



Governor's Oversight Committee on BP-Hilcorp Transaction

Status Update on DNR's Review

Presented by Commissioner Corri A. Feige
Department of Natural Resources
March 18, 2020



UPSTREAM ASSETS

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

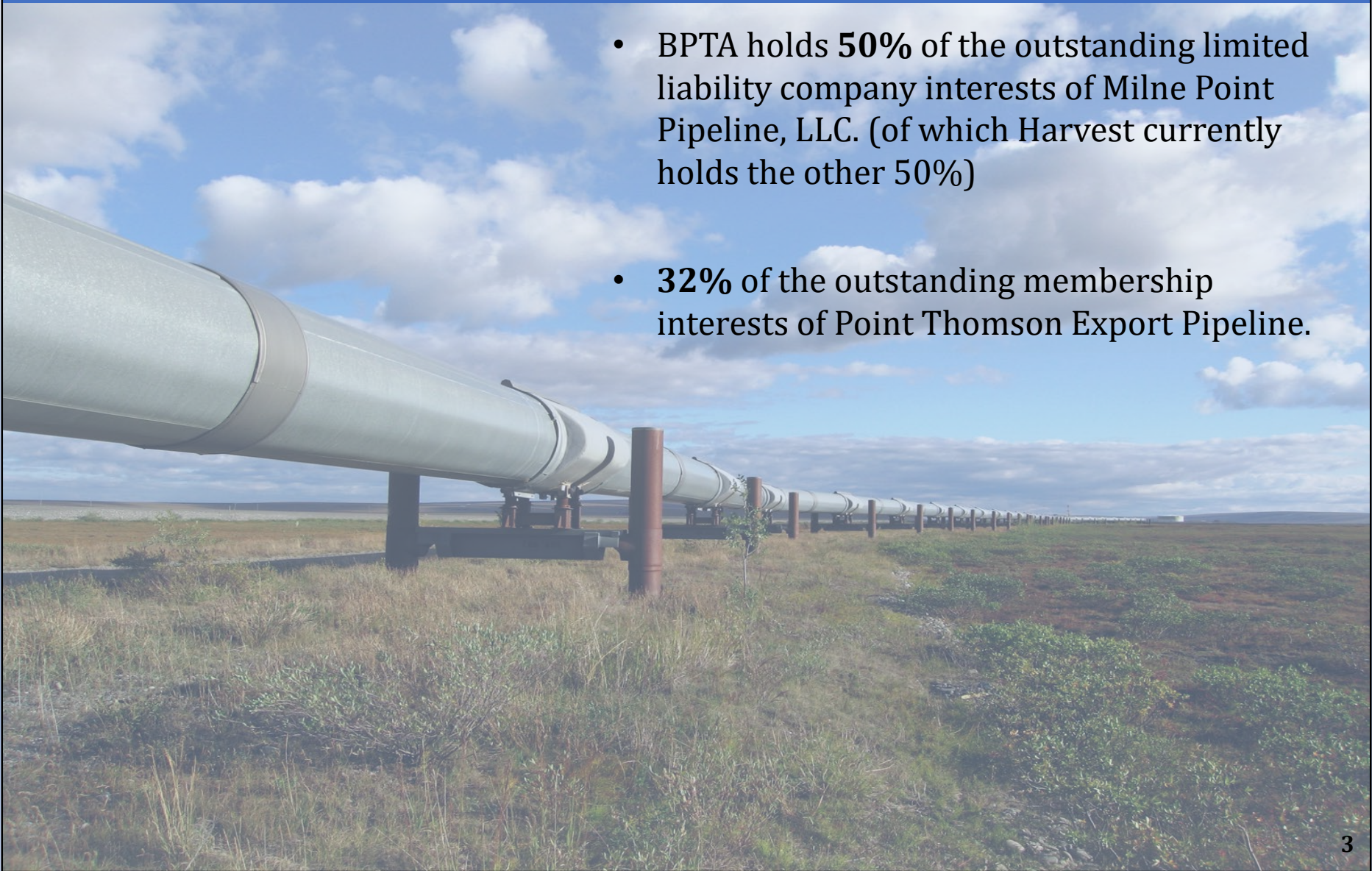
- BPXA owns working interests in oil & gas leases in the following areas:
 - Prudhoe Bay Unit: **26.36%**
 - Pt Thomson Unit: **~32%**
 - Milne Point Unit: **50%**
 - Liberty Unit (Federal unit): **50%**
 - ANWR (ASRC leases)**: **50%**

