

# ***BlueCrest Alaska Operating LLC***

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***Anchorage, AK 99503***

***(214)697-8802***

**John M Martineck**

***President & Chief Operating Officer***

July 7, 2017

Alaska Department of Natural Resources

Division of Oil & Gas

Attn.: Director Walsh

550 W 7<sup>th</sup> Avenue, Suite 1100

Anchorage, AK 99501-3560

**RE:   Cosmopolitan Unit  
      Application to Form Combined Participating Area  
      Starichkof Sand and Hemlock Formation  
      Cook Inlet, Alaska**

Dear Director Walsh,

BlueCrest Alaska Operating LLC, a wholly-owned subsidiary of BlueCrest Energy Inc. “BlueCrest”, is submitting notification to the Division of Oil & Gas “DOG” that it is requesting approval to form a new Participating Area “PA” within the Cosmopolitan Unit. The Cosmopolitan Unit was re-formed, effective June 26, 2015.

The Cosmopolitan Unit is one-hundred percent (100%) owned and operated by BlueCrest. BlueCrest has operated the existing Hansen 1AL1 well, producing limited amounts of oil and gas under a Tract Operation from the Hemlock since 2016.

The first sand in the proposed PA is the Starichkof Sand, which overlies the Hemlock Formation. This was the original discovery interval identified in the Pennzoil Starichkof State #1 well in 1967. The second component of the proposed PA is the Hemlock Formation, which is geologically the next reservoir interval beneath the Starichkof Sand.

Representatives of BlueCrest met with staff of the DOG on May 16, 2017 to present technical information as part of the pre-application process. The determination of the staff at that time was that sufficient data and analysis had been acquired through current development work to support submittal of an application to form the combined Starichkof and Hemlock Participating Area.

The initial development strategy proposed by BlueCrest is for extended-reach horizontal wells from the Hanson Pad (onshore) to jointly develop the oil-bearing reservoirs comprising the Hemlock and Starichkof Sand in offshore Cook Inlet.

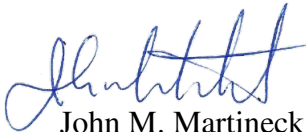
The aerial extent of the Starichkof Sand is greater than that which has been determined for the Hemlock structure. BlueCrest is requesting that the limits of the Starichkof Sand be used as the PA boundary.

BlueCrest is aware that under this stage of the proposed development strategy for the Cosmopolitan Unit there remains acreage outside of the proposed Participating Area that is not immediately identified for development. This should not be interpreted that this acreage will not be subject to future development. Under 11 AAC 83.356, the Division of Oil & Gas may contract out that acreage within an approved unit that lies outside of an approved PA. At this time BlueCrest respectfully requests that the Director determine that all acreage outside of the proposed PA, and within the Cosmopolitan Unit, remain intact as Unit acreage, for the maximum 10-year term; which will allow for the necessary flexibility to modify and expand development plans based upon well results, future studies, and exploratory drilling.

*Under AS 38.05.035 (8) BlueCrest Alaska Operating LLC is requesting that the "Tract Allocation Backup" document, Attached, be kept confidential and not made available to the public.*

In closing, BlueCrest respectfully requests that the Director grant this request to form the Starichkof – Hemlock Participating Area as proposed. If you have any questions or require additional information please contact me at (682) 747-5774 or by email at [John.Martineck@bluecrestenergy.com](mailto:John.Martineck@bluecrestenergy.com).

God bless,



John M. Martineck  
President & Chief Operating Officer  
BlueCrest Alaska Operating LLC

Cc: Kevin Pike

Exhibit C - Schedule of Leases Ownership 7-7-2017.pdf  
Exhibit D - Starichkof & Hemlock PA Map 7-7-2017.pdf  
Tract Factor Backup Information within PA 7-7-2017.pdf

BlueCrest Energy Inc.

