

December 31, 2014 sgnd



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

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

John Barnes
Senior Vice President
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, Alaska 99503

Re: 31 December 2012 Liberty Unit Suspension of Production


Dear Mr. Barnes:

The Bureau of Safety and Environmental Enforcement (BSEE) issued a two-year Suspension of Production (SOP) for the Liberty Unit leases Y-1585 and Y-1650 to BP Exploration (Alaska), Inc. on 31 December 2012. That SOP was formally assigned to Hilcorp Alaska LLC (HAK), who is the operator of Liberty, on 30 December 2014. As a condition of the SOP, the operator (now HAK) was required to submit a Development and Production Plan (DPP) to the Bureau of Ocean Energy Management (BOEM) no later than 31 December 2014. BSEE has been notified by BOEM that the required DPP was received on 30 December 2014. BOEM has begun its regulatory review under 30 CFR 550.202 and .241-.270. In accordance with 30 CFR 550.266, BOEM has 25 working days to determine if the DPP fulfills regulatory requirements and is sufficiently accurate to be "deemed submitted." Subsequent to that potential finding, BOEM would then require time to conduct an analysis of the proposed project under the National Environmental Policy Act (NEPA) and issue a finding or decision under NEPA, then to render a decision on the DPP.

Pursuant to the above, BSEE therefore finds the current SOP should remain in effect while BOEM conducts their regulatory review. The SOP issued by BSEE on 31 December 2014 will 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 HAK to apply for a new SOP.

Should you have any questions or require further clarification, please contact Kevin Pendergast at 907-334-5311, or via e-mail at kevin.pendergast@bsee.gov.

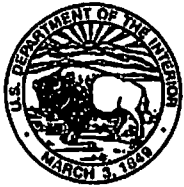
Sincerely,



Mark Fesmire, P.E., JD
Regional Director

Cc: David Johnston, BOEM

BPXA



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

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

DEC 31 2014

R.L Skillern
Commercial Advisor
BP Exploration (Alaska) Inc.
900 E. Benson Boulevard
Anchorage, Alaska 99519-6612

John Barnes
Senior Vice President
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, Alaska 99503

Re: Liberty Designation of Operator and Transfer of Suspension of Production

Dear Messrs. Skillern and Barnes:

This letter responds to BP Exploration (Alaska) Inc.'s (BPXA) letter to the Bureau of Ocean Energy Management (BOEM) and Bureau of Safety and Environmental Enforcement (BSEE) dated 12 November 2014. In that communication BPXA requested that, subsequent to BOEM's acceptance of Hilcorp Alaska, LLC (HAK) as the operator of the Liberty Unit, BSEE transfer and assign the terms of the current Suspension of Production (issued 31 December 2012) from BPXA to HAK.

BPXA and HAK have filed – and BOEM has processed – the required Designation of Operator forms. Therefore BSEE hereby transfers the 31 December 2012 Liberty Suspension of Production (and assigns its terms) to HAK.

Should you have any questions or require further clarification, please contact Kevin Pendergast at 907-334-5311, or via e-mail at kevin.pendergast@bsee.gov.

Sincerely,

Mark Fesmire, P.E., JD
Regional Director

Cc: David Johnston, BOEM



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

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

DEC 3 1 2012

Mr. John Mingé
Regional President
BP Exploration (Alaska) Inc.
P.O. Box 196612
900 E. Benson Blvd.
Anchorage, AK 99519

Dear Mr. Mingé:

The U.S. Bureau of Safety and Environmental Enforcement (BSEE) has reviewed your November 20, 2012 request for a Suspension of Production (SOP) and associated revised Plan of Operation for the Liberty Unit leases OCS Y-1585 and Y-1650. Your revised Plan of Operation would require that BP Exploration (Alaska) Inc. (BPXA) receive two distinct SOPs in order to achieve commencement of Liberty Unit production by December 2020. The first SOP is intended to allow BPXA time for pre-application activities required for submission of a Development and Production Plan (DPP) and time for the U.S. Bureau of Ocean Energy Management (BOEM) to conduct its regulatory review and issue a Record of Decision (ROD) for that DPP. A second SOP is then proposed to provide BPXA time to complete final design, fabrication and construction in order to achieve Liberty Unit production by the December 2020 date.

After a review of prior BPXA project experience on Alaska's North Slope, as well as work previously conducted in investigating alternative Liberty development scenarios and associated BPXA DPP submittals to the Minerals Management Service (MMS), BSEE concludes that the activities described in the BPXA revised Plan of Operation allow an unreasonably long period of time for submittal of a new DPP for the Liberty Unit than would be necessary to satisfy the requirements of 30 CFR 250.174.

