



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

August 31, 2017

DIVISION OF OIL AND GAS

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RE: LOCI 17-002, Hilcorp Alaska, LLC, Ninilchik Unit, Pearl 2A Delineation Well, Unit Plan of Operations Decision.

Dear Ms. Nixon:

I. INTRODUCTION

On May 26, 2017, Hilcorp Alaska, LLC, (Hilcorp) submitted a request to the Division of Oil and Gas (Division) for approval of a Unit Plan of Operations (Plan) to drill the Pearl 2A delineation well in the Ninilchik Unit (NKU). Hilcorp revised its delineation well location and submitted a revised Plan on August 24, 2017. The Pearl 2A delineation well originates on the Pearl Pad and is approximately four miles northeast of Ninilchik, Alaska. Approval of this Plan, along with approvals from other state and federal agencies (Agencies), is necessary for Hilcorp to carry out the proposed delineation well. Any further exploration is subject to review and approval by the Department of Natural Resources (DNR).

II. SCOPE OF DECISION

The DNR Commissioner has delegated authority for approval of Unit Plan of Operations activities to the Division under Department Order: 003 in accordance with Alaska Statute (AS) 38.05 and 11 Alaska Administrative Code (AAC) 83.346. As set forth below, the Division has evaluated the proposed Plan to determine if sufficient information as required by 11 AAC 83.346 is provided. The Division has also considered that criteria set forth in 11 AAC 83.303. In approving a Plan, the Division may require amendments that it determines are necessary to protect the State's interests (11 AAC 83.346(e)).

The scope of the Division of Oil and Gas's review includes the portion of Hilcorp's proposed Pearl 2A delineation well where the wellbore enters the Ninilchik Unit (NKU) boundary and its trajectory to the bottom hole location found within state oil and gas lease ADL 384372.

III. LAND STATUS

The NKU is comprised of state and non-state lands.

- A. Division's Leased Lands: This section refers to Division managed oil and gas leases regardless of ownership of overlying surface lands.

Affected Oil and Gas Lease: 384372

Oil and Gas Mineral Estate Lessee(s): Hilcorp Alaska LLC

Surface Ownership and Access Agreement: NA

Special Use Lands: NA

Jointly Managed Lands: NA

Other Considerations: Hilcorp is proposing to drill from privately owned surface land outside of the NKU into state oil and gas lease ADL 384372 within the NKU.

- B. State of Alaska Surface Lands: This section refers to State owned surface lands where no Division managed oil and gas leases exist.

Oil and Gas Mineral Estate Owner and Relationship with Applicant: NA

Access Agreement: Special Use Lands: NA

Special Use Lands: NA

Jointly Managed Lands: NA

Other Considerations: NA

- C. Non-State Lands: This section refers to areas where the State does not own the surface land and no Division managed oil and gas leases exist.

Oil and Gas Mineral Estate Owner and Relationship with Applicant: Multiple private oil and gas Mineral Estate owners within the NKU including Danny L Martin, Cynthia L. Hatton, Stephen Wackowski and Thomas P. Brady, See Proposed Pearl 2A Well Path Figure 3.

Surface Ownership and Access Agreement: Within the NKU, Hilcorp's proposed delineation well does not include use of the privately-owned surface.

Special Use Lands: NA

Jointly Managed Lands: NA

Other Considerations: Access road/driveway improvements will occur within the existing Sterling Highway and Woodsong Court rights of way.

| Project Components | Meridian, Township, Range, & Section(s) | GPS Coordinates |
|--|---|---|
| Drilling, completion, and testing of the Pearl 2A well | Seward Meridian: Township 1 S, Range 14 W, Sections: 14 | Lat N 60.081674, Long; - 151.628405 NAD83 |

IV. PROPOSED OPERATIONS

The Plan describes the proposed operations in full detail. Set forth below is a summary of the key details.

- A. Sequence and Schedule of Events

| Project Milestone # | Project Milestone | Proposed Start Date | Proposed End Date |
|----------------------------|--|----------------------------|--------------------------|
| 1 | Pearl 2A well drilling, completion and testing within the NKU. | 11/5/2017 | 11/5/2018 |

B. Well Sites

Hilcorp proposes to construct an approximately 3.77-acre gravel pad on privately owned surface land, drill a gas delineation well into the Niniichik Unit (state oil and gas lease ADL 384372) and test the well to determine commercial viability.

C. Buildings

No permanent facilities are proposed as part of the Pearl 2A delineation well.

D. Fuel and Hazardous Substances

A diesel fuel storage tank up to 5,000 gallons may be stored onsite temporarily for equipment refueling to support construction and drilling activities. The fuel storage tank will be placed in secondary containment as a spill prevention measure.

