



United States Department of the Interior
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT

Alaska OCS Region
DOI Region 11
3801 Centerpoint Drive, Suite 500
Anchorage, Alaska 99503-5823

DEC 26 2019

John A. Barnes
Senior Vice President and North Slope Asset Team
Leader Hilcorp, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, Alaska 99503

Dear Mr. Barnes:

The Bureau of Safety and Environmental Enforcement (BSEE) has reviewed the Suspension of Production (SOP) request submitted by Hilcorp, LLC (Hilcorp) on October 18, 2019. Your SOP request focused on two unresolved issues; obtaining approval of an Oil Spill Response Plan for the Liberty prospect and a Petition for Review of the approved Development and Production Plan for Liberty, filed with the United States Court of Appeals for the Ninth Circuit.

Background

The Liberty Unit leases are currently held under an SOP that was issued on January 23, 2019 for a period of two years; that SOP has remained in effect while BSEE reviews your October 18, 2019 request. In the current request, you asked BSEE to act pursuant to its authority under 30 C.F.R. § 250.168 *et seq.*, to grant a SOP, not to exceed five years, for the three-lease Liberty Unit (OCS leases Y-1585, Y- 1650, and Y-1886) held by Hilcorp in the Beaufort Sea.

Your SOP request asserts that BSEE may grant consecutive suspensions pursuant to 30 CFR 250.170(a). Your request also asserts that granting of another SOP would be in the national interest, and it cites as justification BSEE regulations at 30 CFR 250.174(e). These two elements – national interest and the justification for the SOP – are analyzed below.

Analysis

The decision to grant or deny a suspension request that meets the threshold regulatory requirements rests squarely within BSEE's discretion. In order for BSEE to grant an SOP in this case, it must be in the national interest, and necessary to "...allow for inordinate delays encountered in obtaining required permits or consents, including administrative or judicial challenges or appeals." (30 CFR 250.174(e))

A. National Interest (30 CFR 250.174)

Section 5 of OCSLA (43 U.S.C. § 1334(a)(1)(A)) calls upon the Secretary to promulgate regulations providing for suspensions, "in the national interest, to facilitate proper

development of a lease or to allow for the construction or negotiation for use of transportation facilities.” The Secretary has accordingly issued regulations pursuant to which the “national interest” is a necessary, but not sufficient, condition for obtaining a SOP. The relevant implementing regulation provides that BSEE may grant an SOP where doing so is in the national interest *and* necessary to allow the proper development of the lease for production purposes, securing transportation or sales arrangements for impending production, or avoiding premature abandonment of existing production (*see* 30 CFR 250.174); in other words, after a discovery has been made and lease development is planned or underway. Based on the information provided in your October 18, 2019 request, we find that development and production are being diligently pursued in an environmentally responsible manner, and that the national interest condition is satisfied.

B. Justification for SOP (30 CFR 250.174(a))

Per applicable laws and regulations, the BSEE Regional Supervisor has the authority to grant an SOP. As stated in your request, we agree that Hilcorp has met “inordinate delays encountered in obtaining required permits or consents, including administrative or judicial challenges or appeals.”

Decision

Following a detailed review of the information you have submitted, and based on the analysis presented herein, Hilcorp’s request for a SOP on the Liberty Unit is hereby approved in accordance with 30 CFR 250.174(a) and Articles IX, XVI, and XVII of the Liberty Unit Agreement.

This Liberty Unit SOP is effective December 26, 2019, and will extend until such time as the OSRP is approved, with a 30-day period in which to apply for a subsequent SOP for construction, or two years, whichever is shorter. However as addressed in our SOP approval dated January 23, 2019, there remains one Unit lease (Y-1886) with time remaining in its primary term. To bring that lease into agreement with the other two in the Liberty Unit, lease Y-1886 will continue to toll its primary term as previously approved until March 26, 2020, when it will re-join the Liberty Unit SOP.

In additional, Hilcorp will be expected to comply with the Reasonable Statement of Work commitment provided in its December 12, 2019 letter, as well as the conditions attached to this approval.

