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
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.
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:
  o Prudhoe Bay Unit: **26.36%**
  o Pt Thomson Unit: ~**32%**
  o Milne Point Unit: **50%**
  o Liberty Unit (Federal unit): **50%**
  o ANWR (ASRC leases)**: **50%

**Arctic National Wildlife Refuge Leases are from the Arctic Slope Regional Corporation, not the State of Alaska.**
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.
• Acquiring from BP Pipelines (Alaska) Inc. ("BPPA"):  
  o BPPA’s approximately 48.4% interest in the Trans Alaskan Pipeline System ("TAPS") and approximate 47.6% interest in TAPS terminal tankage in Valdez.  
  o Approximately 49.1069% of issued and outstanding shares of Alyeska Pipeline Service Company.  
  o 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.
### 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.
  o Quasi-judicial.
  o Five commissioners.
  o Resides under Department of Commerce (DCCED).

• RCA Pipeline Acquisition Dockets
  o Administrative process.
  o Court-like discovery.
  o Likely hearing.

• Questions answered in an RCA pipeline docket
  o Is the acquiring pipeline operator fit and able?
  o 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!