E. Solid Waste Sites

Waste will be segregated and labeled to ensure proper disposal. Closed-top dumpsters will be used to contain food and household waste and will be hauled away from the site regularly to prevent overfilling. Household waste/paper and trash will be sent to the Kenai Peninsula Borough Landfill for disposal. Oily waste will be segregated and sent to a specialty waste contractor for offsite disposal. Waste drilling mud and cuttings will be hauled via vacuum truck or supersucker directly from the rig process tank to an offsite, permitted underground injection disposal facility. Onsite storage of drilling waste would occur in the event of an issue at the disposal facility that prevents immediate shipment. Hilcorp would then obtain an Alaska Department of Environmental Conservation (ADEC) Temporary Drilling Waste Storage plan approval. The produced water tank will be routinely emptied and the water hauled offsite for underground injection.

F. Water Supplies

Hilcorp anticipates using approximately 100 barrels per day of fresh water from one or more existing ADNR permitted wells for drilling. The parcel has an active freshwater well that is the preferred source of freshwater for drilling activities. Hilcorp is applying for a Temporary Water Use Authorization for the well. If needed, Hilcorp will truck in water from an offsite ADNR-permitted source.

G. Utilities

No permanent utilities are planned for this project. The parcel has existing electricity. If needed a portable generation unit will be temporarily brought on site. Facility piping will be used temporarily on the pad to convey gas and produced fluids to the separation unit and to the produced water tank.

H. Material Sites

Fill/gravel will be supplied from a Kenai Peninsula Borough-permitted material site.

I. Roads

Access to the location will be from the Sterling Highway to the existing Woodsong Court which will be widened at its intersection with the highway. A gravel access road will be constructed from Woodsong Court to the new drill pad. Woodson Court intersects the Sterling Highway at approximately milepost 132.3. The proposed new gravel access road will be approximately 1,050 feet long and 20 feet wide.

J. Airstrips

NA. None proposed for this project.

K. All Other Facilities and Equipment

Hilcorp anticipates using Schlumberger (formerly Saxon Drilling) for drilling activities. Major components include the drilling rig and pipe, the completion rig, mud tanks and mud pumps, boilers, drilling foreman/toolpusher trailer, light plants, generators, cement silo(s). Other miscellaneous equipment may be onsite temporarily to support drilling efforts. Well testing will be conducted for up to approximately 30 days. Temporary testing equipment may include a line heater, a liquids/gas separator, a flare and a 400-barrel produced water storage tank.

L. Rehabilitation Plan

The Pearl 2A Pad is located on private property outside the NKU boundary. Rehabilitation of the property is subject to the owner's future use and any local, state or federal requirements.

Plugging and abandoning or decommissioning the well is subject to the Alaska Oil and Gas Conservation Commission (AOGCC) regulations at 20 AAC 25.

M. Operating Procedures Designed to Minimize Adverse Effects

Hilcorp has sited the project footprint to avoid and minimize impact to waters of the U.S. and reduce wetland fill. Approximately 0.46 acres will include fill to wetlands. A portion of an intermittent stream will be re-routed around the pad to maintain drainage and the area's natural hydrology. Additionally, Hilcorp is evaluating the construction of a smaller pad within the proposed pad footprint to further reduce the amount of fill in wetlands.

The proposed Pearl 2A delineation well will enter the NKU below the surface and bottom hole within oil and gas lease, ADL 384372. There are no anticipated surface impacts from the wellbore's trajectory within the Unit.

In approving a Plan, DNR may require amendments necessary to protect the State's interest (11 AAC 83.346).

All plan applicants must complete a mitigation measure analysis demonstrating that each mitigation measure is satisfied or inapplicable to the proposed Plan, or that the applicant is seeking an exception. The Cook Inlet Areawide 2009 Mitigation Measures allow for the Division to grant an exception if the applicant shows that compliance with the measure is not practicable or that the applicant will undertake an equal or better alternative to satisfy the intent of the mitigation measure. Hilcorp completed the mitigation measure analysis for the Cook Inlet Areawide 2009 Mitigation Measures, and asked for the following exception below.

a. Exception to Mitigation Measures A.1.c siting of onshore facilities

Hilcorp seeks an exception to the following mitigation measure:

The siting of onshore facilities, other than roads, docks, utility or pipeline corridors, or terminal facilities will be prohibited within one-half mile of the mean high water of Cook Inlet, except where land use plans classify an area for development, or established usage and use history show development. The siting of facilities other than docks, roads, utility, and pipeline crossings will also be prohibited within 500 feet of all fish bearing streams and waterbodies and 1,500 feet of all current surface drinking water sources.

