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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

Re: Trading Bay Unit 2017 Plan of Development and Operations

Dear Ms. Walsh:

Hilcorp Alaska, LLC (“Hilcorp”) as operator, hereby submits the 2017 Plan of Development and Operations (“POD”) for the Trading Bay Unit (“TBU”). This plan will be effective from June 1, 2017 through May 31, 2018.

I. TRADING BAY UNIT OVERVIEW

This POD addresses both the *McArthur River Field* and the *Trading Bay Field* from each of the five TBU platforms (Dolly Varden, Steelhead, Grayling, King Salmon and Monopod).

The McArthur River Field is comprised of the Hemlock Oil Pool, the Middle Kenai G-Zone Oil Pool, West Foreland Oil Pool and the Undefined Jurassic Oil Pool. Except for the Undefined Jurassic, each oil pool also has a corresponding Participating Area (“PA”). The Grayling Gas Sands are likewise recognized as both a pool and PA.

The Trading Bay Field is comprised of the Undefined Oil Pool (A-Zone), Tyonek Oil Pool (B, C, D and E-Zones) and Hemlock Oil Pool. There are no corresponding Participating Areas within the Trading Bay Field. All operations are considered tract operations from the Monopod Platform.

II. 2016 PLAN REVIEW

1) 2016 McArthur River Field Development Activities

- a) Production Summary:** During 2016, Hilcorp produced 1,797 thousand barrels (“MBBL”) of oil¹ and 8,547 million standard cubic feet (“MMSCF”) gas from the McArthur River Field.
- b) Drilling Program:** Hilcorp anticipated drilling up to four sidetracks during the 2016 POD period, including K-25RD, D-04RD2, D-25RD2 and D-34RD.

¹ Combined production from all four platform (including West Foreland, Hemlock and Middle Kenai G-Zone Oil Pools and corresponding PAs).

During 2016, Hilcorp sidetracked the shut-in K-10RD as the K-10RD2 and began sidetracking the K-06RD as the K-06RD2. K-25RD was considered, but not drilled due to low quality rock found in the A-27RD2. Instead, K-10RD2 (sidetrack of K-10RD) was drilled to reactivate the lower benches of the Hemlock on the northwestern high of the structure.

- c) **Workover Program:** No recompletions were planned for 2016. Rather, Hilcorp planned only to replacing/repairing failed ESPs on an as-needed basis to maintain production.

During the POD period, Hilcorp implemented more workovers than originally anticipated, including:

Dolly Varden Platform:

- D-12RD : Workover to run new completion

Grayling Platform:

- G-01RD : Workover to pull and replace ESP
- G-15RD : Workover to run new completion
- G-28RD : Workover to pull and replace ESP
- G-29RD : Conversion to gas lift

Steelhead Platform

- M-34 : Workover to pull and replace ESP
- M-31B : Workover to pull and replace ESP

King Platform

- K-06RD : Abandon well for sidetrack
- K-10RD : Abandon well for sidetrack
- K-13RD2 : Workover to repair and replace ESP

- d) **Facility Upgrades:** No major facility upgrades a planned for 2016. However, to support planned drilling activities, Hilcorp upgraded the King Salmon's power system, installed new shipping turbine and built a new substructure for the Kuupik Rig. In addition, Hilcorp imitated a fin fan replacement on the Dolly Varden Platform.

2) 2016 Trading Bay Field Development Activities

- a) **Production Summary:** During 2016, Hilcorp collectively produced 866 MBBL oil and 1336 million cubic feet ("MMCF") of gas from the Monopod Platform.
- b) **Drilling Program:** Hilcorp anticipated drilling up to three projects during the 2016 POD period, including: A-27RD2 (side track candidate), A-20RD2D (concept Hemlock well), and A-26RD (injector).

During the 2016 POD period, Hilcorp completed the side track of drilling of A-27RD2, but deferred drilling of A-20RD2D and A-26RD based on an identified need to verify

target location through additional field study work, including recently acquired 3D seismic data.

- c) **Workover Program:** Under the approved POD, Hilcorp anticipated up to four workovers on the Monopod Platform during 2016, including A-32, A-18, A-11 and A-25RD (injector).

During the 2016, Hilcorp successfully completed a workover on A-32. However, Hilcorp encountered mechanical problems with A-13 that required deferring this workover in 2017. Likewise, the scheduled workovers of A-18 and A-25RD were deferred to the 2017 period.

- d) **Facility Upgrades:** No major facility upgrades were planned for 2016.

III. 2017 PLAN OF DEVELOPMENT AND OPERATIONS

Throughout the 2017 POD period, Hilcorp anticipates maintaining and enhancing unit production, primarily through implementation of an enhanced drilling program focused on increased production of oil. In total, Hilcorp plans to side track up to four (4) existing wellbores and drill up to three (3) grassroots wells in the McArthur River Field, plus the side-track drilling of one (1) Trading Bay Field well in 2017.

1) 2017 McArthur River Field Development Activities

- a) **Side Track Drilling Program:** Hilcorp anticipates drilling four (4) sidetracks from the King Salmon Platform: including K-06RD2; K-24RD3, K-03RD2; and K-26RD2.
- b) **Grass Roots Drilling Program:** Hilcorp anticipates drilling up to three (3) grassroots wells (each targeting the upper West Foreland) from the Steelhead Platform in 2017. These wells include the M-35, M-36 and M-37.
- c) **Workover Program:** No recompletions are planned for 2017. However, Hilcorp will continue to repair or replaced failed ESPs as needed or required.
- d) **Facility Upgrades:** No major facility upgrades are planned for 2017, but repairs or replacement equipment will be installed as needed to supporting ongoing drilling and production activities.

2) 2017 Trading Bay Field Development Activities

- a) **Drilling Program:** During 2017, Hilcorp anticipates sidetracking A-04RD from the Monopod Platform into the North Trading Bay Unit ("NTBU"), targeting Hemlock and Tyonek G-zone production from ADL 017597.

If successful, this drilling project will return the North Trading Bay Unit to production via the Monopod Platform (TBU).

Hilcorp, as sole working interest owner and operator of both the TBU and NTBU, will closely coordinate with both DNR and AOGCC to address metering, allocation and production reporting requirements.

- b) **Workover Program:** No recompletions are planned for 2017. However, Hilcorp will continue to repair or replaced failed ESPs as needed or required.
- c) **Facility Upgrades:** During 2017, Hilcorp will continue and complete the fin fan replacement on the Dolly Varden. Hilcorp also anticipates upgrading living quarters and upgrading gas lift compressor systems on the Monopod Platform.

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.

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, DNR (kevin.pike@alaska.gov)