



BP & Hilcorp Transaction

An Update on the deal & the State's oversight role

Presented by
Department of Natural Resources Commissioner, Corri Feige
Joint Resource Committee Hearing, February 26, 2020



AGENDA

The Proposed Sale

What assets and liabilities are changing hands?

How does the State review and approve this deal?

Update on due diligence since December?

Governor's Oversight Committee

SALE OVERVIEW

- August 27, 2019 - Sale Publicly announced.
- \$5.6 Billion of upstream and midstream interests.
- Purported stock sale of the upstream companies.
- Combined stock and asset sale of the midstream companies and TAPS assets.
- October 11, 2019 – Division of Oil & Gas provided with confidential purchase and sale agreement to assist with its due diligence.

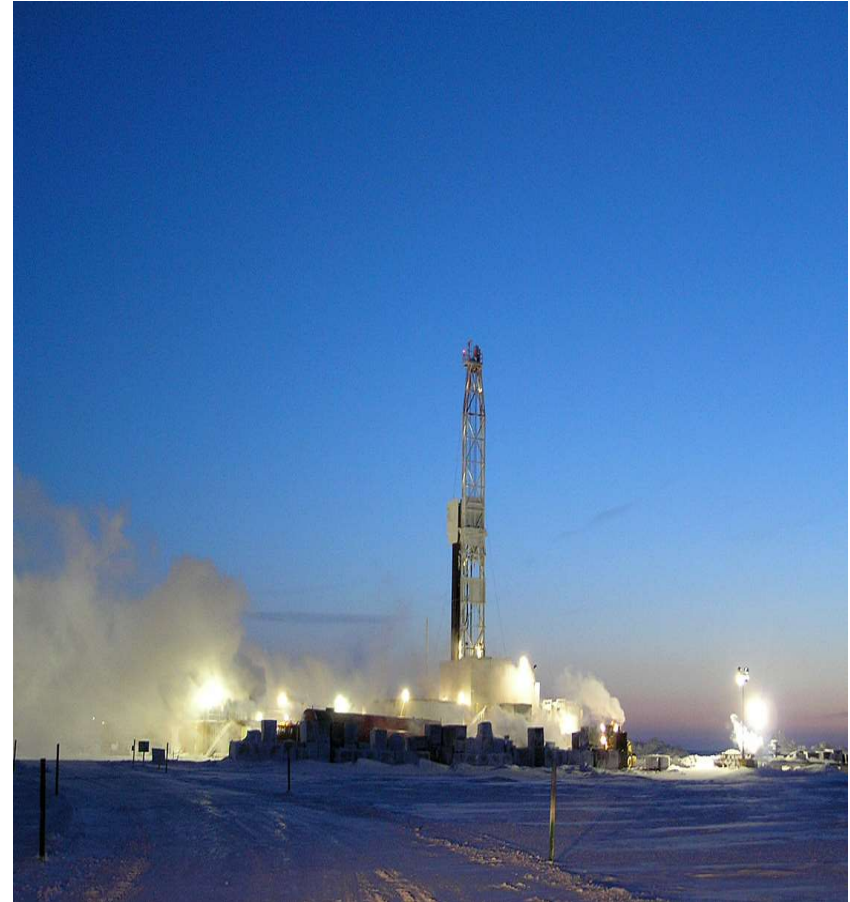


UPSTREAM ASSETS

All issued and outstanding shares of stock of BP Exploration (Alaska) Inc. (“BPXA”)

