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40th PLAN OF DEVELOPMENT FOR THE PRETTY CREEK UNIT AND PRETTY CREEK GAS STORAGE LEASE – ADL 390776

Hilcorp Alaska, LLC (“Hilcorp”), as Operator of the Pretty Creek Unit (“PCU”) and Pretty Creek Gas Storage Lease (“PCGSL”), hereby submits the 40th Plan of Development for the PCU and PCGSL (“2018 POD”) to the State of Alaska, Department of Natural Resources (“DNR”), pursuant to 11 AAC 83.343.

On April 17th, 2017, DNR approved the 39th Plan of Development and Operations (“2017 POD”) for the PCU and PCGSL, submitted by Hilcorp. The 2017 POD was approved for the period of June 1, 2017 through May 31, 2018.

A. PERIOD

This plan will be effective from June 1, 2018 through May 31, 2019. The 2019 POD will be submitted on or before March 1, 2019.

B. 2017 ANNUAL REPORT

The following is Hilcorp’s annual report of the 2017 POD period, pursuant to 11 AAC 83.343 (d):

- 1) 2017 POD Approved Development Plans:** The 2017 POD consisted of the following development plans:
 - a) Maintain Production:** Hilcorp will continue to produce from the Beluga PA and will continue use of the PCGSL for gas storage operations.
 - b) Drilling Program:** Hilcorp does not plan to conduct any drilling projects during the 2017 POD period.
 - c) Workover Program:** Hilcorp does not plan to implement any rig workovers during the 2017 POD period.
 - d) Well Evaluation:** Evaluation of shut-in wells for potential return to service or utility.

e) Facility Projects: Hilcorp plans to conduct the following facilities projects during the 2017 POD period:

- To promote increased production time (currently limited by produced water storage capacity), Hilcorp anticipates replacing a water storage tank.
- Adding compression at existing surface facilities to support existing wells.
- Increase the capacity of the existing surface equipment at unit pads for gas processing by adding additional line heaters, a gas dehydration module, and liquid separation vessels with associate piping and controls.
- Expand pad(s) for the drilling program and production equipment explained above.
- To the extent required, expand other infrastructure requirements, including construction or expansion of access roads, pipelines, flow lines, metering, processing and storage vessels, etc.

2) 2017 POD Development Plans Achieved: The extent to which the requirements of the previously approved plan were achieved is as follows:

a) Maintain Production: Hilcorp produced from the Beluga PA and continued use of the PCGSL for gas storage operations during the 2017 POD period. Throughout this period, production and gas storage activities were maintained as follows:

- **Beluga PA (Undefined Pool).** During the 2016 POD Period, production from the PCU was 2.54 MMCF.
- **Gas Storage.** Hilcorp continued to utilize PCU #4 for gas storage operations. As of December 31, 2017, a total of 0.172 BCF of gas was injected and 0.029 BCF of gas was withdrawn for the 2017 calendar year. Pursuant to Storage Injection Order No. 4, Hilcorp is required to submit an annual report evaluating the performance of Hilcorp's PCGSL operations to AOGCC in March of each year. A copy of the report submitted for the 2017 calendar year will be provided to DNR.

b) Drilling Program: Hilcorp did not conduct any drilling projects during the 2017 POD period, as planned.

- c) **Workover Program:** Hilcorp did not implement any rig workovers during the 2017 POD period, as planned.
 - d) **Well Evaluation:** Hilcorp evaluated existing shut-in wells for potential service or production. During the 2017 POD period, Hilcorp did not return any existing shut-in wells to production or service.
- 3) **2017 POD Development Plans Not Achieved:** The following are actual operations that deviated from or did not comply with the previously approved plan and an explanation of the deviation or noncompliance:
- a) **Facility Projects:** Hilcorp did not make any facility improvements during the 2017 POD period as they were determined that they would not increase production from the field, however an increased production cycle was determined to help maximize production from Pretty Creek #2. The following facility projects were included on the previously approved plan but were determined unnecessary to increase production during the 2017 POD period:
 - To promote increased production time (currently limited by produced water storage capacity), Hilcorp anticipated replacing a water storage tank.
 - Add compression at existing surface facilities to support existing wells.
 - Increase the capacity of the existing surface equipment at unit pads for gas processing by adding additional line heaters, a gas dehydration module, and liquid separation vessels with associate piping and controls.
 - Expand pad(s) for the drilling program and production equipment explained above.
 - To the extent required, expand other infrastructure requirements, including construction or expansion of access roads, pipelines, flow lines, metering, processing and storage vessels, etc.

C. 2018 PLAN OF DEVELOPMENT

The following activities included in the 2018 POD follow the outline provided in 11 AAC 83.343 (a) and incorporate all planned development activities anticipated based on all data reasonably available at this time. The following components of the 2018 POD meet the requirements contained in 11 AAC 83.343 (c).

- 1) **Long-Range Development Activities:** The following are long-range proposed development activities for the unit, including plans to delineate all underlying oil or gas reservoirs into production, and maintain and enhance production once established:
 - a) Evaluation of shut-in wells for potential return to service or utility.

- 2) **Exploration/Delineation Plans:** The following are plans for the exploration or delineation of any land in the unit not included in a participating area:
 - a) Hilcorp does not have any planned exploration or delineation activities at this time.

- 3) **Proposed Operations:** The following are details of the proposed operations for at least one year following submission of the plan:
 - a) **Maintain Production:** Hilcorp will continue to produce from the Beluga PA and will continue use of the PCGSL for gas storage operations.
 - b) **Proposed Operations:** Hilcorp does not have any other proposed operations for the 2018 POD period.

- 4) **Surface Location of Proposed Facilities:** The following are the surface location of proposed facilities, drill pads, roads, docks causeways, material sites, base camps, waste disposal sites, water supplies, airstrips, and any other operation or facility necessary for unit operations:
 - a) **Compression Upgrade:** Hilcorp plans to add compression at existing surface facilities to support existing wells during the 2018 POD period.

Your approval of this proposed 2018 POD is respectfully requested. Hilcorp believes that this 2018 POD satisfies the requirements of 11 AAC 83.343 and is in compliance with the provisions of 11 AAC 83.303. Should you have questions, please contact the undersigned at 777-8432.

Sincerely,



Cody T. Terrell, Landman
Hilcorp Alaska, LLC

cc: Kevin Pike, Division of Oil and Gas (via email)