



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS

550 W 7th Avenue, Suite 1100

Anchorage, AK 99501-3560

Main: 907.269.8800

Fax: 907.269.8939

July 9, 2018

CERTIFIED MAIL
RETURN SERVICE REQUESTED

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

Re: Delayed Contraction for the Ninilchik Unit – Approval

Dear Mr. Terrell:

On May 17, 2018, the Department of Natural Resources, Division of Oil and Gas (Division), received Hilcorp Alaska, LLC's (Hilcorp) request to delay mandatory contraction of the Ninilchik Unit (NINU).

The NINU was formed in 2001 and expanded to include the federally-managed Falls Creek Unit in 2003. In 2007 the Susan Dionne Participating Area within the NINU expanded to include wells drilled from the Paxton pad. Hilcorp acquired the NINU from former unit operator, Marathon Oil Company, on January 30, 2013. The NINU currently produces gas from three participating areas (PA): Falls Creek, Grassim Oskolkoff (GO), and Susan Dionne-Paxton. Currently, only Tyonek gas production is unitized, although both Beluga and Tyonek gas is produced outside of the current PAs as a tract operation. In November 2016, Hilcorp applied to the Division to expand the unit and Falls Creek PA.

Under 11 AAC 83.356(b), ten years after commencement of sustained production, the unit area must be contracted to include only those lands then included in approved participating area and lands that facilitate production including the adjacent lands necessary for secondary or tertiary recover, pressure maintenance, reinjection, or cycling operations. The Commissioner, however, may delay contraction if circumstances so warrant. The NINU's ten-year mandatory contraction date was December 12, 2013. As part of both the 2016 and 2017 POD approvals the Division delayed the mandatory contraction to May 31, 2017, and May 31, 2018, respectively. Based on Hilcorp's exploration and field development work, it now asks the Division to delay contraction until May 31, 2020.

Under the current circumstances, it would be impractical to contract the unit now. Therefore, incorporating by reference the July 9, 2018 POD decision for the NINU, the Division approves the delay of the mandatory contraction of the DCU until May 31, 2020.

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) 269-8784 or via email at [jes.spuhler@alaska.gov](mailto:jcs.puhler@alaska.gov).

Sincerely,



Chantal Walsh
Director