



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS
550 W 7th Avenue, Suite 1400
Anchorage, AK 99501-3560
Main: 907.269.8431
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June 28, 2018

CERTIFIED MAIL
RETURN SERVICE REQUESTED

Cody T. Terrell
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, AK 99503

Re: Delay of Contraction for the Deep Creek Unit – Approval

Dear Mr. Terrell:

On May 16, 2018, the Department of Natural Resources, Division of Oil and Gas (Division), received the request to delay mandatory contraction for the Deep Creek Unit (DCU) from Hilcorp Alaska, LLC (Hilcorp).

The DCU was formed in 2001 as a jointly-managed unit between the Division and Cook Inlet Regional, Inc. (CIRI). Sustained production began from the Happy Valley Participating Area (PA) in November 2004.

Under 11 AAC 83.356(b), ten years after commencement of sustained production, the unit area must be contracted to include only those lands then included in approved participating area and lands that facilitate production including the adjacent lands necessary for secondary or tertiary recovery, pressure maintenance, reinjection, or cycling operations. The Commissioner, however, may delay contraction if circumstances so warrant. The DCU's ten-year mandatory contraction date was November 14, 2014. Hilcorp has requested and received a series of delay of the ten-year mandatory contraction. The most recent delay of contraction runs through May 31, 2018. Based on Hilcorp's exploration and field development work, it now requests the Division to delay contraction to May 31, 2019.

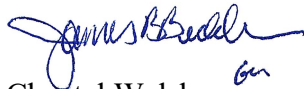
In its request, Hilcorp commits to continuing its stratigraphic test well program by drilling at least two, and up to four stratigraphic test wells outside the current participating area. Further, Hilcorp plans a new exploratory drilling program likely targeting the Sterling and Beluga Formations based on those stratigraphic test results. Because these exploration and development plans are contingent on the completion of the remaining stratigraphic test wells planned for the DCU, extension and delay of the mandatory unit contraction for an additional one year is warranted.

Based upon the foregoing, and incorporating by reference the May 17, 2018 POD decision for the DCU, the Division approves the delay of the mandatory contraction of the DCU until May 31, 2019.

An eligible person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of “issuance” of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Andrew T. Mack, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

If you have questions regarding this decision, please contact Jes Spuhler with the Division at (907) 269-8784 or via email at jes.spuhler@alaska.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chantal Walsh". The signature is fluid and cursive, with a small "CW" or similar initials to the right.

Chantal Walsh
Director