



THE STATE
of **ALASKA**

GOVERNOR MICHAEL J. DUNLEAVY

Department of Natural Resources

Division of Oil and Gas

550 West 7th Avenue, Suite 1100

Anchorage, AK 99501-3561

Main: 907.269-8800

Fax: 907-269-8939

ADL 418040

PRIVATE EXCLUSIVE EASEMENT

HILCORP ALASKA, LLC SATELLITE DRILL ISLAND EXPANSION

THIS EASEMENT is granted this 21st day of December, 2018, by the STATE OF ALASKA, acting by and through the Department of Natural Resources, Division of Oil and Gas, whose address is 550 W. 7th Avenue, Suite 1100, Anchorage, AK 99501, hereinafter referred to as the Grantor. This Easement is granted to Hilcorp Alaska, LLC, whose address is 3800 Centerpoint Drive, Suite 1400, Anchorage, AK 99503, hereinafter referred to as the Grantee.

IN accordance with the provisions of AS 38.05.850, the rules and regulations promulgated thereunder and the decision approved October 15, 2008, a Private Exclusive Easement is hereby granted for a term of 35 years for the portion of Satellite Drill Island (SDI) containing facilities and associated infrastructure in support of the Liberty Development Project. SDI was expanded from the original fill on lease ADL 47502, approved under Duck Island Unit (DI) Plan of Operations. SDI is located within the DI on State of Alaska submerged lands, approximately three miles southeast of Main Production Island (MPI). This Easement is subject to the conditions and reservations of this document and the Standard Stipulations, attached hereto as "Attachment A."

WHEREAS, it is understood and agreed that, as a condition to the granting of the Easement the Grantee shall use the land covered by said Easement for no purpose other than the operation and maintenance of said facilities and infrastructure on the following described State land:

Township 11 North, Range 17 East, Sections 8, 9, Umiat Meridian, within the Barrow Recording District. The Easement has a total of 32.6 acres, more or less. The Easement is depicted on the reduced copy of the Record of Survey included as "Attachment B" to this document.

The Grantee, in the exercise of the rights and privileges granted by this document, shall comply with all regulations now in effect or as hereafter established by the Department of Natural Resources, and other federal, state or local laws, regulations or ordinances applicable to the area herein granted.

In the event that the Easement herein granted shall in any manner conflict with or overlap a previously granted Easement or right-of-way, the Grantee herein shall use this Easement in a manner that will not interfere with the peaceful use and enjoyment of the previously issued Easement or right-of-way. The Grantor reserves the right to set or modify stipulations governing the use of a conflicting or overlapping area.

Any lands included in this Easement that are conveyed from State ownership shall be subject to this Easement.

This Easement shall terminate at the end of the stated term, if any, or when the Grantor determines that the Easement is abandoned, is no longer necessary, is no longer in use for the purpose(s) authorized, or is revoked as a result of violations of the terms and conditions of this Easement. The State of Alaska shall be forever wholly absolved from any liability for damages that might result if this Easement is terminated for any reason.

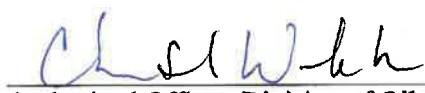
NOW THEREFORE, in accordance with the conditions of this Easement including all attachments and documents that are incorporated by reference, the Grantee is authorized to operate and maintain said Easement on lands herein described. In witness whereof, the Grantor and the Grantee have affixed their signatures on the date(s) specified herein.

IN WITNESS WHEREOF, the Grantor and the Grantee have executed this agreement intending to be bound.



Attorney-in-Fact, Hilcorp Alaska, LLC

Dec 21, 2018
Date



Authorized Officer, Division of Oil and Gas

Dec 21, 2018
Date

) ss.

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21st day of December 2018
Chantal Walsh

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Notary Public in and for the State of Alaska

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) **SS.**
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21st day of December 2018
JOHN A. BARNEI



Notary Public in and for the State of Alaska

STATE OF ALASKA
NOTARY PUBLIC
James M. Shine II
My Commission Expires Feb 28, 2022

Hilcorp Alaska, LLC, Satellite Drill Island Expansion
AS 38.05.850 Stipulations
Attachment A

The following standard stipulations apply to ADL 418040 and any easement issued for the Satellite Drill Island (SDI) Expansion.

