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GOVERNOR MIKE DUNLEAVY

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DUE DILIGENCE MEMORANDUM

To:	Hon. Mike Dunleavy Governor of Alaska
Thru:	Corri A. Feige Commissioner, Department of Natural Resources Chair, Governor's Oversight Committee
From:	Governor's Oversight Committee
Cc:	Robert M. Pickett Chair, Regulatory Commission of Alaska
Subject:	Report Regarding BP/Hilcorp Transaction – Midstream Transfers
Date:	21 September 2020

Governor Dunleavy:

The following provides a high-level summary of the jurisdiction and due diligence performed by the Department of Natural Resources ("DNR") with respect to the acquisition (the "Transaction") by Hilcorp entities (collectively, "Hilcorp") of midstream assets (the "Assets") under DNR's jurisdiction presently held by BP entities (collectively, "BP"). These are the midstream Assets contemplated in the Transaction as announced August 27, 2019 and as amended in April 2020.

A detailed summary of the Transaction was included in the upstream asset Due Diligence Memorandum sent to you on 29 June 2020 and is incorporated herein by reference.

Under the Right of Way Leasing Act,[1] DNR has broad authority to implement Alaska law with respect to rights of way leasing for pipeline construction, transmission, and/or operation within Alaska. As part of the Transaction, four leases[2] are transferring from BP's midstream entity BP Pipelines (Alaska), Inc. to Hilcorp's midstream entity Harvest Alaska, LLC. Under AS 38.35.120(a)(9), the DNR Commissioner cannot accept the TAPS, PTEP, and two Milne-related right of way lease transfer of interest requests if it is not in the public's interest to do so. To

[1] AS 38.35.010, et. seq.

[2] ADL 63574 (Trans-Alaska Pipeline System) ("TAPS"); ADL 418975 (Point Thomson Export Pipeline)("PTEP"); ADL 410221 (Milne Point Oil Pipeline); and ADL 416172 (Milne Point Products Pipeline) (collectively, "Milne").

make this public interest determination, the Commissioner must find that Harvest Alaska is fit, willing, and able to perform the transportation and other acts proposed in a manner that will reasonably protect the lives, property, and general welfare of the people of Alaska.

Also as a part of the Transaction, the liability for dismantlement, removal, and restoration ("DR&R") is transferring with respect to two leases, ADL 415472 (Badami Sales Oil Pipeline); and ADL 415965 (Badami Utility Pipeline), currently owned by Nutaaq Pipeline, LLC. These leases are not transferring as part of the Transaction, only the DR&R liability.

As part of its determination as to whether Hilcorp is fit, willing, and able, DNR's subject matter experts, aided by the expertise of outside consultants, outside counsel, and its legal team at the Department of Law, engaged in extensive due diligence into the financial health of Hilcorp and the financial assurances secured by the State of Alaska from Hilcorp that cover the potential liabilities associated with operating the pipelines involved in the Transfer, as well as DR&R. That analysis, stripped of information DNR is required to keep confidential under AS 38.05.035(a)(8), is discussed at length in the Transfer of Interest and Release of Guaranty Requests Decision (the "Decision"), attached to this memorandum in Exhibit 1.

For the reasons set forth in the Decision, DNR determined through its due diligence that Hilcorp and its midstream entity, Harvest Alaska, is fit, willing, and able to perform the transportation of hydrocarbons through TAPS, Milne, and PTEP pipelines in a manner that will reasonably protect the lives, property, and general welfare of the people of Alaska. In addition, BP will retain primary DR&R liability for TAPS infrastructure as it exists at the time of transfer. BP will also retain secondary liability for DR&R of the transferred pipelines at Milne and Badami. DNR's analysis thereto is contained, in great detail, in the Decision attached hereto as Exhibit 1.

Notwithstanding the approvals by DNR set forth in the Decision, this Transfer is not complete until the Regulatory Commission of Alaska ("RCA") exercises its authority to approve the aspects of the Transfer subject to its jurisdiction.

ALASKA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
STATE PIPELINE COORDINATOR'S SECTION

Analysis of Transfer of Interest and Release of Guaranty Requests
BP Pipelines (Alaska) Inc. to Harvest Alaska, LLC

Trans-Alaska Pipeline System, ADL 63574
Point Thomson Export Pipeline, ADL 418975
Milne Point Oil Pipeline, ADL 410221
Milne Point Products Pipeline, ADL 416172
Badami Sales Oil Pipeline, ADL 415472
Badami Utility Pipeline, ADL 415965

I. Nature of the Requests

On October 11, 2019, BP Pipelines (Alaska) Inc. ("BPPA"), together with Harvest Alaska, LLC ("Harvest Alaska"), filed four joint applications with the State Pipeline Coordinator's Section ("SPCS") to transfer BPPA's interest in, or obligations to, six Right-of-Way ("ROW") leases to Harvest Alaska. The applications included two separate requests: a transfer of interest in ROW leases and release of guaranty. This analysis will address State leases:

- The Trans-Alaska Pipeline System ("TAPS") ROW lease Transfer of Interest and partial Release of Guaranty requests.
- The Point Thomson Export Pipeline ("PTEP") ROW lease Transfer of Interest.
- The Milne Point Oil Pipeline ("Milne Oil") and the Milne Point Products Pipeline ("Milne Products"), jointly referred to as the Milne Pipelines, ROW lease Transfer of Interest and Release of Guaranty.
- The Badami Sales Oil Pipeline ("Badami Oil") and the Badami Utility Pipeline ("Badami Utility"), jointly referred to as the Badami Pipelines, Release of Guaranty.

These requests are part of a larger transaction under which BP is exiting from Alaska.

<u>Transfer of Interest:</u> Under Alaska Statute (AS) 38.35.120(a)(9), the Commissioner of the Department of Natural Resources ("Commissioner") cannot accept the TAPS, Milne Pipelines, and PTEP ROW lease Transfer of Interest requests if it is not in the public's interest to do so. To make this public interest determination, the Commissioner must find that Harvest Alaska is fit, willing, and able to perform the transportation and other acts

proposed in a manner that will reasonably protect the lives, property, and general welfare of the people of Alaska.

Release of Guaranty: Under AS 38.35.120(a)(14), the Commissioner has the discretion to accept or reject BPPA's proposals to replace the current ROW lease guaranties with financial assurances issued by Harvest Alaska or its affiliates. The primary factor in determining these requests is Harvest Alaska's financial capability to take on these obligations. Furthermore, as part of the purchase sale agreement (as defined in Section V below) and the Transfer of Interests in the "Midstream Properties" application, BPPA and its parent company have agreed to retain responsibility for the Dismantlement, Restoration, and Remediation ("DR&R") of TAPS facilities that existed the time of the Transfer of Interest. As such, the Commissioner will also review whether BPPA and its parent companies can maintain sufficient resources to satisfy the TAPS DR&R obligations and secondary guaranties.

II. Background and Proposed Transfers and Release of Guaranties

TAPS: The Trans-Alaska Pipeline System ROW lease was issued on May 3, 1974 for a term of 30-years and was renewed prior to expiration for a second 30-year term on May 2, 2004. The lease granted a ROW that is nominally 100 feet in width along approximately 800 miles of mixed land ownership. The pipeline is both buried and above-ground and, with related facilities, occupies approximately 6,000 acres of State-owned lands. The pipeline transports crude oil from the North Slope to Valdez for refinement which is then shipped to various global markets by marine tankers.

