



February 21, 2019

Ms. Deborah Heebner
North Slope Environmental Specialist
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, AK 99503

RE: LONS 81-054, Hilcorp Alaska, LLC, Milne Point Unit, A Pad Tensioned Fabric Building/Tent, Unit Plan of Operations Amendment Decision

Dear Ms. Heebner:

The Alaska Department of Natural Resources (DNR), Division of Oil and Gas (Division), in accordance with Alaska Statute (AS) 38.05 and Alaska Oil and Gas Leasing Regulations (11 AAC 83) grants authorization to conduct activities on state lands as proposed in the Milne Point Unit (MPU) Plan of Operations (Plan) amendment application dated January 28, 2019, for the above referenced project.

Scope:

Hilcorp Alaska, LLC (HAK) requests approval to install a new 76 ft. wide x 80 ft. long connex based tensioned fabric building/tent on A Pad in the MPU. The building has an overhead door for moving in materials. The purpose of this project is to provide adequate storage and work space for HAK's Automatic Service Workover Rig. All proposed activities will take place from existing roads and gravel pads.

Plan activities include:

- Level existing gravel pad
- Install 4" foam insulation on the pad
- Place 6" rig mats and weld together
- Install connexes and weld to rig mats
- Erect tensioned fabric building/tent and install garage door
- Connect and install electrical service from nearby electrical submersible pump module

Location information:

MPU

A Pad

Meridian: Umiat

Township: 13N

Range: 10E

Section: 23

Global Positioning System (GPS) Coordinates: 70.468605' N, -149.477772' W (NAD 1983)

ADL: 047437

Agency review:

The Division provided an agency review and comment opportunity for the activities considered for authorization under this decision. The following government entities were notified on January 30, 2019: United States Army Corps of Engineers (USACE), North Slope Borough (Borough), Alaska Department of Fish and Game (ADF&G), Alaska Department of Environmental Conservation (ADEC) and DNR: Division of Mining, Land & Water (DMLW). The comment deadline was 4:30 pm, Alaska time, on February 13, 2019.

Conditions/Stipulations:

1. A certified As-Built survey of the activity shall be provided within one year of placement of the improvement. This As-Built must contain a hard copy, as well as a digital GIS file containing a Shapefile or ESRI Feature Class.

Please attach this amendment approval with the original decision. This unit operations amendment approval is issued in accordance with AS 38.05, Alaska Administrative Codes 11 AAC 83.346 and 11 AAC 83.303. The Division reviewed this amendment under the unit regulation for the Plan, 11 AAC 83.346, and considers the factors set forth in 11 AAC 83.303(a) and (b). The amendment was also evaluated against the MPU agreement for conformance.

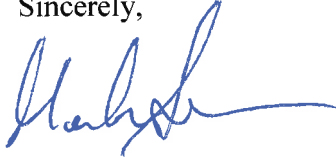
A person affected by this decision may appeal it in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after issuance of the decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to the Commissioner, Department of Natural Resources, 550 W 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or emailed to dnr.appeals@alaska.gov. This decision takes effect immediately. If no appeal is filed by the appeal deadline, then this decision becomes a final administrative order and decision of the department on the 31st day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

This approval signifies only that the State of Alaska has no objection to the operations outlined in the Plan amendment application. It does not constitute certification of any property right or land status claimed by the applicant nor does it relieve the applicant of responsibility to obtain approvals or permits from other persons or governmental agencies. All stipulations contained in the original lease and subsequent Plan approvals remain in full force and effect.

If activities have not commenced, then this approval expires on **February 21, 2022**. Failure to comply with the terms and conditions outlined in the lease, the attached stipulations, and this authorization may result in revocation of this unit operations approval.

Any questions or concerns about this amendment may be directed to Natural Resource Specialist Corazon Manaois at 907-269-8772 or emailed to corazon.manaois@alaska.gov.

