



Hilcorp Alaska, LLC

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November 12, 2021

RECEIVED

By Grace Salazar at 10:25 am, Nov 12, 2021

Jeremy Price, Chair Commissioner
Alaska Oil and Gas Conservation Commission
333 West 7th Avenue, Suite 100
Anchorage, Alaska 99501

RE: Application for Spacing Exception
Whiskey Gulch No. 14 Exploration Well
Whiskey Gulch Prospect near Anchor Point, Alaska

Dear Commissioner Price:

Hilcorp Alaska, LLC (“Hilcorp”), as sole working interest owner of the affected oil and gas leases, requests permission to drill, test, and produce the Whiskey Gulch No. 14 Well (“WG 14”) in the Whiskey Gulch Undefined Gas Pool within 1,500 feet of a property line where the owners and landowners are not the same on both sides of the line, and where more than one well will be drilled to and completed in the same pool in the same governmental section, and where a well will be drilled or completed closer than 3,000 feet to any well drilling to or capable of producing from the same pool, pursuant to 20 AAC 25.055(d).

In accordance with 20 AAC 25.005, Hilcorp plans to submit an application for a Permit to Drill to AOGCC, prior to the commencement of drilling WG 14. This well will be drilled from the Whiskey Gulch Pad No. 1, with a spud date planned for December 26, 2021. The well path of WG 14 is located entirely on a State of Alaska Lease (Tract 001A, ADL 392666). In accordance with 20 AAC 25.055(d)(2), a map of the location of WG 14 and its relationship to adjoining properties, along with a tract ownership schedule, are attached to this application (see Exhibit A-1 and A-2). The well’s location is further indicated as follows:

Surface Location

- Tract 001A (100% DNR Mineral Ownership – ADL 392666).
 - 100% Hilcorp Working Interest.
 - X: 168350.1’; Y: 2128170.8’
 - Section 23, T04S, R15W, S.M., AK.

Well Path

- Tract 001A (100% DNR Mineral Ownership – ADL 392666).
 - 100% Hilcorp Working Interest.
 - Sections 23 & 26, T04S, R15W, S.M., AK.
 - Top of Productive Horizon (1,500’MD):
 - X: 168175.6’; Y: 2127984.0’

- Section 23, T04S, R15W, S.M., AK.

Bottom Hole Location

- Tract 001A (100% DNR Mineral Ownership – ADL 392666).
 - 100% Hilcorp Working Interest.
 - X: 166130.4'; Y: 2125793.3'
 - Section 26, T04S, R15W, S.M., AK.

To date, no Field specific pool rules have been established within the Whiskey Gulch Field. Therefore, statewide spacing regulation 20 AAC 25.055(a) is controlling. In relevant part, subsections (a)(2) and (a)(4) provide:

- 20 AAC 25.055(a)(2) For a well drilling for gas, a wellbore may be open to test or regular production within 1,500 feet of a property line only if the owner is the same and the landowner is the same on both sides of the line.
- 20 AAC 25.055(a)(4): if gas has been discovered, the drilling unit for the pool is a governmental section; not more than one well may be drilled to and completed in that pool on any governmental section; a well may not be drilled or completed closer than 3,000 feet to any well drilling to or capable of producing from the same pool.

WG 14 is an exploration well targeting unproven reserves in the Sterling, Beluga, and Tyonek Formations within the Whiskey Gulch Undefined Gas Pool. This spacing exception is necessary because (i) WG 14 will be open to test or regular production of gas in the Whiskey Gulch Undefined Gas Pool within 1,500 feet of a property line where the owners or landowners are not the same on both sides of the line (20 AAC 25.055(a)(2)), and (ii) WG 14 will be open to test or regular production of gas in the Undefined Gas Pool within the same governmental section and within 3,000' of the Whiskey Gulch No. 1 Well ("WG 01"), which is open to or capable of producing from the same pool (20 AAC 25.055(a)(4)). WG 14 will target unproven gas reserves that cannot be reached by conforming to applicable statewide spacing restrictions.

Because this is an exploration well, the TPH in WG 14 is unknown at this time. Hilcorp expects to open and test the well anywhere between 1,500' MD – 8,519' MD (BHL). For the purposes of this application, the TPH is indicated at 1,500' MD (notice to owners and landowners have been mailed accordingly).

