



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

Division of Oil & Gas

550 W. 7th Avenue, Suite 1100
Anchorage, Alaska 99501-3560
Main: 907.269.8800
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October 24, 2018.

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John M. Martineck, President
BlueCrest Alaska Operating LLC
3301 C St., Ste. 202
Anchorage, AK 99503

Re: Cosmopolitan Unit Fourth Plan of Development – Approved

Dear Mr. Martineck,

On October 8, 2018, the State of Alaska, Department of Natural Resources, Division of Oil and Gas (Division) received the proposed Cosmopolitan Unit (CU) Fifth Plan of Development (POD). The Division notified the operator, BlueCrest Alaska Operating LLC (BlueCrest), by email on October 8, 2018 that it deemed the POD application complete. This letter approves the POD.

The CU is developed from an onshore pad located near Anchor Point. Production is processed on site and oil is trucked off location. Production wells extend from the onshore pad under Cook Inlet into State of Alaska submerged lands. Multiple offshore exploration wells have been drilled in the unit area but no offshore facilities exist.

During the Fourth POD BlueCrest planned to evaluate the production of the H14 and H16 wells and drill at least one new well or sidetrack. Two wells were drilled, including multiple laterals from a new well design. Production from existing wells was also maintained. Planning for future wells was also conducted.

As of June 30, 2018, the Cosmopolitan Unit cumulatively produced 284.5 thousand barrels of oil and 1,238 million cubic feet of gas. Average production rate for 12-month period ending June 2018 was approximately 490 barrels of oil per day and 2.4 million cubic feet of gas per day.

For the Fifth POD period, BlueCrest plans to drill at least one well and possibly two, each with multiple laterals. These wells are planned to delineate the southern and northern extent of the reservoir.

Additional wells will further the development of state resources at the CU and are therefore in the best interest of the state. Further delineation of the reservoir will provide additional information that will provide for the protection of all parties concerning the allocation of production to the tracts within the participating area.

When considering a POD, the Division must consider whether the POD is necessary or advisable to protect the public interest. The Division will approve a POD upon a finding that it will (1) promote conservation of all natural resources, including all or part of an oil or gas pool, field, or like area; (2) promote the prevention of economic and physical waste; and (3) provide for the protection of all parties of interest including the state. 11 AAC 83.303(a). In evaluating

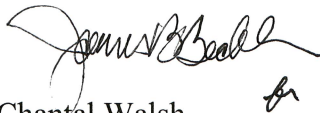
conservation, prevention of waste, and the parties' interest, the Division will consider (1) the environmental costs and benefits of unitized exploration or development; (2) the geological and engineering characteristics of the potential hydrocarbon accumulation or reservoir proposed for unitization; (3) prior exploration activities in the proposed unit area; (4) the applicant's plans for exploration or development of the unit area; (5) the economic costs and benefits to the state; and (6) any other relevant factors, including measures to mitigate impacts identified above, the commissioner determines necessary or advisable to protect the public interest. 11 AAC 83.303(b).

Considering the criteria established in the leases and the additional development work proposed here, the Division finds that the Fifth POD protects the public interest, promotes conservation, prevents waste, and protects the parties' interests. The Fifth POD is approved for January 1, 2019 through December 31, 2019. The Sixth POD is due on October 1, 2019, 90 days before the Fifth POD expires. This approval is only for a general plan of development. Specific field operations require separate approval.

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 Department of Natural Resources regional information office.

If you have questions regarding this decision, please contact Kevin Pike with the Division at (907) 269-8451 or via email at Kevin.Pike@alaska.gov.

Sincerely,



Chantal Walsh
Director

Division of Oil and Gas