



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

Division of Oil & Gas

550 W. 7th Avenue, Suite 1100

Anchorage, Alaska 99501-3560

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December 7, 2017

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Cody T. Terrell, Landman
Hilcorp Alaska, LLC
3800 Centerpoint Drive
Suite 1400
Anchorage, AK 99503

Re: Stump Lake Unit Termination Proposal – Approved

Dear Mr. Terrell,

On December 6, 2017, the State of Alaska, Department of Natural Resources, Division of Oil and Gas (Division) received the Stump Lake Unit Termination Proposal (Proposal) from operator of the Stump Lake Unit (SLU), Hilcorp Alaska, LLC (Hilcorp). This letter approves the Proposal.

Hilcorp has been unable to restore production from the SLU and has begun work to plug and abandon the only well within the unit capable of production. The SLU 41-33RD has been plugged to the surface and is no longer capable of production; however the remaining work required by Alaska Oil and Gas Conservation Commission (AOGCC) regulation 20 AAC 25.270, Onshore location clearance, has yet to be completed. Due to weather delays, Hilcorp reports the final work cannot be completed until the spring of 2018.

The Division desires the acreage currently held by the SLU to be made available for the spring 2018 Cook Inlet lease sale. So that the area is available for sale, the SLU must terminate and the leases held by the unit allowed to expire or be relinquished. So that the leases may expire or be relinquished without contradicting AOGCC regulation 20 AAC 25.270, Hilcorp has requested DNR approve a time period beyond one year from well abandonment for location clearance, as described in 20 AAC 25.170(c)(1).

The terms and timeline for abandonment and rehabilitation are described in the Proposal, and summarized below, are dependent on what, if any, improvements the Division chooses to allow to remain in place. If this area is leased in the upcoming sale it may have an impact on the rehabilitation required by the Division.

1. Hilcorp agrees to terminate the SLU, allowing the oil and gas leases currently held by the SLU to expire. Unit termination would be effective December 1, 2017. The leases currently held by the SLU will remain in effect ninety (90) days after Unit termination as provided in 11 AAC 83.140, expiring March 1, 2018. This action will allow DNR the opportunity to offer said leases in the 2018 Cook Inlet Lease Sale.
2. Pursuant to 11 AAC 83.140, the leases held by the SLU would continue in full force and effect for not less than 90 days, or no sooner than March 1, 2018. Due to the constraints expressed above, onshore location clearance required under 20 AAC 25.170 cannot be completed prior to March 1, 2018. DNR, as the surface owner and mineral owner of said lands, will grant an extension to Hilcorp to complete the onshore location clearance for the SLU 4 1-33RD Well until May 1, 2018. Hilcorp commits to completing the onshore location clearance no later than May 1, 2018 as part of the surface remediation work for the lease.

3. Upon receipt of DNR's grant of an extension specified in item 2 above, Hilcorp will submit to AOGCC an Application for Sundry Approvals (Form 10-403) pursuant to 20 AAC 25.170(c) to extend the time for Hilcorp to complete the onshore location clearance activities required under 20 AAC 25.170(a).
4. DNR will provide Hilcorp specific detailed remediation requirements for the remediation of pads, roads, and pipelines located on the surface estate of DNR lands within six (6) months of lease expiration. Hilcorp suggests leaving all pads, roads, and pipelines for future development and to minimize any environmental impacts that the remediation measures may have.
5. Hilcorp will submit to DNR a Remediation Plan within six (6) months of receipt of item 4 specified above.
6. DNR will allow Hilcorp a period of two (2) years, subject to any approved extension thereof, from the date of Hilcorp's Remediation Plan to start the remediation work. Should DNR subsurface become encumbered by an oil and gas lease where Hilcorp has surface improvements, Hilcorp may, upon approval by DNR, transfer all or any portions of roads, pads, and pipelines to the new Lessee for use in their development operations. To the extent the new Lessee and transferee of any roads, pads, and pipelines accepts such assets in their current condition, they will also assume all liability and responsibility for removal of same. Subject to DNR approval, the terms of the transfer may include DNR recognizing the new Lessee as the responsible party and relieving Hilcorp in writing of any further removal obligations under the lease.

The AOGCC is the sole authority who may alter the requirements outlined in 20 AAC 25.270, but it is the Division's desire that the Proposal be accepted by the AOGCC as an alternative timeline for abandonment and location clearance.

An eligible 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 Department of Natural Resources regional information office.

If you have questions regarding this decision, please contact Kevin Pike with the Division at (907) 269-8451 or via email at Kevin.Pike@alaska.gov.

Sincerely,



Chantal Walsh
Director