



## Hilcorp Alaska, LLC

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March 1, 2017

Ms. Chantal Walsh, Director  
Oil and Gas Division  
Alaska Department of Natural Resources  
550 W. 7<sup>th</sup> Avenue, Suite 1100  
Anchorage, AK 99501

**Re: 2017 Plan of Development and Operations for the Ninilchik Unit**

Dear Ms. Walsh:

Hilcorp Alaska, LLC (“Hilcorp”) as Operator, hereby submits the 2017 Plan of Development and Operations (“POD”) for the Ninilchik Unit. This plan will be effective from June 1, 2017 through May 31, 2018.

**I. FIELD OVERVIEW**

The Ninilchik Unit was formed in 2001. In 2003, the Unit was expanded to include the federal Falls Creek Unit. At that same time, the Department of Natural Resources (“DNR”) approved the formation of three Participating Areas (“PAs”) including: Falls Creek (“FC”), Grassim Oskolkoff (“GO”), and Susan Dionne. In 2007, the DNR approved expansion of the Susan Dionne PA to include tract operations drilled from the Paxton Pad in the southern portion of the Unit (“SD-PAX PA”).

On February 1, 2013, Hilcorp acquired the Ninilchik Unit from the former unit operator, Marathon Oil Company. Since that time, Hilcorp has actively pursued various exploratory and development drilling projects. In addition, Hilcorp has implemented workovers and facility improvements designed to expand and optimize production. This exploration and development strategy will continue throughout the 2017 POD cycle, and will ultimately transition the Unit from its current exploratory stage.

No oil is produced from the Unit. The Unit’s existing PAs are limited to production of gas from the Tyonek formation. However, gas is produced outside of existing PAs from both the Beluga and the Tyonek formations on a Tract Basis.

In total, 42 wells have been drilled to date in the Ninilchik Unit. Cumulative production exceeds 190 billion cubic feet (“bcf”). There are currently 23 wells online, 10 are shut in, and 9 are either suspended or plugged and abandoned.

Following the completion of Hilcorp’s exploratory drilling program, Hilcorp will begin vertically and geographically expand existing PAs. Hilcorp initiated the process in 2016 through the proposed unit and PA expansion at Falls Creek. This process will continue in 2017 at Susan Dionne, and as needed or required, at GO.

Hilcorp has additional exploratory and field study work to accomplish prior to reconfiguring the current Grassim Oskolkoff and SD-PAX PAs. However, we anticipate submission of these PA and Unit boundary adjustments during the Third Quarter or Fourth Quarter of 2017.

As a result, Hilcorp requests DNR to defer mandatory unit contraction until at least May 31, 2018.

## **II. 2016 PLAN REVIEW**

### **A. 2016 Production Summary:**

- Falls Creek PA Production: In 2016, production varied between 3.0 million standard cubic feet per day (“MMSCF/D”) and 2.8 MMSCF/D.
- Grassim Oskolkoff PA Production: In 2016, production varied between 4.0 MMSCF/D and 1.4 MMSCF/D.
- Susan-Dionne-Paxton PA Production: In 2016, production varied between 10 MMSCF/D and 9 MMSCF/D.
- Ninilchik Tract Operation (Beluga/Tyonek Pools) Production: There are currently 8 active tract wells and three shut-in wells. In 2016, production from these tract operations varied between 10.5 MMSCF/D and 10 MMSCF/D.

**B. 2016 Drilling Program:** Hilcorp anticipated drilling two wells, the Kalotsa #1 and GO 9, during the 2016 POD period. Hilcorp deferred the GO 9 well in favor of drilling Kalotsa #1 and Kalotsa #2 at the newly constructed Kalotsa Pad. Hilcorp spud the Kalotsa #1 in December 2016, followed immediately by the Kalotsa #2. Following the construction of facilities, first production from Kalotsa #1 and Kalotsa #2 is anticipated Q2 2017.

**C. 2016 Workover Program:** Hilcorp anticipated completing two workovers at GO. Hilcorp actually completed three workovers (GO-6, SD-6 and SD-5).

**D. 2016 Major Facility Projects:** During 2016, Hilcorp continued work on the building of Kalotsa Pad. Necessary production equipment on the pad will be complete in Q1 2017.

## **III. 2017 PLAN OF DEVELOPMENT AND OPERATIONS**

Hilcorp anticipates current Unit production will be maintained and increased throughout the 2017 POD period. Hilcorp also plans to complete ongoing field studies of the SD-PAX

Tyonek and Beluga, GO Beluga structures. With the addition of 2 new wells from Kalotsa, Hilcorp anticipates the integration of new data to yield additional rate and reserves.

**A. 2017 Drilling Program**

- **Kalotsa #1 and #2:** Kalotsa #1 was spudded in Dec 2016 and will be completed concurrently with Kalotsa #2 in Q2 2017. Both wells will have initial completions within the Tyonek with significant Beluga potential.
- **Kalotsa #3 and #4:** Kalotsa #3 and #4 are anticipated to be drilled in Q3 2017.

Depending on market demand and economic conditions, Hilcorp may consider the drilling of GO 9 in 2017, or this project may be deferred for other drilling/development opportunities.

**B. 2017 Workover Program:** Based on the results of the ongoing field studies, Hilcorp will identify future rig workover projects. During 2017, Hilcorp anticipates adding perforations in several PAX wells and will evaluate the utility of adding velocity strings and/or other artificial lift options in various wellbores to enhance production.

In addition to the above, Hilcorp will evaluate and execute additional well work and drilling opportunities as they arise. Throughout 2017, Hilcorp will continue to pursue efficiencies through various well, infrastructure and facility repairs, including evaluation of shut-in wells for potential return to service or utility.

**C. 2017 Major Facility Projects**

To the extent that Hilcorp's exploratory and development activities are successful, existing infrastructure and facilities will require expansion to accommodate increased production. Anticipated projects include:

- **Compression:** To maintain and enhance production, additional compression will be considered at the GO, Francis, and SD-PAX pads.

Other projects may include, but are not limited to:

- Add additional compression at existing surface facilities to support existing wells and increased production achieved through Hilcorp's 2017 workover and drilling program.
- Increase the capacity of the existing surface equipment at unit pads for gas processing by adding additional line heaters, a gas dehydration module, and liquid separation vessels with associated piping and controls.
- As required, expand the pad(s) for the drilling program and production equipment explained above.

- To the extent required, expand other infrastructure requirements, including construction or expansion of access roads, pipelines, flow lines, metering, processing and storage vessels, etc.

Hilcorp, as Unit Operator, reserves the right to propose modifications to this Plan should conditions so warrant; however, no modifications will be made without first obtaining necessary approval from the appropriate governmental agencies.

Your approval of the submitted plan is respectfully requested. Should you have questions, please contact the undersigned at 777-8414.

Sincerely,



David W. Duffy, Landman  
Hilcorp Alaska, LLC

cc: Kevin Pike, Division of Oil and Gas (via email to [kevin.pike@alaska.gov](mailto:kevin.pike@alaska.gov))