BSEE reserves the right to terminate this SOP if we determine the circumstances that justified it no longer exist or that other lease conditions warrant termination (30 CFR 250.170(e)).

Closure

If you elect to appeal this decision pursuant to 30 CFR Part 290, a Notice of Appeal must be filed with this office and served on the Associate Solicitor, Division of Mineral

Resources, within 60 days of receipt of this letter (see NTL No. 2009-N12). If you have any questions about this decision, please contact me at (907) 334-5300, or via e-mail at kyle.monkelien@bsee.gov.

Sincerely,



Kyle Monkelien
Regional Supervisor, Field Operations

Enclosure

cc: Patricia LaFramboise, Regional Supervisor - Leasing and Plans
Carle Langley, Chief - Leasing Section
Bureau of Ocean Energy Management
Kurt Barton, Minerals Revenue Specialist, Department of the Interior
Office of Natural Resources Revenue
Chantal Walsh, Director - Division of Oil and Gas
Alaska Department of Natural Resources

Conditions of Approval for the Liberty Unit SOP

1. Within 15 days after the end of each calendar quarter, Hilcorp shall provide a written quarterly report to BSEE, as follows.
 - a. The first report must detail progress made on the RSW since November 26, 2019.
 - b. The reports will describe Hilcorp's progress toward addressing upcoming milestones from the reasonable schedule of work (RSW).
 - c. The reports must include a recap of what was accomplished in the prior quarter.
 - d. Each report must be accompanied by written documentation, reports, or other evidence (e.g., contracts, correspondence, etc.) that clearly demonstrate that Hilcorp is meeting or has met the requirements of the work items set forth in the RSW. This information shall be considered evidence of diligence in pursuing the RSW. "Evidence of diligence" is hereby defined as ordinary course of business documents that demonstrate tangible work that has occurred as Hilcorp executes the items set forth in the RSW. BSEE strongly prefers such documentation and will give less weight to written or verbal assertions about work progress. BSEE recognizes, however, that not every step taken by Hilcorp may be reflected in ordinary course of business documents, and that it might be appropriate, at times, to provide written updates on progress. Such updates may be accepted by BSEE on a case by case basis, but will not be allowed as the primary means of demonstrating diligence.
 - e. BSEE will review the quarterly reports and accompanying evidence for adequacy, and we will notify Hilcorp whether the submittals are satisfactory or if additional information is required.
2. Any modifications to the RSW – either in substance or timing – must be presented to BSEE for review and approval.
3. Absent any approved modifications as referenced in Condition #2, and with the exception of events that BSEE agrees are outside of Hilcorp's control, failure to achieve the milestones in the RSW may result in termination of the SOP. If Hilcorp fails to achieve a milestone as defined in the RSW, as part of its consideration of whether termination is appropriate, BSEE will evaluate the steps Hilcorp undertook to meet the milestone and the reasons why the milestone was not achieved.
4. BSEE will evaluate future SOP requests pursuant to applicable laws and regulations, based on the justifications presented by Hilcorp and the circumstances presented at the time. However, future suspension decisions will be greatly influenced by the level of success Hilcorp demonstrates in following the terms of this SOP and executing the RSW.



Hilcorp Alaska, LLC

John A. Barnes
Asset Team Leader
North Slope Team

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December 10, 2019

Mark Fesmire, PE, JD
Regional Director, Alaska OCS Region
Bureau of Safety and Environmental Enforcement
3801 Centerpoint Drive, Suite 500
Anchorage, AK 99503-5823

Re: Hilcorp Alaska, LLC's (Operator #3361) Liberty Unit SOP Reasonable Schedule of Work

Mr. Fesmire,

Hilcorp Alaska, LLC ("Hilcorp Alaska") is submitting this reasonable schedule of work required by 30 CFR § 250.171(b) as a supplement to our October 18, 2019, request for a Suspension of Production ("SOP") for the Liberty Unit. This SOP request applies to the Liberty Unit, which includes the following OCS leases: OCS-Y-1650, OCS-Y-1585 and OCS-Y-1886.