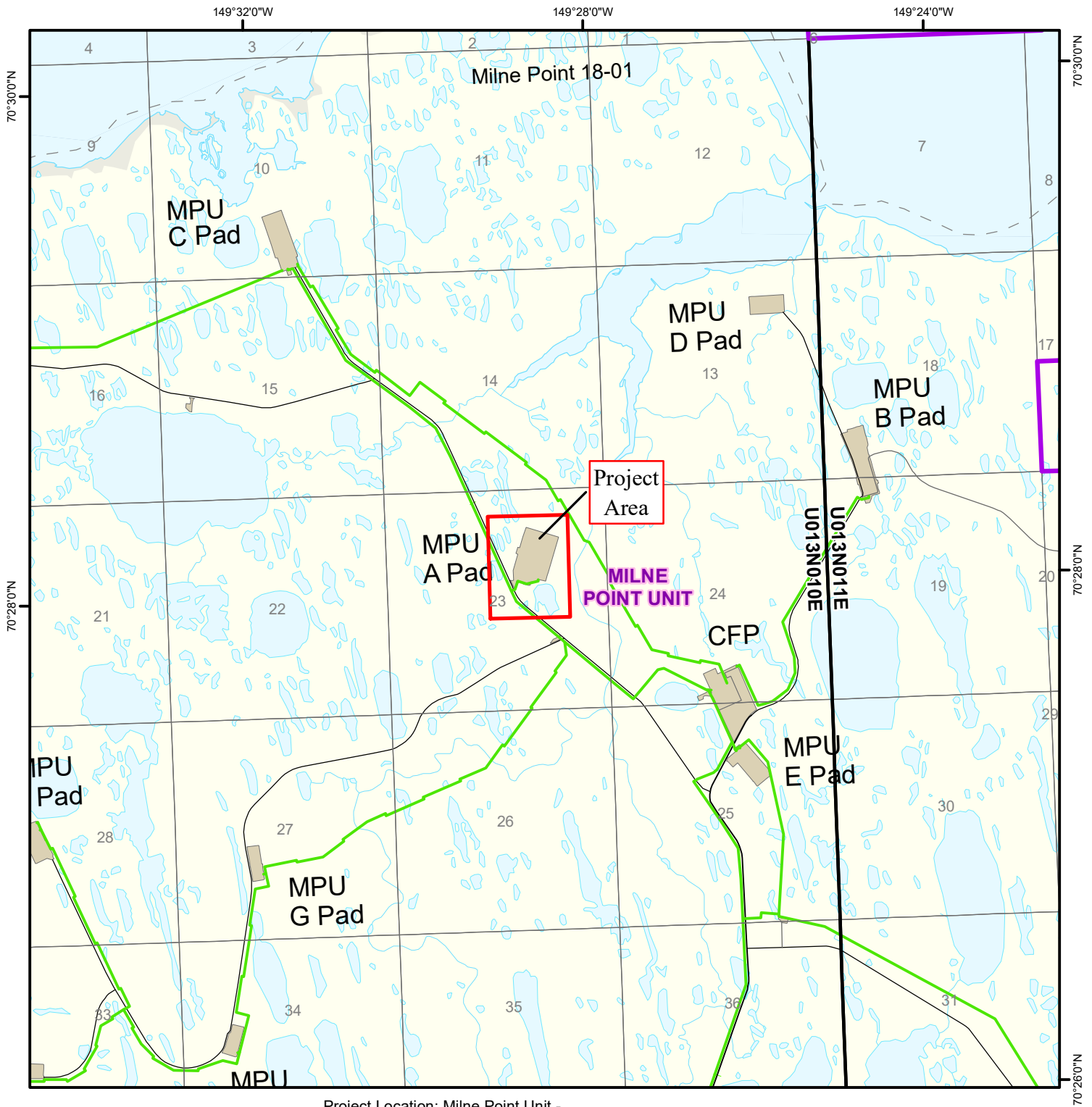
Sincerely,



For Nathaniel G. Emery
Natural Resource Specialist

Attachments: Figures 1-3
2018 North Slope Mitigation Measures

ecc: Division: Graham Smith, Nathaniel Emery, Jes Spuhler, Paul Blanche, James Hyun, Tiana-Nicole Heyano, and SPCO Records
DMLW: DNRMLW.NorthernO&G@alaska.gov, Jeanne Proulx, Alexander Wait, and Henry Brooks
ADFG: Jack Winters
ADEC: Laurie Silfven, and dec.water.oilandgas@alaska.gov
Borough: Jason Bergenson, Josie Kaleak, and Matt Dunn
Other: regpagemaster@usace.army.mil



Project Location: Milne Point Unit -
MPU PAD A

Latitude (Decimal Degrees): 70.468605, NAD 1983
Longitude (Decimal Degrees): -149.477772, NAD 1983

Alaska State Plane Zone 4, NAD 1983
X = 1704364.929741
Y = 6021132.271277

Sec.23 T13N, R10E, Umiat Meridian,
ADL#: 047437
Adjacent Property Owner: State of Alaska