Additionally, to the extent practicable, the siting of facilities will be prohibited within one-half mile of the banks of the main channel of the Harriet, Alexander, Lake, Deep, and Stariski creeks, and the Drift, Big, Kustatan, McArthur, Chuitna, Lewis, Theodore, Beluga, Susitna, Little Susitna, Kenai, Kasilof, Ninilchik, and Anchor rivers. Facilities may be sited within these buffers if the lessee demonstrates to the satisfaction of the director, in consultation with ADF&G, that site locations outside these buffers are not practicable or that a location inside the buffer is environmentally preferred. Road, utility, and pipeline crossings must be consolidated and aligned perpendicular or near perpendicular to watercourses.

The intent of this measure is to prohibit facilities other than roads, docks, utility/pipelines corridors, or terminal sites within one half mile of the mean high water mark of the Cook Inlet, except where land use plans classify an area for development, or established usage and use history show development. The Division finds that a waiver for this mitigation measure is not required because the scope of this review is for the wellbore within the NKU rather than the placement of the Pearl Pad outside of the Unit.

V. CONSIDERATION OF UNIT PLAN OF OPERATIONS REQUIREMENTS UNDER 11 AAC 83.346(d) and 11 AAC 83.390

A. Plan Sufficiency 11 AAC 83.346(d)

A proposed plan must include statements, maps, or drawings setting forth

- (1) the sequence and schedule of operations;
- (2) the projected use requirements directly associated with the proposed operations;
- (3) plans for rehabilitation;
- (4) a description of operating procedures to prevent or minimize adverse effects on natural resources and concurrent uses of the area (11 AAC 83.346(d)).

The information in section IV. Proposed Operations, above, and additional information contained in Hilcorp's proposed Plan satisfy the requirements for a plan under 11 AAC 83.346(d) and thus the Division has sufficient information to determine the surface use requirements. However, at this time Hilcorp is proposing to drill from fee simple lands outside the NKU into state oil and gas lease ADL 384372 within the NKU. The State has determined that no surface impacts are within the scope of this approval as set forth under 11 AAC 83.346(c).

C. Oil and Gas Lease Bond 11 AAC 83.390

Hilcorp has a Statewide Oil and Gas Bond in the amount of \$500,000 and continuing liability as Unit Operator.

VI. CONSIDERATION 11 AAC 83.303 CRITERIA

A. Protection of Public Interest

The Division has considered the public interest, considering statutory provisions that provide for conserving natural resources through unitized development (11 AAC 83.303(a); AS 38.05.180(p)). The legislature has declared the public's interest in oil and gas development as an interest in developing oil and gas resources to maximize economic and physical recovery, maximize competition, and maximize use of Alaska's human resources (AS 38.05.180(a)(1)).

This Plan addresses the means for carrying out the Pearl 2A delineation well which, as determined by the 2017 Unit Plan of Development (POD), is necessary for maximizing recovery of the gas resources. Additionally, the information derived from the delineation well under this Plan will determine if commercial viability extends south of the Paxton Pad and potentially beyond the Susan Dionne-Paxton participating area.

The proposed Plan provides for use of Alaska's human resources by pledging to provide local employment and contracting opportunities and to encourage its contractors to do the same as referenced in Mitigation Measure Analysis response A.7.a. in the proposed Plan.

B. Conservation of Natural Resources

The Division has considered whether the Plan promotes conservation of all natural resources, including all or part of an oil or gas Plan, field, or area (11 AAC 83.303(a)(1)). Conservation, in this context, means maximizing the efficient recovery of oil and gas and minimizing the adverse impacts on the surface and other resources (11 AAC 83.395(1)). Development within a unit is intended to provide more efficient development than on the individual leases that make up the unit, and this Plan considers the development of the Unit, not single leases. Efficient development creates less impact on the land and promotes maximum use of all natural resources in the area, consistent with the public interest.

There are a number of ways in which the Plan seeks to minimize adverse impacts on natural resources. The Plan also includes operating procedures to prevent or minimize adverse effects, including effects on the environment and wildlife resources discussed in section IV.M of this decision.

C. Prevention of Economic and Physical Waste

The Division has considered whether the Plan promotes the prevention of economic and physical waste (11 AAC 83.303(a)(2)). Issues of economic and physical waste are carefully considered during Unitization and annually thereafter in the 2017 POD. This Plan is consistent with the current POD on file with the Division's Unit Section.

D. Protection of All Parties of Interest, Including the State

The Division has considered whether the Plan provides for the protection of all parties of interest, including the State (11 AAC 83.303(a)(3)). The parties of interest to a unit plan are the unit operator and working interest owners. The State has an economic interest in the oil and gas resources because it receives royalties from production. It is further in the State's best interest to encourage assessment of oil and gas resources, recognize the costs of exploring in varied

geographic regions, and minimize the adverse impact of exploration, development, production, and transportation activity (AS 38.05.180(a)(2)).

