



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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August 24, 2017

Cody T. Terrell, Landman  
Hilcorp Alaska, LLC  
3800 Centerpoint Drive, Suite 1400  
Anchorage, AK 99503

Re: Proposed 2nd Amendment: 2017 Plan of Development and Operations for the Ninilchik Unit

Dear Mr. Terrell,

On August, 8, 2017, the Department of Natural Resources, Division of Oil and Gas (Division) received Hilcorp Alaska, LLC's (Hilcorp) above referenced document. The Division previously approved both the 2017 Plan of Development (POD) for the Ninilchik Unit (NU) on April 17, 2017 and Hilcorp's May 12, 2017 proposed Plan of Development and Operations Amendment (1st POD Amendment) on May 22, 2017.

In its approved 2017 POD, Hilcorp committed to:

- Complete the Kalotsa Nos. 1 and 2 wells
- Drill two new wells, Kalotsa Nos. 3 and 4
- Workover several Paxton wells adding perforations and evaluating velocity string completions in various wells throughout the unit.

In its 1st proposed amendment to the 2017 POD, Hilcorp planned to:

- Drill the Pearl #2 delineation well.

The 2nd POD Amendment changes the 1st Proposed Amendment above by correcting its identification: "[t]he delineation well was incorrectly referred to as the Pearl #2 in the 1st POD Amendment, and is hereby corrected in this proposal to be known as the Pearl #2A well."

As stated in Hilcorp's 1st and 2nd Amendments, the Pearl #2A well 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. Further, the 2nd Amendment correctly identifies the surface location of the well as located within the NW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 23, T01S, R14W, S.M., AK, and accurately identifies the bottom-hole location of Pearl #2A as now falling inside the Ninilchik Unit within the NE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 14, T01S, R14W, S.M., AK (located on ADL 3843732).

The Division must consider the criteria in 11 AAC 83.303(a) and (b) when evaluating a POD for approval. 11 AAC 83.303(c)(3). The Division will approve a POD upon a finding that it is

necessary or advisable to protect the public interest and 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. 11 AAC 83.303(a). 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 deems 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 both the 11 AAC 83.303(a) and (b) criteria and factors, respectively, along with the degree to which the additional development impacts its analysis from previous POD approvals. The Division finds that the 2nd POD Amendment protects the public interest, promotes conservation, prevents waste, and protects the parties' interests. The 2nd POD 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. Pursuant to 11 AAC 83.343, specific field operations require separate approval under 11 AAC 83.346, Unit Plan of Operations.

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 Ken Diemer with the Division at 907-269-8784 or via email at [Ken.Diemer@Alaska.gov](mailto:Ken.Diemer@Alaska.gov).

Sincerely,



Chantal Walsh  
Director