Legend

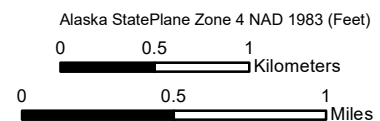
- Existing Pipeline (Above Ground)
- Gravel Footprint
- Oil and Gas Unit Boundary



Map Date: 1/14/2019

**Milne Point Unit
MPU A PAD
Fabric Building / Tent
Vicinity Map**

Figure 1





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Legend
 Proposed Tent Location

Aerial Imagery:
 Flown July 2017
 by Quantum Spatial Inc.
 for Hilcorp Alaska, LLC.



149°28'50"W

149°28'45"W

149°28'40"W

70°28'6"N

70°28'4"N

70°28'2"N

70°28'4"N

70°28'2"N



Legend

- Proposed Tent Location
- Existing Utilities from ESP Mod (Approximate Location)

Aerial Imagery:
Flown July 2017
by Quantum Spatial Inc.
for Hilcorp Alaska, LLC.



Chapter Nine: Mitigation Measures

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Chapter Nine: Mitigation Measures

Operations will be conditioned by mitigation measures that are attached to any leases issued and are binding on the lessee. These measures were developed to mitigate potential effects of lease-related activities, considering all information made known to the Director. Additional measures may be imposed when the lessee submits a proposed plan of operations (11 AAC 83.158(e) and 83.346(e)) for exploration, production, development, or transportation uses, or in rights-of-way for other pipelines. The Director may consult with local government organizations and other agencies in implementing the mitigation measures below. Lessees are subject to applicable local, state, and federal laws and regulations, as amended.

The Director may grant exceptions to these mitigation measures upon a showing by the lessee that compliance with the mitigation measure is not practicable and that the lessee will undertake an equal or better alternative to satisfy the intent of the mitigation measure. Requests and justifications for exceptions must be included in the plan of operations application as specified by the application instructions, and decisions of whether to grant exceptions will be made during the plan of operations review.

K. Mitigation Measures

1. Facilities and Operations

- a. Oil and gas facilities, including pipelines, shall be designed using industry-accepted engineering codes and standards. Technical submittals to the Division of Oil and Gas (DO&G) that reflect the “practice of engineering,” as defined by AS 08.48.341, must be sealed by a professional engineer registered in the State of Alaska.
- b. A plan of operations shall be submitted and approved before conducting exploration, development, or production activities in accordance with 11 AAC 83.
- c. Facilities shall be designed and operated to minimize sight and sound impacts in areas of high residential, recreational, and subsistence use and important wildlife habitat.
- d. The siting of facilities, including roads, airstrips, and pipelines, is prohibited within one-half mile of the coast as measured from the mean high water mark and 500 feet of all fish bearing waterbodies.
- e. Notwithstanding (d) above, the siting of facilities is prohibited within one-half mile of the banks of the Colville, Canning, Sagavanirktok, Kavik, Shaviovik, Kadleroshilik, Echooka, Ivishak, Kuparuk, Toolik, Anaktuvuk and Chandler Rivers as measured from the ordinary high water mark. Facilities may be sited, on a case-by-case basis, within the one-half mile buffer if the lessee demonstrates that siting of such facilities outside this buffer zone is not feasible or prudent, or that a location within the buffer is environmentally preferable.

