



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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May 14, 2018

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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

Subject: North Cook Inlet Unit 2018 Plan of Development—Approval

Dear Mr. Schoetz:

The Department of Natural Resources, Division of Oil and Gas (Division) received Hilcorp Alaska, LLC (Hilcorp) proposed 2018 Plan of Development (POD) for the North Cook Inlet Unit (NCIU) on April 3, 2018. The Division notified Hilcorp by email on April 11, 2018 that the Division had deemed the POD submittal complete. The Division later met with Hilcorp on April 25, 2018 for a presentation of the POD.

The NCIU has been on production since 1969 and has produced 1909 billion standard cubic feet of cumulative gas through 12/31/2017. During the 2017 POD period production increased from 16 to 19 million standard cubic feet per day. The field is operated from the Tyonek platform in the northern waters of the Cook Inlet. During the 2016 POD period, Hilcorp continued to manage this mature gas field by optimizing full life cycle depletion and exploiting under depleted gas sands.

During the 2017 POD period Hilcorp planned to maintain production. This was accomplished, as was the addition of perforations in three wells. Structural engineering assessments also began for future facilities work.

For the 2018 POD period Hilcorp's plans are to continue evaluating future rig work-over and drilling opportunities. Hilcorp will continue to evaluate potential undeveloped accumulations, but has no specific plans for exploration. Work to update the platform for new crew quarters will be completed, as will pipeline work as part of the Cook Inlet Pipeline Cross inlet Extension Project.

When considering a POD, the Division must consider the criteria in 11 AAC 83.303(a) and (b). Accordingly, the Division considered 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).

In approving the earlier PODs for NCIU, 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 2018 NCIU POD does not expand development or propose new exploration, but it continues production from existing facilities. This continued development protects the State's and public's economic interests in the resources. Under the POD, Hilcorp will also maintain existing facilities while continuing to consider maintenance and upgrades that may maximize recovery while minimizing the risk of adverse impacts to the land and resources.

Considering the 11 AAC 83.303 criteria and the activities proposed with this POD, the Division finds the 2018 POD complies with the provisions of 11 AAC 83.303 and 11 AAC 83.343 and protects the public interest. The 2018 NCIU POD is approved for the period July 1, 2018 through June 30, 2019. Under 11 AAC 83.343, the 2019 NCIU POD is due April 1, 2019, 90 days before the 2018 NCIU POD expires.

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.

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