



Hilcorp Alaska, LLC

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March 1, 2017

Ms. Chantal Walsh, Director
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: 2017 Plan of Development and Operations for the Deep Creek Unit

Dear Ms. Walsh and Ms. Miller:

Hilcorp Alaska, LLC ("Hilcorp") as Operator, hereby submits the 2017 Plan of Development and Operations ("POD") for the Deep Creek Unit. This plan will be effective from June 1, 2017 through May 31, 2018.

I. 2016 PLAN REVIEW

Highlights of Hilcorp's 2016 production, drilling and workover programs include:

- 1. Happy Valley PA (Tyonek/Beluga Pool) Production:** During calendar year 2016, production from the Happy Valley PA was 6.250 million standard cubic feet per day ("MMSCF/D").
- 2. Tract Operations (Undefined Gas Pools) Production:** During calendar year 2016, production from Happy Valley tract operations averaged 0 MMSCF/D. There are no wells currently producing on a tract basis.
- 3. 2016 Drilling Program.**
 - a. In the 2016 POD, Hilcorp anticipated:
 - Drilling one (1) exploration/delineation well (HVB-18) to target the upper Tyonek discovered in the HVB-17 well. This well was not drilled in 2016 because no additional delineation or acceleration of production is required at this time. HVB-18 will remain a drilling candidate, along with future planned drills from the proposed C-Pad, and will be undertaken as needed to maintain or enhance Happy Valley PA production.

- No other drilling or sidetrack drilling projects in the DCU were necessary or required to maintain unit production.
 - **2016 Workover Program.** During 2016, Perforations were planned and completed for the HVB-17 well and first production began in May 2016. Hilcorp completed this work and the well is producing from the Happy Valley PA. No other well work was planned or required.
4. **2016 Facility Improvements:** During 2016, Hilcorp completed the following facility improvements projects:

During 2016, Hilcorp undertook and completed major overhauls on compressors at Happy Valley A and B pads.

II. 2017 PLAN OF DEVELOPMENT AND OPERATIONS

Hilcorp anticipates that unit current production will be maintained and improved throughout 2017, primarily through implementation of efficiencies and optimization projects.

1. **2017 Drilling Program:**

- Hilcorp anticipates completing four (4) of six (6) planned stratigraphic test wells in the vicinity of the DCU prior to June 1, 2017. Two proposed drilling locations are located on a public winter trail systems and cannot be accessed in the remainder of the current POD period. Hilcorp is currently evaluating opportunities to access these locations during Q3-4 2018 (immediately after freeze-up, but prior to the occurrence of significant snowfall).
- Hilcorp continues to progress plans to drill at Middle Happy Valley and C-Pad (within the Happy Valley PA), but cannot commit to drilling until the operational and economic risk associated with such exploratory efforts is reduced. To this end, Hilcorp has made a substantial investment in exploring the DCU, including:
 - Completion of 2013 SD seismic program/ data processing
 - Completion of 2015 remote sensing data/ data processing
 - Completion of 2016 2D seismic program/ data processing
- During the 2017-2018, Hilcorp will initiate and complete its proposed stratigraphic test well program. Based on the results of this study, Hilcorp will set forth new exploratory drilling program in 2018-2019, likely targeting the Sterling and Beluga Formations.
- **2017 Workover Program:** At this time, Hilcorp does not anticipate any rig wellwork at Happy Valley. However, if well performances changes significantly on existing wells a rig workover and perf adds will be evaluated as necessary to maintain and enhance existing unit production.

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 efficiencies 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

During 2017, Hilcorp anticipates various piping and debottlenecking projects on existing pads within the Happy Valley PA.

Hilcorp will maintain existing plans and permits to construct both the Happy Valley C Pad and the Middle Happy Valley Road/Pad/Pipeline. Both projects will be anticipated to support future exploration and development of the unit, but are dependent on ongoing exploration assessments.

To the extent that Hilcorp's exploratory and development activities are successful, existing infrastructure and facilities will require expansion to accommodate increased production. Anticipated projects include:

- Add additional compression at existing surface facilities to support existing wells and increased production achieved through Hilcorp's 2017 drilling program.
- 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 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,



David W. Duffy, Landman
Hilcorp Alaska, LLC

cc: Kevin Pike, Division of Oil and Gas (via email to kevin.pike@alaska.gov)
Coleen Miller, CIRI Resources Manager (via email to cmiller@ciri.com)