to restore WMRU 2A under the authorized WMRU 22nd POD and the 23rd POD. CIE has determined that a pilot water flood is not needed at this time and contemplates sidetrack to enhance production. CIE has drilled the WMRU #8 through the Hemlock formation with a TD in Jurassic. At the time of submitting the WMRU 23rd POD, the operator has represented that it was in the process of completing the well. The operator also indicated it was completing plans for drilling the West Foreland #3 into the Tyonek reservoir, but awaiting rig availability to spud the well.

Subsequent to the approval of the 23rd POD, CIE also submitted the 24th POD and met with the Division for a technical presentation on March 26, 2015. For the 24th POD, the operator is continuing to evaluate data from the Sword well and, if appropriate, intends to drill another well into the Sword structure outside of the current Area 1 PA. The Sword #2 well would likely be drilled into the proposed Sword PA. CIE is still evaluating drilling plans for the Sabre prospect, including an extended exploration well.

Further, during the 24th POD period, CIE will continue to analyze production from all wells within the WMRU and explore options to enhance production from the unit. The operator will continue efforts to develop the unit area on a risk assessment basis to optimize drilling and enhance production, including seeking new capital and partners. The operator's continuous monitoring and drilling program will promote efficient development of the natural resources.

4. The Economic Costs and Benefits to the State and Other Relevant Factors

a. Economic Costs and Benefits to the State

The Sword PA will allow CIE to produce from this area, which will provide economic benefits to the State through royalty and tax payments on production. If CIE drills the Sword #2 well into the Sword PA, that exploratory well could lead to increased oil production, which in turn would increase the state's resource revenues.

b. Other Factors—Tract Allocation and Allocation of Comingled Production to Pools

CIE submitted tract participation schedules for the leases in the proposed Sword PA (Attachment 1) as required under 11 AAC 83.351. Pursuant to Article 10 of the unit agreement these allocation are not effective until approved by DNR.

The WMRU operating agreement was revised effective August 1, 2014. Article 11 and Article 13 of the WMRU operating agreement provide the method and procedures for the allocation of participating area production and expenditures to each tract within a PA.

Article 11 determines the tract participation. All tract participations are based on an acreage basis prior to the interim determination. These tract participations shall be the basis for determining participating interests, which shall be the basis for cost sharing and allocation of unitized substances until interim determination. The acreage basis shall be calculated as the ratio of the acreage that each tract affected bears to the total acreage of the unit area or the participating area, whichever is applicable.

The interim determination is to set tract participation for each participating area that will be valid until the final determination. These tract participations shall be the basis for cost sharing and allocation of unitized substances within that participating area until the final determination. The tract participation determined by interim participation shall be based on the "original developable hydrocarbons" (original oil in place (OOIP) and/or original gas in place (OGIP)) as determined.

The purpose of final determination is to permanently set tract participations for each participating area. These tract participations will be the final basis for determining participating interests, which shall be the basis for costs sharing and allocation of unitized substance among the working interest within the participating area. The tract participations determined by final determination shall be based on value. The determination of value by tract will consider the amount of original depletable hydrocarbons underlying each tract, the anticipated fraction of the hydrocarbons that will be recoverable, the relative value of such hydrocarbons, the cost of development, and operating costs. The last date that the data may be collected and used for final

determination shall be four years from commencement of commercial production of unitized substance. The final determination will be completed and approved within 365 days after such last data collection date.

Article 13.3 of the WMRU Unit Operating Agreement provides that all unit expenditures incurred in the development and operation of a participating area for or in connection with production of unitized substances from any reservoir for which such participating area is established shall be allocated to working interest owners within the participating area on the basis of the participating interests in effect at the time, in accordance with Article 11.

Further under the Article 13 for operations conducted outside an established participating area, all unit expenditures incurred in operating within the unit area shall be borne on an acreage basis by the drilling parties within the unit area on the basis of the primary objective formation or reservoir proposed.

