



September 12, 2018

Ms. Julieanna Potter
Environmental Specialist
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, AK 99503

RE: LOCI 04-005, Hilcorp Alaska, LLC, Nikolaevsk Unit – Red Pad, Portable Produced Water Tank, Unit Plan of Operations Amendment Decision

Dear Ms. Potter:

The Alaska Department of Natural Resources (DNR), Division of Oil and Gas (Division), in accordance with Alaska Statute (AS) 38.05 and Alaska Oil and Gas Leasing Regulations (11 AAC 83) grants authorization to conduct activities on state lands as proposed in the Nikolaevsk Unit (NU) Plan of Operations (Plan) amendment application dated August 20, 2018, for the above referenced project.

Scope:

Hilcorp Alaska, LLC (Hilcorp) will continue using a 200 barrel (bbl) portable produced water tank at Red Pad, located within the NU. The produced fluid on Red Pad is temporarily stored in one 200 bbl tank until it can be transported by vacuum truck for disposal via downhole injection in well NNA-1. During certain times of the year, access to Red Pad using a vacuum truck may be limited due to Alaska Department of Transportation and Public Facilities (DOTPF) road restrictions and heavy snow fall. Lack of access to Red Pad to empty the existing produced water tank presents the risk of needing to shut in the well until the tank can be emptied safely. Recently, Hilcorp addressed the need for additional storage by temporarily placing a portable 200 bbl tank on site. The additional tank has proven to be effective in mitigating the risk of needing to shut in the well when emptying the existing tank is not possible. Hilcorp is proposing to leave this tank on site for the foreseeable future. The tank has been placed in sized secondary containment and incorporated into Hilcorp's existing Spill Prevention, Control, and Countermeasure Plan.

Plan activity includes:

- Maintain tank on site for the foreseeable future.

Location information:

NU – Red Pad

State Mineral Estate:

Alaska Division of Lands (ADL): 390514

Private Lands:

Meridian: Seward Township: 4S Range: 13W Section: 8
Global Positioning System (GPS) Coordinates: 59° 51' 3.98" N, 151° 33' 49.32"W

Agency review:

The Division provided an agency review and comment opportunity for the activities considered for authorization under this decision. The following government entities were notified on August 23, 2018, for comment on the application: United States Coast Guard, United States Army Corps of Engineers (USACE), National Oceanic and Atmospheric Administration (NOAA), United States Fish and Wildlife Service, Kenai Peninsula Borough (KPB), Alaska Department of Environmental Conservation (ADEC), Alaska Oil and Gas Conservation Commission (AOGCC), Alaska Department of Fish and Game (ADFG), City of Kenai, Cook Inlet Region, Incorporated (CIRI), DOTPF, and DNR: Division of Parks and Outdoor Recreation (DPOR), and Division of Mining, Land and Water (DMLW). The comment deadline was 4:30 pm, Alaska time, on August 30, 2018. No comments were received.

Public notice:

The Division did not public notice this amendment application.

Conditions/Stipulations:

1. A certified As-Built survey of the activity shall be provided within one year of the placement of the improvement. This As-Built must be both digital and hard copy.

Please attach this amendment approval with the original decision. This unit operations amendment approval is issued in accordance with AS 38.05, Alaska Administrative Codes 11 AAC 83.346 and 11 AAC 83.303. The Division reviewed this amendment under the unit regulation for the Plan, 11 AAC 83.346, and considers the factors set forth in 11 AAC 83.303(a) and (b). The amendment was also evaluated against the NU agreement for conformance.

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 issuance of the 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 emailed to dnr.appeals@alaska.gov. This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st day after issuance. 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.

This approval signifies only that the State of Alaska has no objection to the operations outlined in the Plan amendment application. It does not constitute certification of any property right or land status claimed by the applicant nor does it relieve the applicant of responsibility to obtain approvals or permits from other persons or governmental agencies that may also be required. All stipulations contained in the original lease and subsequent Plan approvals remain in full force and effect.

If activities have not commenced, this approval expires on **September 12, 2021**. Failure to comply with the terms and conditions outlined in the lease, the attached stipulations, and this authorization may result in revocation of this unit operations approval.

