



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

Division of Oil & Gas
Anchorage Office

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April 5, 2016

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

David Duffy
Landman
Hilcorp Alaska, LLC
PO Box 244027
Anchorage, Alaska 99524-4027

Re: Granite Point Unit – 2016 Plan of Development – Approval

Dear Mr. Duffy:

On March 3, 2016 the State of Alaska (State) Department of Natural Resources, Division of Oil and Gas (Division) received the proposed Granite Point Unit (GPU) 2016 Plan of Development (POD). The Division notified Hilcorp Alaska, LLC (Hilcorp) by email on March 11, 2016 that the Division had deemed the POD application complete. The Division had previously met with Hilcorp on January 7, 2016 for a presentation of the POD.

The South Granite Point Unit was expanded in early 2015 to include the Granite Point Field and renamed the Granite Point Unit. The GPU is comprised of six off-shore state oil and gas leases, encompassing approximately 15,411 acres. The GPU contains the Hemlock and Granite Point Sands Participating Areas. Exploration and development operations are conducted from the Granite Point, Anna and Bruce platforms. Production is processed at the Granite Point Production Facility.

GPU production began in 1967 and has produced 155.3 Billion Standard Cubic Feet (BSCF) of cumulative gas and 165.5 Million Stock Tank Barrels (MMSTB) cumulative oil through December 31, 2015. During the 2015 POD period, Hilcorp continued conducting workover operations on the Anna and Bruce platforms. Additionally, communications equipment was upgraded on all platforms, instrument and electrical upgrades were installed on the Granite Point Platform, and the test separator was upgraded on the Bruce Platform. Oil production from the Anna Platform declined from an average 1,195 Barrels of Oil per Day (BOPD) in 2014 to 885 BOPD in 2015. Oil production from the Bruce Platform declined from an average 476 BOPD in 2014 to 296 BOPD during 2015. Granite Point Platform oil production declined from an average 1,584 BOPD in 2014 to 1,471 BOPD during the 2015 calendar year. Maintenance and inspection activities continued on all three platforms as well as at the Granite Point Production Facility.

For the 2016 POD period Hilcorp plans to maintain current oil and gas production and perform a single workover project on the Anna platform. No other work is planned. Hilcorp plans to

evaluate and execute additional well work and drilling opportunities as they arise. Various facility improvements and repairs will be performed on an as needed basis.

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 of 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 Granite Point Unit the Division considered 11 AAC 83.303 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.

The activities outlined in the 2016 POD will maintain and enhance production from existing wells. This continued production will bring benefit to the State.

Having considered the 11 AAC 83.303 (a) and (b) criteria, the Division finds that the 2016 POD complies with the provisions of 11 AAC 83.303. Accordingly, the 2016 POD is approved for the period June 1, 2016 through May 31, 2017.

This approval is only for a general plan of development. Specific field operations will require an approved Plan of Operations. Under 11 AAC 83.343, the 2017 POD is due on March 3, 2017, 90 days before the 2016 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 Marty Rutherford, Acting 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.

Sincerely,



Corri A. Feige
Director

cc: DOL