



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 SERVICE REQUESTED

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

Re: 2018 Plan of Development for the Middle Ground Shoal Unit – Partial Approval

Dear Mr. Schoetz:

On April 3, 2018, the State of Alaska, Department of Natural Resources, Division of Oil and Gas (Division) received the proposed Middle Ground Shoal Unit (MGSU) 2018 Plan of Development (POD) from Hilcorp Alaska, LLC (Hilcorp), Unit Operator. The Division deemed the POD application complete on April 11, 2018 and met with Hilcorp on May 3, 2018 for a presentation.

Formerly known as the South Middle Ground Shoal Unit, the MGSU is a result of the combination of the South Middle Ground Shoal Unit, North Middle Ground Shoal Field, and the Middle Ground Shoal Field. Four offshore platforms, Baker, Dillon, "A," and "C" are within the unit boundary. "A" platform averaged 165 thousand standard cubic feet per day and 562 barrels of oil per day, and "C" averaged 63 thousand standard cubic feet per day and 284 barrels of oil per day during the 2017 calendar year. Baker and Dillon platforms were not producing.

During the 2017 POD period Hilcorp proposed plans for sidetracking of three existing wells from platform "C." Due to a gas pipeline leak that shut down operations from the platform no drilling was done. Because of the leak, pipeline inspections were completed and repairs were made. Production was resumed late in 2017.

For the 2018 POD Hilcorp proposes continued production from "A," and "C" platforms. In addition, maintenance inspection work will be done on "A," "C," and Baker platforms.

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 prior POD(s) for the MGSU, the Division considered 11 AAC 83.303 and found that the POD(s) promoted conservation of natural resources, promoted prevention of waste, and protected the parties' interests. The Division incorporates by reference those findings.

Hilcorp’s continued production from the MGSU platforms “A” and “C” will bring economic benefit to the State, therefore supporting the best interest of the State. Hilcorp’s lack of work for the Baker and Dillon platforms and lack of production however, does not support the best interests of the State. Because of this, the 2018 MGSU POD is approved for only the “A,” and “C” platforms and unit tract three, ADL 18754, and tract four, ADL 18756.

Having considered the 11 AAC 83.303(a) and (b) criteria, the Division finds that the 2018 POD complies with the provisions of 11 AAC 83.303. Accordingly, the 2018 POD is partially approved as described in the previous paragraph.

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