



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS  
550 W 7th Avenue, Suite 1400  
Anchorage, AK 99501-3560  
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May 17, 2018

CERTIFIED MAIL  
RETURN SERVICE REQUESTED

Cody T. Terrell  
Hilcorp Alaska, LLC  
3800 Centerpoint Drive, Suite 1400  
Anchorage, AK 99503

Re: 2018 Plan of Development for the Deep Creek Unit – Approval

Dear Mr. Terrell:

On May 1, 2018, the Department of Natural Resources, Division of Oil and Gas (Division), received the proposed 2018 Plan of Development (POD) for the Deep Creek Unit (DCU) from Hilcorp Alaska, LLC (Hilcorp). The 2018 POD is the 15th for the DCU. The Division previously met with Hilcorp on May 7, 2018 for a presentation of the Cook Inlet PODs. Hilcorp was notified by email on May 10, 2018 that the POD submittal was deemed complete.<sup>1</sup>

The DCU was formed in 2001 as a jointly-managed unit between the Division and Cook Inlet Regional, Inc. (CIRI). Sustained production began from the Happy Valley Participating Area (PA) in November 2004. The DCU was acquired by Hilcorp from Union Oil Company of California on January 1, 2012. Gas production from the Happy Valley PA (Tyonek/Beluga Pool) and the undefined Sterling formation declined in 2017 with average daily gas production of approximately 5 million cubic feet per day during the calendar year 2017. Total gas production from the DCU is approximately 34.6 billion cubic feet of gas as of December 2017.

Hilcorp drilled two stratigraphic test wells in October 2017 out of the four to six stratigraphic test wells it committed to drill in the unit area. Based on those results, however, Hilcorp commits to new exploratory drilling plans during the 2018 POD period by drilling at least two and up to four more stratigraphic wells targeting the Sterling and Beluga formations. Hilcorp also plans on implementing a new exploratory drilling program targeting the Sterling and Beluga formations in 2019 based upon the results of its 2018 stratigraphic test well program.

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 all interested parties including the state,

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<sup>1</sup> Hilcorp previously was granted a series of delays of the DCU mandatory unit contraction with the most recent delay expiring on May 31, 2018. Although Hilcorp did not request delay of the DCU mandatory unit contraction in its 2018 POD, it was advised that a separate request for an additional delay of the DCU mandatory contraction should be filed and the matter would be addressed by the Division in a separate decision. Hilcorp's request should be filed as soon as possible before May 31, 2018 expiration, or the Division shall have to proceed accordingly.

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 DCU, the Division considered the criteria set forth in 11 AAC 83.303(b) 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 public, as stated by the Division in the 2017 POD, has an interest in diligent exploration and evaluation of the State's resources. The plans set forth in the 2018 POD protect this public interest in furthering hydrocarbon production and delineation within the unit area. Proposing work to continue production from the existing PA benefits the State economically by maximizing revenues and promotes the prevention of waste. The 2018 POD therefore is necessary and advisable to protect the public interest.

Based upon the Divisions prior POD approvals and analysis of the 11 AAC 38.03.303(b) criteria, the Division finds the 2018 POD protects the public interest, promotes conservation, prevents waste, and protects the parties' interests. The 2018 POD for the DLU is approved for the period of August 1, 2018 through July 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 to the Division ninety (90) days prior to the expiration of the 2018 POD, which is on or before May 1, 2019.

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.

If you have questions regarding this decision, please contact Ken Diemer with the Division at (907) 269-8784 or via email at [ken.diemer@alaska.gov](mailto:ken.diemer@alaska.gov).

Sincerely,



Chantal Walsh  
Director