The three current TAPS lessees are BPPA at 49.1069%, ConocoPhillips Transportation Alaska, Inc. at 29.6102%, and ExxonMobil Pipeline Company at 21.2829%. BPPA has proposed to sell its 49.1069% interest to Harvest Alaska. As part of the sales agreement BPPA and its parent company, BP Corporation North America Inc. ("BPCNA"), have agreed to retain all DR&R responsibilities for existing facilities at the time of the Transfer of Interest under their current guaranty and is requesting to be released from operational responsibilities.

PTEP: The PTEP ROW lease was issued on October 31, 2012 for a term of 30 years. The lease granted a ROW that is nominally 50-feet in width along approximately 22 miles of State-owned lands on the North Slope. The pipeline is primarily located above-ground and, with related facilities, occupies approximately 141 acres of State land. The pipeline currently transports liquid condensate from the Point Thomson Unit Central Pad to the eastern end of the Badami Oil pipeline for further transportation.

The lessee for this pipeline is PTE Pipeline, LLC. This limited liability company is currently owned by BP Transportation (Alaska) Inc. ("BPTA") at 32% and ExxonMobil Pipeline Company at 68%. Currently, there is an application to the Regulatory Commission of Alaska ("RCA") to transfer 5% ownership from ExxonMobil Pipeline

Company to BPTA. The application for this analysis is for a transfer of 100% controlling interest in BPTA, which will own 37% of the PTE Pipeline, LLC, to Harvest Alaska pending approval from the RCA. Of note, the guaranty for this lease was issued by ExxonMobil Pipeline Company and is not affected by the proposed transfer.

Milne Pipelines:

Milne Oil: The Milne Point Oil Pipeline ROW lease was issued on January 15, 1985 for a term of 20-years and was renewed prior to expiration for a 30-year term on May 2, 2004. The lease granted a ROW that is nominally 150-feet in width along approximately 10 miles of State-owned land on the North Slope. It is primarily located above-ground and, with related facilities, occupies approximately 187 acres of State land. The pipeline transports sales grade oil from the Milne Point Central Facilities Pad to the western half of the Kuparuk Pipeline for further transportation.

Milne Products: The Milne Point Products Pipeline ROW lease was issued on December 5, 2000 for a term of 30-years. The products pipeline is co-located with the Milne Point Oil Pipeline and is installed on the same pipe rack. For two years it transported natural gas liquids from the Oliktok Pipeline to the Milne Point Central Facilities Pad for use in enhanced oil recovery within the Milne Point Unit. Currently, the products pipeline is out-of-service and isolated from other connecting pipelines; however, since the lease is still in existence until it is terminated, the request for transfer of interest is still necessary.

Ownership: The lessee for the Milne Pipelines is Milne Point Pipeline, LLC. This limited liability company is currently owned by BPTA at 50% and Harvest Alaska at 50%. BPPA has proposed to sell its 100% interest in BPTA to Harvest Alaska, thus making Harvest Alaska a 100% owner of both pipelines. Harvest Alaska was found fit, willing, and able to operate these pipelines under a 2014 Transfer of Interest analysis. Since Harvest Alaska is already an owner of the pipeline, the determination under AS 38.35.120(a)(9) that Harvest Alaska is fit willing and able to own and operate the Milne Pipelines is made somewhat easier by their ongoing operations. BPPA has requested to be released from all obligations under the Milne ROW leases. Ultimately DNR agrees to only partially release BPCNA's guaranty.

Badami Pipelines:

Badami Oil: The Badami Sales Oil Pipeline ROW lease was issued on December 15, 1997 for a term of 25 years. The lease granted a ROW that is nominally 60-feet in width along approximately 25 miles of State-owned land on the North Slope. The pipeline is located primarily above-ground and, with related facilities, occupies approximately 187 acres of State land. The pipeline transports crude oil from the Badami Central Processing Unit to the eastern end of the Endicott Pipeline for further transportation.

Badami Utility: The Badami Utility Pipeline ROW lease was issued on December 15, 1997 for a term of 25-years. The lease granted a ROW that is nominally 60 feet in width for approximately 34 miles of State-owned land on the North Slope. It is located primarily above-ground and, with related facilities, occupies approximately 233 acres of State land. The pipeline transports natural gas and products from the Endicott Main Production Island to the Badami Central Unit for use in enhanced oil recovery within the Badami Unit.

Ownership: The original lessee for the Badami Pipelines was BPTA, and the original unconditional guaranty was supplied by its parent owner, Standard Oil Company ("BP"). In 2003 the original guaranty was replaced with an unconditional guaranty from BPCNA. In 2013, the two Badami ROW leases were transferred from BPTA to the current lessee, Nutaaq Pipeline, LLC. As part of the sales agreement, BPCNA agreed to retain all DR&R responsibilities for the existing facilities at the time of the Transfer of Interest (EPF 2002-18, EPF 20080009, and the PTEP Wye/Tie-in which occupies approximately 0.22 acres). It is this guaranty from which BPPA has requested to be released. Ultimately DNR agrees to only partially release BPCNA's guaranty.

III. Administrative Record

The six AS 38.35 pipeline right-of-way leases and associated case files listed in the title of this decision constitute the administrative record for this analysis.

IV. Technical Review

The SPCS within DNR has reviewed the TAPS, PTEP, Milne Pipelines, and Badami Pipelines case files for lease compliance including technical obligations. The review included, but was not limited to, the following documents from 2015 to present: field surveillance reports, engineering surveillance reports and reviews, lessee spill reports, current SPCS approved lessee compliance programs, and SPCS's review of lessee's annual reports. This review is intended to assess the lease compliance and technical condition of the pipeline systems, in their current condition for the transfer of interest and release of guaranty requests.

Spill Reports: The SPCS coordinates directly with the TAPS's operator, Alyeska Pipeline Service Company ("Alyeska"), and PTEP, Milne Pipelines, and Badami Pipelines operators directly when evaluating lease and technical compliance. Alyeska reports spills directly to the SPCS, Alaska Department of Environmental Conservation ("ADEC"), and the Bureau of Land Management ("BLM") immediately depending on the source and quantity of the spill, and with a summary of all hazardous materials spills in a monthly report. These monthly reports record all hazardous materials spills at any quantity during any operations. All spills reported to SPCS since 2015 have been cleaned to date, and Alyeska has responded appropriately per the lease requirements.

Since 2015, one spill from the pipelines upstream of TAPS in this analysis was reported to SPCS from the PTEP. The release was thirty-five gallons of condensate that spilled due to weep holes in the pipe connection block on an instrumentation line in March 2017. The block on the instrumentation line was replaced and was returned to service once the Alaska Clean Seas lead-cleanup was completed and SPCS reviewed the technical specifications of the new infrastructure.