- f. No facilities will be sited within one-half mile of identified Dolly Varden overwintering and/or spawning areas on the Canning, Shaviovik, and Kavik rivers. Notwithstanding the previous sentence, road and pipeline crossings may only be sited within these buffers if the lessee demonstrates to the satisfaction of the Director and Alaska Department of Fish and Game (ADF&G) in the course of obtaining their respective permits, that either (1) the scientific data indicate the proposed crossing is not within an overwintering or spawning area; or (2) the proposed road or pipeline crossing will have no significant adverse impact to Dolly Varden overwintering or spawning habitat.
- g. Impacts to important wetlands shall be minimized to the satisfaction of the Director, in consultation with ADF&G and Alaska Department of Environmental Conservation (ADEC). The Director will consider whether facilities are sited in the least sensitive areas.
- h. Exploration roads, pads, and airstrips shall be temporary and constructed of ice. Use of gravel roads, pads, and airstrips may be permitted on a case-by-case basis by the Director, in consultation with Division of Mining, Land, and Water (DMLW) and ADF&G.
- i. Road and pipeline crossings shall be aligned perpendicular or near perpendicular to watercourses.
- j. Pipelines
 - i. Shall use existing transportation corridors and be buried where soil and geophysical conditions permit.
 - ii. In areas with above ground placement, pipelines shall be designed, sited, and constructed to allow for the free movement of wildlife and to avoid significant alteration of caribou and other large ungulate movement and migration patterns.
 - iii. At a minimum, above ground pipelines shall be elevated seven feet, as measured from the ground to the bottom of the pipeline, except where the pipeline intersects a road, pad, or a ramp installed to facilitate wildlife passage. A lessee shall consider snow depth in relation to pipe elevation to ensure adequate clearance for wildlife.
 - iv. Pipelines and gravel pads shall facilitate the containment and cleanup of spilled fluids.
- k. Causeways and docks shall not be located in river mouths or deltas. Approved causeways shall be designed, sited, and constructed to prevent significant changes to nearshore oceanographic circulation patterns and water quality characteristics (e.g., salinity, temperature, suspended sediments) that result in exceedances of water quality criteria, and must maintain free passage of marine and anadromous fish.
- l. Artificial gravel islands and bottom founded structures shall not be located in river mouths or active stream channels on river deltas, except as provided for in (m) below.
- m. Each proposed structure will be reviewed on a case-by-case basis. Causeways, docks, artificial gravel islands and bottom founded structures may be permitted if the Director, in consultation with ADF&G and ADEC, determines that a causeway or other structures are necessary for field development and that no practicable alternatives exist. A monitoring

- program may be required to address the objectives of water quality and free passage of fish, and mitigation shall be required where significant deviation from objectives occurs.
- n. Upon abandonment of material sites, drilling sites, roads, buildings or other facilities, such facilities must be removed and the site rehabilitated to the satisfaction of the Director, unless the Director and any non-state surface owner, determines that such removal and rehabilitation is not in the state's interest.
 - o. Material sites required for exploration and development activities shall be:
 - i. restricted to the minimum necessary to develop the field efficiently and with minimal environmental damage,
 - ii. where practicable, designed and constructed to function as water reservoirs for future use, and
 - iii. located outside active floodplains of a watercourse unless the Director DMLW, after consultation with ADF&G, determines that there is no practicable alternative, or that a floodplain site would enhance fish and wildlife habitat after mining operations are completed and the site is closed.
 - p. The Director may include plan stipulations if necessary to reduce or eliminate adverse impacts to fish and wildlife or to protect the environment.

2. Fish Wildlife and Habitat

- a. The lessee shall consult with the North Slope Borough (NSB) before proposing the use of explosives for seismic surveys. The Director may approve the use of explosives for seismic surveys after consultation with the NSB.
- b. Any water intake structures in fish bearing or non-fish bearing waters shall be designed, operated, and maintained to prevent fish entrapment, entrainment, or injury. All water withdrawal equipment must be equipped and must use fish screening devices approved by ADF&G.
- c. Removal of snow from fish-bearing rivers, streams, and natural lakes shall be subject to prior written approval by ADF&G. Compaction of snow cover overlying fish-bearing waterbodies is prohibited except for approved crossings. If ice thickness is not sufficient to facilitate a crossing, then ice or snow bridges may be required.
- d. Bears:
 - i. Brown bears
 - A. A lessee must consult with ADF&G before commencing any activities to identify the locations of known brown bear den sites that are occupied in the season of proposed activities.

