

02/25/14

LUNCH &

LEARN:

MOVING THE

NEEDLE ON

COOK INLET

GAS

PRODUCTION

<TARGET><BILL></BILL><SUBJECT>02-25-14 LUNCH and LEARN
MOVING THE NEEDLE ON COOK INLET GAS
PRODUCTION</SUBJECT><COMM>HRES28</COMM></TARGET>

Lunch and Learn

Tuesday at Noon

Capitol Room 106

An In-depth Look at Alaska's Resources

Lunch provided by presenters

**HOSTED BY
REP. ERIC FEIGE &
REP. DAN SADDLER
CO-CHAIRS
House Resources**

**Contact:
Linda Hay, Staff
465-3715**

Tuesday, Feb. 25, 2014

**Moving the Needle on Cook Inlet Gas
Production: A look into what it takes to
produce & sell more gas in Alaska**

**Presenters: John Barnes & Kurt Gibson
Hilcorp Alaska**

Sponsor: Alaska Oil & Gas Association

Lunch & Learn 2.25.14

John Barnes

John Barnes has over 30 years in the upstream oil & gas business, with the majority of his experience in Alaska. In October of 2011 joined Hilcorp Alaska as Senior Vice President of Exploration and Production. Other work experience includes assignments in West Texas, the North Sea and Houston as well as responsibility for CH2MHILL 's Operations & Maintenance businesses in Alaska and Russia.

Barnes received a BS in Petroleum Engineering from Colorado School of Mines, and is a registered Professional Engineer in Alaska. He serves on the Board of Directors for the Alaska Oil and Gas Association and Grace Christian School from which both his children graduated.

Kurt Gibson

Kurt Gibson has 25 years in the energy business, primarily focused on natural gas, in both the public- and private-sectors. Kurt joined Hilcorp Alaska as Vice President, Midstream in January of 2013.

After receiving his BS in Petroleum Engineering from the University of Oklahoma, Kurt began work for Oneok Inc., in Tulsa. As the newly deregulated natural gas business began to mature, he shifted from pipeline system design and operations to the commercial side of the business. His tenure with companies including Tenaska Gas Marketing, Torch-CoEnergy Trading, and Reliant Energy has given Kurt extensive experience trading, hedging, marketing and tolling natural gas in the North American market.

The image features a black and white photograph of an offshore oil rig in the foreground, silhouetted against a body of water. In the background, there are mountains under a cloudy sky. The Hilcorp logo, a stylized 'H' with three horizontal lines, is positioned in the upper left. Below it, the word 'Hilcorp' is written in a serif font.

Hilcorp

Integrity • Urgency • Ownership • Alignment • Innovation



Questions?





We are often asked...

**Why buy into
Cook Inlet?**





COOK INLET: The positives



Legacy oil and gas basin
with giant fields

Access to land

Rule of law

Stable fiscal policy



The History of Cook Inlet

OIL

First commercial discovery:
1957 at Swanson River Field

First oil production: 1958

Peak oil production:
227,000 BOPD in 1970

December 2011 oil rate:
11,000 BOPD

GAS

First gas encountered: 1950's

First and largest commercial discovery: 1959 Kenai Gas Field

First gas production: 1961

Gas production/sales peak: 2001
212 BCF (580 mmscfd)

Current gas production/sales: 2013
90 BCF (246.5 mmscfd)



TWO WAYS TO INCREASE PRODUCTION

- Exploration
- Redevelopment of old oil and gas fields
(Hilcorp's bread and butter)



AURORA GAS

Plans 2 New Wells, Nicolai Creek

COOK INLET ENERGY

Sword #1 Well

FURIE

Setting new platform 2014

Return to KLU 4, Spartan 151

NORDAQ ENERGY

Shadura Development

APACHE

Seismic Permitting for 2014





How do you redevelop an oil & gas field?

“Tear apart” the reservoir.

Get old shut-in wells up and running.

Drill more wells.

Repair or upgrade surface facilities.

SPEND MONEY



Overcoming Challenges

- Weakened support industry
- Insufficient local skilled labor
- Limited to no availability of drilling rigs, tools & specialty equipment to support more activity





Reviving support industry

Saxon Services

Deyo

Upstream International

Williams

Priority Energy

Moncla

Knight Oil Tools

Kauppi Wireline

TriPoint

Mountain States Hot Shot

Summit ESP

X-Chem

Geo-Dynamics





How are we moving the needle?