1. **Authorized Officer.** The Authorized Officer (AO) for the Department of Natural Resources (DNR) is the Director of Division of Oil and Gas (Director) or Director's designee. The AO may be contacted at 550 W 7th Ave., Suite 1100 Anchorage, Alaska 99501. The AO reserves the right to modify these stipulations or use additional stipulations as deemed necessary.
2. **Indemnification.** Grantee assumes all responsibility, risk and liability for all activities of Grantee, its employees, agents, invitees, contractors, subcontractors, or licensees, directly or indirectly conducted in connection with this authorization, including environmental and hazardous substance risks and liabilities, whether accruing during or after the term of this authorization. Grantee shall defend, indemnify, and hold harmless the State of Alaska, its employees, and agents from and against any and all suits, claims, actions, losses, costs, penalties, and damages of whatever kind or nature, including all attorney's fees and litigation costs, arising out of, in connection with, or incident to any act or omission by Grantee, its employees, agents, invitees, contractors, subcontractors, or licensees, unless the sole proximate cause of the injury or damage is the negligence or willful misconduct of the State or anyone acting on the State's behalf. Within 15 days Grantee shall accept any cause or action or proceeding upon tender by the State. This indemnification will survive the termination of this authorization.
3. **Valid Existing Rights.** This authorization is subject to all valid existing rights in and to the land under this authorization, including Hilcorp Alaska, LLC (Hilcorp) oil and gas leases ADL 47502 and ADL 47503. The State of Alaska makes no representations or warranties whatsoever, either expressed or implied, as to the existence, number, or nature of valid existing rights.
4. **Reservation of Rights.**
 - a. The Division reserves the right to grant additional authorizations to third parties for compatible uses on or adjacent to the land under this authorization. Authorized concurrent users of State land, their agents, employees, contractors, subcontractors, and licensees shall not interfere with the operation or maintenance activities of each user.
 - b. The Division may require authorized concurrent users of State land to enter into an equitable agreement regarding concurrent use.
 - c. The AO reserves the right to modify these stipulations or use additional stipulations as deemed necessary. Grantee will be notified in writing prior to the implementation of any change in the terms or conditions exercised by the AO under this provision. Grantee will be afforded the opportunity to review and comment regarding the effect of any proposed change to this authorization.

Failure of the Grantee to notify the AO of any change to current officers or addresses shall not be sufficient grounds to invalidate the AO's compliance with this notification process.

5. **Proper Location.** This authorization is for activities on State land managed by the Division and does not authorize any activities on private lands, federal lands, Native lands, municipal lands or lands that are owned or managed by other offices and agencies of the State of Alaska and/or the DNR. The Grantee is responsible for proper location on site.
6. **Preference Rights.** No preference right for use or conveyance of the land is granted or implied by this authorization.
7. **Public Trust Doctrine.** The Public Trust Doctrine guarantees public access to, and the public right to use, navigable and public waters and the land beneath them for navigation, commerce, fishing, and other purposes. This authorization is subject the principles of the Public Trust Doctrine regarding navigable or public waters. The AO reserves the right to grant other interests consistent with the Public Trust Doctrine.
8. **The Alaska Historic Preservation Act.** The Grantee shall consult the Alaska Heritage Resources Survey so that known historic, archaeological and paleontological sites may be avoided. The Alaska Historic Preservation Act (AS 41.35.200) prohibits the appropriation, excavation, removal, injury, or destruction of any state-owned historic, prehistoric (paleontological) or archaeological site without a permit from the commissioner. Should any sites be discovered during the course of field operations, activities that may damage the site will cease and the Office of History and Archaeology in the Division of Parks and Outdoor Recreation shall be notified immediately.
9. **Destruction of Markers.** All survey monuments, witness corners, reference monuments, mining claim posts, bearing trees, and unsurveyed lease corner posts shall be protected against damage, destruction, or obliteration. The Grantee shall notify the AO of any damaged, destroyed, or obliterated markers and shall reestablish the markers at the Grantee's expense in accordance with accepted survey practices of the Division.
10. **Compliance with Governmental Requirements: Recovery of Costs.** Grantee shall, at its expense, comply with all applicable laws, regulations, rules and orders, and the requirements and stipulations included in this authorization. Grantee shall ensure compliance by its employees, agents, contractors, subcontractors, licensees, or invitees.
11. **Incurred Expenses.** The grantor shall in no way be held liable for expenses incurred by the grantee connected with the activities directly or indirectly related to this authorization.
12. **Other Authorizations.** The issuance of this authorization does not alleviate the necessity of the Grantee to obtain authorizations required by other persons or agencies for this project. Failure to obtain said authorizations shall constitute a violation of this authorization, subject to action as described herein.

