



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

550 W 7th Ave, Suite 1100

Anchorage, AK 99501-3560

Main: 907.269.8800

Fax: 907.269.8939

January 30, 2018

CERTIFIED MAIL

Michael W. Schoetz
Landman
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, AK 99503

Subject: North Cook Inlet Unit 2017 Plan of Development

Dear Mr. Schoetz:

The Department of Natural Resources, Division of Oil and Gas (Division) received an amendment from Hilcorp Alaska, LLC (Hilcorp) to its North Cook Inlet Unit 2017 Plan of Development (Amended 2017 POD) on January 23, 2018.

The Division approved the 2017 POD on November 16, 2016 for the period of January 1, 2017 through December 31, 2017. Hilcorp's proposed operations consisted of continuing production and conducting well integrity and resource optimization as necessary. At Hilcorp's request, the Division later extended the POD period through May 31, 2018 to align with POD periods for some of Hilcorp's other units. In its extension request, Hilcorp reiterated that it did not plan any drilling or well workovers, but would continue to evaluate drilling opportunities. Later, on July 18, 2017, the Division issued a letter adjusting Hilcorp's Cook Inlet POD periods, grouping North Cook Inlet Unit with the other offshore PODs and extending them through June 30, 2018.

Hilcorp now seeks to amend the POD to add an additional work commitment not included in the 2017 POD. Specifically, Hilcorp plans to cement and squeeze the disposal perforation in the NCIU A-12, perforate the Sterling X Sand at the 3,439–3,479' interval, and bring the well on production.

When reviewing 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 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). The Division considered these factors in approving earlier PODs for NCIU and incorporates those findings by reference.

In approving the 2017 POD, the Division concluded that the continued production and facilities maintenance proposed in the POD would protect the State and public interests. Hilcorp's proposed amendment adds additional drilling and potential production. These additional development activities protect the State's economic interests in developing its resources, without

increasing the surface footprint, thereby avoiding environmental costs. Considering all of the 11 AAC 83.303 criteria and Hilcorp's proposed work commitment, the Division finds that the Amended 2017 POD is in the public interest. The Division therefore approves the Amendment. The 2017 POD, as amended, is for the period January 1, 2017 through June 30, 2018. Under 11 AAC 83.343, the 2018 POD is due April 1, 2018, 90 days before the 2017 POD expires.

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

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.

If you have questions regarding this decision, contact Kevin Pike with the Division at 907-269-8451 or via email at Kevin.Pike@Alaska.gov.

Sincerely,



Chantal Walsh
Director