Increased capital investment

Change in cost structure

Drilling more wells

2 offshore pulling units

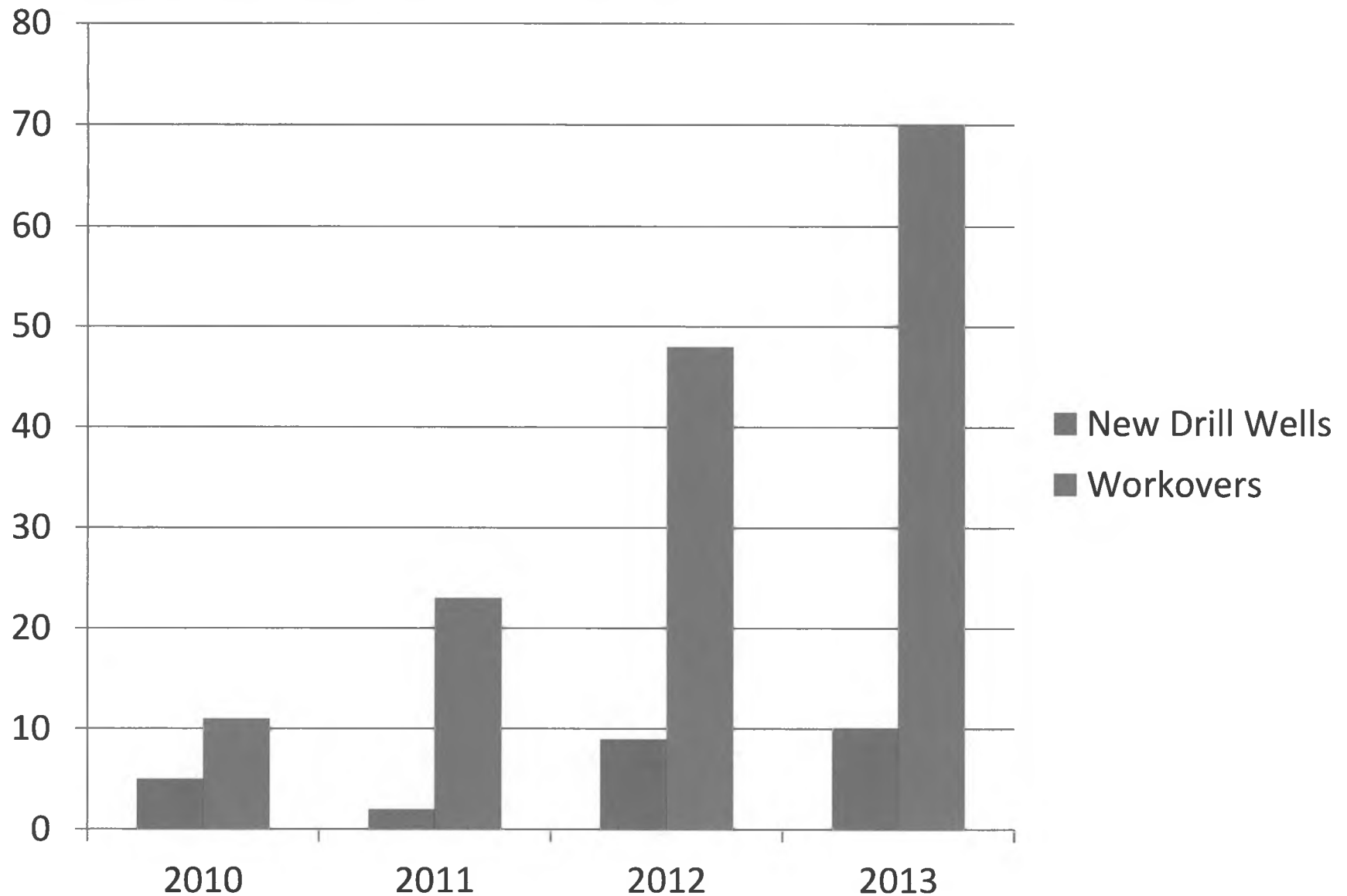
2 land-based drilling rigs

Currently running 7 rigs
onshore and offshore



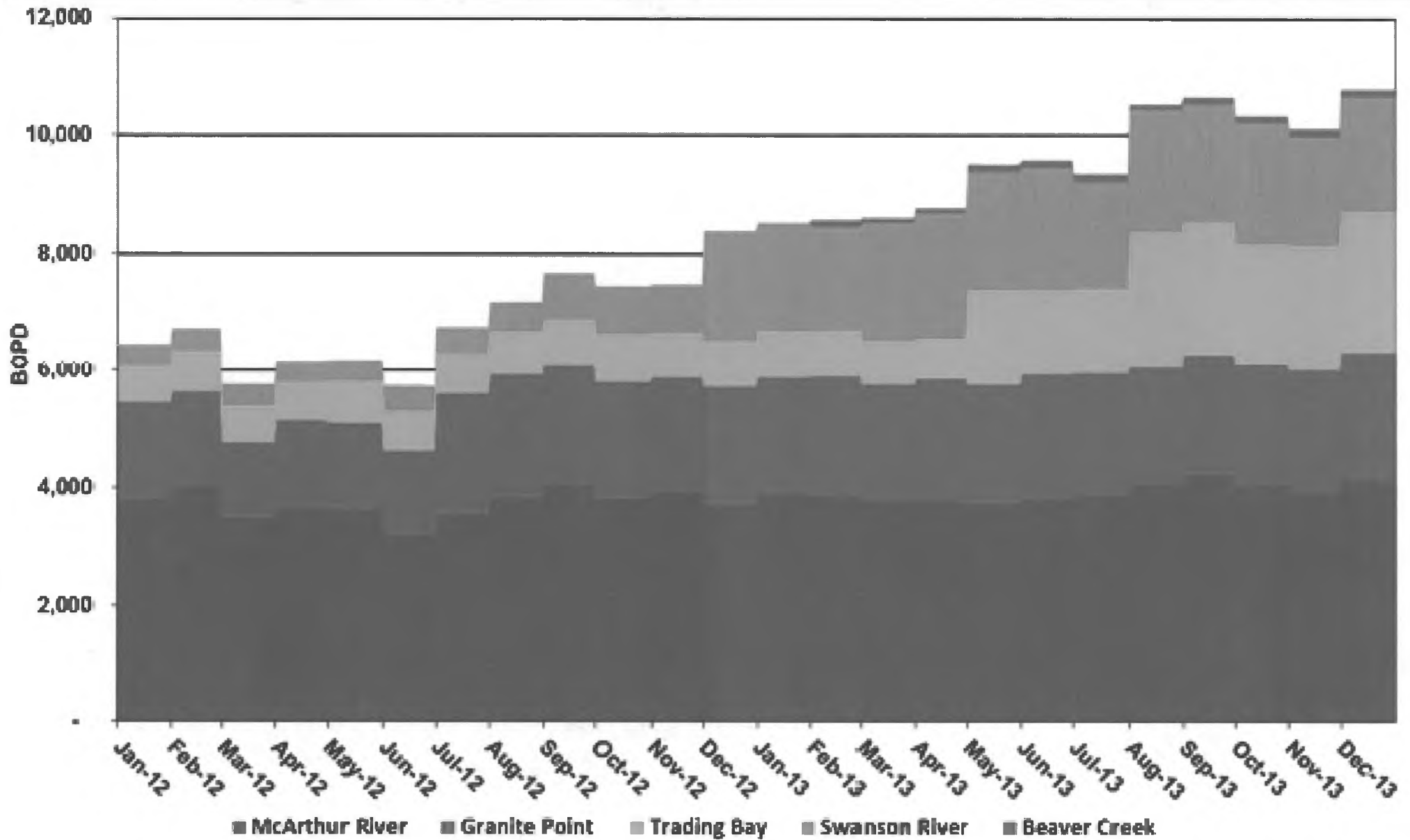