- B. Exploration and production activities shall not be conducted within one-half mile of occupied brown bear dens unless alternative mitigation measures are approved by ADF&G.
 - C. A lessee who encounters an occupied brown bear den not previously identified by ADF&G shall report it to the Division of Wildlife Conservation, ADF&G, within 24 hours. The lessee will avoid conducting mobile activities one-half mile from discovered occupied dens unless alternative mitigation measures are approved by the Director, with concurrence from ADF&G. Non-mobile facilities will not be required to relocate.
- ii. Polar bears
 - A. Consultation with the US Fish and Wildlife Service (USFWS) is required prior to commencement of any activities as required by the Endangered Species Act, and also to identify the locations of known polar bear den sites.
 - B. Operations shall avoid known polar bear dens by at least one mile.
 - C. A lessee who encounters an occupied polar bear den not previously identified by USFWS shall report it to the USFWS within 24 hours and subsequently avoid the new den by at least one mile.
 - D. If a polar bear should den within an existing development, off-site activities shall be restricted to minimize disturbance.
 - iii. For projects in proximity to areas frequented by bears, the lessee is required to prepare and implement a human-bear interaction plan designed to minimize conflicts between bears and humans. The plan shall include measures to:
 - A. minimize attraction of bears to facility sites;
 - B. organize layout of buildings and work areas to minimize interactions between humans and bears;
 - C. warn personnel of bears near or on facilities and the proper actions to take;
 - D. if authorized, deter bears from the drill site;
 - E. provide contingencies in the event bears do not leave the site;
 - F. discuss proper storage and disposal of materials that may be toxic to bears; and
 - G. provide a systematic record of bears on the site and in the immediate area.
 - e. Permanent, staffed facilities shall be sited to the extent practicable outside identified brant, white-fronted goose, snow goose, tundra swan, king eider, common eider, Steller's eider, spectacled eider, and yellow-billed loon nesting and brood rearing areas.
 - f. The Director, in consultation with ADF&G, may impose additional and seasonal restrictions on activities located in, or requiring travel through or overflight of, important caribou or

other large ungulate calving and wintering areas during the plan of operations approval stage.

3. Subsistence, Commercial, and Sport Harvest Activities

- a. Lease-related use will be restricted if necessary to prevent unreasonable conflicts with subsistence, commercial, or sport fish and wildlife harvest activities. Traditional and customary access to subsistence areas will be maintained unless reasonable alternative access is provided to subsistence users. “Reasonable access” is access using means generally available to subsistence users. Lessees will consult the NSB, nearby communities, and native organizations for assistance in identifying and contacting local subsistence users.
- b. Before submitting a plan of operations that has the potential to disrupt subsistence activities, the lessee will consult with the potentially affected subsistence communities and the NSB (collectively “parties”) to discuss the siting, timing, and methods of proposed operations and safeguards or mitigating measures that could be implemented by the operator to prevent unreasonable conflicts. The parties will also discuss the reasonably foreseeable effect on subsistence activities of any other operations in the area that they know will occur during the lessee’s proposed operations. Through this consultation, the lessee will make reasonable efforts to ensure that exploration, development, and production activities are compatible with subsistence hunting and fishing activities and will not result in unreasonable interference with subsistence harvests.

4. Fuel, Hazardous Substances, and Waste

- a. The lessee will ensure that secondary containment is provided for the storage of fuel or hazardous substances and sized as appropriate to container type and according to governing regulatory requirements in 18 AAC 75 and 40 CFR 112. Containers with an aggregate storage capacity of greater than 55 gallons that contain fuel or hazardous substances will not be stored within 100 feet of a waterbody, or within 1,500 feet of a current surface drinking water source.
- b. During equipment storage or maintenance, the site must be protected from leaking or dripping fuel and hazardous substances by the placement of drip pans or other surface liners designed to catch and hold fluids under the equipment, or by creating an area for storage or maintenance using an impermeable liner or other suitable containment mechanism.
- c. During fuel or hazardous substance transfer, secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends. Appropriate spill response equipment, sufficient to respond to a spill of up to five gallons, must be on hand during any transfer or handling of fuel or hazardous substances.
- d. Vehicle refueling will not occur within the annual floodplain, except as addressed and approved in the plan of operations. This measure does not apply to water-borne vessels.

- e. All independent fuel and hazardous substance containers must be marked with the contents and the lessee's or contractor's name using paint or a permanent label.
- f. A fresh water aquifer monitoring well, and quarterly water quality monitoring, is required down gradient of a permanent storage facility, unless alternative acceptable technology is approved by ADEC.
- g. Waste from operations must be reduced, reused, or recycled to the maximum extent practicable. Garbage and domestic combustibles must be incinerated whenever possible or disposed of at an approved site in accordance with 18 AAC 60.
- h. Proper disposal of garbage and putrescible waste is essential to minimize attraction of wildlife. The lessee must use the most appropriate and efficient method to achieve this goal. The primary method of garbage and putrescible waste is prompt, on-site incineration in compliance with State of Alaska air quality regulations. The secondary method of disposal is on-site frozen storage in animal-proof containers with backhaul to an approved waste disposal facility. The tertiary method of disposal is on-site non-frozen storage in animal proof containers with backhaul to an approved waste disposal facility. Daily backhauling of non-frozen waste is required unless safety considerations prevent it.
- i. New solid waste disposal sites, other than for drilling waste, will not be approved or located on state property for exploration.
- j. The preferred method for disposal of muds and cuttings from oil and gas activities is by underground injection. Drilling mud and cuttings will not be discharged into lakes, streams, rivers, or wetlands. On-pad temporary cuttings storage may be allowed as necessary to facilitate annular injection and backhaul operations. Injection of non-hazardous oilfield wastes is regulated by Alaska Oil and Gas Conservation Commission through its Underground Injection Control Program for oil and gas wells.