Discussion

WG 14 is an exploration well located approximately 2.5 miles north of Anchor Point, Alaska, within an exploration area known as the Whiskey Gulch Prospect, also referred to as the Whiskey Gulch Field. The Whiskey Gulch Field is located directly north of the Seaview Unit. WG 01 was the first exploration well drilled within the Field, which was completed in July 2021. WG 01 targeted unproven oil and/or gas reserves in the Sterling, Beluga, and Tyonek Formations within the Whiskey Gulch Undefined Oil and Gas Pools

and is currently being tested in hopes to discover commercial quantities of oil and/or gas. WG 14 will be the second exploration well drilled by Hilcorp in the Whiskey Gulch Field targeting unproven reserves in the Sterling, Beluga, and Tyonek Formations within the Whiskey Gulch Undefined Gas Pool. The closest producing gas well is a Seaview Unit Well, known as Seaview No. 8, located south of WG 14. There are currently no productive wells within the Whiskey Gulch Field.

Hilcorp anticipates that the productive sands in WG 14 are discontinuous channel sands in the Sterling, Beluga, and Tyonek Formations within Whiskey Gulch Undefined Gas Pool that cannot be produced by wells conforming to applicable spacing restrictions. Geologic analysis of drilling data from WG 01 along with data from surrounding fields suggests that the Whiskey Gulch Undefined Gas Pool consists of a series of thin, discontinuous, stacked channel sands with a low net-to gross ratio. The channel belt widths are too narrow to yield efficient drainage based on the current spacing for gas wells. This spacing exception is necessary to efficiently drill, test, and discover new gas within the Whiskey Gulch Undefined Gas Pool channel belt sands.

Hilcorp owns 100% Working Interest in the affected oil and gas leases. The State of Alaska owns 100% of the mineral interest in the affected State of Alaska Lease (ADL 392666). The remaining affected tracts are 100% privately owned subsurface. Hilcorp has made and is continuing to make attempts to lease all landowner owners within Whiskey Gulch Prospect. However, there are various landowners who have not yet leased their property to Hilcorp. If a lease has not yet been obtained it's because either (i) Hilcorp cannot locate or contact the landowner or any surviving heirs, or (ii) the landowner is unwilling to participate in our exploration efforts at this time. Attached to this application is the tract ownership schedule for the effected tracts, which details tract ownership and lease status (Exhibit A-2).

Following successful completion of WG 14, and prior to bringing the well online, Hilcorp plans to submit to the Department of Natural Resources, Division of Oil and Gas ("DNR"), an application to form a Unit and Initial Participating Area ("PA"). Hilcorp understands there are complex ownerships involved in the Whiskey Gulch Field, and AOGCC is tasked with protecting all parties' correlative rights. Hilcorp plans to allocate production in accordance with DNR's Unit and PA decision. Production from WG 14 will commence only when a state approved PA is in place. A copy of the decision and PA allocation schedule will be provided to AOGCC prior to production. Hilcorp believes the correlative rights of all owners, landowners, and operators will be protected under the existing oil and gas leases in place and the proposed conditions of this application.

Hilcorp proposes to allocate royalties to all leased owners / landowners based on their tract allocation percentage, mineral ownership, and lease royalty shown on the approved PA allocation schedule. Hilcorp will establish and maintain—without cost to the non-participating owners / landowners—a single, interest-bearing escrow account (Escrow Account) for the non-participating owners / landowners. Hilcorp will provide AOGCC with documentation sufficient to show that the Escrow Account has been established and maintained in accordance with this spacing exception. For each non-participating owner /

landowner in a given parcel within the productive area, Hilcorp will deposit in that Escrow Account an amount equal to the total of that non-participating owner's / landowner's interest percentage (allocation percentage) for those parcels multiplied by the production attributed to those parcels for the previous month multiplied by 0.125 (royalty rate) multiplied by the prevailing value for Cook Inlet gas published for that quarter by the Alaska Department of Revenue under 15 AAC 55.173(b). As a result, the correlative rights of all affected owners, landowners and operators will be protected by approval of this spacing exception.

As previously stated, Hilcorp anticipates perforating and testing WG 14 in all potential gas bearing sands within the Whiskey Gulch Undefined Gas Pool between 1,500' MD – 8,519' MD. In accordance with 20 AAC 25.055(d)(1), a copy of this application was sent via certified mail to all affected owners and landowners within 3,000' of WG 14's entire wellbore (Exhibit B). Copies of the certified mail receipts have also been enclosed. No other affected operators or working interest owners exist.

In accordance with 20 AAC 25.055(d)(3), an affidavit is attached to this application stating the undersigned is acquainted with the facts and verifying that all facts asserted herein are true (Exhibit C).

Should you have any technical questions, please contact Mr. Ben Siks, Senior Geologist, at (907) 777-8388, or you may contact the undersigned at (907) 777-8432.

