



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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May 22, 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 Amendment for the Ninilchik Unit - Approval

Dear Mr. Duffy:

On May 12, 2017, the Department of Natural Resources (DNR), Division of Oil and Gas (Division) received the proposed 2017 Plan of Development and Operations Amendment (Amendment) for the Ninilchik Unit (NU) from Hilcorp Alaska, LLC (Hilcorp). The Division had previously approved the 2017 Plan of Development (POD) on April 17, 2017.

In the 2017 POD Hilcorp planned to complete the Kalotsa #1 and #2 if not already completed by the end of the 2016 POD period and drill two new wells, Kolotsa #3 and #4. The Kalotsa #1 and #2 wells have been drilled and Hilcorp now wishes to drill a new delineation well, the Pearl #2 well. The Pearl #2 will be drilled on private land in the fourth quarter of 2017. If results are positive Hilcorp will construct facilities and pipelines to bring the well into production during the first half of 2018.

When considering a POD, the Division must consider whether the POD is necessary or advisable to protect the public interest. 11 AAC 83.303(a). The Division will approve a POD upon a finding that it will (1) promote conservation of all natural resources, including all or part of an oil or gas pool, field, or like area; (2) promote the prevention of economic and physical waste; and (3) provide for the protection of all parties of interest including the state. *Id.* In evaluating conservation, prevention of waste, and the parties' interest, the Division will consider (1) the environmental costs and benefits of unitized exploration or development; (2) the geological and engineering characteristics of the potential hydrocarbon accumulation or reservoir proposed for unitization; (3) prior exploration activities in the proposed unit area; (4) the applicant's plans for exploration or development of the unit area; (5) the economic costs and benefits to the state; and (6) any other relevant factors, including measures to mitigate impacts identified above, the commissioner determines necessary or advisable to protect the public interest. 11 AAC 83.303(b).

In approving the prior PODs for the NU, 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 Division has considered the 11 AAC 83.303(b) factors and (a) criteria, and the degree to which the additional development impacts its analysis from previous POD approvals. The Division finds that the 2017 Amendment protects the public interest, promotes conservation, prevents waste, and protects the parties' interests. The 2017 Amendment for the NU 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 require separate approval under 11 AAC 83.346, Unit Plan of Operations. Pursuant to 11 AAC 83.343 (c).

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