



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

Division of Oil & Gas

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June 2, 2017

CERTIFIED MAIL
RETURN SERVICE REQUESTED

Wayne M. Svejnoha
Bureau of Land Management
Division of Resources Energy and Minerals
222 W 7th Avenue, #13
Anchorage, AK 99513-7504

Re: 3180 (AK932) Sterling Unit AA050887

Dear Mr. Svejnoha:

Thank you for your letter regarding Hilcorp Alaska's 47th Plan of Development for the Sterling Unit and its proposal to eventually contract the unit. The letter observes that because production has ceased and Hilcorp has no plans to restore production, unit termination is more appropriate than contraction. The State agrees. Paragraph 21(b) of the Sterling Unit Agreement states that if production ceases, the operator must conduct diligent operations to restore production or discover new production for the unit to continue. Hilcorp's 47th POD does neither. Thus, under the terms of the unit agreement, the unit should terminate.

Accordingly, the State does not object if BLM proceeds with terminating the unit.

Sincerely,

A handwritten signature in blue ink that reads "Chantal Walsh".

Chantal Walsh
Director