

United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Alaska State Office
222 West Seventh Avenue, #13
Anchorage, Alaska 99513-7504
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APR 1 2 2018

DIVISION OF
OIL AND GAS

APR 10 2013

In Reply Refer To:
3180 (AK930)
Sterling Unit, AA050887¹

CERTIFIED MAIL 7003 0500 0005 3216 1072
RETURN RECEIPT REQUESTED

DECISION

Hilcorp Alaska, LLC. :
Dave Wilkins, Senior Vice President :
3800 Centerpoint Drive, Suite 1400 :
Anchorage, Alaska 99503-5826 :

Federal Oil and Gas Unit Terminated Leases Extended

The Sterling Unit, located in Kenai, Alaska, was approved as a Federal oil and gas unit, effective July 7, 1961 and currently contains 2,760 acres. There are Federal, State, private, and fee lease ownerships located within the unit boundary and three (3) development wells. Hilcorp Alaska, LLC. (Hilcorp) has been the designated operator for this field since February 2013.

Per 43 CFR 3183.4(b), a unit agreement shall remain in effect as long as the public interest requirement is satisfied. Since April 2015, Hilcorp has not produced any unitized substance from this unit in paying quantity. In October 2017, the Bureau of Land Management (BLM) sent a 60-day Notice for Unit Termination to Hilcorp, allowing 60 days from receipt of the letter to commence reworking or drilling operations in the unit. Hilcorp did not respond to the Notice. Therefore, the BLM Authorized Officer has determined the public interest requirement for this unit has not been met.

The Federal Sterling Unit Agreement, AA050887, is hereby terminated by the BLM, effective December 15, 2017. The Sterling Unit leases are extended for an additional two (2) years from the unit agreement termination date.

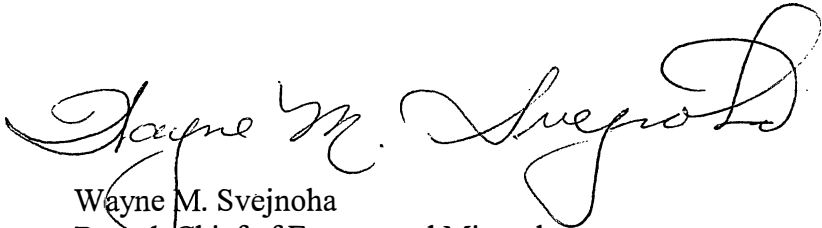
Hilcorp will continue to be bound by all lease terms, Federal, State, and private. Upon termination or relinquishment of said leases, Hilcorp will assume the responsibility to plug and abandon all wells, reclaim the lease site including pad(s), pipelines and roads, and remediate any environmental concerns to the satisfaction of the surface estate owner, Salamatof Native Association, Inc, and per terms of any Surface Use Agreement between Hilcorp and Salamatof.

The existing Federal lease, A028135, will convert to annual rental status, with payment due to the Office of Natural Resources Revenue (ONRR) October 1st .

Hilcorp will no longer report any production or royalty to the Office of Natural Resources Revenue (ONRR) unless production occurs from the Federal lease A028135.

This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in the enclosed 43 CFR, Part 4, and Form 1842-1. If an appeal is taken, the notice of appeal must be filed in this office (at the above address) within **30 days** from receipt of this decision. The appellant has the burden of showing that the decision appealed from is in error.

Failure to file the notice of appeal with the Bureau of Land Management within the time allowed will result in dismissal of the appeal. In order to avoid dismissal of the appeal, there must be strict compliance with the regulations.



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

Enclosures:

43 CFR, Part 4 and Form 1842-1

cc w/o enclosures:

Hilcorp Alaska, LLC
Kevin Tabler, Land Manager
3800 Centerpoint Drive, Suite 1400
Anchorage, AK 99503

Alaska Department of Natural Resources
Division of Oil and Gas
Chantal Walsh, Director
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cc w/o enclosures:

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Colleen Miller
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Anchorage, AK 99503

Salamatof Native Association, Inc
Chris Monfor, President/CEO
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Kenai, AK 99611

Office of Natural Resources Revenue
Diane Germain, Minerals Revenue Specialist
MS 63300B
PO Box 25165
Denver, CO 80225-0627

¹A028063, A028135, AA050887A/B/C