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May 1, 2018

Chantal Walsh, Director
Oil and Gas Division
Alaska Department of Natural Resources
550 W. 7th Avenue, Suite 1100
Anchorage, AK 99501

39th PLAN OF DEVELOPMENT FOR THE CANNERY LOOP UNIT

Hilcorp Alaska, LLC (“Hilcorp”), as Operator of the Cannery Loop Unit (“CLU”), hereby submits the proposed 39th Plan of Development for the CLU (“2018 POD”) to the State of Alaska, Department of Natural Resources (“DNR”), pursuant 11 AAC 83.343.

On April 17th, 2017, DNR approved the 38th Plan of Development and Operations for the CLU (“2017 POD”), 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 July 31, 2019. The 2019 POD will be submitted on or before May 1, 2019.

B. 2017 ANNUAL REPORT

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

- 1) **2017 POD Approved Development Plan:** The 2017 POD consisted of the following development plans:
 - a) **Maintain/Enhance Production:** Hilcorp anticipates current production at the CLU will remain fairly steady during the 2017 POD period.
 - b) **Drilling Program:** Hilcorp anticipates drilling one (1) new well in the CLU. The CLU-10 will be sidetracked 4th Quarter of 2017 to the Upper Tyonek formation.
 - c) **Workover Program:** Hilcorp plans to perform a workover on the CLU-05RD to the Upper Tyonek. This well watered out in 2016. During the 2017 POD

period, Hilcorp anticipates plugging back and moving up hole to test and add upper Tyonek sands. Additional targets include the 91-2 sands.

- d) **Other Operations:** In addition to the above, Hilcorp will evaluate and execute additional well work and drilling opportunities as they arise. Throughout the 2017 POD period, Hilcorp will continue to pursue improvements through various well, infrastructure and facility repairs, including evaluation of shut-in wells for potential return to service or utility.
 - e) **Facility Projects:** At this time, no major facility upgrades are planned for the CLU during the 2017 POD period. However, as the need arises, Hilcorp will perform the necessary maintenance and upgrades to support CLU operations.
- 2) **2017 POD Development Plans Achieved:** The extent to which the requirements of the previously approved plan were achieved is as follows:
- a) **Maintain/Enhance Production:** During calendar year 2017, Hilcorp maintained steady production and produced an average of 10.1 million standard cubic feet per day (“MMSCF/D”).
 - b) **Workover Program:** Hilcorp recompleted the CLU-05RD to the Upper Tyonek formation during the 2017 POD period. The well was plugged back and perforated in the Tyonek 91-2 sand successfully.
 - c) **Facility Improvements:** Hilcorp did not attempt nor plan for any major facility upgrades during the 2017 POD period.
- 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) **Drilling Program:** Hilcorp anticipated drilling one (1) new well during the 2017 POD period. The CLU-10 was planned to be sidetrack, but has been delayed until contractual obligations deem it necessary and when economically viable.
 - b) **Workover Program:** Hilcorp performed additional well work that included a failed attempt to add the Upper Sterling A to CLU-06. The well did not flow to surface.

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) Hilcorp continues to evaluate the oil and gas reservoirs in CLU for long term development, but does not plan to initiate any long-range development activities at this time.

- 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 for the CLU 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 anticipates current production at the CLU to remain steady with possibly a slight decline during the 2018 POD period.
 - b) Hilcorp will evaluate and execute well work opportunities as they arise.

- 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) **Facility Projects:** At this time, no major facility upgrades are planned for the 2018 POD period. However, as the need arises, Hilcorp will pursue improvements through various well, infrastructure and facility repairs.

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)
Sean Clifton, Division of Oil and Gas (via email)