13. **Access.** The Grantee may restrict third party access to the surface as necessary for work site safety within easement area. The Grantee shall provide DNR an opportunity to review and approve access control plans. The area of third party access restriction must not extend outside of the area granted under the easement and is subject to the right of the DI and Endicott Pipeline Company operators to access and operate existing DI and EPC facilities.
14. **Fire Prevention, Protection and Liability.** The Grantee shall take all reasonable precautions to prevent and suppress fires, and shall assume full liability for any damages to state land resulting from negligent use of fire. The State of Alaska is not liable for damage to the Grantee's personal property and is not responsible for fire protection of the Grantee's activity.
15. **Fuel and Hazardous Substances.** The use and/or storage of hazardous substances by the Grantee must be done in accordance with existing federal, state, and local laws, regulations and ordinances. Debris (such as soil) contaminated with used motor oil, solvents, or other chemicals may be classified as a hazardous substance and must be removed and disposed of in accordance with existing federal, state and local laws, regulations and ordinances. In addition to existing federal, state and local laws, regulations and ordinances:
- a. The Grantee shall provide secondary containment for fuel or hazardous substances.
 - b. Container marking. All independent fuel and hazardous substance containers must be marked with the contents and the Grantee's name using paint or a permanent label.
 - c. Fuel or hazardous substance transfers. Secondary containment or surface liners must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or hazardous substances to respond to a spill of up to five gallons. Transfer operations must be attended by trained personnel at all times. Vehicle refueling must not occur within the annual floodplain or tidelands. This restriction does not apply to water-borne vessels provided no more than 30 gallons of fuel are transferred at any given time.
 - d. Storing containers within 100 feet of waterbodies. Containers with a total capacity larger than 55 gallons, which contain fuel or hazardous substances, shall not be stored within 100 feet of a waterbody.
 - e. Exceptions. DNR may, under unique or special circumstances, grant exceptions to this stipulation on a case-by-case basis. Requests for exceptions should be made to the DNR.
 - f. Grantee shall protect the property from leaking or dripping hazardous substances or fuel from equipment and vehicles. The Grantee shall comply with this stipulation by placing drip pans or other surface liners designed to catch and hold fluids under the property or by developing an area for storage using an impermeable liner or other suitable containment mechanism.

g. Definitions.

- i. "Containers" means any item used to hold fuel or hazardous substances. This includes tanks, drums, double-walled tanks, portable testing facilities, fuel tanks on small equipment including light plants and generators, flow test-holding tanks, slop oil tanks, bladders, and bags. Manifolded tanks or any tanks in a series will be considered as single independent containers. Vehicles, including mobile seismic tanks, are not included under this definition.
- ii. "Hazardous substances" are defined under AS 46.03.826(5) as (a) an element or compound which, when it enters the atmosphere, water, or land, presents an imminent and substantial danger to the public health or welfare, including fish, animals, or vegetation; (b) oil; or (c) a substance defined as a hazardous substance under 42 U.S.C. 9601(14).
- iii. "Secondary containment" means an impermeable diked area, portable impermeable containment structure, or integral containment space capable of containing the volume of the largest independent container. The containment shall, in the case of external containment, have enough additional capacity to allow for local precipitation.
- iv. "Surface liner" means any safe, non-permeable container (e.g., drips pans, fold-a-tanks, etc.) designed to catch and hold fluids for the purpose of preventing spills. Surface liners should be of adequate size and volume based on worst-case spill risk.