Any questions or concerns about this amendment may be directed to Natural Resource Specialist Corazon Manaois at 907-269-8772 or emailed to corazon.manaois@alaska.gov.

Sincerely,



Graham Smith
Petroleum Land Manager

Attachments: Figures 1 - 2

ecc: Division: Graham Smith, John Easton, Jes Spuhler and Tiana Heyano
DMLW: Project Development Team, Clifford Larson, James Sowerwine and Henry Brooks
ADFG: Marla Carter and Mark Fink
ADEC: dec.water.oilandgas@alaska.gov, Mike Evans, Graham Wood and Tim Law
AOGCC: James Regg
DOTPF: David Post
DPOR: Pamela Russell
KPB: Marcus Mueller, Johni Blankenship, Julie Denison, Dan Nelson and Karyn Noyes
Other: jack.j.hewitt@usace.army.mil, HCD.Anchorage@noaa.gov, CIRI, Dave Kasey, regpagemaster@usace.army.mil, CEPOA-RD-Kenai@usace.army.mil, Barbara Mahoney, Kimberly Klein, Lynnda Kahn, Douglass M. Copper, Linda Speerstra, Jamie Heinz and Mark Ridgway



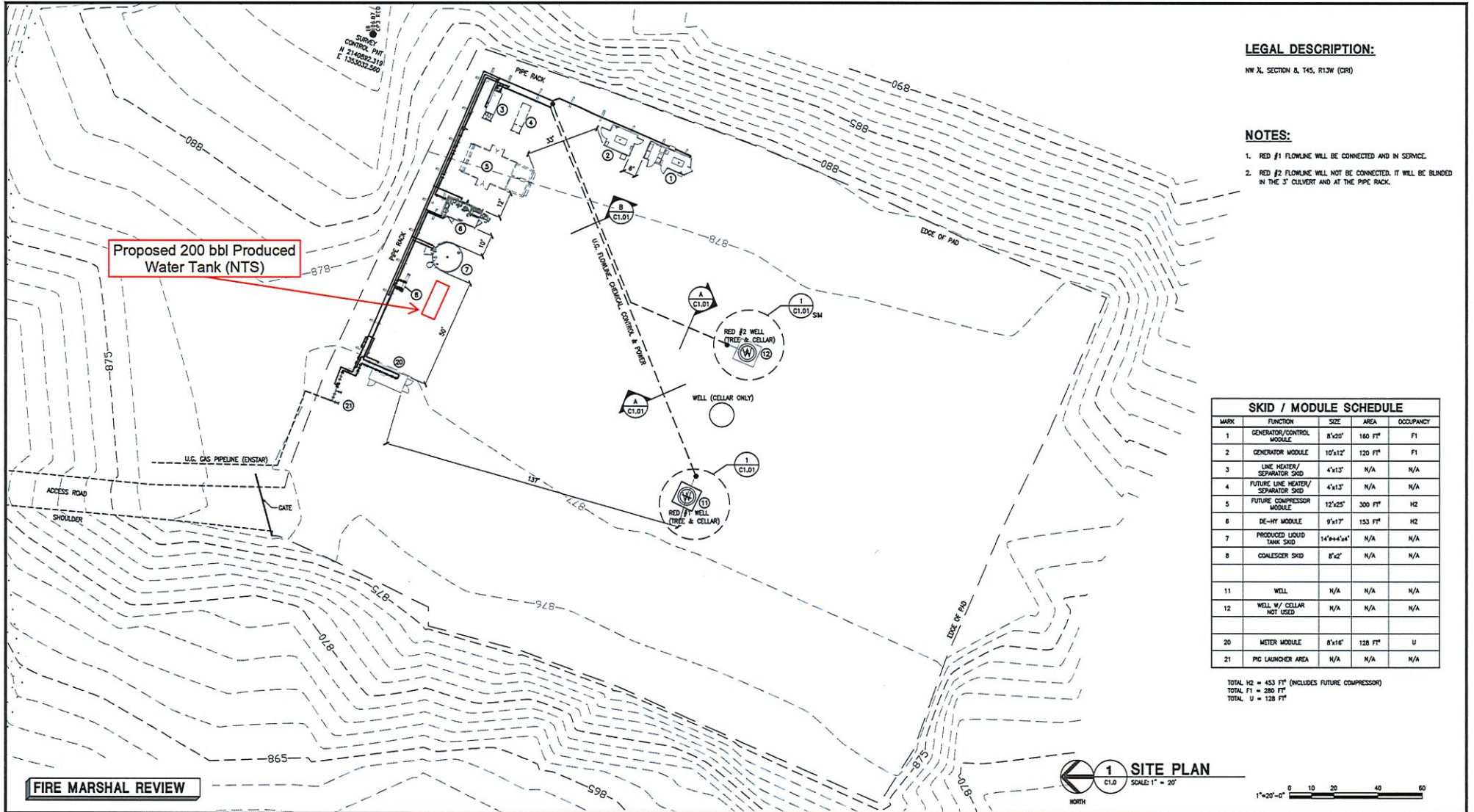
- Legend**
- Red Well Pad
 - Oil and Gas Units
 - Townships