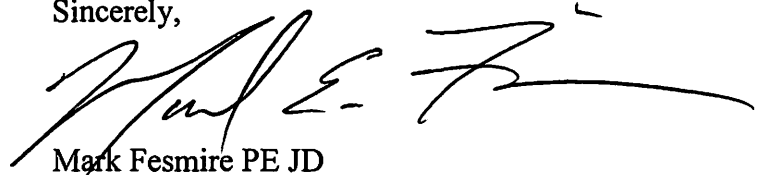
BSEE further finds that a reasonable period of time to develop a DPP is two years from the date of the end of the current suspension (December 31, 2014) and that approving an SOP that requires a completed DPP during that period would be in the national interest. BSEE has also determined that any further SOP approvals should be contingent on the submission of a complete, timely and actionable proposed DPP prior to that date.

Pursuant to these findings, BSEE hereby approves a two year SOP for Liberty Unit leases OCS Y-1585 and Y-1650, in accordance with 30 CFR 256.73, 250.171 and 250.174, for the purpose of allowing BPXA time to prepare and submit a new Liberty Unit DPP. This SOP is effective through December 31, 2014. Additionally, BPXA must provide BSEE with progress reviews every three months during the period of this SOP summarizing the status of work efforts leading to submission of the Liberty DPP. If BPXA fails to submit a progress report or to submit a

complete, timely and actionable DPP prior to December 31, 2014, the SOP will expire on that date.

Upon receipt of a complete, timely and actionable Liberty Unit DPP, BOEM will conduct a regulatory review in accordance with the requirements of 30 CFR 550 Subpart B – *Plans and Information*, and prepare appropriate National Environmental Policy Act (NEPA) documentation. BSEE will extend this SOP pursuant to 30 CFR 250.168 et seq. as necessary to accommodate the regulatory review, preparation and issuance of the ROD for the Liberty Unit DPP and the preparation of an application for a second SOP with an associated Plan of Operation depicting the work schedule and milestones necessary to achieve commencement of Liberty Unit production prior to December 31, 2020. This extended SOP will expire 30 days after the issuance of the ROD and the application for the second SOP must be submitted prior to that date.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", written in a cursive style.

Mark Fesmire PE JD
Regional Director
BSEE Alaska OCS Region



John C. Mingé

President

BP Exploration (Alaska) Inc.
P.O. Box 196612
900 E. Benson Blvd
Anchorage, AK 99519
USA

November 20, 2012

Bureau of Safety and Environmental Enforcement
3801 Centerpoint Drive, Suite 500
Anchorage, AK, 99503-5820

RECEIVED

NOV 20 2012

Regional Director, Alaska OCS
Bureau of Safety and Environmental Enforcement
Anchorage, Alaska

Attn: Mr. Mark Fesmire,
Alaska OCS Region Director

**Re: Request for a Suspension of Production (SOP) &
Revised Plan of Operations,
Leases OCSY-1585 & OCSY-1650,
Liberty Unit,
Offshore Alaska, Beaufort Sea**

Direct: 907 564 5422
Main: 907 561 5111
Fax: 907 564 5900
mingejc@bp.com

Dear Mr. Fesmire:

Pursuant to 30 CFR 250.171, BP Exploration (Alaska) Inc. ("BP"), the operator and 100% working interest owner of Liberty Unit, submits this request for a Suspension of Production ("SOP") along with a revised Plan of Operations for Leases OCSY-1585 and OCSY-1650 for the consideration of the Bureau of Safety and Environmental Enforcement ("BSEE"). Thank you in advance for your time and consideration of this request.

The requested SOP is justified and in the U.S. National interest. The Outer Continental Shelf Lands Act provides for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs. Therefore, pursuant to 43 U.S.C. §1332(3), 30 CFR 250.174(a) and 30 CFR 256.73(c), BP requests that the BSEE grant a 5-year SOP for Leases OCSY-1585 and OCSY-1650. This will allow BP sufficient time to properly develop the leases in a safe and environmentally sound manner. BP has the knowledge and experience gained from our extensive work on this project and has safely developed and produced similar leases in Alaska.

After BP's acquisition of the two leases in the Liberty Unit, the Liberty #1 discovery well was drilled and determined to be producible pursuant to 30 CFR 550.115. We estimate that the Liberty Unit contains approximately 150 million barrels of recoverable, high-quality light oil.

The safe, prompt and efficient development of the Liberty Unit by BP is clearly in the U.S. National interest. BP's long history of diligent and relentless efforts



to seek the most environmentally responsible approach to development of the Liberty Unit has resulted in a wealth of knowledge and information specific to these leases (and specific to BP). A short summary of this experience follows.

After studying a number of alternative development options during an initial lease extension, BP secured a second extension by proposing to develop the field by means of an onshore development using leading edge, ultra-extended reach drilling (“uERD”) technology and to date has spent in excess of \$1B toward the development of the Liberty Unit. Pursuant the U.S. National interest and BP’s safety and operational standards, BP no longer sees this development concept as the safest or most environmentally responsible course of development. In addition, BP estimates non-uERD development concepts could increase recovery from these leases by as much 15% over a uERD development concept maximizing the value of this resource for the nation. The time necessary to continue developing a reasonable schedule of work in support of a commencement of production and maximum recovery of the resource is justification for the BSEE’s grant of this request for a SOP.

