



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 Pretty Creek Unit and Gas Storage Lease - 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 Pretty Creek Unit (PCU) and Pretty Creek Gas Storage Lease (PCGSL) 2017 Plan of Development (POD). The Division notified the operator Hilcorp Alaska, LLC (Hilcorp) by email on March 8, 2016 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 PCU has been on production since 1986 and has produced 9.51 Billion Standard Cubic Feet (BSCF) of cumulative gas through December 31, 2016. Production from the PCU decreased from a daily average of 2.3 Thousand Standard Feed per Day (MSCFD) in 2015 to a daily average of 0.88 MSCFD for 2016.

The PCGSL was issued in 2005 and renewed in 2015. For calendar year 2016 a total of 0.38 BSCF of gas was injected and 0.23 BSCF of gas was withdrawn.

During the 2016 POD, Hilcorp continued production from the Beluga PA. One well produced all unit production. No drilling, well or facility work was performed during the 2016 period.

During the 2017 POD, Hilcorp plans to continue to produce from the Beluga PA. Hilcorp also plans to continue a comprehensive field study for further development. To promote increased production time Hilcorp anticipates replacing a produced water storage tank. Production and injection into the PCGSL will continue during the 2017 POD period.

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 PCU and PCGSU, 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 PCU, 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 2018 POD is due on March 3, 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