Sincerely,



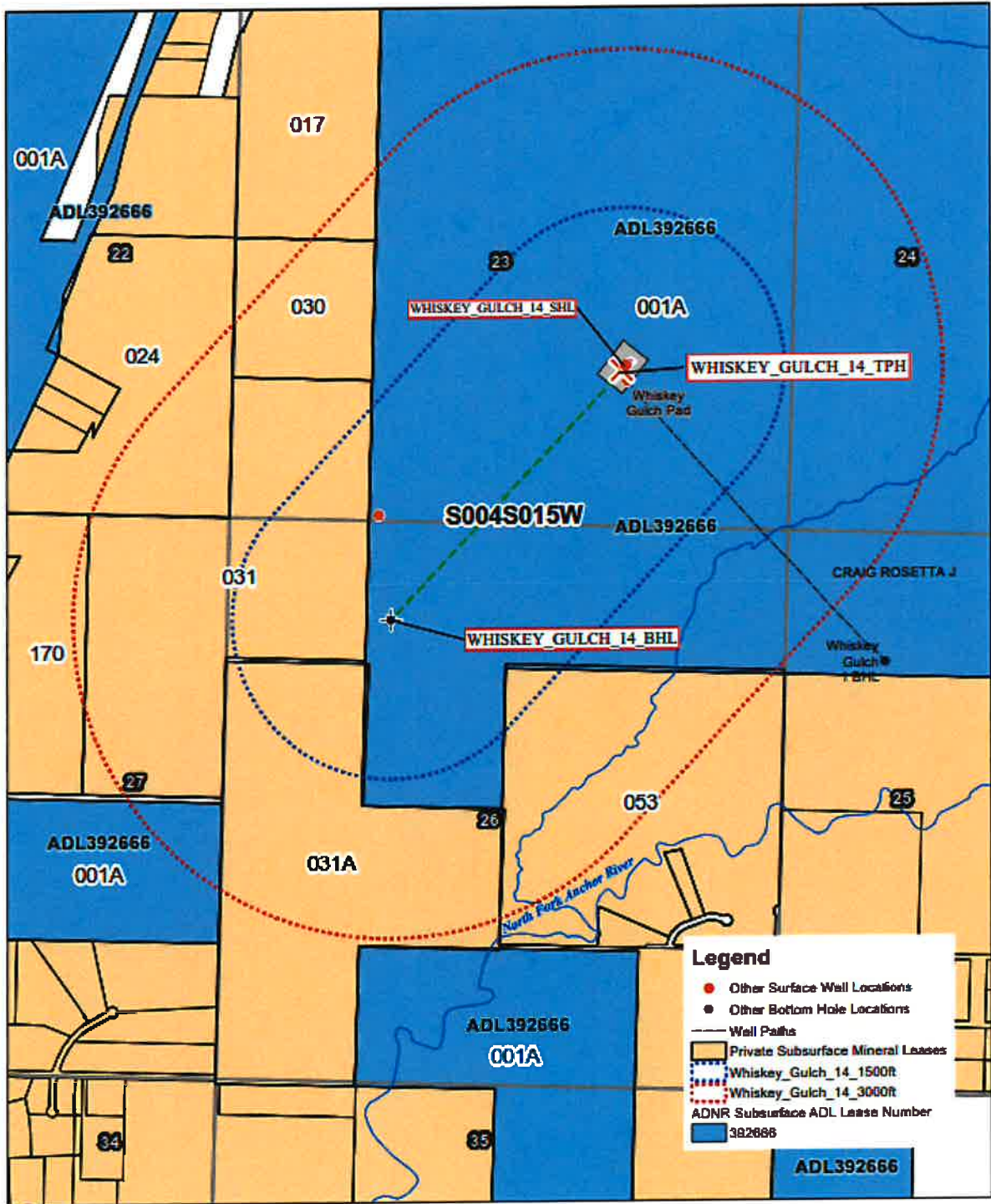
Cody T. Terrell, Landman
Hilcorp Alaska, LLC

Enclosures:

- Exhibit A-1: Whiskey Gulch No. 14 Well Map
- Exhibit A-2: Tract Ownership Schedule
- Exhibit B: Certified Mailing List
- Exhibit C: Affidavit