16. Spill Notification.

- a. The Grantee or entryperson shall immediately notify the Alaska Department of Environmental Conservation (ADEC) by telephone, and immediately afterwards send ADEC a written notice by facsimile, hand delivery, or first class mail, informing ADEC of: any unauthorized discharges of oil to water, any discharge of hazardous substances other than oil; and any discharge or cumulative discharge of oil greater than 55 gallons solely to land and outside an impermeable containment area. If a discharge, including a cumulative discharge, of oil is greater than 10 gallons but less than 55 gallons, or a discharge of oil greater than 55 gallons is made to an impermeable secondary containment area, the Grantee or entryperson shall report the discharge within 48 hours, and immediately afterwards send ADEC a written notice by facsimile, hand delivery, or first class mail. Any discharge of oil greater than one gallon up to 10 gallons, including a cumulative discharge, solely to land, must be reported in writing on a monthly basis. The posting of information requirements of 18 AAC 75.305 shall be met. Scope and Duration of Initial Response Actions (18 AAC 75.310) and reporting requirements of 18 AAC 75, Article 3 also apply.
- b. The Grantee or entryperson shall supply ADEC with all follow-up incident reports. Notification of a discharge must be made to the nearest ADEC Area Response Team during working hours: Anchorage (907) 269-3063, fax (907) 269-7648; Fairbanks (907) 451-2121, fax (907) 451-2362; Juneau (907) 465-5340, fax (907) 465-2237. The ADEC oil spill report number outside normal business hours is (800) 478-9300.

- c. The Grantee or entryperson shall immediately notify the AO of any spill or discharge that is reported to ADEC.
- d. The Grantee or entryperson shall immediately notify the AO of any pollution or explosion in the project area.

17. **Site Maintenance.** The area subject to this easement shall be maintained in a neat, clean and safe condition, free of any solid waste, debris or litter. The State of Alaska assumes no responsibility for maintenance of improvements constructed on state land or liability for injuries or damages attributed to that construction.

18. **Site Disturbance.** Unless specified herein:

- a. Site disturbance shall be kept to a minimum to protect local habitats. All activities at the site shall be conducted in a manner that will minimize the disturbance of soil and vegetation and changes in the character of natural drainage systems.
- b. Brush clearing is allowed, but shall be kept to the minimum necessary to conduct or complete the authorized activity. Removal or destruction of the vegetative mat outside of the authorized area is not allowed.
- c. Establishment of, or improvements to, tidal, submerged, shoreland or riparian landing areas (e.g., leveling the ground, bank cutting or removing or modifying a substantial amount of vegetation) is prohibited without the prior written consent of the AO.
- d. The Grantee shall conduct all operations in a manner that will prevent unwarranted erosion and siltation. Any such erosion or siltation shall be repaired in a manner satisfactory to the AO at the Grantee's expense.

19. **Waste Disposal.** All waste generated during construction activities under this authorization shall be removed or otherwise disposed of as required by state and federal law. On-site waste disposal is prohibited, unless specified herein. "Waste" in this paragraph means all discarded matter, including, but not limited to, human waste, trash, garbage, litter, oil drums, petroleum, ashes and discarded equipment.

20. **Removal of Improvements and Site Restoration.** Upon termination of this authorization, whether by abandonment, revocation or any other means, the Grantee shall within 30 days remove all improvements from the area herein granted, except those owned by the State, and the site shall be restored to a condition acceptable to the AO. Should the Grantee fail or refuse to remove said structures or improvements within the time allotted, they shall revert to and become the property of the State; however, the Grantee shall not be relieved of the cost of the removal of the structures, improvements and/or the cost of restoring the area.

21. **Surface drainage.** The Grantee shall install adequate culverts to maintain surface drainage and to prevent ponding and erosion.

22. Operation of Vehicles.

- a. Blading or removal of the vegetative mat is prohibited unless expressly approved in writing by the DNR.
- b. DNR will determine cross-country travel opening and closure based on snow cover and frost depth conditions. Cross-country travel must be completed within 72 hours of notification of tundra closure by DNR. The winter operation of ground contact vehicles for off-road travel must be limited to areas where ground frost and snow cover are adequate to prevent damage to the vegetative mat and underlying substrate.
- c. Ice roads and ice pads may be constructed in the work areas as long as they are thick enough to prevent damage to the tundra and underlying substrate. A valid DMLW ice road/pad construction permit is required.
- d. Vehicle maintenance, campsites, and storage or stockpiling of material on the surface ice of lakes, ponds, or rivers is prohibited unless expressly approved in writing by DNR.
- e. During equipment maintenance operations, the site must be protected from leaking or dripping hazardous substances or fuel. The Grantee shall comply with this stipulation by placing drip pans or other surface liners designed to catch and hold fluids under the property or by developing an area for maintenance using an impermeable liner or other suitable containment mechanism.
- f. Incidents of tundra damage and follow-up corrective actions that may have taken place while operating under this authorization must be reported to DNR within 72 hours of discovery of damage.