Pursuant to 20 AAC 25.215(b), CIE sought permission to downhole comingle production within Sword No.1 Well. Under the order of March 5, 2014, the AOGCC stated that the production from the Sword #1 Well may be allocated to Hemlock Zone and Lower Tyonek "G" Oil Zone on the basis of three methods: "First would be comparing the production rates from the Hemlock only production that is currently occurring to the commingled production that would occur once the Lower Tyonek "G" Oil Zone is perforated. Second, would be to conduct periodic production logging. Finally, the production can be allocated based on geochemical analysis."

In granting the permission for commingled production, the AOGCC order stated: "The operator shall conduct production logs on a at least a yearly basis and adjust the allocation of production between the Hemlock Zone and Lower Tyonek "G" Oil Zones. Copies of all tests and logs used for determining allocation of production shall be submitted to the AOGCC within 30 days."

Following the filing the Application for formation of PA, the Division requested additional information and clarity on the allocation of comingling production to each of the Hemlock Zone, Lower Tyonek "G" Oil Zone, and Lower Tyonek "G" Upper Zone. The additional information request included the specific allocation procedure or methodology employed by CIE, the frequency of the allocation, the latest percentages of the allocation to each of the pools, and other relevant information.

In response, CIE stated that Conservation Order 685A permits comingling between different oil zones in Sword # 1 Well. Under that order CIE initially allocated production based on surface flow tests before and after comingling. Thereafter, the resultant allocation was further adjusted by the ratios based on production logging on an annual basis.

In February 2015, CIE stated it will perform production logging, surface flow tests, engineering and other procedures to allocate production to be approved by the AOGCC. Such effort involved shutting of the wells, retrieving jet pump, and obtaining access to perforations to run logging tools. Production tests of individual wells in the field is conducted on a monthly basis which assist in determining the production from the three zones combined. The Division requested data from the test results.

On June 10, 2015, CIE submitted to AOGCC, based on the surface well tests and engineering methods, the most recent percentages of allocation of comingled production to each of the three zones for Hemlock Zone, Lower Tyonek “G” Oil Zone, and Lower Tyonek “G” Upper Zone are 29%, 1%, and 70%, respectively. Such allocation will be used to support the allocation of unit production to each lease and production zones within the proposed Sword Participating Area.

B. Decision Criteria Considered Under 11 AAC 83.303(a)

1. Promote the Conservation of All Natural Resources

The unitization of oil and gas reservoirs and the formation of participating areas within unit areas to develop hydrocarbon-bearing reservoirs are well-accepted means of hydrocarbon conservation. Formation of a participating area within an existing unit, with development occurring under the terms of a unit agreement, promotes efficient evaluation and development of the State’s resources, and minimizes impacts to the area’s cultural, biological, and environmental resources.

2. The Prevention of Economic and Physical Waste

Approval of the formation of the Sword PA will promote prevention of economic and physical waste. Approval of the Sword PA will not result in economic waste given the current well spacing, market demand, and anticipated production rates. Annual approval of the Sword PA development activities as described in the future plans of development must also provide for the prevention of economic and physical waste. Using the WMRU infrastructure and facilities eliminates the need to construct stand-alone facilities to process production from the Hemlock Zone, Tyonek “G” Oil Zone, and Lower Tyonek “G” Upper Zone; optimizing production while preventing economic and physical waste protects all parties.

The Division will continue to monitor reservoir management issues to protect the public interest in maximizing resource recovery by promoting prevention of economic or physical waste.

3. The Protection of All Parties of Interest, Including the State

Formation of the Sword PA protects the economic interests of all parties. Combining interests and operating under the terms of the WMRU Agreement and WMRU Operating Agreement assures an equitable allocation of costs and revenues commensurate with the resources of its leases. Operating under the WMRU Agreement provides for accurate reporting and record keeping, State approval of plans of exploration and development and operating procedures, royalty settlement, in-kind taking, and emergency storage of oil and gas, all of which will further the State’s interest.

The people of Alaska have an interest in the development of the State’s oil and gas resources to maximize the economic and physical recovery of the resources. AS 38.05.180(a). Diligent exploration and development under a single approved unit plan without the complications of competing leasehold interests promotes the State’s interest. Approval of the Sword PA under the WMRU 22nd, 23rd POD, and 24th POD and future annually approved plans of development will

provide for continued review and approval of CIE's plans to develop the Sword PA in a manner which will maximize economic and physical recovery of the resources.