<u>SPCS Surveillance Reports:</u> Surveillances have been completed by the SPCS for the pipelines in this analysis for both lease compliance and technical fitness and soundness. Criteria assessed during the surveillances of these pipelines have included, but were not limited to the following: leak detection systems ability to operate accurately; observing ongoing and completed routine maintenance which can include vertical support member repairs and wall loss repair projects; replacements of pipeline valves for precautionary measures and to rectify weeping product; assessing operating pressures and flow temperatures to evaluate their down-stream affects; analysis of final in-line-inspection ("ILI") results to understand pipeline wall integrity; inspecting and observing related facilities including terminus modules, pig receivers and launchers; analyze buried pipeline segments at river crossings; and observing the entire system of the pipeline for anomalies and general ROW conditions.

Since 2015, TAPS has received five minor unsatisfactory findings which have since been corrected. The minor unsatisfactory findings were given for debris present on the ROW, two occurrences of inadequate barriers to an exposed fuel gas line that was being serviced, unauthorized gravel removal, and insufficient secondary containment for stored equipment in the ROW. Since 2015, all Lease Compliance and Engineering SPCS surveillance reports for the PTEP, Milne Pipelines, and Badami Pipelines have been given satisfactory findings. Satisfactory findings mean that the lessee has performed all pipeline activities under the Lease in a lawful, prudent, and skillful manner in compliance with the terms and conditions of the ROW lease, its incorporated exhibits and stipulations, and all required permits.

<u>Compliance Review Conclusion:</u> Based on this lease compliance and technical review, the SPCS finds that there are no outstanding technical or compliance issues with the analyzed pipelines that need to be addressed before approval of the transfer is granted and a guaranty may be released.

<u>Harvest Alaska Technical Review:</u> Harvest Alaska was formed in 2014 as a wholly owned subsidiary of Hilcorp Alaska, LLC ("Hilcorp Alaska"). Harvest Alaska employs 28 people in Alaska and is currently responsible for operating and managing, with operational support from Hilcorp Alaska, eight oil and gas pipeline systems in Cook Inlet and the North Slope,: Kenai Kachemak (ADL 228162), CIGGS (ADL 232963), Tyonek W 10 (ADL 232962), Northstar Oil (ADL 415700), Northstar Gas (ADL 415975), Endicott Oil (ADL 410562), Milne Point Oil (ADL 410221), and Milne Point Products (ADL 416172). SPCS oversight of these ROW leases includes regular monitoring of pipeline integrity, maintenance, operations, safety, and environmental programs. Since Harvest Alaska acquired these leases, no unsatisfactory (non-compliance) findings have been issued.

Harvest Alaska has demonstrated that they have the technical ability to maintain the analyzed pipelines upstream from TAPS. Harvest Alaska has complied with, and in some cases exceeded, minimum standards of pipeline integrity criteria by conducting additional ILIs, being proactive in measuring changes in oil composition as flow rates change, upgrading integrity management software systems, and increasing their monitoring systems. They communicate with SPCS willingly on compliance issues through their Quality Management Program processes, annual reporting, quarterly meetings, routine correspondence, and as issues arise.

Alyeska, who will remain the TAPS operator, has also demonstrated the technical ability to maintain and operate the pipeline to a high industry standard. Alyeska communicates with SPCS on compliance issues with monthly Lands and Permits meetings to discuss ongoing and upcoming maintenance and projects, have delegated a specific technical team to coordinate with SPCS on integrity issues, and utilizes a SPCS-approved Surveillance and Monitoring Program for compliance. Although ownership of TAPS will be partially transferred to Harvest Alaska, the SPCS does not anticipate substantial changes in the operations of TAPS.

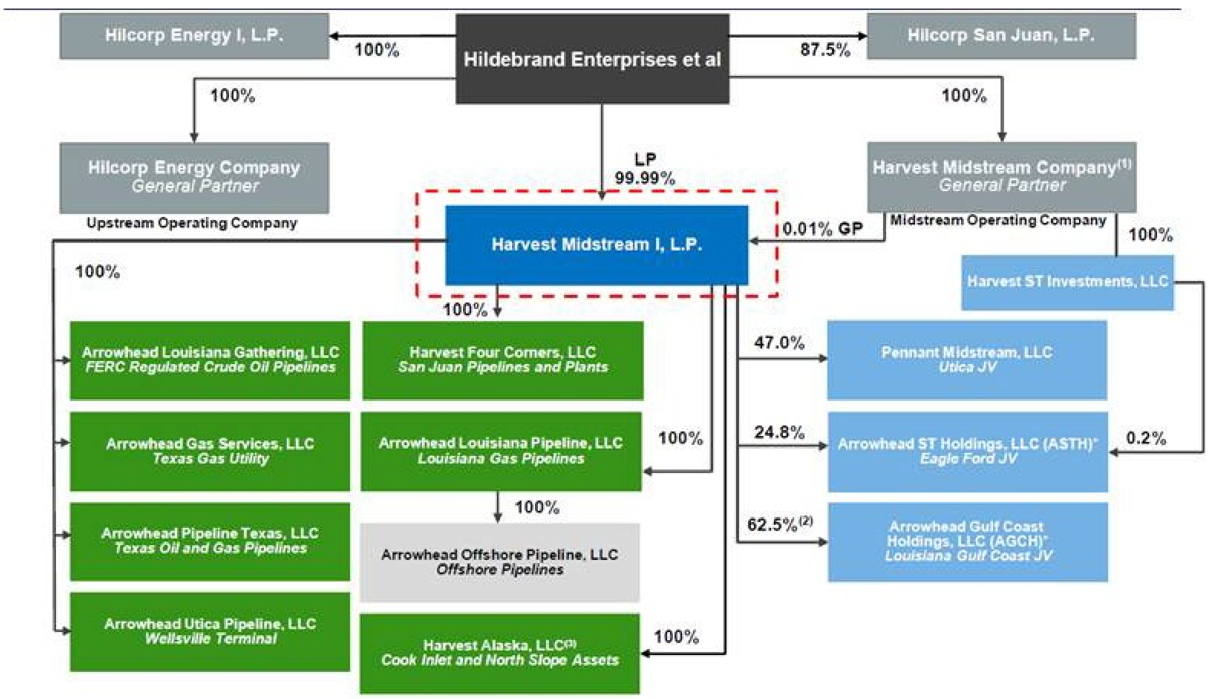
<u>Performance Review Conclusion:</u> Harvest Alaska has demonstrated competence in operating and maintaining existing AS 38.35 pipelines. They have met or exceed their AS 38.35 ROW lease obligations.

V. Financial Review

As part of its review of this transfer of interest and release of guaranty, DNR reviewed different sources of information, including the confidential financial information provided by Harvest Alaska as well as other sources of public information to assess the financial risk to the State that is associated with operational upset and abandonment obligations resulting from this transfer and to implement measures designed to mitigate said risks.

Hilcorp Alaska and Harvest Alaska Corporate Structure:
Hilcorp Alaska is a privately-held company having ownership interest in certain upstream assets in Alaska, an affiliate of Harvest Alaska, and a wholly-owned subsidiary of Hilcorp Energy I, L.P. ("HEI"), which is one of the largest privately-held independent oil and natural gas exploration and production companies in the United States. Harvest Alaska is a privately-held company with ownership interest in certain oil and gas midstream assets in Alaska and is a wholly-owned subsidiary of Harvest Midstream I, L.P. ("Harvest Midstream") (Figure 1), which is a privately-held midstream company dedicated to the transportation and processing of oil, natural gas, and natural gas liquids across the United States.