5. Access

- a. Exploration activities must be supported only by ice roads, winter trails, existing road systems, or air service. Wintertime off-road travel across tundra and wetlands may be approved in areas where snow and frost depths are sufficient to protect the ground surface.
- b. Summertime off-road travel across tundra and wetlands may be authorized subject to time periods and vehicle types approved by DMLW.
- c. Emergency exceptions may be granted by the Director of DMLW, and the Director, if it is determined that travel can be accomplished without damaging vegetation or the ground surface on a site-specific basis.
- d. Gravel use may be authorized on a site-specific basis if it is determined, after consulting with ADF&G and DMLW, that no practicable alternatives exist for constructing an exploration road or pad in the area south of the boundary described below and depicted in the map below:

Beginning at the NPR-A boundary, from the northeast corner of T 1N, R 2E, east to the northwest corner of T 1N, R 9E, then north to the northwest corner of T 4N, R 9E, then east to the northwest corner of T 4N, R 23E, then south to the southwest corner of T 4N, R 23E, and then east along the top of T 3N to the ANWR boundary.

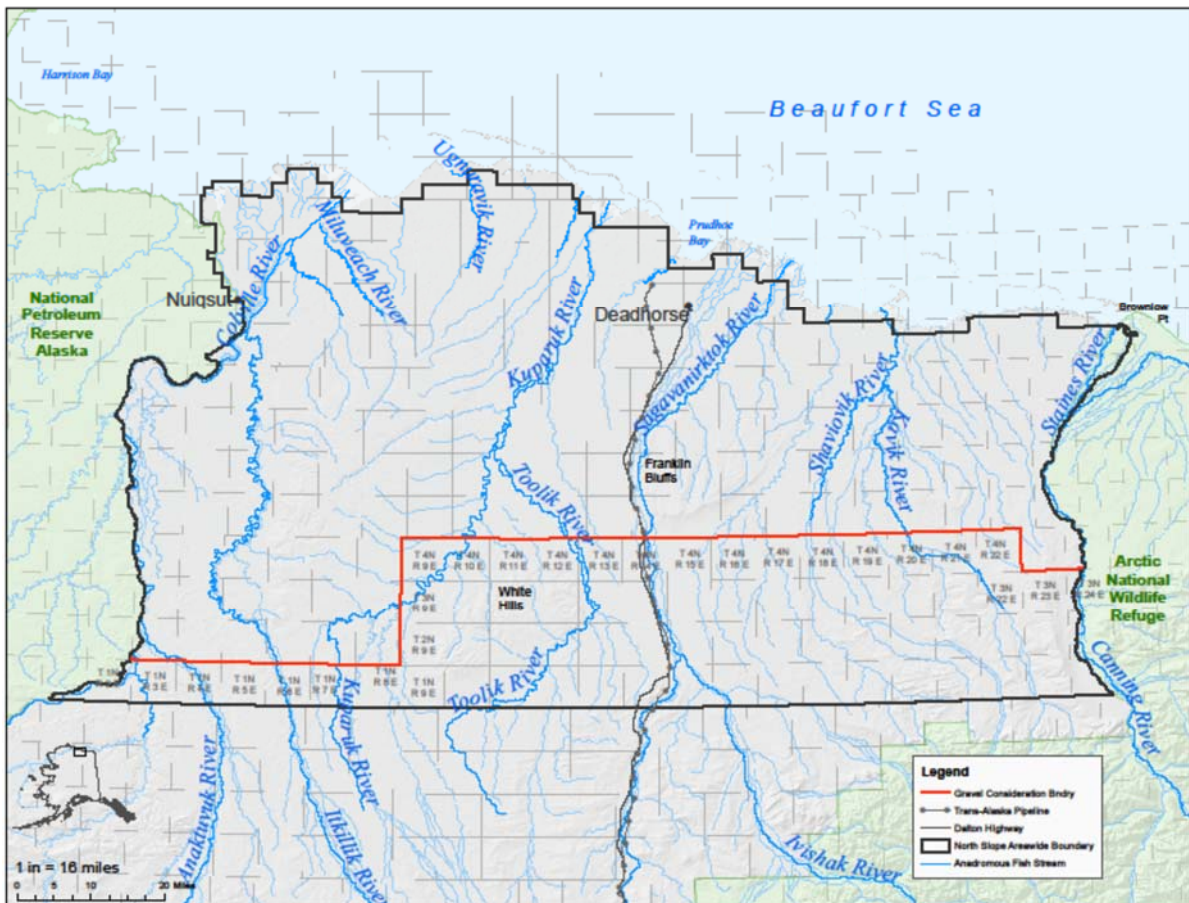


Figure 0.1.—Gravel Consideration Boundary

- e. Public access to, or use of, the lease area may not be restricted except within the immediate vicinity of drill sites, buildings, and other related structures. Areas of restricted access must be identified in the plan of operations.

6. Historic, Prehistoric, and Archaeological Sites

- a. Before the construction or placement of any structure, road, or facility supporting exploration, development, or production activities, the lessee must conduct an inventory of

prehistoric, historic, and archeological sites within the area, including a detailed analysis of the effects that might result from that construction or placement.

- b. The inventory of prehistoric, historic, and archeological sites must be submitted to the Director and the Office of History and Archeology (OHA) who will coordinate with the NSB for review and comment. If a prehistoric, historic, or archeological site or area could be adversely affected by a lease activity, the Director, after consultation with OHA and the NSB, will direct the lessee as to the course of action to take to avoid or minimize adverse effects.
- c. If a site, structure, or object of prehistoric, historic, or archaeological significance is discovered during lease operations, the lessee shall report the discovery to the Director as soon as possible. The lessee shall make all reasonable efforts to preserve and protect the discovered site, structure, or object from damage until the Director, after consultation with the State Historic Preservation Office and the NSB, has directed the lessee on the course of action to take for its preservation.

7. Hiring Practices