7-7-2017%

Exhibit C

Schedule of Leases

Cosmopolitan Unit

Cosmopolitan Unit Tract No.	DESCRIPTION OF PROPERTY	TRACT PARTICIPATION FACTOR BASED ON OOIP	LESSOR/ ROYALTY OWNERS	ROYALTY	ORRIS	LESSEE/ WI OWNER	WI %	EXP. DATE
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**STATE OF ALASKA LANDS**

2	T3S, R 15W, S.M. Sec. 20: Protracted, All Sec. 21: Protracted, All Sec. 28: Protracted, All Sec. 29: Protracted, All Sec. 32: Protracted, All Sec. 33: W1/2	70.18607%	State of Alaska <b>ADL #384403</b>	12.50%	Robert C. Warthen 0.1666665% SPC, LLC 1.333333% Briggs V. Nesmith 0.17500% Robert A. Chaffin 0.26260% Danny S. Davis 0.320730% Brian L. Crouch 0.1666665% Flintlock Ventures LP 0.408330% Chase Morsey Living Trust 0.17500% Blocker Interests, Ltd. 0.991670% Donkel Oil & Gas, LLC 0.12500% Cook Inlet Energy, LLC 0.43750% ConocoPhillips Alaska, Inc. 2.0000% BlueCrest Energy Inc. 0.8750% Cade Family III 0.375000%	BlueCrest Energy Inc.	100%	12/31/2002 HBU
3	T3S, R 15W, S.M. Sec. 22: Protracted, All Sec. 23: Protracted, All 26: Surveyed, Fractional, Lots 2 through 4 Sec. 26: Unsurveyed, All tide and submerged lands Sec. 27: Protracted, All	5.99224%	State of Alaska <b>ADL #391903</b>	12.50%	Apache Alaska Corporation 3.5%	BlueCrest Energy Inc.	100%	8/31/2016 HBU
4	T3S, R 15W, S.M. Sec. 33: E2,; Sec. 34: All; Sec. 35: Fraction, All shorelands (if any), tidelands, and submerged lands, including such shorelands (if any), and tidelands as may underlie the portion of Stariski Creek that runs through this section; T4S, R15W, S. M. Sec. 2: Fraction, All tide and submerged lands; Sec. 3: All; Sec. 4: All; Sec. 10: All; Sec. 11: Fraction (all tidelands and submerged lands).	8.81044%	State of Alaska <b>ADL #18790</b>	12.50%	Osler C. Hutson 0.187500% Metro National Bank 0.37500% Nugent T. Brasher, Jr. 0.187500% Jerry F. Brasher 0.187500 Melanie Mathis Cutriss-Curtis 0.093750% Marilyn F. Mathis 0.093750% Machelle Mathis Knight 0.093750% Melissa Mathis Carroll 0.093750% ConocoPhillips, Inc. (LL&E) 0.5000% Devon Energy Production Company, L.P. 1.00% Exxon/Mobil (XH, LLC) .0441170% JoAnne L. Best 0.187500% Rosewood Resources, Inc. 0.496320% ExxonMobil (Mobil E&P) 2.62500% ConocoPhillips Alaska, Inc. 2.0000% Glacier Energy, LLC (CIE) 0.418750% Donkel Oil & Gas, LLC 0.12500% BlueCrest Energy Inc. 0.8750% Cade Family III 0.37500%	BlueCrest Energy Inc.	100%	8/31/1967 HBU
5	T4S, R 15W, S.M. Sec. 5: Protracted, all tide and submerged lands Sec. 6: Protracted, all tide and submerged lands. Sec. 7: Protracted, all tide and submerged lands. Sec. 8: Protracted, All. Sec. 9: Protracted, All. Sec. 16: Protracted, All. Sec. 17: Protracted, All. Sec. 18: Protracted, All.	15.01125%	State of Alaska <b>ADL #391904</b>	12.50%	Apache Alaska Corporation 3.5%	BlueCrest Energy Inc.	100%	8/30/2016 HBU

State Total:

100.00000%

**BlueCrest Energy Inc.**

Proposed Cosmopolitan  
Participating Area Map  
Exhibit D  
Combined Starichkof and  
Hemlock Reservoirs

July 7, 2017

