



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

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Anchorage, AK 99501-3560

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June 28, 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 Nikolaevsk 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 Nikolaevsk Unit (NU) from Hilcorp Alaska, LLC (Hilcorp). The 2018 POD is the 11th POD for the NU. 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.

The NU has been in production since 2012 and has produced 997.39 Billion Standard Cubic Feet (BSCF) of cumulative gas through year end 2017. The only producing well in the NU is the Red 1. A fracture stimulation was performed on that well in March 2017 resulting in an initial increase rate of 2,300 standard cubic feet per day (MSCFD), which was up from 232 MSCFD. The well also underwent a rapid initial decline to 850 MSCFD by June 2017. As of March 31, 2018, the well is producing 540 MSCFD. A new produced water storage tank also was installed during the 2017 POD period.

Although Hilcorp has neither any immediate nor long-range proposed development activities for the NU during this POD period, it anticipates continued production of gas from the Red 1 during the 2018 POD period.

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, 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 NU, the Division considered the 11 AAC 83.303(b) criteria 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 commitment to continuing production from the NU for the 2018 POD period economically benefits the State of Alaska.

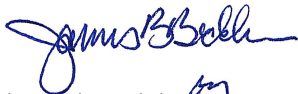
Based upon the Division’s prior POD approvals and analysis of the factors set forth in 11 AAC 38.03.303(b), the Division finds the 2018 POD protects the public interest, promotes conservation, prevents waste, and protects the parties’ interests. The 2018 POD for the NU is approved for the period of August 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. 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 Jes Spuhler with the Division at (907) 269-8817 or via email at [jes.spuhler@alaska.gov](mailto:jcs.spuhler@alaska.gov).

Sincerely,



Chantal Walsh
Director