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January 8, 2018

Mr. Jason Walsh  
State Pipeline Coordinator  
Department of Natural Resources  
Division of Oil & Gas  
State Pipeline Coordinator's Section  
3651 Penland Parkway  
Anchorage, AK 99508

RE: Milne Point Product Pipeline – ADL 416172  
Release of Interest

Dear Jason:

As Managing Partner and Operator of the Milne Point Product Pipeline, Harvest Alaska, LLC (“Harvest Alaska”), requests the permanent abandonment of the State Right-of-Way Lease ADL 416172.

**Background:** The Milne Point Products Pipeline (MPPP) is an 8” diameter pipeline that is approximately 10 miles long. The MPPP sits on the same Vertical Support Members (VSM) as the Milne Point Oil Pipeline (“MPOP”) and runs side-by-side the MPPP the entire 10 miles. The MPPP has been suspended since 2002. There is only one potential Shipper for the MPPP who is Hilcorp Alaska, LLC (“Hilcorp Alaska”). Hilcorp Alaska has indicated that there is no current or future need to ship NGLs or gas.

In September, 2017, Harvest Alaska requested that the MPPP right-of-way lease be abandoned and requested that the Department of Natural Resources (DNR) Commissioner delay the Dismantlement, Removal and Remediation (DR&R) of the MPPP to coincide with the DR&R of the MPOP in the future. After discussions with you and your staff, Harvest Alaska believes it is in the best interest of the State to consider the following:

- Granting a Release of Interest of the MPPP right-of-way lease;
- Allowing the MPPP to remain in place; and,
- Combining the MPPP as a “related facility” into MPOP Right-of-Way Lease ADL 410221.

There are several important reasons that support the Release of Interest of ADL 416172 and combining the MPPP with the Right-of-Way lease ADL 410221, including:

- **Risk:** In submitting this request, Harvest Alaska does not seek to and will not absolve itself of its DR&R obligations associated with the MPPP. Rather, Harvest Alaska seeks to defer this obligation to coincide with the DR&R of the MPOP. As you are aware, both the MPPP and the MPOP are located on the same VSMS. Accordingly, removing the MPPP, which sits directly next to an active oil pipeline, presents an unnecessary risk of an incident occurring. In combining the MPPP into the MPOP lease, the SPCS can insure that the DR&R obligation for both lines will be completed at the same time, thus removing the additional environmental risk that would be associated with removing the MPPP from the same VSMS that support an active oil pipeline.
- **Suspended Service:** The only potential Shipper on the pipeline currently is Hilcorp Alaska. Hilcorp Alaska has indicated that there is no current or future need for the shipment of NGL or gas. The Oliktok pipeline is the only connecting pipeline in the MPPP vicinity for gas or NGL service and was placed in suspended service.

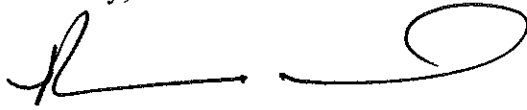
**Economics:** The MPPP 2015 Appraisal conducted by MacSwain Associates assessed a market rent value of \$521,216. In 2007, the market rent value was \$162,845. With no foreseeable revenue associated with the MPPP it makes this pipeline uneconomic in its current state. The Operating expense associated with maintaining the MPPP is approximately \$130,000 per year with no revenue.

- **Regulatory Commission of Alaska (RCA): Should the SPCS grant this request,** Harvest Alaska would apply to the RCA for release of its Certificate of Necessity and Public Convenience.
- **Related Facility:** As provided in Exhibit A to the Milne Point Oil ROW ADL 410221, Section 1.1.16 states that the Commissioner will determine, after consultation with the Company, which structures, devises, improvements and sites are Related Facilities. Harvest Alaska believes that amending ADL 410221 to include the MPPP meets the definition of a "related facility," and by deferring the DR&R of the MPPP, will insure the continued safe operation of the MPOP.
- **Future Use of Infrastructure:** The MPPP would be considered a redundant pipeline system. In the event of an emergency or major disruption to the MPOP, MPPP could be used as a back-up pipeline. Maintaining uninterrupted transportation of Milne Point oil production benefits the State through continued royalties and production tax revenues. If the MPPP was ever needed for future gas or NGL transportation, Harvest Alaska would apply for a new right-of-way and CPCN.

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Harvest Alaska appreciates the time and attention that the DNR Commissioner and the State Pipeline Coordinator's Section have given to this important matter. Please feel free to contact me directly at (907) 777-8336.

Sincerely,

A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line and a large loop.

Richard Novcaski  
Vice President, Harvest Alaska