Without approval of a Plan, Hilcorp cannot drill the Pearl 2a delineation well into the NKU and the State cannot recover royalties from potential future development. The Plan thus protects the Unit Operators, working interest owners' and the State's interests in developing the resources.

E. Environmental Costs and Benefits

The Division has considered the environmental costs and benefits of unitized development outlined in this Plan and through the POD, and annual updates, on file with the Units Section (11 AAC 83.303(b)(1)); this Plan is consistent with the current POD on file with the Division.

F. Geological and Engineering Characteristics of Hydrocarbons

DNR previously considered the geological and engineering characteristics of a potential hydrocarbon accumulation or reservoir when it approved the unit agreement (11 AAC 83.303(b)(2)); this Plan is consistent with the current POD on file with the Division's Unit Section.

G. Prior Exploration Activities

The Division has considered prior exploration activities in the Plan area pursuant to 11 AAC 83.303(b)(3). The Niniichik Unit was approved in 2001 and exploration and development work have continued since the unit was formed.

H. Plan of Development

The Division has considered the plans for development set forth in and approved by DNR in the POD (11 AAC 83.303(b)(4)). The current 2017 POD is consistent with Hilcorp's plans to drill the Pearl 2A delineation well identified in the proposed Plan.

I. Economic Costs and Benefits to the State

The Division has considered the economic costs and benefits to the State (11 AAC 83.303(b)(5)). Without approval of a plan, Hilcorp will be unable to proceed with developing state oil and gas lease ADL 384372 which will cost the State the economic benefit of the royalties, as well as other economic benefits that flow from production.

J. Other Relevant Factors to Protect the Public Interest

The Division has considered other relevant factors necessary or advisable to protect the public interest (11 AAC 83.303(b)(6)). These other factors consist of IV.M of this document and Hilcorp necessity to obtain other permits and approvals by different Agencies and landowners.

VII. CONSULTATION WITH OTHER GOVERNMENT ENTITIES

In reviewing the proposed Plan, the Division considered the fact that Hilcorp may require approvals from Agencies for other elements of its project. Although mentioned in the Plan and above, these aspects of the project are not operations being approved by this decision and the Division offers no opinion on whether an agency should or should not approve these activities.

In addition to considering the approvals required by Agencies as they relate to this decision, the Division provided an Agency review and comment opportunity for the activities proposed for authorization under this decision. The following government entities were notified on June, 7

2017 for comment on the Plan: United States Army Corps of Engineers (USACE) , Kenai Peninsula Borough (KPB), United States Fish and Wildlife Service (USFWS), Alaska Oil and Gas Conservation Commission (AOGCC), Alaska Department of Fish and Game (ADFG), City of Kenai, and DNR: Division of Mining, Land and Water (DMLW), Office of Project Management and Permitting (OPMP), Office of History and Archaeology (OHA), Division of Parks and Outdoor Recreation (DPOR), and Division of Oil and Gas. The comment deadline was 4:30 pm Alaska time on June,14 2017. No Agency comments were received. The Plan was then publicly noticed. Following the courtesy public notice, Hilcorp revised its wellbore trajectory within the Ninilchik Unit. The revised bottom hole location proposed within state oil and gas lease ADL 384372 was recirculated to the same agency distribution list on August, 24 2017. The comment deadline was 4:30 p.m. Alaska time on August, 31 2017. Agency comments were not received.

VIII. PUBLIC NOTICE

The Division posted a courtesy public notice on the Plan and opportunity to comment, per AS 38.05. The notice was published in the Alaska Dispatch News and Peninsula Clarion June 16, 2017 with a deadline for comments of July 17, 2017 at 4:30 pm Alaska time. Additionally, a copy of the notice was posted on DNR's web site and faxes of the public notice were sent to the, Homer, Kenai, Nikiski and Ninilchik post offices.

The Division received timely comments during the courtesy public notice period from Cook Inlet Keeper, Andrea Avni, Darwin Waldsmith Kaye Waldsmith, Mckibben Jackinsky, Sylvester Mazen, Jim Shew, Kat Haber, Natalia Mulawa, Amy Christiansen, Deb Limacher and Tom Kerns. While many of the comments addressed topics outside the scope of this review, the Division is providing the commenters with clarifying or additional project information. These comments are grouped into categories. The Division has considered all of these comments and provides the response in Appendix B to the material issues and facts raised relevant to the scope of this Pearl 2A Unit drilling request under the state of Alaska's regulations at 11 AAC 83.346.

IX. CONDITIONS OF APPROVAL

Having considered the proposed project, the Division approves the Plan as amended and modified by this decision and subject to the following conditions of approval.

