



Hilcorp Alaska, LLC

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May 2, 2016

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

Re: Proposed 35th Milne Point Unit Plan of Development

Dear Mrs. Feige,

Hilcorp Alaska, LLC (“Hilcorp”), as Operator of the Milne Point Unit (“MPU”), hereby submits the proposed 35th Milne Point Unit Plan of Development (“POD”). This plan will be effective July 1, 2016 through July 31, 2017.

I. FIELD OVERVIEW

The MPU consists of the Kuparuk Reservoir in the Kuparuk Participating Area, the Schrader Bluff Reservoir in the Schrader Bluff Participating Area, the Sag River Reservoir in the Sag River Participating Area, C-23 Tract Operations, K-33 Tract Operations, and the Ugnu MPS-37, MPS-39, MPS-41 and MPS-43 Tract Operations.

II. 34th PLAN REVIEW

On December 4, 2014, the State of Alaska, Department of Natural Resources, Division of Oil and Gas (“DNR”) approved Hilcorp as successor operator. On June 18, 2015, DNR approved Hilcorp’s proposed amendment to the 34th POD.

A. 34th POD Production Summary

During calendar year 2015, the MPU produced approximately 4550 MMcf gas and 6834 Mbbl oil. The field entered 2015 producing 599423 BOPM in December and exited 2015 producing 579914 BOPM. During 2016 (YTD), the average daily production rate is 19,273 BOPD.

B. 34th POD Drilling Program

Hilcorp completed three drill wells in 2015:

- L-49 Lateral Injector targeting Schrader OA Lower Lobe.
- L-46 Lateral Producer targeting Schrader OA Lower Lobe.
- L-48 Lateral Injector targeting Schrader OA Lower Lobe

Hilcorp postponed two other lateral drilling projects (L-47 and L-50), both parting production from the Schrader OA Lower Lobe.

C. 34th POD Workover Program

Hilcorp completed the following well projects:

- Ugnu
 - 1 Disposal well conversion
 - 1 Water source well repair
- Schrader Bluff
 - 11 ESP Change-outs
 - 3 ESPCP Change-outs
 - 1 Jet Pump Repair
 - 5 Water Injection Conversions
 - 3 Plug & Abandonments
- Kuparuk
 - 29 ESP Change-outs

D. 34th POD Major Facility Projects

Key activities included:

- Routine facility maintenance and minor equipment replacement occurred in 2015.
- A sprinkler system for the Milne Point quarters was designed and construction initiated in November 2015.
- A grind and inject facility that had been stored at Milne Point for approximately 8 years was moved from “D” pad to “B”, connected to the B-24 injection well.
- An EPA Class I disposal permit for B-24 was received and the grind and inject plant was commissioned in November 2015. It will service Milne Point and other third party companies.
- An Automated Service Rig (ASR1) was also purchased by Hilcorp and commissioned at Milne Point in June 2015. The ASR1 is a workover rig and was utilized to pull and replace ESPs at Milne Point.

III. 35th PLAN OF DEVELOPMENT AND OPERATIONS

A. Proposed Drilling Program

During the 35th POD Period, Hilcorp anticipates drilling up to ten (10) new wells, including:

- 2 x L Pad (Schrader OA Lower Lobe: 1 prod + 1 Inj)
- 1 x K pad (Kuparuk: 1 producer)
- 2 x B pad (Schrader ND: 1 prod + 1 inj)
- 1 x C pad (Sag River: 1 producer)
- 4 x J pad (Schrader NB: 2 x prod + 2 x inj)

Two of the 10 proposed wells have been drilled and are currently online (L-47 Schrader OA Lwr Lobe: 700 bopd, 100 mcf, 0 bwpd; B-28 Schrader NB: 2100 bopd, 300 mcf, 140 bwpd).

B. Proposed Workover Program

During the 35th POD Period, Hilcorp anticipates completing up to 16 well workovers with the ASR1 rig. During 2016 (YTD), we have completed 7 well workovers (5 with the ASR1 rig and 2 with the Nordic 3 rig).

C. Major Facility Projects

Key facility projects anticipated to be undertaken during the 35th POD period include:

- Routine facility maintenance and minor equipment replacement;
- Install sprinkler system for the Milne Point quarters;
- The design and permitting process for additional pads at Milne Point will occur in 2016 in preparation for potential future pad development.

In addition, Hilcorp anticipates constructing a new pad ("Moose Pad Development Project") and corresponding access road within ADLs 025514 and 025515. Contingent on market conditions, Hilcorp plans to expand the existing pipeline, electrical, and communication in the western portion of MPU to accommodate additional future oil production. The proposed Moose Pad will be connected to the existing Milne Point Road via a new access road between MPU C Pad and L Pad. The exact location of Moose Pad and the access road will be dependent on the results of environmental and topographical evaluations.

Hilcorp plans to submit the permit application package to agencies in Q2 2016. Following agency approval, ice road construction and mining operations are anticipated to begin in Q4 2016. Pad and access road construction would follow ice road construction and would begin approximately Q1 2017. Pad and access road construction is anticipated to take approximately three months to complete. Following spring thaw, the pad surface and road bed will be excavated and re-compacted during the month of Q3 2017. Pad infrastructure will be installed following pad completion.

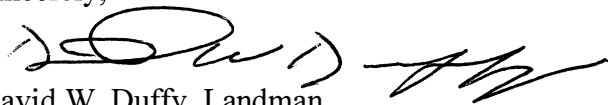
Other projects may include, but are not limited to:

- Add additional compression at existing surface facilities to support existing wells and increased production achieved through Hilcorp's 2016 workover and drilling program.
- Increase the capacity of the existing surface equipment at unit pads for processing by adding additional line heaters, a gas dehydration module, and liquid separation vessels with associated 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,

A handwritten signature in black ink, appearing to read 'David W. Duffy', followed by a horizontal line.

David W. Duffy, Landman
Hilcorp Alaska, LLC

cc: Division of Oil and Gas (via email to hak.dickenson@alaska.gov)

BP Exploration (Alaska)