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March 3, 2016

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

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**DIVISION OF
OIL AND GAS**

Re: 2016 Plan of Development and Operations for the Ivan River Unit

Dear Mrs. Feige:

Hilcorp Alaska, LLC (“Hilcorp”) as Operator, hereby submits the 2016 Plan of Development and Operations for the Ivan River Unit (“IRU”). This plan will be effective from June 1, 2016 through May 31, 2017.

I. FIELD OVERVIEW

The Ivan River Unit was formed in 1967 and originally encompassed 24,439 acres. In 1969, the IRU was contracted to the areal extent of the IRU Gas Pool #1 Participating Area (“PA”). In 1978, the IRU and IRU Gas Pool #1 PA were expanded after subsequent drilling and interpretation. In 2012, the Department of Natural Resources (“DNR”) approved a revision of the Ivan River Gas Pool #1 PA to establish two separate PAs for the Tyonek and Sterling-Beluga formations, and to terminate the former Ivan River Gas Pool #1 PA.

Currently, the IRU boundary contains a total of 2,295.34 acres. The Sterling-Beluga PA contains a total of 720 acres. The Tyonek Gas PA contains 2,295.34 acres. No AOGCC-defined pools have been established.

The Ivan River Gas Storage Lease (ADL 391556) was issued by DNR to former unit operator, Union Oil Company of California (“Chevron”) on August 1, 2011. The lease consists of 863 acres and exists within the Beluga 71-3 Gas Sands. Hilcorp released this gas storage lease during the 2015 POD period.

Hilcorp acquired the IRU from Union Oil Company of California (“Chevron”) on January 1, 2012. Hilcorp holds a 100% working interest in the unit.

II. 2015 PLAN REVIEW

A. 2015 Production Summary

1. **Sterling-Beluga Gas PA (Undefined Pool) Production.** During 2015, average daily production from the Sterling-Beluga Gas PA was 01.8MMSCF/D.
 2. **Tyonek Participating Area (Undefined Pool) Production.** During 2015, the average daily production from the Tyonek PA was 1.2 MMSCF/D.
 3. **Disposal Wells.** IRU 14-31 and 13-31 are used as the disposal wells for Hilcorp's West-side operated fields (Lewis River, Pretty Creek, Ivan River and Stump Lake).
 4. **Gas Storage.** Due to the damaged condition of IRU 44-36, Hilcorp released its gas storage lease during the 2015 POD period.
- B. **2015 Drilling Program:** Hilcorp did not conduct any drilling projects during 2015.
- C. **2015 Workover Program:** Hilcorp did not implement any rig workovers during 2015.
- D. **2015 Facility Improvements:** Hilcorp did not implement any major facility improvements during 2014.

III. 2016 PLAN OF DEVELOPMENT AND OPERATIONS

Hilcorp will continue to produce from the Sterling-Beluga and Tyonek PAs. Hilcorp will continue to utilize IRU disposal wells. Throughout the 2016 POD period, 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.

- A. **Field Study:** During the 2016 POD period, Hilcorp will continue a comprehensive field study, specifically evaluating the Sterling, Beluga and Tyonek reservoirs for further development.
- B. **Drilling Program:** At this time, no grassroots or sidetrack drilling projects are anticipated.
- C. **Workover Program:** At this time, no workovers are anticipated or required.
- D. **2016 Major Facility Projects:** At this time, no major facility upgrades are planned for the IRU 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.
- 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 the undersigned at 777-8414.

Sincerely,



David W. Duffy
Landman, Alaska
Hilcorp Alaska, LLC

cc: Kyle Smith, Division of Oil and Gas (via email to kyle.smith@alaska.gov)