



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 Trading Bay Unit – Approval

Dear Mr. Schoetz:

On April 3, 2018, the Department of Natural Resources, Division of Oil and Gas (Division) received the proposed 2018 Plan of Development (POD) for the Trading Bay Unit (TBU) from Hilcorp Alaska, LLC (Hilcorp). On April 11, 2018, the Division notified Hilcorp by email that the 2018 POD was deemed complete. The Division later met with Hilcorp on May 3, 2018 for a presentation of the POD.

The TBU was formed and commenced sustained production in 1967. The TBU produces from four participating areas (PA) situated in what is known as the McArthur River Field: the Hemlock Oil Pool PA, the West Foreland Oil Pool PA, the Middle Kenai “G” Oil Pool PA, and the Grayling Gas Sands PA. On August 23, 2013, the Division approved the 2<sup>nd</sup> Expansion of the TBU to include the 5,280 acre Trading Bay Field (TBF) in the TBU. Average daily oil production for calendar year 2017 was approximately 4621 barrels of oil per day. Average daily gas production from the TBU in the 2017 calendar year was approximately 21 million standard cubic feet per day.

During the 2017 POD period, Hilcorp anticipated drilling up to four sidetracks from existing wells and three new wells. Hilcorp drilled three of the four sidetracks and no new wells. As anticipated, electric submersible pumps were replaced as needed and many workovers were completed. An additional planned sidetrack well from the Monopod platform into the North Trading Bay Unit was planned but not drilled.

During the 2018 POD period, Hilcorp plans to drill two wells from the Steelhead Platform. At the Trading Bay Field Hilcorp anticipates sidetracking a well from the Monopod Platform into the North Trading Bay Unit. Electric submersible pumps will be replaced as needed to maintain production.

When considering a POD, the Division must consider whether the POD is necessary or advisable to protect the public interest. 11 AAC 83.303(a). The Division will approve a POD upon a finding 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. *Id.* 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 determines necessary or advisable to protect the public interest. 11 AAC 83.303(b).

In approving the prior PODs for TBU, 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.

Hilcorp continues drilling and workover operations from the previous plan. The projects and operations are helping to increase production in fields that have been producing for over 50 years. The 2018 POD will continue production from existing wells while conducting new drilling, well workovers, and evaluations of shut-in wells to further increase production. The activities proposed in the 2018 POD benefit the State through maximizing recovery of the State's resources. The work Hilcorp is performing at the TBU is advisable to protect the public interest and increase State oil and gas revenues.

The Division has considered the 11 AAC 83.303(b) factors and (a) criteria, and the degree to which the additional development impacts its analysis from previous POD approvals. Based on the Division's prior POD approvals and analysis of the 11 AAC 83.303(b) factors for the additional development work proposed here, the Division finds that the 2018 POD protects the public interest, promotes conservation, prevents waste, and protects the parties' interests. The 2018 POD for the TBU is approved for the period July 1, 2018 through June 30, 2019.

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. Under 11 AAC 83.343, the 2019 POD is due on April 1, 2019, 90 days before the 2018 POD expires.

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](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.

Sincerely,



Chantal Walsh,  
Director