On August 26, 2019, BP, BPPA, Hilcorp Alaska, and Harvest Alaska, entered into a purchase sale agreement ("PSA") to reflect, among other things, the transfer of the ownership interest in the properties or assets held by BPPA and BPTA in the "Midstream Properties"[1] to Harvest Alaska. This PSA was further amended on April 26, 2020 to effectuate, among other things, modifications to certain guaranty agreements for the Midstream Properties among some of the parties involved.



(1) Harvest Midstream Company ("HMC") operates assets owned by Harvest Midstream
(2) Harvest Midstream directly owns a 25% interest in AGCH and indirectly owns through EFS Midstream Holdings, LLC a 50% interest in AGCH Investors, LLC, which owns a 75% interest in AGCH
(3) Harvest Alaska, LLC owns the following subsidiaries: Cook Inlet Pipeline, LLC (100%), Kenai Beluga Pipeline, LLC (100%), Swanson River Oil Pipeline, LLC (100%), Northstar Pipeline Company, LLC (100%), Milne Point Pipeline, LLC (50%), and Endicott Pipeline Company (89.5%)

Figure 1. Corporate Structure for Key Hilcorp and Harvest Entities

The sale of BP's assets to Harvest Alaska includes that entire upstream and midstream business in Alaska. This document is addressing the midstream business transaction for BPPA, which holds BP's interest in TAPS and the TAPS feeder pipelines PTEP and Milne Pipelines.

Proposed Transfers:

TAPS: BPPA proposes transferring its 49.1069% share of the TAPS ROW to Harvest Alaska. BPPA's parent company, BPCNA, has agreed to retain the DR&R liability for all

[1] This term is defined in the PSA to include (i) 49.1069% undivided interest in TAPS and 4,844 shares of common stock of Alyeska Pipeline Service Company, (ii) 25% of the issued shares of common stock of Prince William Sound Oil Spill Response Corporation, (iv) 100% of the issued shares of common stock of PBTA, (v) 50% of the interest in Milne Point Pipeline, LLC, and (vi) 37% of the interest in PTE Pipeline, LLC.

facilities and other assets of TAPS as TAPS exists at the time of transfer. The BPCNA guarantee extends to the related facilities.

Subsequent to the closing of the acquisition, BPCNA and Harvest Alaska will track both DR&R work and expenditures related to the transferred assets. Harvest Alaska will be required (along with the then existing owners of TAPS) to pay for all DR&R associated with additions that are made to TAPS after the Transfer of Interest. BPCNA and Harvest Alaska will report to DNR in three-year intervals:

1. all additions to TAPS and the Valdez Marine Terminal,
2. all DR&R work on TAPS and the Valdez Marine Terminal, and
3. all DR&R expenditures on TAPS separately for existing facilities and for all additional facilities.

PTEP and Milne Pipelines: In the Regulatory Commission of Alaska Docket No. P-19-015 submitted on September 27, 2019, Harvest Alaska requests approval of the transfer of BPPA's indirect 32.0% ownership interest in the PTE Pipeline. BPPA holds 50% of the outstanding limited liability company interests of Milne Point Pipeline, LLC of which Harvest Alaska currently holds the other 50%. Harvest Alaska is fit willing and able to operate and DR&R these pipelines. BPCNA will remain secondarily liable to DR&R for the Milne Pipelines and Badami Pipelines. The PTEP DR&R is sufficiently guaranteed by another major oil company.

Financial Analysis of Harvest Alaska and Harvest Midstream

DNR's Financial Review:
Harvest Alaska has been a wholly-owned subsidiary of Harvest Midstream since the DNR and the RCA approved a change of controlling interest in Harvest Alaska, with the RCA's final approval being received on December 26, 2019. Prior to becoming a wholly-owned subsidiary of Harvest Midstream, Harvest Alaska was a wholly-owned subsidiary of Hilcorp Alaska.

Financial Outlook

Harvest Alaska, formerly being consolidated under Hilcorp Alaska and HEI, has only one year of audited financial statements available for review – fiscal year 2019. The availability of a single year of audited financial statements means that the financial strength of Harvest Alaska can be measured for only a single period and precludes a longitudinal analysis of Harvest Alaska which may reveal changes in financial health through time and inform the State's understanding of Harvest Alaska's financial risk. It is also important to recognize that the available financial data present a picture of the company pre-acquisition of the Midstream Properties. Any benefits or risks that are induced by the acquisition of the Midstream Properties will not be observable in the 2019 audited financials. Given the size of the transaction and the pre-acquisition size of Harvest Alaska, the impact of the transaction on its financial health may be substantial. Based on the review of these financials to assess the financial risk to the State, DNR found that Harvest Alaska currently presents material financial risk to the State as evidenced in the calculation of various financial metrics[2].

With respect to the projected effects of the acquisition of the Midstream Properties on its financials, Harvest Alaska expects that, in the medium term, the acquisition will provide incremental economic value to its business in Alaska. Specifically, in its Acquisition Model[3], Harvest Alaska forecasts that the addition of the Midstream Properties to its current Alaska assets will be an important source of incremental free cash flow.[4] It is also worth noting that, not surprisingly given the importance of TAPS in the Alaska North Slope ("ANS") oil supply chain, Harvest Alaska estimates in its Acquisition Model that the greatest source of expected incremental free cash flow comes from the acquisition of BPPA's ownership interest in the TAPS System[5], with the remainder coming from the ownership interest in the Milne Point Pipeline, LLC and PTE Pipeline, LLC.

While these forecasts may have represented the basis for Harvest Alaska's commercial decision to justify the acquisition of the Midstream Properties, they nonetheless may still be subject to considerable variability, at least in the short term, resulting from various shocks, with some of them being outside of the control of the company. For instance, Harvest Alaska's midstream business is aligned with that of its affiliate, Hilcorp Alaska, as operator of certain upstream assets, for the transportation of the equity production of ANS oil, Cook Inlet oil, and Cook Inlet gas to their respective destination markets. This economic interdependency is evident, for example, between the North Slope producing fields and TAPS. Recently, due to a significant decline in global demand for crude oil resulting from the coronavirus crisis, Alyeska, the operator of TAPS, expected a high level of ANS oil inventory in its Valdez tank farm between April and May of this year. To manage this, Alyeska announced a temporary proration ranging from 50,000 to 75,000 barrels per day of ANS oil production. Additionally, because of lower global demand for crude oil, ConocoPhillips announced a cut of 100,000 barrels per day from its ANS oil production in June from the Kuparuk River unit, Colville River unit, and Greater Moose's Tooth 1 unit. While these events occurred before Harvest Alaska took ownership interest in the TAPS System, one can expect that similar events could still be possible in the future.

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[2] The detailed discussion of these calculations contains confidential information submitted by Harvest Alaska.

[3] "Harvest BP Acquisition Model (07.24.2020)." This is a spreadsheet shared by Harvest Alaska containing confidential financial information on future revenues, operating and capital expenditures, among other variables, for the midstream assets where Harvest Alaska is already the sole owner, those where they participate as a partner, and those representing the acquisition of the Midstream Properties.