23. Violations. This authorization may be revoked upon violation of any of its terms, conditions, stipulations, nonpayment of fees, or upon failure to comply with any other applicable laws, statutes and regulations (federal and state). A revocation may not become effective until 60 days after the Grantee has been notified in writing of the violation during which time the Grantee has an opportunity to cure any such violation. Should any unlawful discharge, leakage, spillage, emission, or pollution of any type occur due to the Grantee's, or its employees', agents', contractors', subcontractors', licensees', or invitees' act or omission, the Grantee, at its expense shall be obligated to clean the area to the reasonable satisfaction of the State of Alaska.

24. Severability. If any clause or provision of this authorization is, in a final judicial proceeding, determined illegal, invalid, or unenforceable under present or future laws, then the grantor and the grantee agree that the remainder of this authorization will not be affected, and in lieu of each clause or provision of this authorization that is illegal, invalid, or unenforceable, there will be added as part of this authorization a clause or provision as similar in terms to the illegal, invalid, or unenforceable clause or provision as may be possible, legal, valid, and enforceable.

25. Inspection. Authorized representatives of the State of Alaska shall have access to the easement area for inspections. The Grantee may be charged fees under 11 AAC 05.010(a)(7)(M) for routine inspections of the authorized area, inspections concerning

non-compliance, and a final close-out inspection.

26. **Improvements.** The Grantee or entryperson must obtain advance written approval from the AO prior to making any changes or improvements to the site or their operations not already included in this authorization.
27. **Fine Tuning.** Any changes in the alignment of the project area will require the prior written approval of the AO. The AO reserves the discretionary authority to require a redetermination of the State's best interest for any significant proposed changes.
28. **Amendment or Modification.** To amend or modify the uses allowed under this authorization, the Grantee shall submit a request in writing to the AO. Any amendment or modification must be approved by the AO and may require additional fees.
29. **Assignment.** This authorization may not be transferred or assigned without the prior written consent of the AO.
30. **Change of Address or Officers.** Any change of address or authorized officers appointed by the Grantee must be submitted in writing to the AO.
31. **Request for Information.** The AO, at any time, may require the grantee to provide any information directly or indirectly related to this authorization, in a manner prescribed by the AO.
32. **Fee Payment and Late Payment Penalty Charges.** This authorization is subject to an annual use fee bound by the October 15, 2008, Director's Decision, payable on or before January 1 of each year.

Annual usage fees for ADL 418040 are subject to 11 AAC 05.010(e)(11)(B) and are based on the area and location of the parcel. For parcels under 50 acres (2,178,000 ft²), the annual cost per square foot decreases as area increases. The base usage fee per square foot for the Deadhorse Industrial Area (y) is described by the function $y = 0.4792x^{-0.393}$, with (x) being the parcel's acreage.

Tundra parcels near existing transportation infrastructure in the Oil Production area is valued at 60% of the Deadhorse market rate. Thus, the total cost per square foot of ADL 418040 is determined by the function $y = 0.6 * 0.4792x^{-0.393}$

ADL	Description	Operational Area	Annual Operational Fee
418040	SDI Expansion	32.6 acres	\$103,819.52

The Grantee shall pay a fee for any late payment. The amount is the greater of either the fee specified in 11 AAC 05.010 or interest at the rate set by AS 45.45.010(a) and will be assessed on a past-due account until payment is received by the State.

33. Notices to DI and EPC Operator. The Grantee shall provide advance written of its plans and any subsequent modifications of those plans for the construction, operation, or maintenance of facilities to:

- a. EPC operator, for any facilities lying within the boundaries of the EPC right-of-way lease;
- b. DI operator, for any facilities lying within the boundaries of the DI.

Notice must be given at such time and in such detail to allow the operator to timely request modification of Grantee's plans for the purpose of preventing unnecessary or unreasonable interference with operations conducted by the operator. Notice to an operator must be provided during emergencies in a manner and to the extent reasonably practicable. Any controversy arising from a timely request for modification provided by an operator that cannot be resolved between the Grantee and the operator, shall be submitted to the Authorized Officer for mediation and resolution.