Hilcorp Alaska is committed to the expeditious and orderly development of the Liberty Unit. To demonstrate this commitment, Hilcorp Alaska submits the following reasonable schedule of work to receive a final Oil Spill Response Plan ("OSRP") from BSEE. During the SOP period, Hilcorp Alaska will continue to coordinate with the Oil Spill Preparedness Division ("OSPD") to pursue approval of the OSRP, which will include periodic meetings and technical discussions with Alaska Regional staff, and continue to evaluate and submit responses to OSPD's requests for additional information. Hilcorp Alaska will continue our North Slope stakeholder outreach efforts and provide periodic updates to the Nuiqsut Whaling Captains Association, the Alaska Eskimo Whaling Commission, and the North Slope Borough Planning Commission. In addition, Hilcorp Alaska will continue coordination with the National Marine Fisheries Service on the final petition for Incidental Take regulations.

Hilcorp Alaska remains committed to continue to provide BSEE quarterly updates during the SOP period. By granting this request for a SOP, BSEE will be acting in the national interest by supporting Hilcorp Alaska's expeditious and orderly development of the Liberty Unit.

Should you require additional information, please contact me at (907) 777-8300 or jbarnes@hilcorp.com.

Sincerely,

A handwritten signature in blue ink that reads "John A. Barnes".

John A. Barnes
Senior Vice President & North Slope Asset Team Leader

cc: Kyle Monkeliën, BSEE
Denali Kemppe, General Counsel, Hilcorp Alaska, LLC



Hilcorp Alaska, LLC

John A. Barnes
Asset Team Leader
North Slope Team

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October 18, 2019

Mark Fesmire, PE, JD
Regional Director, Alaska OCS Region
Bureau of Safety and Environmental Enforcement
3801 Centerpoint Drive, Suite 500
Anchorage, AK 99503-5823

Re: Hilcorp Alaska, LLC's (Operator #3361) Request for Liberty Unit Suspension of Production

Dear Mr. Fesmire,

Hilcorp Alaska, LLC ("Hilcorp Alaska"), as operator of the Liberty Unit, submits this request for a new Suspension of Production ("SOP") pursuant to 30 CFR § 250.172. On November 15, 2018, Hilcorp Alaska submitted a request for a SOP. On January 23, 2019, BSEE granted Hilcorp Alaska's SOP request; the current SOP will expire on July 15, 2020. This SOP request applies to the Liberty Unit, which includes Outer Continental Shelf ("OCS") leases OCS-Y-1650, OCS-Y-1585 and OCS-Y-1886. Thank you in advance for your time and consideration of this request.

Background

On December 31, 2012, the Bureau of Safety and Environmental Enforcement ("BSEE") issued a two-year Suspension of Production ("2012 SOP") for the Liberty Unit leases Y-1585 and Y-1650 to then-operator BP Exploration (Alaska) Inc. ("BP"). As a condition of the SOP, the operator was required to submit a DPP to the BOEM no later than December 31, 2014.

Effective November 18, 2014, Hilcorp Alaska became owner of a fifty percent (50%) working interest in, and operator of, the Liberty Unit. The 2012 SOP was formally assigned to Hilcorp Alaska on December 30, 2014. Hilcorp Alaska filed the required DPP with BOEM on December 30, 2014. On December 31, 2014, BSEE extended the 2012 SOP stating it would "remain in effect until 30 calendar days after BOEM completes its review of and renders a decision on the DPP. The additional 30 days is to allow time for [Hilcorp Alaska] to apply for a new SOP."