- a. The lessee is encouraged to employ local and Alaska residents and contractors, to the extent they are available and qualified, for work performed in the lease area. Lessees shall submit, as part of the plan of operations, a hiring plan that shall include a description of the operator's plans for partnering with local communities to recruit, hire, and train local and Alaska residents and contractors. As a part of this plan, the lessee is encouraged to coordinate with employment and training services offered by the State of Alaska and local communities to train and recruit employees from local communities.
- b. In accordance with Administrative Order 278, the lessee is encouraged to employ apprentice labor to perform at least 15 percent of total work hours, to the extent they are available and qualified, for work performed in the lease area. Lessees shall submit, as part of the plan of operations, a hiring plan detailing the means by which the lessee might incorporate apprentice labor.
- c. A plan of operations application must describe the lessee's past and prospective efforts to communicate with local communities and interested local community groups.
- d. A plan of operations application must include a training program
 - i. for all personnel including contractors and subcontractors;
 - ii. designed to inform each person working on the project of environmental, social, and cultural concerns that relate to that person's job;
 - iii. using methods to ensure personnel understand and use techniques necessary to preserve geological, archeological, and biological resources; and
 - iv. designed to help personnel increase their sensitivity and understanding of community values, customs, and lifestyles in areas where they will be operating.

L. Definitions

Facilities – Any structure, equipment, or improvement to the surface, whether temporary or permanent, including, but not limited to, roads, pads, pits, pipelines, power lines, generators, utilities, airstrips, wells, compressors, drill rigs, camps, and buildings.

Hazardous substance – As defined under 42 USC 9601 – 9675 (Comprehensive Environmental Response, Compensation, and Liability Act of 1980).

Important wetlands – Those wetlands that are of high value to fish, waterfowl, and shorebirds because of their unique characteristics or scarcity in the region or that have been determined to function at a high level using the hydrogeomorphic approach.

Minimize – To reduce adverse impacts to the smallest amount, extent, duration, size, or degree reasonable in light of the environmental, social, or economic costs of further reduction.

Plan of operation – A lease plan of operations under 11 AAC 83.158 and a unit plan of operations under 11 AAC 83.346.

Practicable – Feasible in light of overall project purposes after considering cost, existing technology, and logistics of compliance with the mitigation measure.

Secondary containment – 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.

Temporary – No more than 12 months.