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May 1, 2018

Chantal Walsh, Director
Oil and Gas Division
Alaska Department of Natural Resources
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11th PLAN OF DEVELOPMENT FOR THE NIKOLAEVSK UNIT

Hilcorp Alaska, LLC (“Hilcorp”), as Operator of the Nikolaevsk Unit (“NU”), hereby submits the proposed 11th Plan of Development for the NU (“2018 POD”) to the State of Alaska, Department of Natural Resources (“DNR”), pursuant 11 AAC 83.343.

On April 17th, 2017, DNR approved the 10th Plan of Development and Operations for the NU (“2017 POD”), submitted by Hilcorp. The 2017 POD was approved for the period of June 1, 2017 through May 31, 2018.

A. PERIOD

This plan will be effective from June 1, 2018 through July 31, 2019. The 2019 POD will be submitted on or before May 1, 2019.

B. 2017 ANNUAL REPORT

The following is Hilcorp’s annual report of the 2017 POD period, pursuant 11 AAC 83.343 (d):

- 1) **2017 POD Approved Development Plans:** The 2017 POD consisted of the following development plans:
 - a) **Maintain/Enhance Production:** Throughout the 2017 POD period, Hilcorp anticipates NU production of gas to continue from the Red Well No. 1. In keeping with preceding years, short-term interruptions during the winter months or period of low market demand are anticipated.
 - b) **Drilling Program:** No grassroots or side track drilling projects are planned or required for the 2017 POD period.
 - c) **Workover Program:** Hilcorp plans to perform a hydraulic fracture in the existing Tyonek formation within the Red No. 1 wellbore. This stimulation is expected to increase well productivity by 1-3 million cubic standard feet per day (“MMSCF/D”).

- d) **Facility Projects:** No major facility or surface improvements are currently anticipated, other than routine maintenance and repair.
- 2) **2017 POD Development Plans Achieved:** The extent to which the requirements of the previously approved plan were achieved is as follows:
 - a) **Maintain/Enhance Production:** During the 2017 POD period, production from the NU averaged approximately 0.6 MMSCF/D. A large increase from the prior period's average of 0.154 MMSCF/D. The primary contributor to the increase in production was from a fracture stimulation conducted in March 2017.
 - b) **Drilling Program:** No grassroots or side track drilling projects are performed or required during the 2017 POD period.
 - c) **Workover Program:** A fracture stimulation was performed on Red No. 1 in March 2017. The initial rate following the stimulation was approximately 2,300 thousand standard cubic feet per day ("MSCFD"), up from 232 MSCFD. The well initially underwent a rapid decline and was down to 850 MSCFD by June 2017. Since then decline has returned to pre-stimulation levels. As of March 31st, 2018, the well is producing 540 MSCFD.
- 3) **2017 POD Development Plans Not Achieved:** The following are actual operations that deviated from or did not comply with the previously approved plan and an explanation of the deviation or noncompliance:
 - a) **Facility Improvements:** A new produced water storage tank was installed during the 2017 POD period.

C. 2018 PLAN OF DEVELOPMENT

The following activities included in the 2018 POD follow the outline provided in 11 AAC 83.343 (a) and incorporate all planned development activities anticipated based on all data reasonably available at this time. The following components of the 2018 POD meet the requirements contained in 11 AAC 83.343 (c).

- 1) **Long-Range Development Activities:** The following are long-range proposed development activities for the unit, including plans to delineate all underlying oil or gas reservoirs into production, and maintain and enhance production once established:
 - a) Hilcorp does not have any long-range proposed development activities for the NU at this time.

- 2) **Exploration/Delineation Plans:** The following are plans for the exploration or delineation of any land in the unit not included in a participating area:
- a) Hilcorp does not have any planned exploration or delineation activities at this time.
- 3) **Proposed Operations:** The following are details of the proposed operations for at least one year following submission of the plan:
- a) **Maintain Production:** Throughout the 2018 POD period, Hilcorp anticipates continued production of gas from the Red Well No. 1.
 - b) Hilcorp will evaluate and execute well work opportunities as they arise.
- 4) **Surface Location of Proposed Facilities:** The following are the surface location of proposed facilities, drill pads, roads, docks causeways, material sites, base camps, waste disposal sites, water supplies, airstrips, and any other operation or facility necessary for unit operations:
- a) At this time, no major facility upgrades are planned for the 2018 POD period. However, as the need arises, Hilcorp will pursue improvements through various well, infrastructure and facility repairs.

Your approval of this proposed 2018 POD is respectfully requested. Hilcorp believes that this 2018 POD satisfies the requirements of 11 AAC 83.343 and is in compliance with the provisions of 11 AAC 83.303. Should you have questions, please contact the undersigned at 777-8432.

Sincerely,



Cody T. Terrell, Landman
Hilcorp Alaska, LLC

cc: Kevin Pike, Division of Oil and Gas (via email)
Sean Clifton, Division of Oil and Gas (via email)