On December 4, 2017, Hilcorp Alaska submitted a new SOP request to BSEE because it was apparent BOEM would not be able to complete its review of and render a decision on the DPP prior to the termination of the 2012 SOP extension period. BSEE approved the new SOP ("2017 SOP") on December 15, 2017, which "will remain in effect until 90 calendar days after BOEM renders a decision on the DPP..." The 2017 SOP required Hilcorp Alaska to "submit a new SOP request to BSEE within 30 calendar days after BOEM renders a decision on the DPP." BOEM signed its final Record of Decision ("ROD") for the Liberty DPP on October 17, 2018; the Notice of Availability for the Liberty EIS ROD was posted on October 24, 2018. On November 15, 2018, Hilcorp Alaska submitted a request for a SOP ("2018 SOP"). On January 23, 2019, BSEE granted Hilcorp Alaska's SOP request; the current SOP will expire on July 15, 2020.

SOP Request

Pursuant to 30 CFR § 250.171, Hilcorp Alaska submits this request for a SOP not to exceed 5 years for Leases OCS-Y-1650, OCS-Y-1585 and OCS-Y-1886 that would remain in effect until 90 calendar days after BSEE completes its review and renders a decision on the Oil Spill Response Plan (“OSRP”). The requested SOP is in the national interest and consistent with Outer Continental Shelf Lands Act (“OCSLA”) regulations at 30 CFR §§ 250.168-177. BSEE is explicitly authorized to grant an SOP to allow a lessee/operator time to “properly develop a lease, including time to construct and install production facilities.” 30 CFR § 250.174(a). BSEE is authorized to grant consecutive suspensions pursuant to 30 CFR § 250.170(a). The requested SOP is necessary in order to address the “inordinate delays encountered in obtaining required permits ... including ... judicial challenges or appeals.” 30 CFR § 250.172(e). Hilcorp would be required to submit a new SOP request with reasonable milestones to BSEE within 90 calendar days after BSEE renders a decision on the OSRP.

Drilling of the Liberty No. 1 discovery well began in February 1997, and was determined to be producible pursuant to 30 CFR § 550.115. Based on interpretations of geologic data, seismic data, and well tests, on May 1, 1997, BP confirmed the discovery of an estimated 120 million barrels of recoverable reserves from the Liberty Unit. The prior suspensions granted for the Liberty Unit have allowed Hilcorp Alaska and BP, as the prior operator, time to orderly develop the DPP and for BOEM to complete its review and the environmental impacts analysis of the DPP. As the current operator, Hilcorp Alaska has made significant progress advancing the Liberty Project. In 2019, Hilcorp Alaska initiated the Platform Approval process with BSEE, received the United States Army Corps of Engineers Section 404 permit, received the Final Special Conditions Permit from the Pipeline and Hazardous Materials Safety Administration, and continues to make progress on the OSRP with BSEE.

While the Liberty Project has made significant progress, there remains some uncertainty regarding regulatory permits, environmental requirements, and legal challenges that may impact the Liberty Project Milestones. 30 CFR § 250.172(e) provides the BSEE Regional Director the authority to grant or direct an SOO or SOP “[w]hen necessary to allow for inordinate delays encountered in obtaining required permits or consents including administrative or judicial challenges or appeals.” As provided in Hilcorp Alaska’s 2019 First Quarter Update to BSEE, on December 17, 2018, a group of environmental nongovernmental organizations filed a Petition for Review with the United States Court of Appeals for the Ninth Circuit (Case No. 18-73400) challenging BOEM’s approval of the DPP and US Fish & Wildlife Service’s biological opinion on the DPP. Oral arguments for this case are set for early November, 2019; Hilcorp Alaska does not expect the Ninth Circuit to issue an order on the Petition until the middle of 2020.

Furthermore, when Hilcorp Alaska submitted the 2018 SOP request and reasonable schedule of work, Hilcorp Alaska anticipated that BSEE would issue the OSRP by July 1, 2019, pursuant to Hilcorp Alaska’s continued progress on the OSRP and conversations with BSEE. BSEE’s Oil Spill Preparedness Division (OSPD) has still not issued the OSRP, and in fact, issued a third request for additional information on July 19, 2019. As a result of BSEE’s missed deadline on July 1, and the continued inordinate delay in obtaining the OSRP, Hilcorp Alaska and BP will not be in a position to sanction the Liberty Project before the October, 2019 milestone. The BSEE OSRP is a critical federal authorization for the development of Liberty, without which, a final sanction decision cannot be made.