[4] The Acquisition Model defines free cash flow as the deduction of general and administrative expenditures and capital expenditures from EBITDA.

[5] The term "TAPS System" means the 48-inch diameter petroleum pipeline that extends from the Prudhoe Bay area of the North Slope of Alaska to the southern port of Valdez, Alaska, together with pump stations, metering facilities, tankage, terminal, docks, communication facilities, and other associated equipment and facilities required for the transportation of petroleum on the Trans-Alaska Pipeline System; easements and rights-of-way; and property to be acquired or constructed in the future relating to the transportation of petroleum on Trans-Alaska Pipeline System.

In such an occurrence, the effects of temporary[6] but significant curtailments in ANS oil production will affect the TAPS throughput and, therefore, could translate into lower-than-expected tariff[7] revenue for Harvest Alaska as a TAPS carrier of the production from non-affiliate entities. If the curtailment in ANS oil production affects particularly the fields operated by Hilcorp Alaska in the North Slope, then the impact to Harvest Alaska could be even more pronounced as most of its share in the TAPS throughput is associated with the ANS oil production from Hilcorp Alaska. However, in the absence of significant curtailments in production, Harvest Alaska represented that the revenue side of its midstream business is also characterized by some degree of certainty as its transportation arrangements allow for guaranteed cost recovery over multiple years[8].

From the expenditure side, the Acquisition Model contains a forecast of the planned operating and capital expenditures for the set of oil and gas pipelines currently owned by Harvest Alaska and those included in the Midstream Properties. Because these pipelines are regulated by the RCA and the Federal Energy Regulatory Commission, regulated tariffs will likely be large enough to allow the TAPS owners to cover most of these expenditures through the revenue requirement, at least through the forecast period in the Acquisition Model. However, major unforeseen incidents such as those affecting the integrity of the midstream infrastructure leading to major repairs or spills of hydrocarbons creating environmental third-party damage may place a considerable burden on the projected free cash flow. To have a better picture of the magnitude of these events, Harvest Alaska and BPPA provided historical information[9] on the cost to remediate spill incidents in TAPS. Harvest Alaska and BPPA report[10] that these costs would be funded through cash calls to the TAPS Owners and then, to the extent permitted, reflected in the revenue requirement after the deduction of any insurance proceeds. If the cash calls were to exceed revenues collected and not covered by the insurance policies, then Harvest Alaska could draw on its operating cash flow, rely on infusions of funds from its parent company, Harvest Midstream, or procure additional funds from the credit markets. This response from Harvest Alaska and BPPA highlights the importance of having appropriate coverage from various insurance policies and the ability of Harvest Midstream to remain financially strong in the event on any cash calls from Harvest Alaska.

As part of its assessment, and because the State is partially relying on a guaranty from Harvest Midstream[11] as parent company of Harvest Alaska, DNR also reviewed the

[6] The calculation of the TAPS interstate rate is based on the Variable Tariff Methodology, which considers the actual year-end carrier property accounts for the preceding year and the actual throughput for the preceding year. Consequently, the curtailment event described in this section would only affect tariff revenue in the short term because any shortfall or deficit will be accounted for in the following year.

[7] Tariff in this context represents the regulated rate charged by the TAPS Carriers for the transportation of ANS oil through the TAPS infrastructure.

[8] "Harvest Midstream I, L.P. – Company Overview." Confidential presentation to DNR. February 25, 2020.

[9] "Compliance Filing in Response to Order 7 (Confidential Version)." Document submitted to the State of Alaska, Regulatory Commission of Alaska. Pages 13-14.

[10] *Ibid*., pages 15 and 27.

[11] See section IV below.

financial outlook for Harvest Midstream from three credit rating agencies, namely, S&P Global Ratings[12], Fitch[13], and Moody's[14]. In these credit reports, the credit rating agencies currently place Harvest Midstream in the "non-investment grade and speculative" category, reflecting the vulnerability of the business to adverse economic conditions affecting its capacity to meet its financial commitments. Following the acquisition of the Midstream Properties, and in line with the projections from Harvest Alaska, these credit rating agencies, in general, expect an improvement on Harvest Midstream's financial outlook over the medium term[15].

The above-mentioned reports highlight that the largest shares of Harvest Midstream's business are concentrated in the San Juan Basin and in Alaska. However, despite this concentration, the credit rating agencies emphasize, as a positive feature, the larger regional diversity of Harvest Midstream's business, which also include Louisiana and Texas, when compared to its peers in the midstream sector. From the perspective of the midstream sector, Harvest Midstream seems to be within the average levels of financial leverage. As an example, Fitch reports that DCP Midstream Operating, L.P., a comparable company for Harvest Midstream, has an expected leverage of 5 whereas Harvest Midstream expected leverage is around 4.

In their financial assessments of Harvest Midstream, the credit rating agencies remark the extent to which Harvest Midstream's business in the midstream is aligned with that of its affiliate in the upstream sector, HEI. S&P Global Ratings states that approximately 47 percent of the throughput in the midstream assets comes from the equity production by HEI. This alignment may reinforce, in the short term, the effect of both positive and adverse shocks in the upstream sector on the performance of the midstream sector. For instance, if the commodity price declines significantly below the break-even level, then the midstream segment will experience a decline in tariff revenues due a temporary or permanent shutdown of production. Therefore, the credit rating agencies indicate that the rating for Harvest Midstream would be downgraded if there is also a downgrading of the rating of HEI.

One key metric used in the financial risk assessment by the credit rating agencies is the evolution of the leverage by Harvest Midstream, calculated as the ratio of net debt to EBITDA. The credit rating agencies project Harvest Midstream's leverage to decline with the net debt representing between three- and four-times EBITDA. The credit rating reports remark that an important factor behind Harvest Midstream's ability to "de-lever" is the fact

[12] "Harvest Midstream I L.P. Assigned 'B+' Issuer Credit Rating; New Senior Notes Rated 'BB-'; Outlook Stable." S&P Global Ratings. August 3, 2020.

[13] "Rating Action Commentary. Fitch Assigns 'BB-'First-Time IDR to Harvest Midstream I, LP; Outlook Stable." Fitch. August 3, 2020.

[14] "Rating Action: Moody's rates Harvest Midstream Ba3, new notes issue B1." Moody's Investors Service. August 3, 2020.

[15] On August 25, 2020, Moody's downgraded HEI's corporate family rating from Ba1 to Ba2 and HEI's senior unsecured notes from Ba2 to Ba3. Five days earlier, on August 20, 2020, S&P Global Ratings confirmed its BB- (equivalent to a Moody's Ba3) issuer rating and senior unsecured note rating for HEI.

that a significant share of its source of cash flow is under transportation contracts containing fixed rates.

Besides the commodity risk, the credit rating agencies emphasize other areas of vulnerability for the financial health of Harvest Midstream. One of these is the risk of environmental damages due to oil spills in the midstream infrastructure. To mitigate the burden that this may create on the free cash flow from Harvest Midstream as parent company and guarantor of Harvest Alaska, Harvest Midstream has procured different types of insurance policies, as described previously in this document. Another area of risk highlighted in these reports is counterparty risk. The credit rating agencies report that Harvest Midstream's stream of revenues may carry a degree of vulnerability as most of its revenues come from non-investment grade counterparties, including its own affiliate, HEI.