Increased field activity



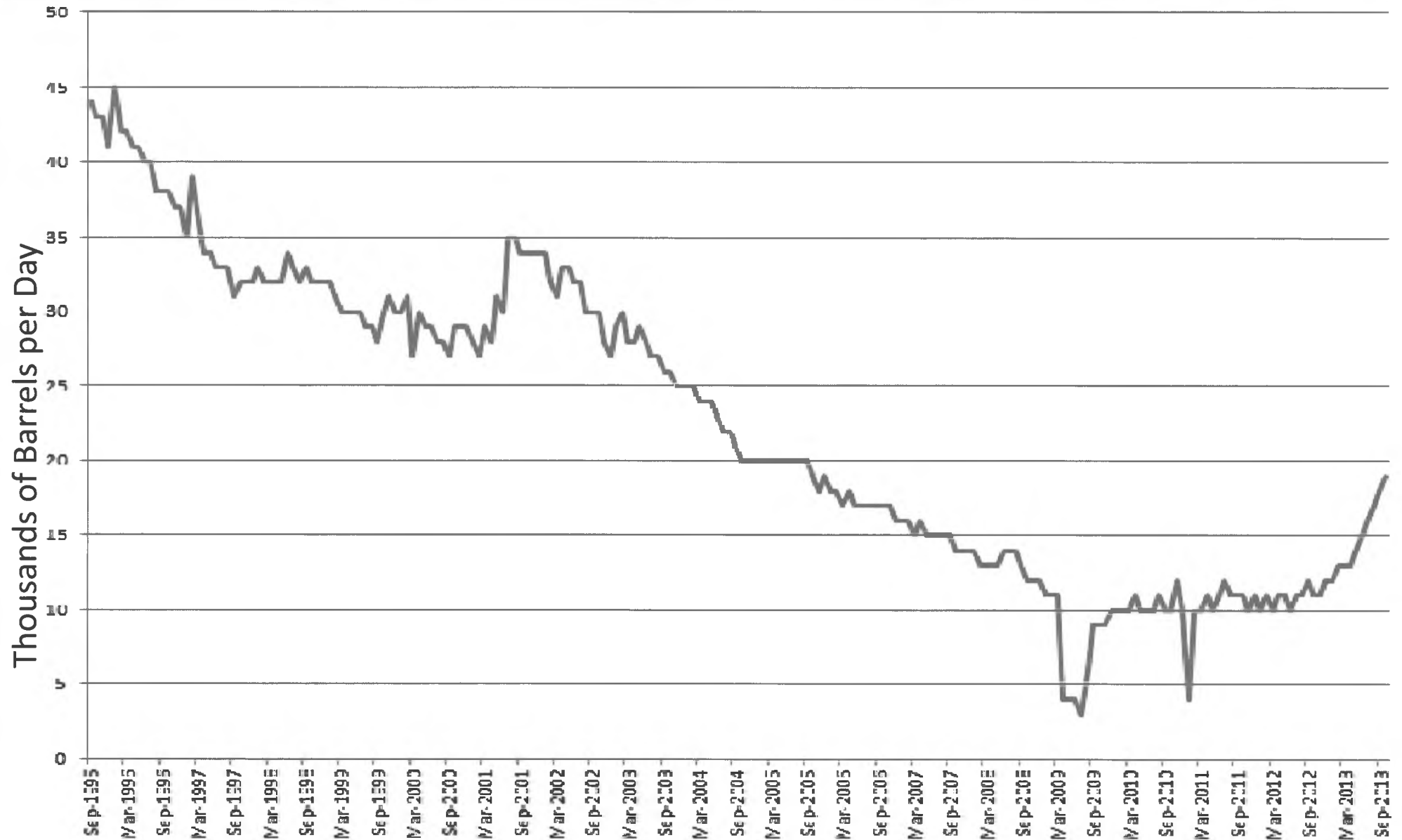


Hilcorp Oil Production



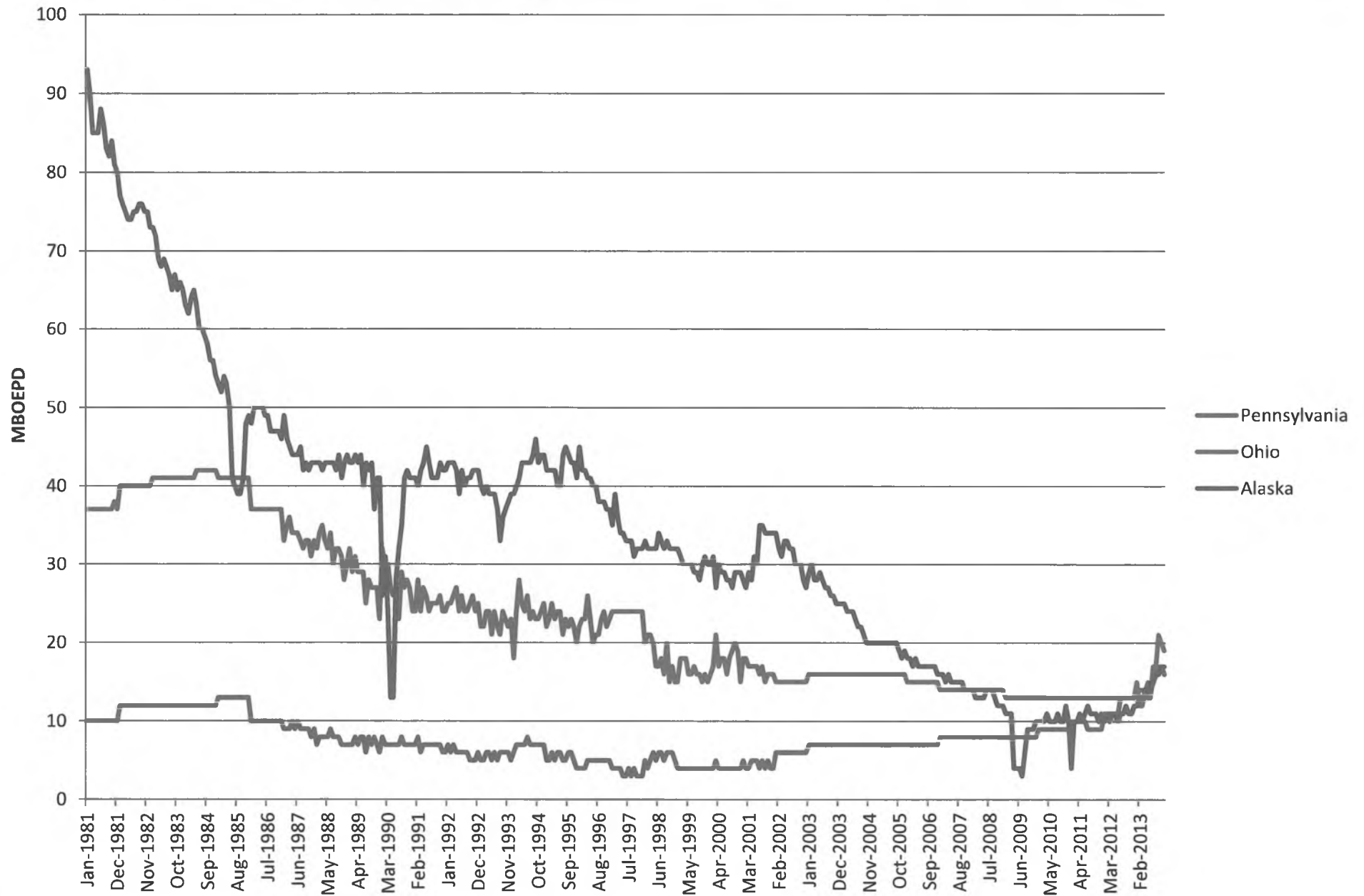


Cook Inlet Oil Production





Cook Inlet Oil Production





Happy Valley: Gas Production





New Gas or Not?

NEW GAS

Drilling & Discovering new gas fields

Drilling & proving different targets in existing fields

New production from fields or reservoirs that were abandoned

New production from rock not formerly considered

NOT NEW GAS

Acceleration - Additional rate from producing reservoirs

Storage Drawdown- Pulling gas from storage



Booking New Reserves

WHAT ARE RESERVES?

The unproduced but recoverable oil and/or gas in place in a formation which has been proven by production.