CC: Owners & Landowners within 3,000' of subject well

EXHIBIT A-1
Application for Spacing Exception
Whiskey Gulch No. 14 Well Map



Whiskey Gulch #14
wp05



Alaska State Plane Zone 4, NAD27

Map Date: 11/10/2021



EXHIBIT A-2
 Tract Ownership Schedule
 Application for Spacing Exception

Tract Number	Landowner & Mineral Ownership %	Working Interest Owner & Ownership %	Status
001A	State of Alaska 100%	Hilcorp Alaska, LLC 100%	Leased (ADL 392666)
017	Carol D. Braun 5.0% Carolyn Ruth Jennings 5.0% Catherine R. Burton 2.5% Estate of John Preston Rucker, Jr. 50% George Stephen & Nelda Ronnekamp 10% Karen Lee Adams 2.5% Marc V. Zimmerman 10% Bobby B. Kirchoff 2.5% David B. Clark 5.0% Jerry C. Andrews 2.5% Samuel A. & Jacquelyn Hotchkiss 5%	Hilcorp Alaska, LLC 100%	Leased Leased Leased Leased Leased Leased Leased Leased Unleased Unleased Unleased
024	Estate of Douglas R. Doner 100%	Hilcorp Alaska, LLC 100%	Leased
030	Nancy K. Doner 100%	Hilcorp Alaska, LLC 100%	Leased
031	John W. & Harriet C. Rich 50% Mary E. Host 50%	Hilcorp Alaska, LLC 100%	Leased Leased
031A	University of Alaska Anchorage 100%		Unleased
053	Darcy McBride 100%	Hilcorp Alaska, LLC 100%	Leased
170	Davis F. Clemson, Jr. and Sara H. Clemson 100%	Hilcorp Alaska, LLC 100%	Leased

EXHIBIT B
Certified Mailing List
Application for Spacing Exception

Landowner	Known Mailing Address
Bobby B. Kirchoff (deceased)	Unknown
Carol D. Braun	2795 Watergate Way, Kenai, AK 99611
Carolyn Ruth Jennings, f/k/a Carolyn Ruth Ronnekamp	512 Loma Vista Ln, Skiatook, OK 74070-2354
Catherine R. Burton	14616 Tudor Chase Dr., Tampa, FL 33626
Darcy McBride	107 West Avenida Gaviota, San Clemente, CA 92672
David B. Clark (deceased)	Unknown, ,
Davis F. Clemson, Jr. and Sara H. Clemson	32045 Sterling Highway, Anchor Point, AK 99556
Estate of Douglas R. Doner	c/o Nancy K. Doner, 6051 Barry Avenue, Anchorage, AK 99507
Estate of John Preston Rucker, Jr.	c/o Russell E. Rucker, 1310 Chance Ct., Apt 1, Anchorage, AK 99501-5570
George Stephen Ronnekamp and Nelda Ronnekamp	423 Liahona Cir, Sunrise Beach, MO 65079
Jerry C. Andrews (deceased)	Unknown
John W. & Harriet C. Rich, H/W	P.O. Box 588, Lynden, WA 98264
Karen Lee Adams	P. O. Box 56, Keedysville, MD 21756
Marc V. Zimmerman	36225 Mere Cir., Soldotna, AK 99669
Mary E. Host	145 5th Avenue, Kalispell, MT 59901
Nancy K. Doner	6051 Barry Avenue, Anchorage, AK 99507
Samuel A. and Jacquelyn Hotchkiss	Unknown
State of Alaska, Department of Natural Resources	550 West 7th Avenue, Ste. 1100, Anchorage, AK 99501
University of Alaska Anchorage	1815 Bragaw Street, Suite 101, Anchorage, AK 99508-3438

EXHIBIT C
Application for Spacing Exception
Affidavit

VERIFICATION OF APPLICATION FOR SPACING EXCEPTION
COOK INLET, ALASKA

WHISKEY GULCH PROSPECT
Whiskey Gulch No. 14 Well

I, CODY T. TERRELL, Landman, Hilcorp Alaska, LLC (“Hilcorp”), do hereby verify the following:

I am acquainted with Hilcorp’s application for a spacing exception submitted to the Alaska Oil and Gas Conservation Commission for the drilling of the Whiskey Gulch No. 14 Well in the Whiskey Gulch Prospect, near Anchor Point, Alaska, pursuant to 20 AAC 25.055(d).

I assert all facts outlined in the above-referenced application are true. I further assert the requested spacing exception is necessary to explore, drill, and establish new production of natural gas from undefined gas pools in the Whiskey Gulch Prospect.

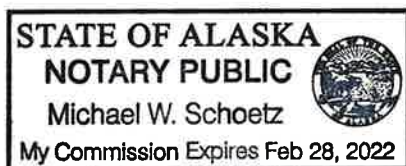
I have reviewed the mailing list and plat attached to said application and it correctly portrays the pertinent and required data for the Commission to take action on this request.

DATED at Anchorage, Alaska this 12th day of November, 2021.

Cody T. Terrell
Cody T. Terrell, Landman
Hilcorp Alaska, LLC

STATE OF ALASKA)
) ss
THIRD JUDICIAL DISTRICT)

SUBSCRIBED TO AND SWORN before me this 12th day of November, 2021.



Michael W. Schoetz
NOTARY PUBLIC IN AND FOR
THE STATE OF ALASKA
My Commission expires: February 28, 2022