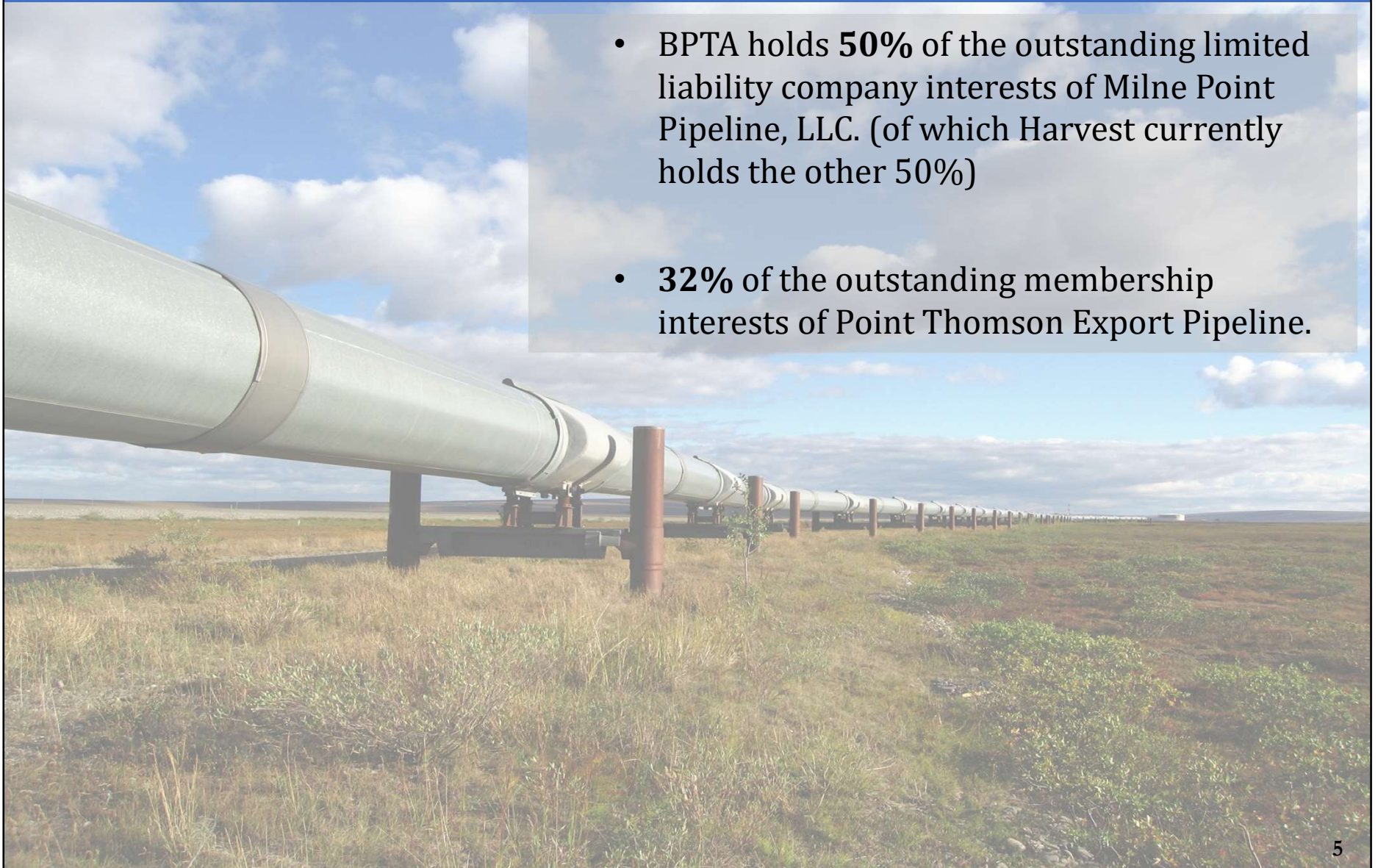
- BPXA owns working interests in oil & gas leases in the following areas:
 - Prudhoe Bay Unit: **26.36%**
 - Pt Thomson Unit: **~32%**
 - Milne Point Unit: **50%**
 - Liberty Unit (Federal unit): **50%**
 - ANWR (ASRC leases)**: **50%**

***Arctic National Wildlife Refuge Leases are from the Arctic Slope Regional Corporation, not the State of Alaska.*



HARVEST ALASKA, LLC MIDSTREAM

- BPTA holds **50%** of the outstanding limited liability company interests of Milne Point Pipeline, LLC. (of which Harvest currently holds the other 50%)
- **32%** of the outstanding membership interests of Point Thomson Export Pipeline.