The formation of the Sword PA advances the efficient development of the State's resources while minimizing impacts to the area's cultural, biological, and environmental resources, which protects the State's interest.

IV. A UNIT WELL IS CAPABLE OF PRODUCING IN PAYING QUANTITIES

CIE has requested Sword # 1 Well to be certified as capable of producing hydrocarbons in paying quantities. A unit well that seeks to be certified as capable of producing hydrocarbons in paying quantities must meet the requirements of 11 AAC 83.361 and 11 AAC 83.395(4). The term "paying quantities" means "quantities sufficient to yield a return in excess of operating costs, even if drilling and equipment costs may never be repaid and the undertaking considered as a whole may ultimately result in a loss; quantities are insufficient to yield a return in excess of operating costs unless those quantities, not considering the costs of transportation and marketing, will produce sufficient revenue to induce a prudent operator to produce those quantities." 11 AAC 83.395(4).

In the case of a unit well capable of producing in paying quantities, the unit agreement will remain in effect for so long as hydrocarbons are produced in paying quantities from the unit area, or for so long as hydrocarbons can be produced in paying quantities and unit operations are being conducted in accordance with an approved unit plan of exploration or development, or, should production cease, for so long after that as diligent operations are in progress to restore production and then so long after that as unitized substances are produced in paying quantities. 11 AAC 83.336(a).

CIE has submitted confidential geophysical, geological, and engineering data demonstrating that the Sword #1 Well is capable of producing or contributing to production of hydrocarbons in paying quantities. CIE has submitted data demonstrating that Sword #1 Well has sustained production since November 1, 2013. On November 25, 2013, CIE completed a production flow test witnessed by representatives of the Division. During the three-hour flow test, 121.7 barrels of oil were produced from the well, for an estimated 973.9 barrels per day of production. The well was producing 600 barrels per day of pilot production at the time of the Application.

Based on information submitted and available, the Division performed a cash flow analysis for the Sword #1 Well, considering relevant production, forecasting crude oil prices, and costs from the well for the purposes of determining "paying quantities." Based on that analysis, the Sword #1 Well meets the test of "paying quantities" within the meaning of the regulations.

V. FINDINGS AND DECISION

A. The Conservation of All Natural Resources

1. The approval of the Sword PA will conserve all natural resources, including hydrocarbons, gravel, sand, water, wetlands, and valuable habitat.

2. The development and operation of these leases under the WMRU Agreement and the Sword PA will reduce the amount of land and fish and wildlife habitat that would otherwise be disrupted by individual lease development. This reduction in environmental impacts and preservation of subsistence access is in the public interest.
3. All unit development must proceed according to an approved plan of development. The State, Division, and local agencies have issued various approvals for WMRU development. Future operations will require similar review and approval. DNR may condition its approval of a future Unit Plan of Development and/or Unit Plan of Operations or permits on performance of mitigation measures. Compliance with mitigation measures will minimize, reduce, or completely avoid adverse environmental impacts.

B. The Prevention of Economic and Physical Waste

1. With the approval of the WMRU 22nd, 23rd, and 24th PODs, the Division considered the prevention of economic and physical waste criteria under 11 AAC 83.303(a)(2). The Sword PA development activities must be conducted under an annually approved plan of development, which will provide for the future prevention of economic and physical waste.

C. The Protection of All Parties in Interest, Including the State

1. The formation of the Sword PA meets the requirements of 11 AAC 83.351 and 11 AAC 83.371, adequately and equitably protects the public interest, and is in the State's best interest.
2. The geological and engineering data provided reasonably justify the inclusion of the proposed acreage within the Sword PA under the terms of the applicable regulations governing formation and operation of oil and gas units (11 AAC 83.301 – 11 AAC 83.395) and the terms and conditions under which these lands were leased from the State.
3. The formation of the Sword PA will not diminish access to public and navigable waters beyond those limitations (if any) imposed by law or already contained in the oil and gas leases covered by the WMRU Agreement.
4. The Sword PA (Attachment 2, Exhibit D) overlies the Hemlock Zone, Tyonek "G" Oil Zone, and Lower-Tyonek "G" Upper Zone; CIE has demonstrated that the Sword PA is capable of producing or contributing to production of hydrocarbons in paying quantities.
5. The Sword #1 Well is certified as capable of producing hydrocarbons in paying quantities pursuant to 11 AAC 83.361 and 11 AAC 83.395(4).
6. The Sword PA approval is effective to the start of production, November 1, 2013.
7. Based on most recent surface flow tests and engineering methods, which were submitted

