



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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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 Kenai Gas Field Pool 6 Storage Lease,
ADL 390821 – 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 Kenai Gas Field Pool 6 Storage Lease (ADL 390821) (Gas Storage Lease) from Hilcorp Alaska, LLC (Hilcorp). The 2018 POD is the 14th POD for the Gas Storage Lease. 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 and was under review.

As observed in the 2017 POD, Hilcorp has continued to conduct storage operations and optimize gas production wells throughout the fields. The Gas Storage Lease is operated with 14 wells: ten gas producers, three gas injectors, and one monitoring well. The gas storage formation is limited to a storage capacity of no more than 50 billion cubic feet (BCF) at the end of any calendar month. All the recoverable native gas that remained in the reservoir (32.51 BCF as of August 2005) has been produced.

During the 2017 calendar year, Hilcorp injected 9.2 BCF of gas while withdrawing 5.072 BCF. No facility work was conducted in either 2016 or 2017, and no work is proposed for 2018. Neither new wells nor major well work are proposed for 2018. Hilcorp anticipates injecting between 1.0 and 9.0 BCF of gas during the 2018 calendar year with extraction occurring during periods of high demand. Finally, Hilcorp anticipates no changes to its long-term storage plans.

Paragraph 13 of the Gas Storage Lease requires annual updates to the POD, which must describe the Gas Storage Formation, long-range activities, proposed operations for the coming year, and a sequence and schedule of operations. Hilcorp provided this information in its 2018 POD, and through supplemental information requested by the Division.

Based upon the Division's prior POD approvals, along with analysis and application of the applicable lease provisions, the 2018 POD therefore is approved for the period of June 1, 2018 through May 31, 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 the terms of the lease the development plan must be revised, updated, and submitted to the state for approval 60 days before the anniversary date of the previously approved plan. which is on or before April 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. 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.

Sincerely,



Chantal Walsh
Director