Governor’s Oversight Committee on BP-Hilcorp Transaction

Status Update on DNR’s Review

Presented by Commissioner Corri A. Feige
Department of Natural Resources
June 19, 2020
• **PSA Amendment** –
  - In early April, BP & Hilcorp notified DNR that they were adjusting the terms of the transaction, reflecting the global economic shutdown and oil price collapse related to the COVID-19 pandemic.
  - **April 28, 2020** – DOG teleconference with Hilcorp to overview the amended financial terms.
  - **May 6, 2020** – Received amended Purchase and Sale Agreement (PSA) document.

• **NERA Report** –
  - DNR continued the financial analysis of the transaction and reviewed the analysis performed by National Economic Research Associates (NERA), including financial stress testing, based upon amended transaction terms.
  - DOG undertook an independent analysis of Hilcorp’s financial model & completed stress testing based upon amended terms.
    - DOG’s analysis focused on debt structure & possible impacts to future capital investments.

• **Lease Change in Control Application** –
  - **May 20, 2020** - DOG received application seeking approval of change in control of all oil and gas leases and related working interest ownership for all assets associated with the transaction.
    - DOG’s Leasing Section competed review of the applications and has all paperwork ready to proceed. (contingent on transaction approval).
  - **June 4, 2020** - DOG received application to have BPXA’s 50% working interest in the Milne Point leases assigned to Hilcorp Alaska, LLC, effective July 1, 2020.
DNR Action Since March 20, 2020

• **Permitting**
  • Compiled & confirmed list of transaction-related permits required by the DOG and DMLW.
  • BP provided DNR with a robust GIS-based inventory of all facilities and pipelines associated with the upstream assets at PBU. Confirmed this against DNR’s permit & facilities inventory list.
  • BP & Hilcorp will overlap experienced personnel at PBU facilities for 90-days for purposes of ensuring a seamless, safe transition of PBU operations.

• **7th Amended and Restated Financial Assurances Agreement (FAA)**
  • DNR and Hilcorp have agreed to amend the existing Hilcorp FAA to include the BPXA assets and increase the amount of financial assurances for DR&R (contingent upon transaction approval).

• **Bonding**
  • Hilcorp Alaska, LLC and Hilcorp North Slope, LLC will, upon close of the transaction, maintain separate bonds with DNR as they are two separate entities (e.g. $500,000 statewide bond for operator).
DNR Actions Underway

• **Secondary Liability of the Upstream** – Finalizing agreement to have BP Corporation North America Inc. hold the secondary liability for BPXA’s upstream contaminated sites and DR&R obligations as they exist at the time of asset transfer.

• **BPXA Name Change** – BP Exploration (Alaska) Inc. submitted lessee qualification documents to DOG Leasing stating intent to change its name to Hilcorp North Slope, LLC effective July 1, 2020 (contingent on transaction approval).

• **Change in Control of Unit Operator for Prudhoe Bay Unit**
  - **June 16, 2020** – DOG received a letter requesting all leases, permits, and authorizations in BPXA’s name be updated to reflect the new name of the company, Hilcorp North Slope, LLC effective July 1, 2020. This includes updating the name of the operator of the Prudhoe Bay Unit (contingent upon transaction approval).

• **State Pipeline Coordinator’s Office** – Continuing its fit, willing, and able test of Harvest Alaska for the **midstream assets** associated with transaction.

• **DNR anticipates an affirmative completion of its review and due diligence by late next week, allowing for a June 30, 2020 close on the upstream portion of the transaction. Midstream review still in process.**
DEC Requirements

• DEC approvals will be required for changes to
  • Oil spill contingency plan and proof of financial responsibility to respond to a spill
  • Water discharge permits
  • Air permits
  • Solid waste management permit and proof of financial responsibility for monitoring requirements
Facilities that produce, store, or transport oil must have an Oil Discharge Prevention and Contingency Plan approved by DEC.

Hilcorp proposes to incorporate the new facilities into their existing North Slope Plan.

Initial 45-day public comment closed March 23; subsequent 10-day comment period closes June 19.

Staff targeting June 30 for a decision.

Request to cover acquired facilities under associated proof of financial responsibility submitted June 16 and under review.
REGULATORY COMMISSION OF ALASKA PROCESS

- 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?

(Alaska Statute 48.06.305)
• Hilcorp North Slope, LLC bond ($7.65 million) has already been received. (replaces BPXA’s bond)

• After July 1, Hilcorp North Slope will provide proof of operator name change, signatories, contact info, etc. to update AOGCC records

• After July 1, Notice of Ownership form for Milne Point becomes 100% Hilcorp Alaska, LLC (it is currently 50/50 Hilcorp Alaska/BPXA)
THANK YOU!