

# United States Department of the Interior



BUREAU OF LAND MANAGEMENT  
Alaska State Office  
222 West Seventh Avenue, #13  
Anchorage, Alaska 99513-7504  
<http://www.blm.gov/ak>

Certified Mail No: 7003 0500 0005 3216 0990  
Return Receipt Requested

OCT 12 2017

3180 (932)  
Sterling Unit AA050887

Hilcorp Alaska, LLC.  
Chad Helgeson, Operations Manager  
3800 Centerpoint Drive, Suite 1400  
Anchorage, Alaska 99503-5826

RECEIVED

OCT 16 2017

DIVISION OF  
OIL AND GAS

**RE: 60 day Notice for Unit Termination / October 12, 2017**

Dear Mr. Helgeson,

The Sterling Unit became effective July 7, 1961 and will continue as long thereafter as unitized substances are produced from the unitized area in paying quantities.

Our records show that the Sterling Unit last produced in April 2014. Under the terms of the Sterling Unit Agreement, Section 21, the unit term is dependent on its ability to produce unitized substances in paying quantities. Per our records, the last date a well in this unit had production was in April 2014. You are allowed 60 days from receipt of this letter within which to commence reworking or drilling operations in the unit. The unit will not terminate if approved operations are commenced within the 60-day period and such operations are continued with reasonable diligence until paying production is restored.

If reworking or drilling operations do not commence within 60 days from receipt of this letter, the unit will automatically terminate. The leases committed to the unit may be eligible for extension in accordance with 43 CFR 3107.4.

If you have any questions, please contact Robert Brumbaugh, at (907) 271-4429.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne M. Svejnoha". The signature is fluid and cursive, with a large, stylized initial "W" and "S".

Wayne M. Svejnoha  
Branch Chief of Energy and Minerals  
Division of Resources

Enclosure:

Forty-seventh Plan of Development and Operations for Sterling Unit

Cc:

Alaska Department of Natural Resources  
Division of Oil and Gas  
Chantal Walsh, Director  
550 West 7<sup>th</sup> Avenue, Suite 1100  
Anchorage, Alaska 99501-3563

Cook Inlet Region, Inc.  
Colleen Miller  
725 E. Fireweed Lane, Suite 800  
Anchorage, AK 99503

Hilcorp Alaska, LLC  
Alicia Showalter, Land Representative  
3800 Centerpoint Drive, Suite 1400  
Anchorage, Alaska 99503

cc w/o enclosures:

Alaska Oil and Gas Conservation Commission  
Hollis French, Chairman  
333 West 7<sup>th</sup> Avenue, Suite 100  
Anchorage, Alaska 99501

Office of Natural Resource Revenue  
Diane Germain, Minerals Revenue Specialist  
P.O. 25165  
MS 62530B  
Denver, Colorado 80225

AA050887, AA05088793808, AA050886, AA050886A/B/C



## Hilcorp Alaska, LLC

3800 Centerpoint Drive  
Suite 1400  
Anchorage, AK 99503

Phone: 907/777-8489  
Fax: 907/777-8580  
Email:  
ashowalter@hilcorp.com

July 14, 2017

Wayne Svejnoha, Chief  
Branch of Energy & Minerals  
Bureau of Land Management  
222 West Seventh Avenue, #13  
Anchorage, Alaska 99513-7504

### **Revised 47<sup>th</sup> PLAN OF DEVELOPMENT AND OPERATIONS FOR THE STERLING UNIT AA050887**

Hilcorp Alaska, LLC (“Hilcorp”), as Operator of the Sterling Unit, hereby submits the Revised 47<sup>th</sup> Plan of Development and Operations (“Revised 2017 POD”) for your review and approval.

As needed or required, Hilcorp renews its request for Bureau of Land Management (“BLM”) to issue a suspension of unit production under this POD. The primary focus of activities under the proposed Revised 2017 POD are related to plugging and abandoning (“P&A”) suspended wells.

#### **I. PERIOD**

This plan will be effective from March 1, 2017 through March 31, 2018. The 2018 POD will be submitted on or before March 1, 2018.

#### **II. FIELD REVIEW:**

The Sterling Unit is a legacy gas field. Since 1962, the Sterling Unit has produced approximately 14.5 billion standard cubic feet (“BSCF”). Hilcorp acquired the field in 2013 and became the unit operator. The SU 41-15RD and SU 32-09 producing wells went offline in 2014. Hilcorp’s subsequent remediation of the wells with eline and slickline efforts were unsuccessful in returning the field to production in 2016.

In October 2014, Hilcorp hosted a technical meeting and requested BLM issue a suspension of unit production.

During the 2015 POD period, federal leases within the Sterling Unit were segregated to reflect applicable state, federal and Native Corporation ownership. In addition, BLM waived administration of the Unit. To date, the State of Alaska has not accepted the role

of Unit Manager. Until such time, Hilcorp will continue to recognize BLM as the Unit Manager.

During the 2016 POD Period, Hilcorp attempted to return the Unit to production through the following workovers:

- **41-15RD:** In September to October 2016, Hilcorp perforated 2 intervals in the Lower Beluga. Guns were stuck across another proposed perf interval and fishing operations were unsuccessful. A final perf interval in the lower Beluga produced water.
- **SU 32-09:** In October 2015, Hilcorp unsuccessfully used slickline and braided line to retrieve stuck fish.

Hilcorp also completed a field-wide study of the Tyonek, Beluga and Sterling formations. Based on technical and other confidential information available to Hilcorp, we have determined that although limited drilling / side track drilling opportunities may exist, such investments are not prudent under current economic conditions, particularly given the limited and seasonal nature of the Cook Inlet gas market.

### **III. 2017 PLAN OF DEVELOPMENT AND OPERATIONS (47<sup>TH</sup> PLAN):**

Hilcorp's primary 2017 POD activity in the Sterling Unit will be focused on the abandonment of suspended well SU 23-15 and shut-in well SU 41-15RD. Hilcorp anticipates this P&A well work will be commenced during Q3 2017.


### **IV. STATUS OF STERLING UNIT WELLS**

<b>Well</b>	<b>Sterling</b>	<b>Upper Beluga</b>	<b>Lower Beluga/Tyonek</b>
SU 23-15	Suspended		
SU 43-9X	Shut In		
SU 32-09		Shut In	
SU 41-5RD			Shut In
SU 43-09	Active disposal		

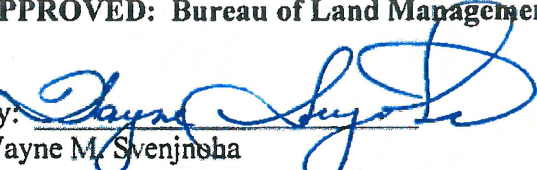
Where required or applicable, all Unit operation activities will be permitted, performed and reported in accordance with applicable state and federal regulations.

Your approval of the proposed Revised 2017 POD, including the renewed request for a suspension of production, is respectfully requested.

Sincerely,

  
Alicia Showalter  
Land Representative  
Hilcorp Alaska, LLC

**APPROVED: Bureau of Land Management**

By:   
Wayne M. Svenjnscha  
Branch Chief of Energy and Minerals

This 21 day of July, 2017.