



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

Division of Oil & Gas

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Anchorage, Alaska 99501 -3560
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April 7, 2016

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

David W. Duffy
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Ste. 100
Anchorage, Alaska 99503

RE: North Trading Bay Unit: 2016 Plan of Development — Approval

Dear Mr. Duffy:

On March 3, 2016, the Alaska Department of Natural Resources, Division of Oil and Gas (Division) received the 2016 Plan of Development (POD) for the North Trading Bay Unit (NTBU) from Hilcorp Alaska, LLC (Hilcorp). The 2016 POD submittal was deemed complete by the Division on March 11, 2016. The Division had previously met with Hilcorp on January 7, 2016 for a presentation of the Cook Inlet PODs.

The NTBU is an offshore Cook Inlet unit comprised of three state oil and gas leases. The Spurr and Spark platforms, located in the NTBU, were built in 1967 by then unit operator Marathon Oil Company (Marathon). Production from the NTBU ceased in September 2005. In 2008, Marathon set out a long-term conceptual abandonment plan which was not implemented. Hilcorp succeeded Marathon as unit operator in 2013. The platforms are currently maintained in “lighthouse” mode. The crane and helidecks are functional; however, crew facilities are not functional and no wells are currently active. Hilcorp has continued safety and maintenance operations since assuming operatorship. NTBU’s cumulative production to date is 23.7 million stock tank barrels of oil and 13.07 billion standard cubic feet of gas.

During the 2015 POD period, Hilcorp acquired 3D seismic data over the NTBU area which will be incorporated into a comprehensive geologic field study and reservoir model. These studies are projected to be completed year-end 2017. Unit operations were focused on facility improvements and routine inspection work which included completion of the annual subsea cathodic protection survey and subsea pipeline sonar survey.

The NTBU platforms will not be returned to service during the 2016 POD period. The 2016 POD states Hilcorp is actively evaluating opportunities to return the NTBU to production. In October 2014, Hilcorp drilled the A-31 well from the Monopod platform in the Trading Bay Unit into the Kokanee Fault Block to explore the Hemlock and shallower Tyonek pools in order to evaluate the potential resource which could be produced from the Spurr platform. Evaluations of these prospects continue through field studies. Hilcorp will also continue annual routine

inspections and maintenance operations on the two NTBU platforms during the 2016 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 of 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 PODs for the NTBU, the Division considered 11 AAC 83.303 and found that the PODs promoted conservation of natural resources, promoted prevention of waste, and protected the parties' interests. The Division incorporates by reference those findings.

While the NTBU platforms have been maintained in "lighthouse" mode, the state's interest would be best served by eventually reactivating the platforms and restarting production. The state's interest is also furthered by the acquisition of the 3D seismic data over the unit area. Hilcorp will be evaluating the state's resources with the goal of bringing production back to the NTBU which would increase state revenues. If the efforts to return production to the area are not successful, a process to determine the future use or disposition of the platforms will commence.

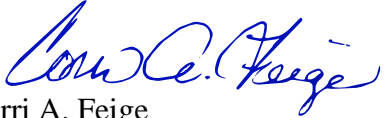
Having considered the 11 AAC 83.303(a) and (b), the Division finds that the 2016 NTBU POD protects the public interest, promotes conservation, prevents waste, and protects the parties' interests. The 2016 POD is approved for the period June 1, 2016 through May 31, 2017.

This approval is only for a general plan of development. Specific field operations require separate approval under 11 AAC 83.346, Unit Plan of Operations. Pursuant to 11 AAC 83.343(c), the 2017 NTBU POD will be due in these offices at least ninety (90) days prior to the expiration of the 2016 POD, on or before March 2, 2017.

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.

If you have questions regarding this decision, please contact Kyle Smith with the Division at 269-8807, or via email at kyle.smith@alaska.gov.

Sincerely,

A handwritten signature in blue ink that reads "Corri A. Feige". The signature is written in a cursive style with a large initial 'C'.

Corri A. Feige

Director

cc: DOL