

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

SEAN PARNELL, GOVERNOR

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Certified Mail
Return Receipt Requested

January 3, 2012

John Barnes,
Senior Vice President
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 100
Anchorage, AK 99503

Re: Trading Bay Unit-Approval of Designation of Successor Unit Operator

Dear Mr. Barnes:

By letter dated December 16, 2011, Union Oil Company of California (Union), as Operator of the Trading Bay Unit, provided the State of Alaska, Department of Natural Resources (DNR), Division of Oil and Gas (Division) notice of resignation as Operator of the unit. Pursuant to applicable provisions of the Trading Bay Unit Agreement, Union Oil Company of California designated Hilcorp Alaska, LLC (Hilcorp) as successor Unit Operator. Under 11 AAC 83.331(c), no designation or change in unit operator becomes effective until approved by the Commissioner.

On December 28, 2011, the Division received notice of acceptance as Successor Unit Operator of the Trading Bay Unit from Hilcorp. The Division also received a copy of the December 13, 2011 letter from Marathon Alaska Production LLC to Union Oil Company of California, stating Marathon has no objection to Hilcorp as Unit Operator for the Trading Bay Unit.

Hilcorp is qualified to hold leases as provided in 11 AAC 82.200-11 AAC 82.205 and is qualified to fulfill the duties and obligations prescribed in the Trading Bay Unit Agreement. By letter dated December 29, 2011, the Division authorized the change of operator effective January 1, 2012. By this decision, the Division hereby approves Hilcorp as Successor Unit Operator of the Trading Bay Unit pursuant to 11 AAC 83.331(c), effective January 1, 2012.

Hilcorp shall file amended exhibits to the unit agreement to reflect the change in ownership with the Division within 30 days of this decision.

A 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 Daniel S. Sullivan, Commissioner, DNR, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to (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.

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

If you have questions regarding this decision, please do not hesitate to contact Mr. Don Perrin at (907) 269-8813.

Sincerely,

A handwritten signature in black ink, appearing to read 'W.C. Barron', with a stylized flourish at the end.

W.C. Barron
Director

Cc: John Zager, Union Oil Company of California
Wade D. Hutchings, Marathon Alaska Production LLC
Jeff Landry, DOL
Cammy Taylor, DNR
Don Perrin, DNR