



Hilcorp Alaska, LLC

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March 1, 2017

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

Re: **The 2017 Plan of Development and Operations for the Cannery Loop Unit**

Dear Ms. Walsh:

Hilcorp Alaska, LLC (“Hilcorp”), as Operator hereby submits the proposed 2017 Plan of Development and Operations (“POD”) for the Cannery Loop Unit (“CLU”) for review and approval. This plan will be effective from June 1, 2017 through May 31, 2018.

I. 2016 PLAN REVIEW

Highlights of production from the Cannery Loop Unit include:

- **Beluga Undifferentiated Sands PA (Beluga Gas Pool) Production.** During calendar year 2016, Hilcorp produced an average of 4.64 million standard cubic feet per day (“MMSCF/D”).
- **Upper Tyonek Formation Undifferentiated Gas Sands PA (Upper Tyonek Gas Pool) Production:** During calendar year 2016, Hilcorp produced an average of 1.27 MMSCF/D.
- **Tyonek “D” Sands PA (Tyonek D Sands Gas Pool) Production:** During calendar year 2016, Hilcorp produced an average of 4.30 MMSCF/D.

Hilcorp did not anticipate or implement any new drilling projects at the Cannery Loop Unit during 2016. Hilcorp did anticipate up to two workovers (CLU 5RD and CLU 11), but actual efforts were focused on CLU 5RD. Hilcorp successfully recompleted the CLU 5RD well in January 2016 to the Deep Tyonek D5A sand. Peak rate was 15.6 MMSCF/D, producing a total of 1.53 billion cubic feet (“BCF”) before watering out in May 2016. Subsequent zones have been perf’d with mediocre results.

II. 2017 PLAN OF DEVELOPMENT AND OPERATIONS

Hilcorp anticipates current production at the CLU will remain fairly steady during 2017.

Hilcorp anticipates drilling one new well in the CLU. The CLU-10 will be sidetracked 4th Quarter of 2017 to the Upper Tyonek.

Hilcorp plans to workover the CLU-05RD to the Upper Tyonek. This well watered out in 2016. In 2017, Hilcorp anticipates plugging back and moving up hole to test and add upper Tyonek sands. Additional targets include the 91-2 sands.

In addition to the above, Hilcorp will evaluate and execute additional well work and drilling opportunities as they arise. Throughout 2017 Hilcorp will continue to pursue improvements through various well, infrastructure and facility repairs, including evaluation of shut-in wells for potential return to service or utility.

3. 2017 Major Facility Projects

At this time, no major facility upgrades are planned for the CLU in 2017. 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 CLU 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: Kevin Pike, DNR (via email to kevin.pike@alaska.gov)