



Hilcorp Alaska, LLC

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November 23, 2016

Kyle Smith, Petroleum Land Manager
Oil and Gas Division
Alaska Department of Natural Resources
550 W. 7th Avenue, Suite 1100
Anchorage, AK 99501

Colleen Miller, Resource Manager
Cook Inlet Region, Inc.
725 E. Fireweed Lane
Anchorage, AK 99509-3330

Re: Request for deferral of mandatory contraction deadline to support continued exploration of the Deep Creek Unit

Dear Mr. Smith and Ms. Miller:

On March 3, 2016, Hilcorp Alaska, LLC ("Hilcorp") submitted a request to delay mandatory unit contraction for the Deep Creek Unit ("DCU") until at least June 1, 2017. On May 31, 2016, the Department of Natural Resources, Division of Oil and Gas ("Division") issued a decision delaying mandatory unit contraction until November 30, 2016. Hilcorp's request to defer contraction was – and remains – part of our ongoing efforts to actively explore state and CIRI acreage held by the Deep Creek Unit.

Hilcorp again requests the Division and CIRI to extend the delayed unit contraction deadline until June 1, 2017. Hilcorp further requests this proposed exploration activity be incorporated into the currently approved 2016 Plan of Development. A confidential technical presentation on the merits of this proposal were outlined to both the Division and CIRI on November 21, 2016.

Hilcorp's proposed stratigraphic drilling program is a continuation of our extensive efforts to explore the overall Deep Creek Unit. Since taking over operatorship in 2012, Hilcorp has not only continued to drill and produce within the Happy Valley Participating Area, but also has demonstrated unprecedented efforts to evaluate non-producing state and CIRI acreage. These efforts include:

- ✓ Acquired and processed unit-wide 3D seismic data in 2013/2014;
- ✓ Completed a remote sensing acquisition program in 2016; and
- ✓ Acquired and processed discrete 2D seismic line in southern portion of unit in 2016.

Approval of Hilcorp's request will facilitate drilling of up to 6-8 stratigraphic wells on both State and CIRI leases during the winter months of 2017. This stratigraphic well

program is a direct response to confidential information gained (and lesson learned) from our recent drilling of the Greystone well.

Hilcorp's exploratory program is focused on the Undefined Sterling and Beluga formations, which are now believed to be present at specific locations throughout the Unit (including vertically above the current footprint of the Happy Valley Participating Area). These formations are believed to be prospective on both State and CIRI acreage.

To this extent, Hilcorp will delay the drilling of the previously proposed Middle Happy Valley exploratory well until sufficient data exists to de-risk the significant investment otherwise required to drill a wildcat exploratory well. Upon approval from both the Division and CIRI, Hilcorp will immediately commence the planning, design and permitting obligations associated with its proposed 2017 stratigraphic test well program.

Hilcorp will update both DNR and CIRI with the status of the stratigraphic program in its proposed 2017 Plan of Development (March 2017).

Your approval of the submitted plan is respectfully requested. Should you have questions, please contact the undersigned at 777-8414. For technical questions, please contact Mr. David Buthman, Sr. Geologist, at 777-8375.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Duffy", written over a horizontal line.

David W. Duffy, Landman
Hilcorp Alaska, LLC