



Hilcorp Alaska, LLC

3800 Centerpoint Drive
Suite 1400
Anchorage, AK 99503

Phone: 907/777-8414
Fax: 907/777-8301
dduffy@hilcorp.com

March 1, 2017

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

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DIVISION OF
OIL AND GAS

Re: Request to Update and Modify the Existing 2017 Plan of Development and Operations for the North Cook Inlet Unit

Dear Ms. Walsh:

Hilcorp Alaska, LLC (“Hilcorp”) as Operator, hereby submits a request to update and modify the existing the 2017 Plan of Development and Operations for the North Cook Inlet Unit (“NCIU”). This plan was approved effective from January 1, 2017 through December 31, 2017.

Hilcorp now requests the effective date of this POD be extended through March 31, 2018.

I. FIELD OVERVIEW

The North Cook Inlet Unit was formed in 1966 and now consists of 9,781.5 acres, all of which are under lease from the State of Alaska. The Hilcorp is the sole operator and working interest owner. Production was first established in 1969 from the Tyonek Platform. The entirety of the unit is encompassed within North Cook Inlet Initial Participating Area (“PA”).

In 1968, the Alaska Oil and Gas Conservation Commission (“AOGCC”) defined the North Cook Inlet Tertiary System Gas Pool “as the interval that correlates to the interval from 3,500 feet’ to 6,200 feet measured depth in the Pan American Petroleum Corporation Cook Inlet State 17589 No. 1 well.”¹

Hilcorp acquired the NCIU from ConocoPhillips Company (“COP”) effective October 31, 2016. Hilcorp now holds a 100% working interest in all producing intervals within the unit boundary.

¹ AOGCC, Conservation Order 68, dated December 7, 1968 (Rule 1).

II. 2016 PLAN REVIEW

A. 2016 Production Summary

- 1. NCIU Production.** Since taking over operatorship of the NCIU on November 1, 2016, Hilcorp has maintained and enhanced gas production from the Tyonek Platform. The average daily rate at year end 2016 was approximately 13,835 thousand cubic feet per day (“MCFPD”).

B. 2016 Drilling Program: COP did not conduct any drilling projects during 2016.

C. 2016 Workover Program: COP noted the following well work in the 2017 POD:

- 1. Evaluate well work as needed to maintain well integrity and optimize resource recovery.** Wellwork was evaluated to maintain well integrity and optimize resource recovery.

D. 2016 Facility Improvements: COP noted the following facility improvements in the 2017 POD.

- 2. Finish analysis of the facility siting project.** The remaining packages are being planned for future construction.
- 3. Evaluate possible helideck/aviation upgrades.** Evaluation of possible helideck upgrades began in 2015 and are still on-going.
- 4. Perform annual regulatory inspections.** Annual regulatory inspections have been completed.
- 5. Optimize production equipment to more efficiently use fuel gas and decrease facility risk.** Reduced three pressurized glycol dehydrations trains to one train. This modification optimized equipment and fuel usage while also decreasing total units of pressurized equipment on the platform.

III. 2017 PLAN OF DEVELOPMENT AND OPERATIONS UPDATE

Throughout the 2017 POD period, Hilcorp will continue to maintain and enhance production from the NCIU. Hilcorp will pursue efficiencies through various well, infrastructure and facility repairs, including evaluation of shut-in wells for potential return to service or utility.

A. Field Study: During the extended 2017 POD period, Hilcorp will implement a comprehensive field study to evaluate drilling and workover opportunities. This study will include the potential of unit oil production. However, at the present time, there are no oil processing capabilities on the Tyonek Platform, nor any means to transport oil to market via subsea pipeline. A significant planning, engineering,

permitting and capital investment is required to explore and/or produce oil from the NCIU. Development of such a strategy is anticipated to require several years.

- B. **Drilling Program:** No grass-roots development or exploratory wells are planned for the extended 2017 POD period. However, Hilcorp will plan, permit and execute drilling opportunities as they arise.
- C. **Workover Program:** Hilcorp does not anticipate any workovers during the 2017 POD period.
- D. **2017 Major Facility Projects:** Hilcorp plans to install High Stage Compression to allow for lower suction pressures.

Hilcorp is evaluating opportunities to explore and produce potential oil targets within the NCIU. In parallel, this effort requires evaluation of associated facility and infrastructure requirements, including the potential construction of new subsea pipelines and or conversion of existing (or shut-in) pipelines to service.

Throughout the 2017 POD period, Hilcorp will continue to pursue efficiencies through various well, infrastructure and facility repairs, as required, to maintain and enhance production.

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, Alaska
Hilcorp Alaska, LLC

cc: Kevin Pike, Division of Oil and Gas (via email to kevin.pike@alaska.gov)