to AOGCC on June 10, 2015, production from Sword #1 Well shall be allocated to Hemlock Zone, Lower Tyonek "G" Oil Zone, and Lower Tyonek "G" Upper Zone on the basis of 29%, 1%, and 70%, respectively, until another well test and/or logging is conducted by the operator, in which case the production allocation to each pool or zone shall be on the basis of the most recent well test performed by the operator. Within 30 days of the most recent test performed by the operator, CIE shall notify the percentages of the production allocation to each pool or zone, the methodology employed, and the date the test was performed accompanied by the supporting data.

8. For accounting purposes CIE must zero-out quantities on the previously filed Operator (O1 Form) and Royalty Valuation (A1 Form) reports from Lease Operations Accounting Units LC11, LC12, and LC14 back to the start of production for each accounting unit and include volumes on the O1 and A1 reports in the Sword PA using accounting unit code WMSW.

For the reasons discussed in this Findings and Decision, I hereby approve the Sword PA subject to the conditions set out in this decision.

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 Marty Rutherford, Acting 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 Hak K. Dickenson with the Division at 269-8799, or by email at hak.dickenson@alaska.gov.


Corri A. Feige


Date

Director
Division of Oil and Gas

cc: DOL

VI. ATTACHMENTS

1. Exhibit C, WMRU Sword PA, Tract, Lease, Royalty, NPSL, and Working Interest Ownership

2. Exhibit D, Map of the Sword PA within the Expanded WMRU Unit Boundary

Unit A nent Exhibit C

WMRÜ - Sword PA

Tract, Lease, Royalty, NP5L and Working Interest Ownership

March 1, 2014

Unit Tract No.	Segment	Lease No.	Legal Description of Unit Tract Acreage Within Participating Area	Total Section Acres and Total PA Tract Acreage	Royalty Owner	Royalty %	Overriding Interest Owner and Ownership %	NP5L %	Working Interest (WI) Owners	Working Interest %	Tract Allocation %
1	1	ADL 359111	T. 8 N., R. 14 W., S.M. Sec. 3, Protracted, SE 1/4	160.00	State	12.5	Total of 12.3437500%	None	Cook Inlet Energy, LLC	100.0000000	44.44%
3	1	ADL 17602	T. 8 N., R. 14 W., S.M. Sec. 2, Protracted, SW1/4, NW1/4SE1/4	200.00	State	12.5	Total of 1.70000000%	None	Cook Inlet Energy, LLC	100.0000000	55.56%
Total PA Acreage				360.00					Total Tract Allocation		100.00%

Total Working Interest (WI) Ownership for Participating Area

Cook Inlet Energy, LLC	100.00%
Company 2	0.00%
Company 3	0.00%
Total	100.00%

Total Land Ownership for Participating Area

State	100.00
Federal (e.g. BLM)	0.00
Native Corporation (e.g. ASRC)	0.00
Private Fee Lands	0.00
Total	100.00

Participating Area and Tract Participation Exhibit submitted as a result of:

- Application for new PA
- Application for Expansion/Revision of PA
- DNR Findings and Decision
 - Formation of New PA, effective date: _____
 - Expansion of PA, effective date: _____
 - Contraction of PA, effective date: _____
- Automatic Contraction of PA, effective date: _____
- Change in Working Interest Ownership, effective date: _____
- Change in Royalty, effective date: _____
- Change in Royalty/Land Ownership, effective date: _____
- Other (explain)