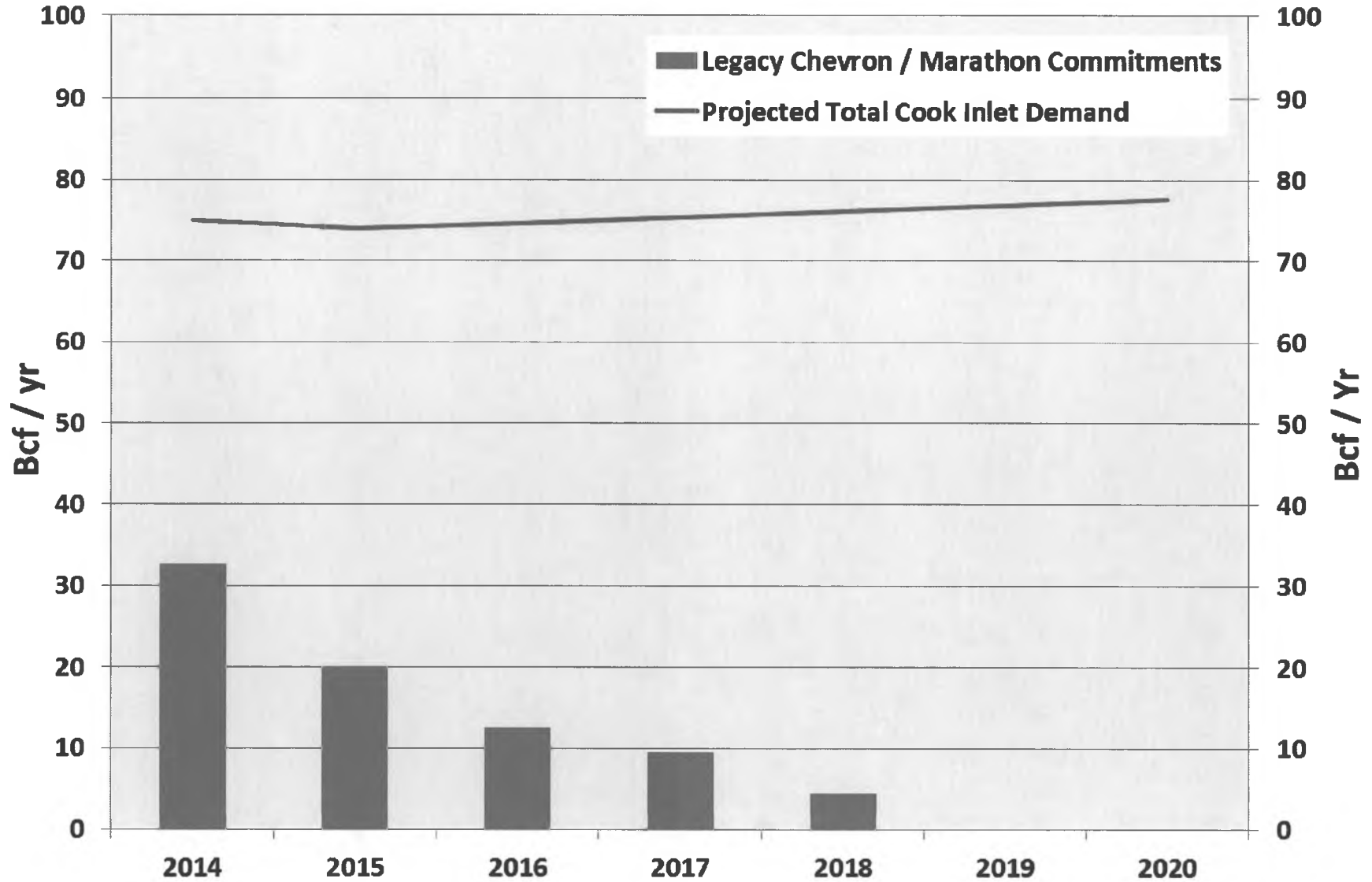
BOOKING RESERVES - A specialized yet non-standardized process.

Total Petroleum Initially-in-Place	Discovered in-Place	Commercial	Production			Increasing Maturity ↑	
			Reserves				
		Proved		Proved + Probable	Proved + Probable + Possible		
		Dev.	Undev.				
	Sub-Com.	Contingent Resources					
		Low Estimate	Best Estimate	High Estimate			
		Unrecoverable					
	Undiscov. in-Place	Prospective Resources					
		Low Estimate	Best Estimate	High Estimate			
		Unrecoverable					
Increasing Uncertainty →							