To protect the State's interest, the Division finds that it is necessary to amend the Plan to incorporate the following Conditions of Approval:

- a) The applicant shall defend, indemnify and hold the State of Alaska harmless from and against any and all claims, damages, suits, losses, liabilities and expenses for injury to or death of persons and damage to or loss of property arising out of or in connection with the entry on and use of State lands authorized under this approval by the applicant, its contractors, subcontractors and their employees.
- b) The applicant shall inform and ensure compliance with any and all conditions of this approval by its employees, agents and contractors, including subcontractors at any level.
- c) Unless pre-authorized by a general permit, amendments and modifications to this approval require advance notice and must be approved in writing by the DNR.

- d) The Commissioner of the DNR may require that an authorized representative be on-site during any operations conducted under this approval. This stipulation is required to ensure that the Divisions of Oil and Gas and Mining, Land and Water meet their statutory responsibilities for monitoring activities taking place on state lands within the NKU.
- e) A status report for the activities conducted under this approval must be filed with this office on May 1 and November 1 each year, from the date this approval is issued and until a final completion report is filed with the Division. If a lessee requests an assignment, a status report must also be submitted during the assignment process. Failure to file in a timely manner may result in revocation of this approval.
 - a. Each status report shall include a statement describing and map(s) depicting all operations actually conducted on the leased area as of the date the report is prepared, which includes the location, design and completion status of well sites, material sites, water supplies, solid waste sites, buildings, roads, utilities, airstrips, and all other facilities and equipment installed.
 - b. Upon completion of operations, the applicant will submit a completion report which will include all information required of a status report described in (a) above as well as a statement indicating the date of operations completion, any noncompliance with the terms of this plan approval of which a reasonable lessee would have knowledge of, clean-up activities conducted, the method of debris disposal, and a narrative description of known incidents of surface damage.
- f) Notification. The applicant shall notify the DNR of all spills that must be reported under 18 AAC 75.300 under timelines of 18 AAC 75.300. All fires and explosions must be reported to DNR immediately. The DNR 24 hour spill report number is (907) 451-2678; the fax number is (907) 451-2751. The Department of Environmental Conservation (DEC) oil spill report number is (800) 478-9300. DNR and DEC shall be supplied with all follow-up incident reports.

X. FINDINGS AND DECISION

Having considered the proposed project and based on the foregoing discussion and consideration of issues and conditions of approval, the Division makes the following findings:

1. The Plan provides sufficient information, based on reasonably available data, for the Division to determine the surface use requirements and impacts directly associated with the proposed operations within the Ninilchik Unit.
2. The Plan includes statements, maps, or drawings setting forth the sequence and schedule of operations, projected use requirements and description of operating procedures designed to prevent or minimize adverse effects. A rehabilitation plan for the private property outside of the NKU does not apply.
3. All oil and gas activities conducted under oil and gas leases are subject to numerous local, state and federal laws and regulations with which Hilcorp is expected to comply.
4. The people of Alaska have an interest in developing the state's oil and gas resources and maximizing the economic and physical recovery of those resources. AS 38.05.180(a).
5. Alaska's economy depends heavily on revenues related to oil and gas production and government spending resulting from those revenues. The related revenue sources include bonus payments, rentals, royalties, production taxes, income taxes, and oil and gas property taxes.

6. The potential benefits of approving this Plan outweigh the possible adverse effects, which have been minimized through imposition of mitigation measures, conditions of approval, and project specific stipulations, and thus approval of this Plan as modified is in the State's best interest.

Based upon the Plan, supporting information provided by the applicant and the Division's review, determination of applicable statutes and regulations, consultation with other agencies, relevant entities and individuals, public comment, and the above findings related to that Plan, the Division hereby approves the Plan as modified.

