



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

550 W 7th Avenue, Suite 1100

Anchorage, AK 99501-3560

Main: 907.269.8800

Fax: 907.269.8939

April 17, 2017

CERTIFIED MAIL
RETURN SERVICE REQUESTED

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

Re: Request to Update and Modify the 2017 Plan of Development for the North Cook Inlet Unit - Approval

Dear Mr. Duffy:

The Department of Natural Resources, Division of Oil and Gas (Division) received ConocoPhillips Company's (COP) proposed 2017 Plan of Development (POD) for the North Cook Inlet Unit on September 30, 2016. The Division approved the 2017 POD on November 16, 2016 for the period of January 1, 2017 through December 31, 2017. Hilcorp Alaska, LLC (Hilcorp) now proposes to extend the POD period through May 31, 2018 to align the POD with Hilcorp's other plans in Cook Inlet.

On October 7, 2016, the NCIU working interest owners, COP and ConocoPhillips Alaska, Inc. (CPAI), applied to assign the entire working interest to Hilcorp. That same day, Hilcorp notified the Division that it will assume responsibility as operator of NCIU. COP then submitted as resignation of operator October 10, 2016. The Division approved the change of operator to Hilcorp, effective October 31, 2016. In its notice, Hilcorp affirmed that it was accepting all duties and responsibilities of operator as set forth in the NCIU unit agreement. The Division further confirmed, by email, that Hilcorp is adopting the POD as filed and that COP has provided Hilcorp with the confidential portions of the POD.

The NCIU has been on production since 1969 and was producing an average daily rate of 13,835 thousand cubic feet per day at the end of 2016. This production supports the local Southcentral Alaska energy market. The field is operated from the Tyonek platform in the northern waters of the Cook Inlet. During the 2016 POD period, COP continued to manage this mature gas field by optimizing full life cycle subsurface depletion. COP reported that production has been in decline since 2009 because of declining reservoir pressure in most zones and sand production in isolated zones.

A unit POD must contain sufficient information for the Commissioner to determine whether the plan is consistent with the provisions of 11 AAC 83.303. The 2017 NCIU POD, submitted by COP and adopted by Hilcorp, sets forth development and operational activities information for the unit as prescribed by 11 AAC 83.343.

COP reported that in the 2016 POD period it analyzed a facility siting project, evaluated possible helideck upgrades, performed annual regulatory inspections, reduced three pressurized glycol dehydration trains to one to optimize equipment and fuel usage and decrease facility risk, and evaluated wellwork to maintain well integrity and optimize resource recovery.

Hilcorp's long-range development plans are to continue evaluating future rig work-over and drilling opportunities. Hilcorp will continue to evaluate potential undeveloped accumulations, but has no specific plans for exploration. During the 2017 POD year, Hilcorp plans to maintain asset and operating integrity, perform annual regulatory inspections, and evaluate and perform work as needed to maintain well integrity and optimize resource recovery.

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 or 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 earlier PODs for NCIU, the Division considered 11 AAC 83.303 and found that the PODs promoted conservation of natural resources, promoted prevention of waste, and protected the parties' interests. The Division incorporates by reference those findings.

The 2017 NCIU POD does not expand development or propose new exploration, but it continues production from existing facilities. This continued development protects the State's and public's economic interests in the resources. Under the POD, Hilcorp will also maintain existing facilities while continuing to consider maintenance and upgrades that may maximize recovery while minimizing the risk of adverse impacts to the land and resources. As the new operator and lessee of the unit a reasonable amount of time will be afforded Hilcorp to assess the unit area for further development and exploration. An alignment of the POD term with the other Hilcorp Cook Inlet plans increases administrative efficiency for the Division and Hilcorp.

Considering the 11 AAC 83.303 criteria and the activities proposed with this POD, the Division finds the 2017 POD complies with the provisions of 11 AAC 83.303 and 11 AAC 83.343 and protects the public interest. The 2017 NCIU POD is extended for the period January 1, 2017 through May 31, 2018. Under 11 AAC 83.343, the 2018 NCIU POD is due March 1, 2018, 90 days before the 2017 NCIU POD expires.

This approval is only for a general plan of development. Specific field operations require separate approval under 11 AAC 83.346, Unit Plan of Operations.

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