Selling more gas

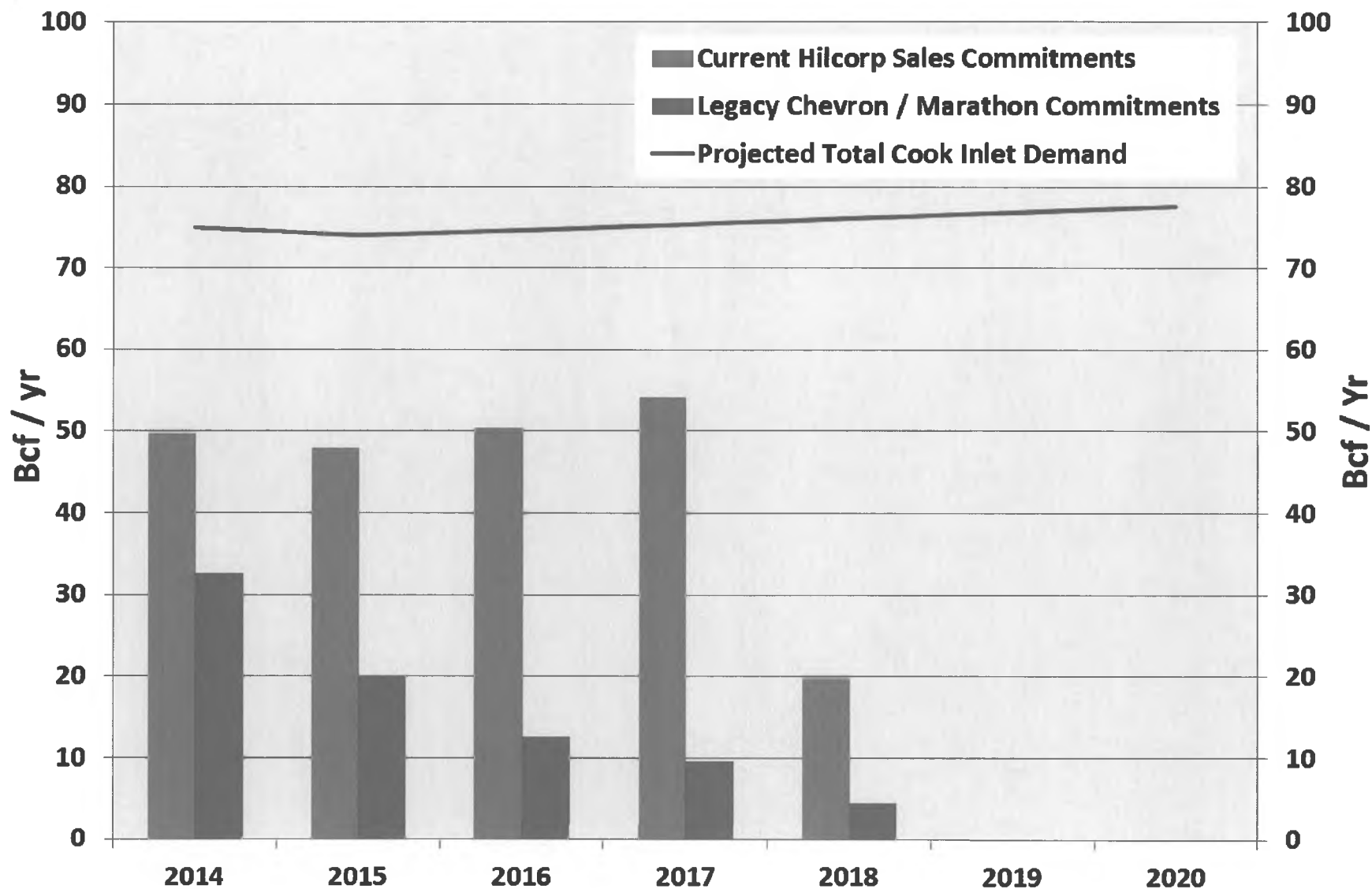
Hilcorp Cook Inlet Gas Commitments vs. Total Demand





Hilcorp Commitments vs. Total Demand

Hilcorp Cook Inlet Gas Commitments vs. Total Demand





LINK GAS DEVELOPMENT WITH FIRM CONTRACTS

- Commit to full volume requested in RFI through March 2018. ✓
- Fund additional upstream development programs as additional volume is contracted ✓

PROVIDE CUSTOMERS WITH 3-4 YEARS LINE OF SIGHT ON SUPPLY ✓

- Annual opportunity to add additional year to contract term ✓

PRODUCE RATABLY FOR EFFICIENT & EFFECTIVE RESERVOIR ✓ **MANAGEMENT**

MAINTAIN OPERATIONAL STORAGE TO PROVIDE BASE-LOAD ✓ **SERVICE WITH SOME DEGREE OF SEASONAL SWING**