



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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April 17, 2017

CERTIFIED MAIL
RETURN SERVICE REQUESTED

David W. Duffy
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, AK 99503

Re: 2017 Plan of Development for the Lewis River Unit - Approval

Dear Mr. Duffy:

On March 1, 2017 the State of Alaska (State) Department of Natural Resources, Division of Oil and Gas (Division) received the proposed Lewis River Unit (LRU) 2017 Plan of Development (POD). The Division notified the operator Hilcorp Alaska, LLC (Hilcorp) by email on March 8, 2017 that the Division had deemed the POD application complete. The Division met with Hilcorp on February 27, 2017 for a presentation of the POD.

The LRU has been on production since 1984 and has produced 15.28 Billion Standard Cubic Feet (BSCF) of cumulative gas through December 2016. Hilcorp has continued to produce gas over the past year, declining from 922 Thousand Standard Cubic Feet Per Day (MSCFD) in 2015 to 350 MSCFD in 2016.

During the 2016 POD, Hilcorp continued production from the Lewis River Gas Pool #2. One well produced all unit production. No drilling or well work was performed during the 2016 period, however a temporary sand separator was installed in 2016 and the compressor was overhauled.

During the 2017 POD, Hilcorp plans to continue to produce from the Lewis River Gas Pool #2. Hilcorp also plans to continue a comprehensive field study for further development. No major facilities upgrades are planned however, Hilcorp will address needs as they arise.

When considering a POD, the Division must consider the criteria in 11 AAC 83.303(a) and (b). Accordingly, the Division considered the public interest, conservation of natural resources, prevention of economic and physical waste, protection of all interested parties including the state, environmental costs and benefits, geological and engineering characteristics of reservoirs or potential hydrocarbon accumulations, prior exploration activities, plans for exploration or development, economic costs and benefits to the state, and any other relevant factors, including mitigation measures. 11 AAC 83.303(a), (b).

In approving the prior POD(s) for the LRU, the Division considered 11 AAC 83.303 and found that the POD(s) promoted conservation of natural resources, promoted prevention of waste, and protected the parties' interests. The Division incorporates those findings by reference.

This 2017 POD will continue production from the LRU, economically benefitting the State of Alaska.

Having considered the 11 AAC 83.303 (a) and (b) criteria, the Division finds that the 2017 POD complies with the provisions of 11 AAC 83.303. Accordingly, the 2017 POD is approved for the period June 1, 2017 through May 31, 2018.

This approval is only for a general plan of development. Specific field operations will require an approved Plan of Operations. Under 11 AAC 83.343, the 2016 POD is due on March 1, 2018, 90 days before the 2017 POD expires.

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 regional information office of the Department of Natural Resources.

Sincerely,



Chantal Walsh,
Director