Estimated DR&R Obligations of Harvest Alaska

One central source of risk to the State associated with Harvest Alaska's acquisition of the Midstream Properties is the possibility that Harvest Alaska may fail to execute on its obligation to restore State lands to a condition acceptable to the DNR Commissioner at the end of field life; that is, Harvest Alaska may fail to fulfill its DR&R obligations. The impact to the State of such a failure would, in part, depend on the amount of infrastructure not properly abandoned and the expense to retire this infrastructure. The size of the DR&R obligations associated with the application is significant, but imprecisely known at present. The cost estimates associated with the acquired midstream infrastructure are derived from internal estimates that have not been reviewed by DNR. While DNR would not accept reliance on internal estimates in most cases, the terms of the 2nd Amended and Restated Financial Assurances Agreement between Harvest Alaska, Harvest Midstream, and DNR (the "2nd A&R FAA") require that Harvest Alaska provide DNR with a new, comprehensive DR&R report, completed by a third-party, detailing the expected cost to retire all of its infrastructure by no later than December 31, 2021. Moreover, a similar, updated DR&R report will be submitted to DNR every third year thereafter. As such, the DNR will have an ongoing ability to measure the size of Harvest Alaska's DR&R obligations based on an independent 3rd party assessment using recent market information.

The 2nd A&R FAA and Guaranty Agreement with BPCNA address a significant share of the abandonment risk exposure to the State associated with the transaction.

As described previously, Harvest Alaska expects the acquisition of the Midstream Properties to provide incremental free cash flow to the company. To reduce the risk exposure to the State of unmet DR&R obligations, DNR has entered into guaranty agreements with BPCNA and amended the previous financial assurances agreement with Harvest Alaska and Harvest Midstream[16] by entering into the 2nd A&R FAA.

[16] "Financial Assurances Agreement between Harvest Alaska, LLC, Harvest Midstream I, L.P., and the State of Alaska Department of Natural Resources," dated December 5, 2019.

a. The guaranty agreements provide significant financial assurance for the DR&R obligations of TAPS, Milne Pipelines, and Badami Pipelines corresponding to the transaction.

In recognition of the significance of the TAPS System, the PSA contemplates that BPPA retains all DR&R obligations as they exist at the closing of the transaction. While this arrangement between these parties may improve the likelihood that Harvest Alaska will be financially able to meet its corresponding DR&R obligations in the future, it is not, however, a provision subject to the oversight by the State. As such, it is possible that this contractual arrangement could be modified in the future by agreement between these parties to potentially remove or significantly reduce the retained TAPS DR&R obligations by BPPA. In this way, with the objective to provide another layer of financial assurance, the State, as beneficiary, and BPCNA, as guarantor, entered into a guaranty agreement whereby BPPA and BPCNA have agreed that they will remain responsible for the DR&R obligations relating to the TAPS System as they exist at closing.[17]

Additionally, the guaranty agreements prescribe that the guaranty by BPCNA to the State is to remain in full force and effect regardless of any change in structure of BPPA. This provision will provide protection to the State if BPPA is no longer a wholly-owned subsidiary of BPCNA or if the financial condition of BPCNA deteriorates significantly. Moreover, the guaranty agreements further protect the interests of the State, as beneficiary, by procuring a replacement of parental guaranty if there is a change of control whereby BP plc no longer owns most of the equity interests of BPCNA. In such a case, BPCNA, as guarantor, is obligated to either make BP plc, its parent company, provide a similar guaranty or provide another form of credit support subject to the written consent of the State.

b. The 2nd A&R FAA reflects the acquisition of the Midstream Properties and monitors the financial strength of Harvest Alaska and its parent company, Harvest Midstream.

As discussed above, one source of risk to the State associated with the proposed transaction is the potential that Harvest Alaska fails to fully execute its DR&R responsibilities. In order to reduce the risk that these lease obligations could be externalized to the State, the DNR is entering into the 2nd A&R FAA. The 2nd A&R FAA is meant to work in conjunction with the guaranty agreements with BPCNA to reduce the State's risk by requiring significant 3rd party surety bonding, ongoing financial reporting by Harvest Midstream and Harvest Alaska to measure changes in the financial health, periodic reporting of the size of Harvest Alaska's DR&R obligation, and built-in triggers to change the level of assurances provided to the State should Harvest Alaska's or Harvest Midstream's financial strength change.

At execution, the 2nd A&R FAA requires that Harvest Alaska provide financial assurances to the State in an amount equal to its estimated DR&R obligation, less the TAPS DR&R

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[17] Harvest Alaska will be responsible for the completion of TAPS DR&R obligations created after closing. The State will receive financial assurances for any such DR&R obligations through the 2nd A&R FAA.

obligation secured by a guaranty agreement with BPCNA. Every dollar of Harvest Alaska's estimated DR&R obligation in the midstream will be covered by a surety bond, a parent guarantee from Harvest Midstream, or a guarantee from a well-capitalized entity in the BP group[18].

The level of financial assurance provided to the State will be reassessed periodically to reflect changes in Harvest Alaska or Harvest Midstream's financial ability to meet its obligations. Per the 2nd A&R FAA, Harvest Alaska is required to submit to DNR its yearly audited financial statements and its quarterly unaudited financial statements. Similarly, Harvest Midstream is obliged to submit to DNR its yearly audited financials. Additionally, the 2nd A&R FAA requires Harvest Alaska to provide DNR with a yearly "Financial Metrics Report," for each of Harvest Alaska and Harvest Midstream, to be delivered with the yearly audited financial statements. The Financial Metrics Report, provided separately for each of Harvest Midstream and Harvest Alaska, contains the values of several financial measures that DNR will use to monitor the financial health of both Harvest Midstream and Harvest Alaska.

Each year, with the submittal of annual audited financial statements and the Financial Metrics Report, the values in the Financial Metric Report are mapped to a "DR&R Multiplier" for each of Harvest Alaska and Harvest Midstream. The share of the total DR&R obligation, less the BP Retained Obligations in the TAPS Assets, that must be secured by financial assurances is the higher of the DR&R Multiplier for Harvest Midstream or Harvest Alaska in the given period[19]. As such, the level of assurances provided to the State will be a function of the financial health of the more vulnerable of Harvest Midstream or Harvest Alaska and will be reassessed annually.

Under the 2nd A&R FAA, the level of assurances to the State also adjust with changes to the size of the estimated DR&R obligation. As noted above, every third year the DNR will receive a new DR&R report, compiled by a third party, that estimates the expense that Harvest Alaska, BPPA, or any consolidated subsidiaries, will incur to retire its midstream infrastructure on State leases, easements, permits, or rights-of-way. Upon receipt of an updated DR&R report, the updated estimate, less the BP Retained Obligations in the TAPS Assets, is multiplied by the DR&R Multiplier to determine the new level of required assurances.