**General Vicinity
 Nikolaevsk Unit**

Red Pad

Figure 1





LEGAL DESCRIPTION:

NW ¼, SECTION 8, T4S, R13W (CR)

NOTES:

- RED #1 FLOWLINE WILL BE CONNECTED AND IN SERVICE.
- RED #2 FLOWLINE WILL NOT BE CONNECTED. IT WILL BE BLUNDED IN THE 3" CULVERT AND AT THE PIPE RACK.

SKID / MODULE SCHEDULE

MARK	FUNCTION	SIZE	AREA	OCCUPANCY
1	GENERATOR/CONTROL MODULE	8'x20'	160 FT²	F1
2	GENERATOR MODULE	10'x12'	120 FT²	F1
3	LINE HEATER/SEPARATOR SKID	4'x13'	N/A	N/A
4	FUTURE LINE HEATER/SEPARATOR SKID	4'x13'	N/A	N/A
5	FUTURE COMPRESSOR MODULE	12'x25'	300 FT²	H2
6	DE-HY MODULE	9'x17'	153 FT²	H2
7	PRODUCED LIQUID TANK SKID	14'8"x4'6"	N/A	N/A
8	COALESCE SKID	8'x2'	N/A	N/A
11	WELL	N/A	N/A	N/A
12	WELL W/ COLLAR NOT USED	N/A	N/A	N/A
20	METER MODULE	8'x16'	128 FT²	U
21	PIC LAUNCHER AREA	N/A	N/A	N/A

TOTAL H2 = 453 FT² (INCLUDES FUTURE COMPRESSOR)
TOTAL F1 = 280 FT²
TOTAL U = 128 FT²

FIRE MARSHAL REVIEW

1 SITE PLAN
C1.0 SCALE 1" = 20'
NORTH

0 10 20 40 60
1" = 20' = 0"

DWG. NUMBER	SHT	REFERENCE DRAWINGS	NOTES:



REV	DATE	REVISED	REV	CHKD	APP'D
A	08/21/12	ISSUED FOR REVIEW	HB	WV	WV
B	09/21/12	ISSUED FOR REVIEW	HB	WV	WV
C	10/29/12	ISSUED FOR REVIEW	HB	WV	WV
D	11/7/12	ISSUED FOR FIRE MARSHAL REVIEW	HB	WV	WV
E	11/13/12	ADD RED #2 FLOWLINE	HB	WV	WV

ENGINEERING APPROVAL	CONTRACTOR
DRAWN BY: HB	COFFMAN ENGINEERS 800 F Street Anchorage, Alaska 99501 907 276 6664 Fax 907 276 5042 www.coffman.com
CHKD BY: WV	
PROJECT:	
STRUCTURAL:	
MECHANICAL:	
ELECTRICAL:	
INSTRUMENT:	
SCALE: AS NOTED	
DATE: 10/28/2012	

RED PAD			
KENAI	ALASKA		
RED PAD			
SITE PLAN			
HILCORP ALASKA, LLC	DRAWING NO. C1.00	SHT. NO. 001	REV. NO. E
JOB NUMBER 12013-025			