BP has successfully executed similar development programs in Alaska and has over 40 years of experience developing oil and gas resources in the Alaskan Arctic. In fact, BP is the only company to have constructed and operated stand-alone drilling and production processing islands on Alaska’s North Slope. In support of those successful and producing leases, BP has overcome major technical and commercial hurdles not unlike the current challenges confronting the development of Liberty. Despite these challenges, BP remains undeterred and committed to developing the Liberty Unit.

This experience means a much quicker, more efficient, safer and more environmentally responsible march to production than any other alternative. At a minimum, BP can develop the Liberty Unit at least 5 years sooner than any other party. Simply put, the U.S. National interest is best served by BP’s continued efforts in this regard due to our comparative advantage.

In addition, the continued decline in production from the existing fields in Alaska has led to reduced flow in the Trans-Alaska Pipeline System (“TAPS”). That steady decline may jeopardize the long-term operation of this strategically significant asset due to issues concerning low-flow dynamics in an Arctic environment. The U.S. National interest as well as the continued viability of the State of Alaska depends on continued operation of TAPS. Domestic energy security would be greatly harmed by stranding or further delaying the



still-considerable oil reserves remaining in Alaska's North Slope fields. This should be noted when considering the U.S. National interest in this context.

BP is committed to production from the Liberty Unit. To demonstrate BP's commitment, the following Plan of Operations is submitted for your consideration. As mentioned above, the Liberty Unit presents certain unique challenges and time commitments that must be considered in setting forth a reasonable schedule of work and sound activity schedule with measurable milestones. The uncertainty associated with regulatory permitting and environmental requirements are considerations in that regard. The nature of these studies presents unknowns regarding the timing of "first production" especially given the impossibility of predicting the timing of the regulatory review process and the potential impact of these results on BP's ability to proceed.

In this context, BP proposes the following Plan of Operations:

Liberty Project SOP Milestones

<u>Date</u>	<u>Milestone</u>
January 2013	Initiate conceptual engineering studies with engineering contractors
	Begin consultation with the North Slope Borough and Alaska Eskimo Whaling Commission
September 2013	Award contract to Environmental, Regulatory and Land Services contractor(s)
	Update BSEE regarding conceptual studies for the Liberty Development
March 2014	Complete engineering studies for concept selection of the Liberty Development
	Update BSEE on concept selection for the Liberty Development
October 2014	Commence front-end engineering design work (FEED)



June 2015	Issue Development Plan of Production
	Update BSEE on FEED studies for the Liberty Development
December 2016	<i>Receipt of the Record of Decision (RoD) – This date is assumed for planning purposes, the actual date is dependent on others. All dates below assume receipt of the RoD at this time and the suitable resolution of any associated stipulations.</i>
January 2017	Evaluate stipulations, terms and conditions of RoD and advise BOEM/BSEE of path forward including continued SOP for design/construction phase of project.
February 2017	Submit SOP and upon approval commence detailed engineering and execution planning
July 2018	Award contract for long lead equipment and module fabrication
January 2019	Detailed design complete, fabrication and North Slope construction underway
December 2020	Commence production

The milestones shown above are individual commitments by BP. Should BP miss a milestone, the BSEE has the option of terminating the leases. Collectively, these milestones demonstrate BP's commitment to production on the Liberty Unit.

In addition, BP is interested in the potential of the continued development of the Liberty Unit in reference to the BSEE's Technology Assessment and Research Program ("TA&R"). BP's continual quest to apply the Best Available and Safest Technologies ("BAST") as required through the 1978 OCSLA amendments and Energy Policy Act of 2005 may make its Liberty Unit development a potential candidate for cooperation with the BSEE and its



TA&R. In any event, BP is willing to consider how we can cooperate in this effort.

It is in the U.S. National interest that the Liberty Unit continue to be developed and, ultimately to produce. By accepting BP's commitment as demonstrated herein, and granting BP's request for a 5-year SOP, the BSEE will be acting in the U.S. National interest by supporting the most efficient and expeditious option available for the development of the Liberty Unit. BP's annual lease payments would continue and upon success of BP's plan of operations, this decision would result in first production from the Liberty field occurring five years sooner than if the leases were allowed to expire.

Pursuant to 30 CFR 250.125 a BSEE service fee in the amount of \$1,968 is enclosed herein.

Should you have any questions or require additional information, please contact R. L. Skillern at (907) 564-5567.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Mingé', written over a horizontal line.

John Mingé
Regional President
BP Exploration (Alaska) Inc.