Sincerely,



Kim Kruse
Permitting Section Manager
Division of Oil and Gas

8/31/2017
Date

Appeal

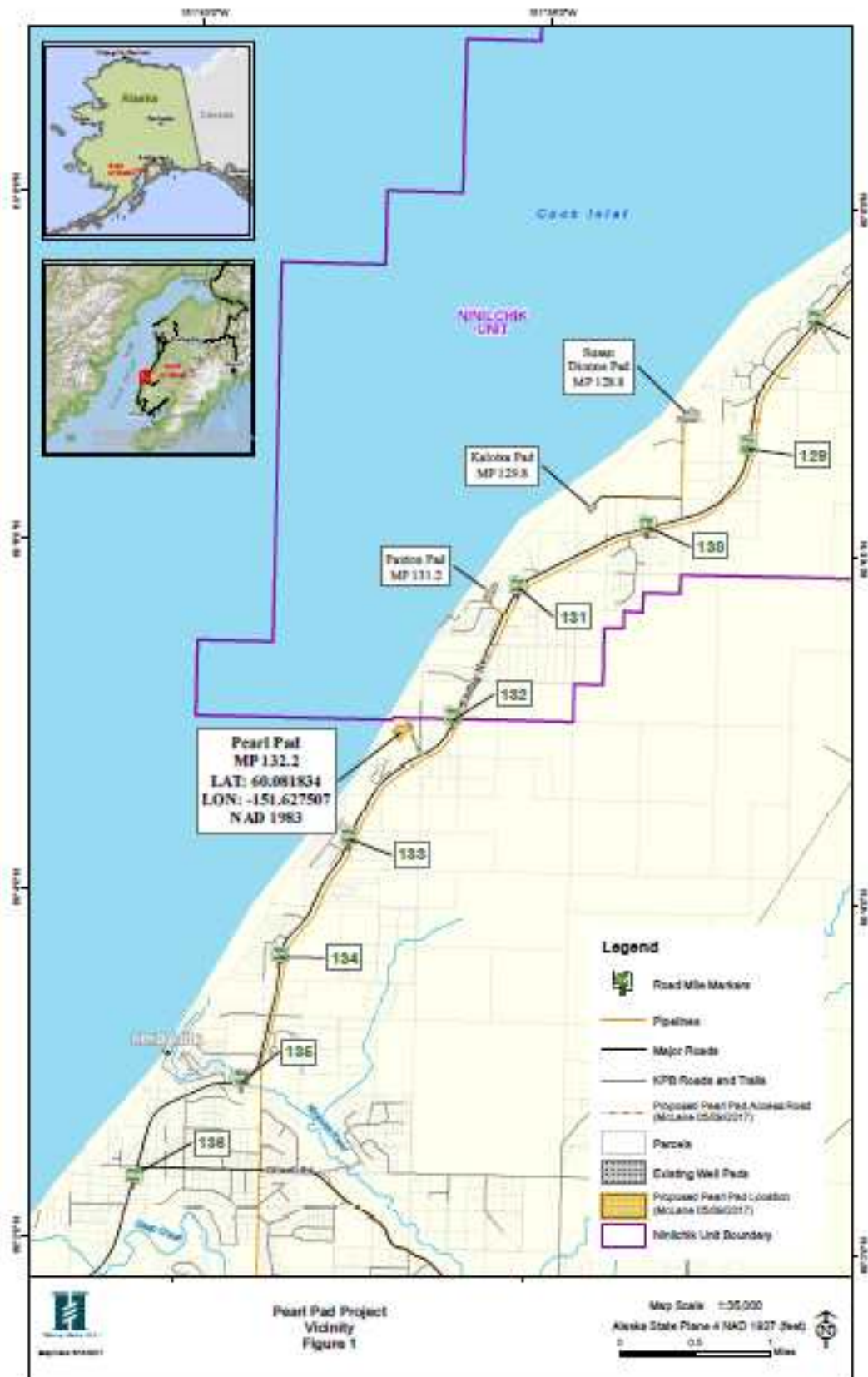
An eligible person affected by this decision who provided timely written comments may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of issuance of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to the 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.

