



## Hilcorp Alaska, LLC

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March 3, 2016

Corrie Feige, Director  
Oil and Gas Division  
Alaska Department of Natural Resources  
550 W. 7<sup>th</sup> Avenue, Suite 1100  
Anchorage, AK 99501

**RECEIVED**

**MAR - 3 2016**

**DIVISION OF  
OIL AND GAS**

Re: The 2016 Plan of Development and Operations for the Cannery Loop Unit

Dear Mrs. Feige:

Hilcorp Alaska, LLC ("Hilcorp"), as Operator hereby submits the proposed 2016 Plan of Development and Operations ("POD") for the Cannery Loop Unit ("CLU") for review and approval. This plan will be effective from June 1, 2016 through May 31, 2017.

### **I. FIELD OVERVIEW**

The Cannery Loop Unit was formed in June 1978 as a result of the CLU 1 gas discovery well in the Tyonek formation. Production commenced that same year. In 2010, the Bureau of Land Management waived administration of the CLU, leaving administrative management of the unit to the State of Alaska. To facilitate the CINGSA gas storage facility, the unit contracted in 2011 to exclude the Sterling Gas Sands Participating Area.

Following unit contraction, three participating areas remained: (1) Beluga Undifferentiated Gas Sands PA, (2) Upper Tyonek Formation Undifferentiated Gas Sands PA, and (3) Tyonek "D" Sands PA. Each of these participating areas corresponds to an AOGCC-defined pool (e.g., the Beluga Gas Pool, the Upper Tyonek Gas Pool, and the Tyonek D Gas Pool.) *See* Conservation Order 231.

### **II. 2015 PLAN REVIEW**

Highlights of Hilcorp's 2015 production, drilling and workover programs include:

**1. Beluga Undifferentiated Sands PA (Beluga Gas Pool) Production.** During calendar year 2015, Hilcorp produced an average of 5.49 MMSCF/D.

- **2015 Drilling Program.** Hilcorp successfully drilled the CLU 13 well, currently producing ~1 MMCF/D.
- **2015 Workover Program.** Hilcorp performed two workovers in the Beluga Gas Pool (CLU 7 & CLU 11).

2. **Upper Tyonek Formation Undifferentiated Gas Sands PA (Upper Tyonek Gas Pool) Production:** During calendar year 2015, Hilcorp produced an average of 1.24 MMSCF/D.
3. **Tyonek "D" Sands PA (Tyonek D Sands Gas Pool) Production:** During calendar year 2015, Hilcorp produced an average of .12 MMSCF/D.
  - **2015 Drilling Program.** Hilcorp successfully drilled the CLU 5RD well. This well is currently producing ~14 MMCF/D. Peak rate was achieved in Jan-16.
4. **2015 Major Facility Projects:** None were required at this time, other than associated with drilling CLU 5RD and CLU 13.

### **III. 2016 PLAN OF DEVELOPMENT AND OPERATIONS**

Hilcorp anticipates current production at the Cannery Loop Unit will decline until the current high deliverability completion in the CLU 5RD depletes or waters out. Production will then increase again after recompletion to next zone up the well.

1. **2016 Drilling Program:** Hilcorp does not anticipate any new drilling projects in the Cannery Loop Unit.

NOTE: if reservoirs associated with CLU 5RD and CLU 13 prove to be larger than expected, acceleration wells may be necessary and will be considered as needed.

2. **2016 Workover Program:** Hilcorp anticipates two workovers in 2016 (CLU 5RD and CLU 11).

In addition to the above, Hilcorp will evaluate and execute additional well work and drilling opportunities as they arise. Throughout 2016 Hilcorp will continue to pursue efficiencies through various well, infrastructure and facility repairs, including evaluation of shut-in wells for potential return to service or utility.

### **3. 2016 Major Facility Projects**

At this time, no major facility upgrades are planned for the CLU in 2016. However, as the need arises, Hilcorp will:

- Increase the capacity of the existing surface equipment at unit pads for gas processing by adding additional line heaters, a gas dehydration module, and liquid separation vessels with associate piping and controls.
- As required, expand the pad(s) for the drilling program and production equipment explained above.
- Establish a location within or nearby the Cannery Loop Unit to support drilling crew quarters; and

- To the extent required, expand other infrastructure requirements, including construction or expansion of access roads, pipelines, flow lines, metering, processing and storage vessels, etc.

Hilcorp, as Unit Operator, reserves the right to propose modifications to this Plan should conditions so warrant; however, no modifications will be made without first obtaining necessary approval from the appropriate governmental agencies.

Your approval of the submitted plan is respectfully requested. Should you have questions, please contact David Duffy at 777-8414.

Sincerely,



David W. Duffy, Landman  
Hilcorp Alaska, LLC

cc: Kyle Smith, DNR (via email to [kyle.smith@alaska.gov](mailto:kyle.smith@alaska.gov))