



THE STATE  
*of* **ALASKA**  
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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July 18, 2017

CERTIFIED MAIL  
RETURN SERVICE REQUESTED

Alicia Showalter  
Hilcorp Alaska, LLC  
3800 Centerpoint Drive, Suite 1400  
Anchorage, AK 99503

RE: Milne Point Unit 2017 36th Plan of Development—Approved

Dear Ms. Showalter:

Hilcorp Alaska, LLC (Hilcorp) submitted a proposed Milne Point Unit 36th Plan of Development to the Department of Natural Resources, Division of Oil and Gas (Division) on May 2, 2017. The Division identified areas in the proposed Plan needing correction or clarification, and on that basis found it incomplete. Hilcorp provided a technical presentation to the Division on May 15, 2017. Hilcorp submitted a revised proposed Plan of Development (2017 POD) on May 24, 2017. The 2017 POD provided the requested clarifications, and overall provides information about development and operational activities, as prescribed by 11 AAC 83.343. Accordingly, the Division notified Hilcorp by email on June 1, 2017, that the 2017 POD was complete. This decision approves the 2017 POD.

For the 2016 (35th) POD period, Hilcorp committed to drill up to eight new wells. Hilcorp referred to two additional wells in its 2016 POD, but noted that it had already drilled these wells before the 2016 POD period started. Hilcorp reports drilling six of the eight wells, with another three planned before the end of the 2016 POD period.

Hilcorp also planned to complete up to 16 well workovers. Hilcorp reported completing 25 workovers with another six planned before the end of the 2016 POD period.

For its facilities, Hilcorp planned to install a sprinkler system for the Milne Point System quarters, design and permit additional pads, and conduct routine facility maintenance and minor equipment replacement. Hilcorp reports that it completed these activities, along with numerous additional facilities maintenance, expansion, and upgrade projects.

Hilcorp also reported production during calendar year 2016 of 4,943 MMcf gas and 7,148 Mbbl oil.

For the 2017 POD, Hilcorp plans to:

- Drill up to 18 new wells, including 5 wells from L pad, 2 wells from E pad, 10 wells from F pad, and one well from C pad;
- Complete up to 16 well workovers with the ASR1 rig;
- Procure, construct, and install surface facilities and pipeline for Moose Pad;
- Permit and start construction on a new pad and complete additional pad expansions to accommodate additional drilling;
- Add additional compression and increase capacity at existing facilities to process increased production;
- Swap and overhaul the LM2500 turbine and advance the addition of a LM6000 generator for eventual doubling of available high-line power;
- Continue routine facility maintenance and minor equipment replacement, including mechanical integrity inspections and repairs, pipeline integrity inspections and corrosion mitigation, and completion of fire suppression upgrades.

When considering a POD, the Division considers 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). The Division previously considered these factors in approving earlier PODs, and incorporates those findings by reference.

Hilcorp's plans include drilling additional wells and expanding and upgrading facilities to increase production and efficiency, all of which protects the State's interests in both developing its resources. Continued and increased production also protects the State's economic interests in development. Hilcorp's plans include utilizing existing infrastructure and facilities upgrades which should help minimize surface impact and potential adverse impacts to the environment.

Considering the 11 AAC 83.303 criteria and the continued production and activities proposed with this POD, the Division approves the 2017 POD.

At the May 15, 2017, technical meeting, Hilcorp requested that its PODs be due in the fourth quarter going forward. Based on current staffing levels and schedules, the Division can accommodate this request. Thus the 2017 POD is approved for the period August 1, 2017 through January 12, 2019, with future POD periods to run from January 13 to January 12. The 2019 POD is due 90 days before the 2017 POD expires, on or before October 15, 2018. Because this POD period is longer than originally planned, the Division anticipates that Hilcorp will need to later amend the POD with additional activities. Hilcorp may submit an amendment at any time, but should plan to submit one before August 1, 2018 to address activities for August 2018 through January 2019. Please also provide a copy of the Surveillance Report and any presentation material that you provide to the AOGCC in April 2018.

A 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](mailto: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.

If you have questions regarding this decision, contact Becky Kruse with the Division at 907-269-8799 or via email at [Becky.Kruse@Alaska.gov](mailto:Becky.Kruse@Alaska.gov).

Sincerely,



Chantal Walsh  
Director