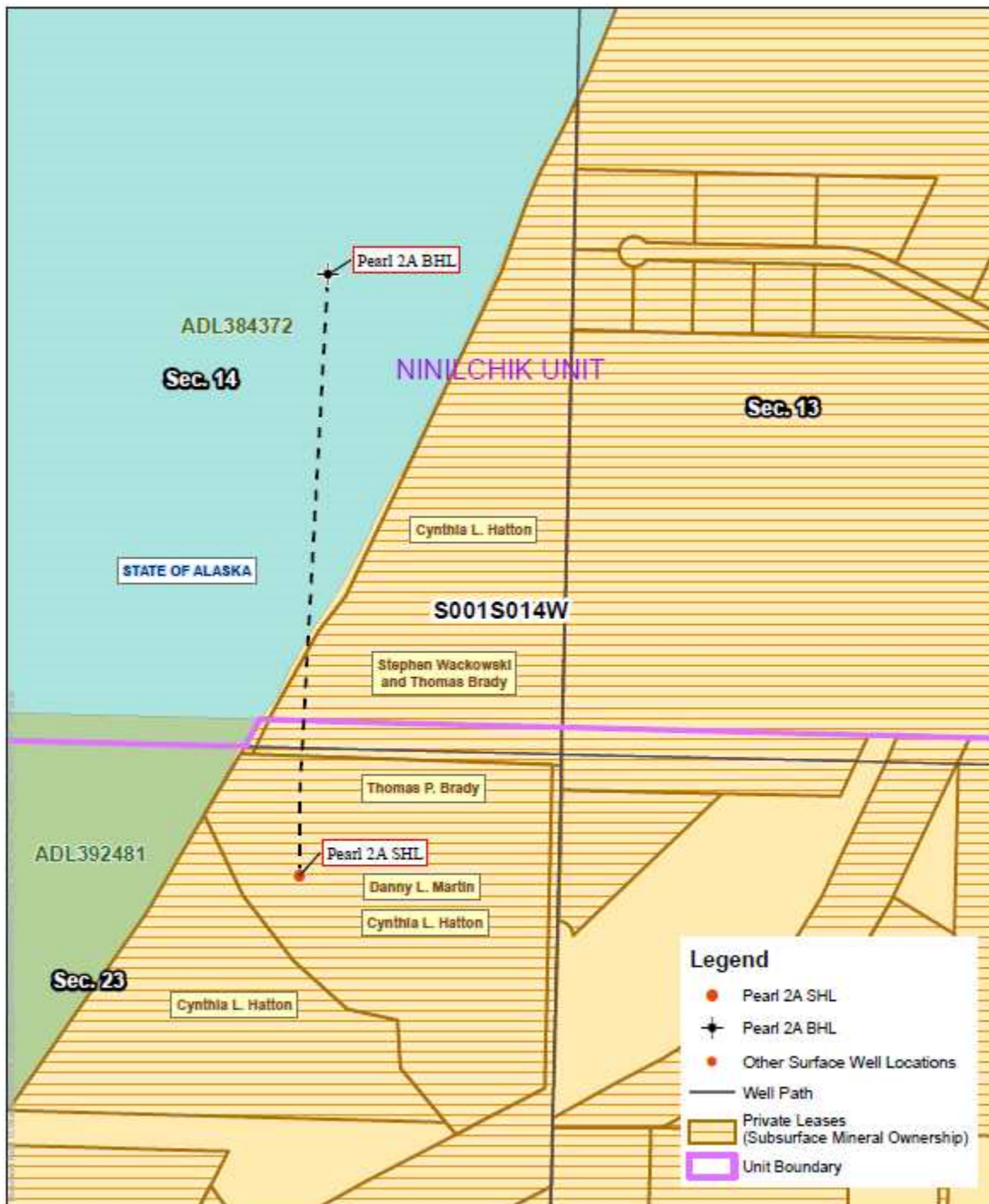
Attachments:

- Appendix A: Maps and Figure(s)
- Appendix B: Public Comments
- Appendix C: Other

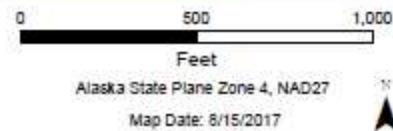
ecc: DOG: Becky Kruse, Kim Kruse, Jeanne Frazier, Kevin Pike
DMLW: Cilfford Larson
ADFG: Marie Megan
ADEC: dec.water.oilandgas@alaska.gov
OPMP: Sara Longan and Jeff Bruno
AOGCC: James Regg
Borough: Marcus Mueller, Julie Denison and Dan Nelson
Commenters: Cook Inlet Keeper, Andrea Avni, Darwin Waldsmith, Kaye Waldsmith, Mckibben Jackinsky, Sylvester Mazen, Jim Shew, Kat Haber, Natalia Mulawa and Amy Christiansen, Deb Limacher, Tom Kerns

Appendix A: Maps





Proposed Pearl 2A
Well Path
Figure 3



Appendix B: Response to Public Comments

The Pearl Pad and proposed surface improvements will be located on private property owned by Hilcorp. Additionally, the mineral estate up to the unit boundary is privately owned and not managed by the Division of Oil and Gas. The Division of Oil and Gas' interest in the proposed Pearl 2A Well project begins where the wellbore enters the Ninilchik Unit boundary. The Division's interest is in a portion of the subsurface operations and Hilcorp's surface activities are on private land where the Division has no regulatory authority.

Comment: Impact of the Pearl 2a wellbore on privately owned subsurface oil and gas rights within the Ninilchik Unit.

Division Response: Darwin E. and Kaye A. Waldsmith own 75% of the mineral estate in the originally proposed wellbore path, and their interest is unleased. George R. Maki, Jr. has partial interest in the same acreage and has leased his interest to Hilcorp. The acreage held by the Waldsmiths and Mr. Maki is a tract committed to the Unit and has been since unit formation in 2001. Hilcorp has changed the Pearl 2a wellbore location from its original location to now bottom hole in a state Oil and Gas lease, ADL384372. The wellbore will no longer enter the referenced private mineral estates.

Comment: Fossil Fuel dependency and use of alternative renewable energy resources.

Division Response: Evaluating fossil fuel dependencies and alternative renewable energy resources is outside the scope of this review.