HARVEST ALASKA, LLC MIDSTREAM

- Acquiring from BP Pipelines (Alaska) Inc. (“BPPA”):
 - BPPA’s approximately **48.4%** interest in the Trans Alaskan Pipeline System (“TAPS”) and approximate **47.6%** interest in TAPS terminal tankage in Valdez.
 - Approximately **49.1069%** of issued and outstanding shares of Alyeska Pipeline Service Company.
 - Approximately **25%** share in Prince William Sound Spill Response Corporation.

ADDITIONAL ASSET TRANSFERS

- All issued and outstanding limited liability company membership interests of BP Alaska LNG LLC (“BPALL”).
- BPALL owns 1/3 of outstanding limited liability company interest in Alaska LNG Project, LLC.



DNR: DIVISION OF OIL & GAS

State Pipeline Coordinator Office

- Fit, willing and able test
- AS 38.35.100(a).

Leasing

- Administer and approve change in control of leases.
- 11 AAC 82.605.

Units

- Administer change in control of operator of Prudhoe Bay Unit.
- 11 AAC 83.331.

Commercial

- Examine existing financial assurances and determine what amendments will be required.
- Analyze financials of Hilcorp and Harvest.

Permitting

- Administer change in control of permits.
- 11 AAC 83.158(e).
- 11 AAC 83.346(e).
- 11 AAC 96.040(c).

11 AAC 82.605 (b) No transfer of an interest in a lease, ... , is binding upon the state unless approved by the Commissioner.

OTHER AGENCY OVERSIGHT

AOGCC

- Designation of Operator & Ownership filings
- Bonding – Both BP & HC compliant with increased level of bonding implemented by AOGCC in May 2019.

ATTORNEY GENERAL'S OFFICE

- Oil and Gas Section's role
 - Represent decision makers through various regulatory processes.
 - Represent the State of Alaska before the Regulatory Commission of Alaska.

DEC

- Oil Discharge Prevention & Contingency Plan approval
 - BPX Greater Prudhoe Bay is current
- Financial Responsibility for Spills or Possible Spills
 - HC must apply for DEC approval to include newly acquired facilities prior of sale closing.
- Contaminated sites liability & clean-up
 - BP remains responsible for all contamination existing before sale

RCA PROCESS

(Alaska Statute 48.06.305)

- RCA Proceedings in general.
 - Quasi-judicial.
 - Five commissioners.
 - Resides under Department of Commerce (DCCED).
- RCA Pipeline Acquisition Dockets
 - Administrative process.
 - Court-like discovery.
 - Likely hearing.
- Questions answered in an RCA pipeline docket
 - Is the acquiring pipeline operator fit and able?
 - Is the proposed acquisition in the public interest?



SINCE DECEMBER 2019...

- **January 9th** – Governor’s Oversight Committee held its first meeting.
- **January 17th** – Hilcorp/Harvest pipeline transfers completed in preparation for working the BP/Harvest transfer applications.
- **January 21st** – “Change in control” form for oil & gas leases provided to Hilcorp.
 - Still finalizing what entities will hold secondary liability.
 - **BP represents to the State that it will remain secondarily liable for the upstream DR&R obligations of BPXA as they exist at the time of the transfer.**
- **February 4th** – RCA held Public hearing on TAPS transfer application.
 - Still awaiting decision on petition for confidentiality of financial documents. Decision due **March 12th**.
- **February 25th** - DNR & 3rd Party experts in Houston at Hilcorp’s office to advance financial stress testing.
 - Companies have remained very forthcoming in this & other due diligence.
- **DNR has established the “FAQ” webpage for keeping the public informed.**
 - DNR Home Page banner -- Can register to get email alerts as new information is posted.

GOVERNOR'S OVERSIGHT COMMITTEE

- Formed by Governor Dunleavy to oversee the transaction due diligence and ensure the interests of Alaskans' are thoroughly discussed & protected.
- Composed of Commissioners from DNR (Chair), DEC, ADF&G, Labor, Commerce & Revenue, plus Attorney General's Office and Governor's Office.
- **GOC to have a public meeting in second half of March to update on progress of transaction review.**



THANK YOU!