Beyond outlining the level of assurances due to the State and developing a framework to adjust those assurances through time, the 2nd A&R FAA requires that Harvest Midstream and Harvest Alaska maintain insurance coverage in an amount and type that is typical for organizations of similar size and business. Harvest Midstream and Harvest Alaska are also obliged to provide DNR with a written summary of these insurances on an annual

[18] The State has the discretion to propose another similarly well-capitalized corporate guarantor.
[19] Should the BP guarantee no longer be in effect, the BP Retained Obligations will not be deducted for the purposes of calculating the level of assurances due to the State.

basis at the request of DNR, and to provide DNR with notice if the levels of insurance coverage are reduced.

National Economic Research Associates Report:
Harvest Alaska must possess the financial fitness necessary to acquire control of the ROW leases addressed in this decision. The financial ability of Harvest Alaska to accomplish this is addressed by Jeff D. Makholm and Laura T.W. Olive of the National Economic Research Associates ("NERA"). NERA analyzed Hilcorp Alaska's financial model and assumptions to test their reasonableness of experience, current oil market conditions, the operations of Hilcorp Alaska, and the company's business strategy. NERA concluded that the proposed transfers meet financial fitness requirements.

Insurance coverage after the transaction provided in coverage stacks indicates that there is a general increase of coverage for both the North Slope and TAPS pipeline assets for Hilcorp Alaska. Hilcorp Alaska had its coverage examined by AON brokers for peer review, and the coverage stack appears to be broadly reasonable to reflect the type of insurance that BPCNA had self-insured in Alaska.

Owners of TAPS must make payments throughout the year for major events like paying property taxes and providing for capital for infrastructure as well as funding the ongoing regular operations of TAPS. Harvest Alaska will have a number of funding sources for such payments. First, Harvest Alaska will be stepping into an agreement between the TAPS owners and the State of Alaska commonly referred to as Variable Tariff Methodology. This methodology allows the owners of TAPS to generally include in their tariff rates the prudent costs of running the pipeline, including a rate of return on the capital yet to be depreciated on TAPS.

Due to the differences in financial structure BPCNA has to Harvest Alaska; where BPCNA is self-insured and Harvest Alaska reasonably cannot, the transfer required a review of Harvest Alaska's ability to deal with the risk of catastrophic spills and/or accidents. Additionally, a review of long-term commitments to DR&R financial abilities, and ability to sustain reasonable profitable operations to extend the life oil production facilities was completed. All owners of TAPS must be prepared to pay for catastrophic events that occur along the TAPS pipeline and at the Valdez Marine Terminal. Harvest Alaska's insurance for major loss events on its Alaska pipelines as well as parental guaranty of Harvest Midstream shows that it has adequate financial resources to cover liabilities on TAPS. Harvest Alaska's financing of the TAPS acquisition does not limit its ability to become an owner of TAPS.

BPPA Financial Analysis for Retaining TAPS DR&R Obligations:
As part of DNR's AS 38.35.120(a)(9) review of the TAPS request for transfer of interest, and to ensure that the State is not put in a materially less favorable position as a result of this transaction, DNR must review whether BPPA and its parent companies can maintain

sufficient resources to satisfy the contractual obligations relating to DR&R in its PSA with Harvest Alaska.

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 transfer. BPPA is retaining obligations related to DR&R for TAPS and is leaving all parent company guaranties from BPCNA in place regarding that obligation. BPPA has a guaranty with the State of Alaska in accordance with the ROW Lease for the Trans-Alaska Pipeline System, ADL 63574, and BPCNA irrevocably and unconditionally guarantees to the State the full performance, fulfillment, and satisfaction of all duties, obligations, and liabilities of BPPA arising under or pursuant to the Lease. For long-term DR&R responsibilities, BPCNA will back-stop the long-term commitments to remove facilities and restore sites when production ceases.

Risk Mitigation Measures:
Harvest Alaska's risk management team has a framework for managing and reporting risks related to people, facilities, pipelines, liabilities and other uncertainties from operational activities. This framework includes: 1) risks common to industry including historical events and identifying potential threats within the risk environment and possible exposures, 2) Impact analysis of these risks for frequency and severity to develop strategies to manage risks at an enterprise level, 3) understanding the controls in place that avoid or mitigate risks, 4) manages exposures and monitors best practices, 5) conducting risk engineering studies to make sure technical and operational standards are met for continued insurability of assets and operations, 6) conducting annual actuarial studies and risk modeling to set insurance limits within acceptable levels, 7) providing financial management or transfer options to reduce volatility, and 8) reporting to management how material risks are being managed, monitored, and makes improvements.

Bonding/Guaranties: Hilcorp has provided the State of Alaska with a list of guaranties/bonds they have in the Alaska assets. The obligations for the bonding are required in several agreements including ROW leases, common carrier obligations, tideland lease for barge landing and access, DR&R, and other lease obligations. Harvest Alaska is responsible for these guaranties with parental guaranties from Hilcorp Alaska/Harvest Midstream I, L.P., or HEI backing them.

In 2011, the State of Alaska Department of Natural Resources and Hilcorp Alaska and HEI executed a Financial Assurances Agreement ("FAA") that included a comprehensive list of all DNR leases, permits, and authorizations covered in the FAA. As Hilcorp Alaska has added leases to their name, the FAA has been amended to include all DNR permits and authorizations. Until 2019, Harvest Alaska midstream leases, permits, and authorizations have been covered under the FAA. In 2019, a new FAA between DNR and Harvest Alaska was created to include DR&R and all other obligations associated with all of Harvest Alaska's state leases, permits, ROWs and easements for the midstream business in Alaska. Under the FAA, Harvest Alaska will provide DNR 1) annual audited financial and quarterly unaudited financials of Harvest Alaska, 2) annual audited financials of Harvest

Midstream, and 3) financial assurances including surety bonds and parent guaranties to DNR based on DR&R cost estimate and on the estimate of state leases, permits, ROWs and easements for the midstream pipelines. DR&R cost estimates will be appraised by independent third parties every three years.

TAPS: BPCNA currently has two corporate guaranties on TAPS. First, BPCNA executed a guaranty in favor of the State of Alaska dated October 24, 2002 of BPPA's obligations under the TAPS lease. The scope of the guaranty filed with the State of Alaska is the full performance, fulfillment, and satisfaction of all duties, obligations, and liabilities of BPPA arising under or pursuant to the TAPS lease, and it has been updated with the new guaranty. Second, BPCNA has a Corporate Guarantee on file with the RCA to pay refunds to shippers for overcollection of DR&R amounts. Additionally, the State has secured a guaranty from Harvest Midstream for Harvest Alaska's obligations. The BPCNA and Harvest Midstream guaranties are attached in Exhibit A.

PTEP: In the ROW Lease for PTEP, ADL 418975, the DNR Commissioner requires an unconditional guaranty of the lessee. A guaranty was provided in Exhibit C of the ROW lease and attached as Exhibit B.

Milne Pipelines: The Guaranties of BPCNA in favor of the State of Alaska for the Milne Pipelines dated July 17, 2001 and partial releases dated November 21, 2014 are in Exhibit C. BPCNA will remain secondarily liable for one hundred percent of the Milne Pipelines DR&R. Additionally, the State has secured a guaranty from Harvest Midstream for Harvest Alaska's obligations, also attached in Exhibit C.