Comment: Concerns expressed about hydraulically fracturing within a seismically active area and impacts on human rights.

Hilcorp's Response: At this time, Hilcorp does not plan to hydraulically fracture the proposed Pearl 2a well. However, if Hilcorp decides at a later date to employ hydraulic fracturing, the company will do so in compliance with existing AOGCC statutes and regulations codified at 20 AAC 25.283.

Division Response: Hydraulic fracturing operations require operators to comply with AOGCC's regulations under 20 AAC 25.283. Additional information about AOGCC's regulations is available at

<http://doa.alaska.gov/ogc/reports-studies/HydraulicFracWhitePaper.pdf>

Comment: Proposed operations will disturb wildlife and their habitat, more specifically, clam beds bordering the south side of Pearl Pad.

Hilcorp Response: The Clam Gulch Critical Habitat Area (CGCHA) runs along the coastline adjacent to the bluff on which the proposed Pearl Pad is sited. All project activities will occur landward of the bluff and will not impact the CGCHA or other important waterfowl and shorebird habitat.

Hilcorp has an Interaction and Avoidance Plan in place. The company's policy requires best management practices that minimize attractants to bears and other wildlife.

Division Response: The Division notes the concerns, and also the siting of the pad and protections in place to avoid disturbing wildlife and habitat.

Comment: Concern expressed about additional chemical wastewater discharges into Cook Inlet.

Hilcorp Response: Only stormwater will be discharged from Pearl Pad and all such discharges will adhere to stormwater pollution prevention regulations under the Clean Water Act. No direct discharges to the drainage bordering the south end of the parcel will occur and no hydrocarbon or chemical discharges are authorized or planned. Hilcorp adheres to state and federal regulations governing pollution prevention and has a robust integrity management program dedicated to preventing releases. Should an unplanned release occur, Hilcorp follows internal and local, state and federal agency protocols for spill reporting and response to ensure potential impacts are minimized. Hilcorp also maintains a contract and close working relationship with Cook Inlet Spill Prevention & Response, Inc. (CISPRI) to ensure Hilcorp's internal spill response capabilities can be augmented timely and efficiently for the protection of people, the environment, and property.

Division Response: The Division notes the concerns as well as Hilcorp's plans and the protections in place to avoid or mitigate discharges.

Comment: Potential impacts to quality of drinking water and local water tables.

Hilcorp Response: Approximately 100 barrels per day of freshwater from one or more existing ADNR-permitted water wells will be used for drilling. The Hilcorp-owned parcel has several freshwater wells that will be the preferred sources of freshwater for drilling activities. Although no impact to the local water table is anticipated, if this occurs, Hilcorp has the ability to haul in water from an offsite ADNR-permitted source.

Division Response: Surface casing and well integrity matters which also include program designs to prevent contamination of freshwater are addressed under the AOGCC regulations at 20 AAC 25.030 and 20 AAC 25.033.

Comment: Measures to assure safe egress/access onto the Sterling Highway.

Hilcorp Response: As part of this project, Woodsong Court where it intersects the Sterling Highway will be permanently widened to accommodate larger vehicles and heavy equipment needed for pad construction and drilling. Hilcorp is securing a Department of Transportation permit for the widening effort. Also, a traffic control plan will be developed and implemented to mitigate safety issues during construction and drill rig mobilization/demobilization. Hilcorp has also applied to the Kenai Peninsula Borough and received a Right of Way Driveway Permit for improvements within the Right of Way.

Division Response: comments noted.

Comment: Noise abatement and visual measures to address disturbances to the neighborhood in proximity to the Pearl Pad.

Hilcorp Response: Pad construction and drilling will cause a temporary increase in noise levels and construction will permanently change the visual appearance of the localized project area. Noise and visual impacts were considered during project design, resulting in the proposed pad placement that takes advantage of the parcel typography and existing vegetation cover to help mitigate these impacts to neighbors.

Hilcorp has also identified operational measures to minimize noise, sounds and light impacts to the landowners along Woodsong Court during construction and drilling activities.

Division Response: While the surface activities occurring on Hilcorp's private property including activities associated with the construction and operation of the Pearl Pad are outside the Division's review, Hilcorp's proposed surface activities do require other existing local, state and federal authorizations.

Comment: Site rehabilitation and well decommissioning process.

Hilcorp Response: Hilcorp owns the project parcel. Project infrastructure removal and site rehabilitation efforts will be to the satisfaction of the landowner and in coordination with all applicable agencies.

Division Response: The Pearl Pad is located on privately owned surface land. Future use of the property, based on the landowner's plans, is subject to applicable local, state and federal requirements but is otherwise outside of the Division's authority. Abandonment of wells is addressed under AOGCC's regulations at 20 AAC 25.105 and 20 AAC 25.120.