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**DIVISION OF
OIL AND GAS**

Unit Agreement Exhibit D

West McArthur River Unit

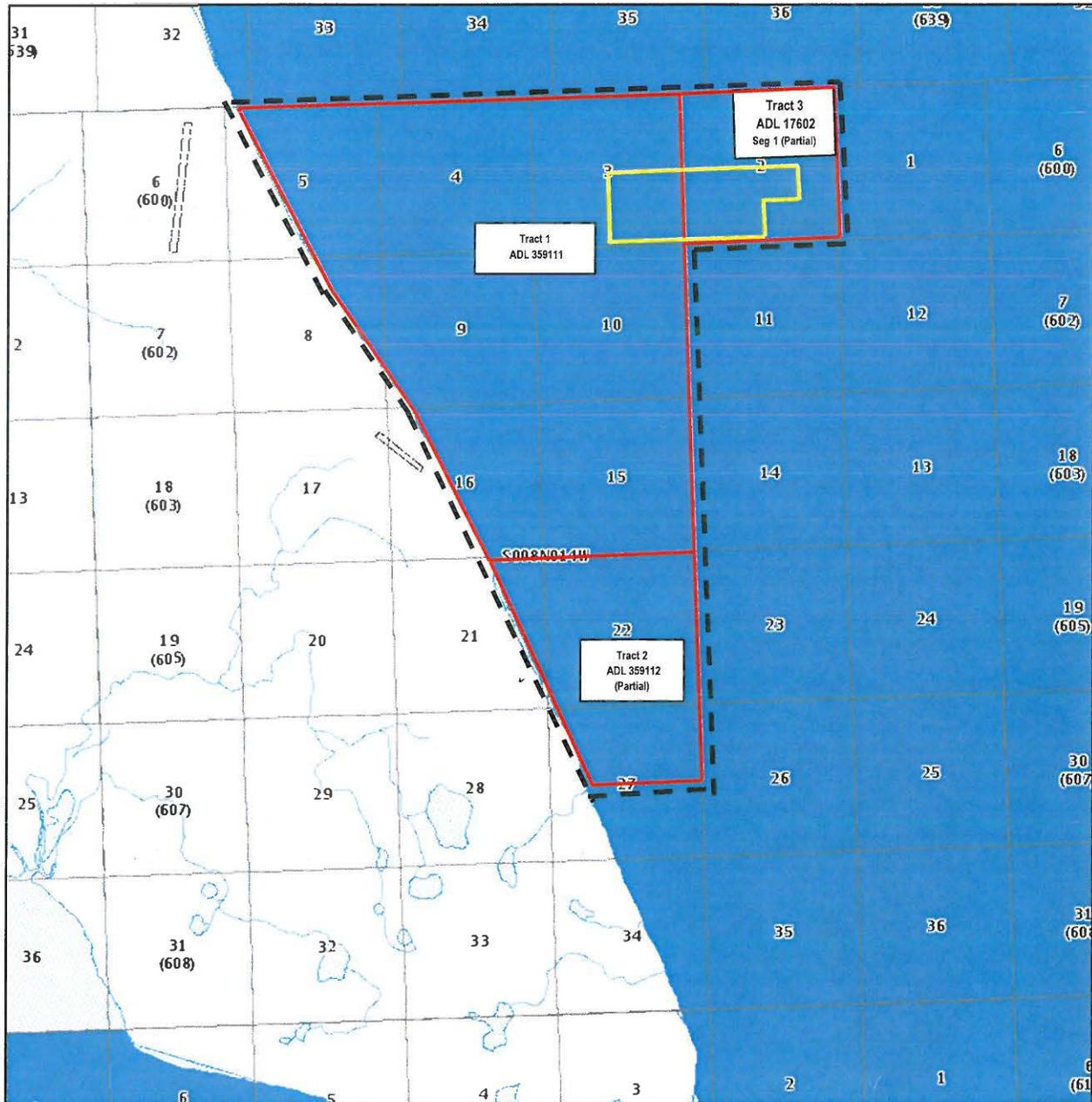
Sword PA

March 1, 2014

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DIVISION OF
OIL AND GAS



Unit Boundary - - - - - Unit Tract Boundary —————

Sword PA □