Badami Pipelines: The Guaranties of BPCNA in favor of the State of Alaska for the Badami Pipelines dates September 30, 2003 and partial releases dated March 7, 2014 are in Exhibit D. BPCNA will remain secondarily liable for one hundred percent of the Badami Pipelines DR&R. Additionally, the State has secured a guaranty from Harvest Midstream for Harvest Alaska's obligations, also attached in Exhibit D.

Insurance: Alaska Statute 38.35.120(a)(14) requires lessees to have sufficient liability and property damage insurance to protect the public from damages associated with the construction and operation of any pipeline. If the Commissioner finds that the net assets of a lessee are insufficient to serve this purpose, the Commissioner will require additional assurances as she deems necessary. The Commissioner has found that Harvest Alaska's net assets may not be sufficient under AS 38.35.120(a)(14). Accordingly, Harvest Alaska has provided additional insurance coverage for all its pipeline assets, including those outside Alaska. Harvest Midstream is also providing a parental guaranty as well for all midstream assets in Alaska. With the additional insurance coverage and the corporate guaranty, Harvest Alaska's financial assurances are sufficient to protect the public.

Conclusion:

Under AS 38.35.120(a)(9) the Commissioner has determined that Harvest Alaska has the financial capacity to take on the responsibilities for the TAPS, Milne Pipelines, and PTEP pipeline systems and the unconditional guaranties for the Milne Pipelines and Badami Pipelines. Furthermore, as BPPA and BPCNA has agreed to retain the DR&R responsibility for TAPS up to the time of transfer, and secondary liability on Milne Pipelines and Badami Pipelines, the Commissioner has also determined that BPPA and its parent companies can maintain sufficient resources to satisfy the contractual obligations relating to DR&R in its sale agreement with Harvest Alaska. Harvest Alaska's current level of financial assurances, those assurances that are required through time, and the continual maintenance of FAAs for insurance coverage Harvest Alaska must maintain in the amount and type that is typical for organizations of similar size and business requirements meets the Commissioner's financial assessment to determine that Harvest Alaska is capable to take on these obligations.

VI. Transfer of Interest Fit, Willing, and Able Determination

In 2014, Harvest Alaska, with support from its parent company Hilcorp Alaska, started operating and managing AS 38.35 pipelines in the State of Alaska. They have complied with local, state, and federal laws concerning AS 38.35 pipelines and have a six-year history of competent management.

In light of the considerations discussed in this decision, and in accordance with AS 38.35.120(a)(9), the Commissioner has determined that Harvest Alaska is fit, willing, and able to perform the transportation of hydrocarbons through TAPS, Milne Pipelines, and PTEP in a manner that will reasonably protect the lives, property, and general welfare of the people of Alaska. As such, the transfer of BPPA's interests in these ROW leases to Harvest Alaska is approved.

VII. Release of Guaranty Determination

The Commissioner has reviewed Harvest Alaska's financial capacity to take on BPPA's responsibilities for TAPS (excluding the DR&R obligations concerning existing infrastructure), and the Milne Pipelines, PTEP, and Badami Pipelines, and has determined that Harvest Alaska and/or its parent companies are in a position take on these obligations. As such, BPPA's request to be released from their guaranties as discussed within this decision is partially approved, however BPCNA will remain secondarily liable for DR&R on Milne Pipelines and Badami Pipelines (see Exhibit E). The PTEP DR&R is sufficiently guaranteed by another major oil company.

VIII. Decision

The requirements for the approval of the Transfer of Interest and Partial Release of Guaranty requests have been met and satisfied. Once all applicable regulatory approvals for the BP-Hilcorp sale have been obtained, and the proposed sale transaction between

BPPA (and its affiliates) and Harvest Alaska (and its affiliates) is completed, DNR will, upon submittal and approval of replacement guaranties:

- Issue an Acknowledgment of Transfer of Interest for TAPS.
- Issue a Partial Release of the Guaranty of BPCNA and BPPA for TAPS.
- Issue an Acknowledgment of Transfer of Interest for PTEP.
- Issue an Acknowledgment of Transfer of Interest for the Milne Pipelines.
- Provide a Partial Release of the Guaranty of BPTA for the Milne Pipelines.
- Provide a Partial Release of the Guaranty of BPCNA for DR&R obligations for the Badami Pipelines.

Corri A. Feige
Commissioner
Department of Natural Resources

September 21, 2020
Date

A person who has standing under Alaska law may request reconsideration in accordance with 11 AAC 02. Any reconsideration request must be received within twenty (20) days of issuance of this decision. If no request has been filed within the 20-day period, this decision becomes the final decision of DNR on the 21st day, at which point this decision is the final administrative order and decision of DNR for the purpose of an appeal to the Superior Court within 30 days. An appellant who has standing under Alaska Law may appeal to Superior Court in accordance with the Alaska Rules of Court and to the extent permitted by applicable law. DNR does not waive its right to assert any defenses in the event a party with standing files an appeal to Superior Court, including, but not limited to a failure to exhaust administrative remedies defense in the event a motion for reconsideration to the Commissioner does not precede the appeal to Superior Court. The request for reconsideration may be mailed or delivered to the DNR Commissioner, DNR Commissioner's Office, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska, 99501; or sent by electronic mail to dnr.appeals@alaska.gov.

List of Confidential Exhibits:

Exhibit A:

- A-1: September 14, 2020 Guaranty of BPCNA, TAPS ADL 63574
- A-2: September 18, 2020 Guaranty of Harvest Midstream I, TAPS ADL 63574

Exhibit B: December 20, 2012 Guaranty of Exxon Equity Holding Company, Point Thompson Export Pipeline ADL 418975

Exhibit C: Milne Pipelines Guaranties

- C-1: July 17, 2001 Guaranty of BPCNA, Milne Point Pipeline ADL 410221
- C-2: July 17, 2001 Guaranty of BPCNA, Milne Point Products Pipeline ADL 416172
- C-3: November 21, 2014 Partial Release of Guaranty of BPCNA, Milne Point Pipeline ADL410221
- C-4: November 21, 2014 Partial Release of Guaranty of BPCNA, Milne Point Products Pipeline ADL416172
- C-5: January 17, 2020 Guaranty of Harvest Midstream I, Milne Point Pipeline ADL 410221
- C-6: January 17, 2020 Guaranty of Harvest Midstream I, Milne Point Products Pipeline ADL 416172

Exhibit D: Badami Pipelines Guaranties

- D-1: September 30, 2003 Guaranty of BPCNA, Badami Sales Oil Pipeline ADL 415472
- D-2: September 30, 2003 Guaranty of BPCNA, Badami Utility Pipeline ADL 415965
- D-3: March 7, 2014 Partial Release of Guaranty of BPCNA, Badami Sales Oil Pipeline ADL 415472
- D-4: March 7, 2014 Partial Release of Guaranty of BPCNA, Badami Utility Pipeline ADL 415965
- D-5: September 18, 2020 Guaranty of Harvest Midstream I, Badami Oil Pipeline ADL 415472
- D-6: September 18, 2020 Guaranty of Harvest Midstream I, Badami Utility Pipeline ADL 415965

Exhibit E: September 21, 2020 Partial Release of Guaranty of BPCNA