This SOP request would provide Hilcorp Alaska and BP with the time necessary to obtain the OSRP and continue moving this project into the development phase, and ultimately, into production. Accordingly, pursuant to 43 U.S.C. § 1332(3) and 30 CFR §§ 250.172(e) and .174(a), Hilcorp Alaska requests that BSEE

grant Hilcorp Alaska a SOP not to exceed 5 years while a key federal permit is pending approval. Hilcorp Alaska is committed to the expeditious and orderly development of the Liberty Unit. To demonstrate this commitment, Hilcorp Alaska submits the following amended Liberty Project Milestones for your consideration.

Liberty Project Milestones

The following milestones are sequential, beginning with the approval of the OSRP from BSEE. Should the approval be received on or before July 2020, "YEAR 1" would be the calendar year of 2020. Due to the seasonal nature of the construction season on the North Slope of Alaska, an approval after July 2020 and on or before July 2021 would make "YEAR 1" be the calendar year of 2021. The subsequent years, "YEAR 2", "YEAR 3", "YEAR 4", and "YEAR 5" would be 2022, 2023, 2024, and 2025, respectively.

YEAR 1

July	Receive approval of the OSRP from BSEE contingent on signed purchase agreements for oil spill response vessels and equipment.
October	Approve and sanction project.
December	Submit to BSEE final signed purchase agreements for oil spill response vessels and equipment.

YEAR 2

January	Initiate Detail Engineering of Process Facilities and Pipelines.
March	Initiate the Platform Approval Program with BSEE
October	Order long-lead pipeline materials.
December	Initiate Production Safety System Application (PSSA) with BSEE.

YEAR 3

January	Mobilize equipment for construction of ice roads and gravel mining operations.
March	Initiate island construction, mobilize gravel hauling equipment. Order long lead facilities equipment.

YEAR 4

January	Mobilize equipment for construction of ice roads and installation of pipelines.
March	Initiate onshore and offshore pipeline construction, mobilize equipment.
August	Mobilize production modules and drilling rig/equipment to the island during open water season. Submit Application to Drill (APD) for first set of wells.
December	Begin drilling at Liberty.

YEAR 5

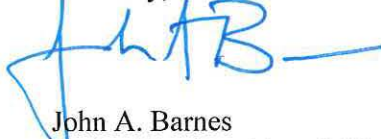
June	Begin producing oil and injecting seawater and produced gas.
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As provided in BSEE's January 23, 2019, SOP approval letter, Hilcorp Alaska will continue to provide quarterly updates to BSEE on progress made to date and progress towards achieving upcoming milestones. Hilcorp Alaska commits to continuing the engineering process, continuing to engage with OSPD to obtain an OSRP, and committing capital to continue moving the Liberty Project forward to development.

It is in the national interest that the Liberty Project continue to be developed, and ultimately, begin production of our Nation's domestic oil resources. The BSEE OSRP is a critical federal authorization, without which, the Liberty project cannot be sanctioned. Hilcorp Alaska requests that BSEE issue a SOP not to exceed 5 years for the Liberty Unit (including Leases Y-1585, Y-1650, and Y-1886) to provide the time necessary to allow for "inordinate delays encountered in obtaining required permits or consents including administrative or judicial challenges or appeals" pursuant to 30 CFR § 250.172(e), and sufficient time to construct and install production facilities pursuant to 30 CFR 250.174(a). By granting this request for an extension, BSEE will be acting in the national interest by supporting Hilcorp Alaska's expeditious and orderly development of the Liberty Unit.

Should you require additional information or have questions regarding this request, please contact me at (907) 777-8300 or jbarnes@hilcorp.com.

Sincerely,



John A. Barnes
Senior Vice President & North Slope Asset Team Leader

cc: Kyle Monkelien, BSEE
Denali Kempel, General Counsel, Hilcorp Alaska, LLC