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



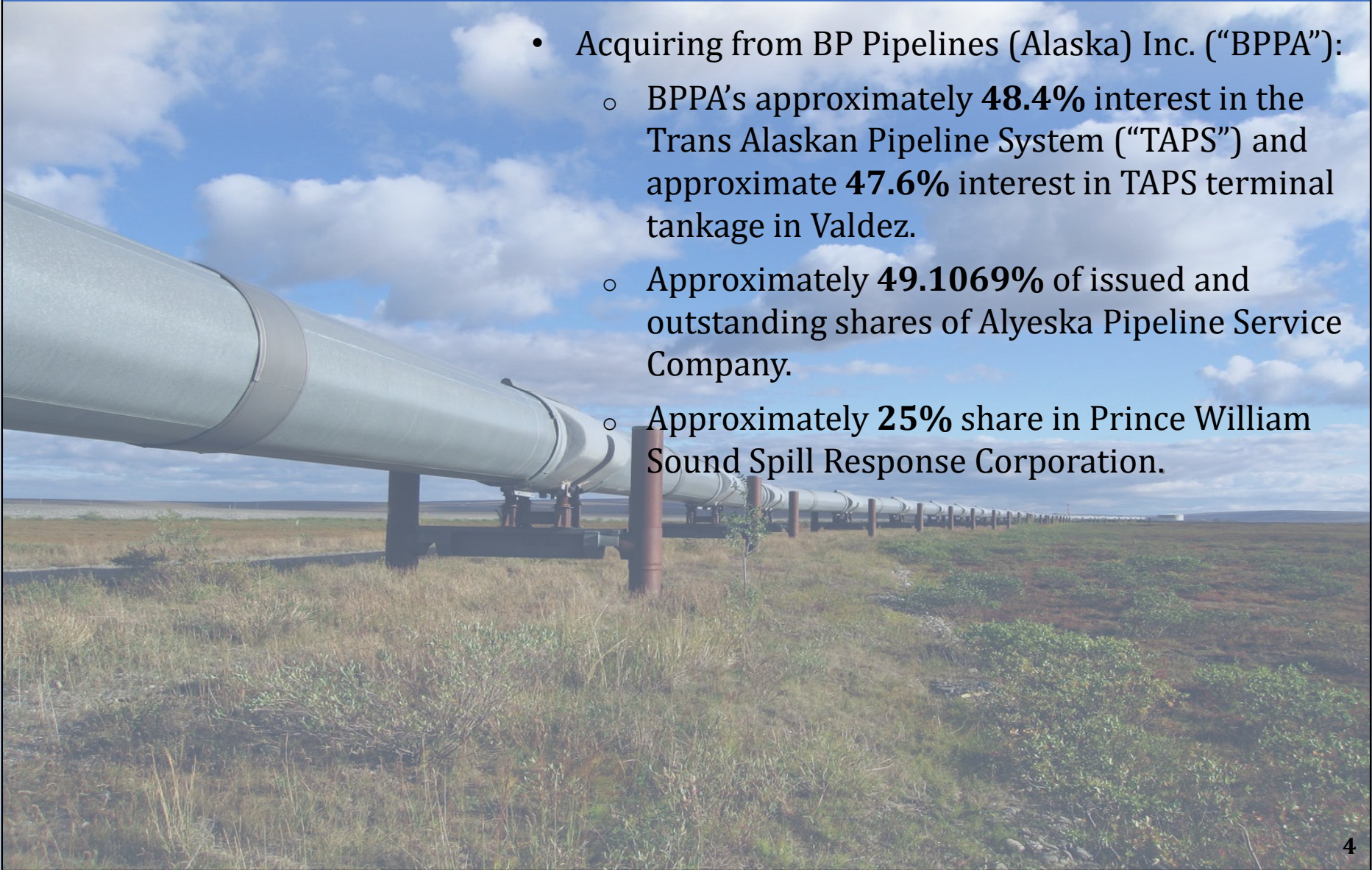
HARVEST ALASKA, LLC MIDSTREAM

- 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.

SINCE DECEMBER 2019...

- **January 9** – Governor’s Oversight Committee held its first meeting.
- **January 17** – Hilcorp/Harvest pipeline transfers completed in preparation for working the BP/Harvest transfer applications.
- **January 21** – “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 4** – RCA held Public hearing on TAPS transfer application.
- **February 25** – 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.
- **March 12** – RCA issues decision on retention of Hilcorp’s financial records as confidential. Records will be maintained as confidential.

SINCE DECEMBER 2019...

- **March 16** – DNR, BP, and Hilcorp came into agreement on the format for the “change in control” form for oil & gas leases.
 - BP and Hilcorp may start preparing a draft application
- **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.
- DOG Permitting field trips have continued to the North Slope to continue to catalogue and document the condition of facilities.



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Presented by Commissioner Julie Anderson
Department of Commerce, Community, and Economic Development
March 18, 2020



DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Regulatory Commission of Alaska

Four dockets have been opened to evaluate the common carrier pipeline components of the proposed BP-Hilcorp transaction:

- P-19-015 --- Joint Application for Approval of the Acquisition by Harvest Alaska LLC of BP Pipelines (Alaska) Inc.'s indirect 32% Interest in PTE Pipeline LLC---CPCN No. 746
- P-19-016 --- Joint Application for Approval of the Acquisition by Harvest Alaska LLC of BP Pipelines (Alaska) Inc.'s indirect 50% Interest in Milne Point Pipeline LLC---CPCN Nos. 329 and 638
- P-19-017 --- Joint Application for Approval to Transfer Certificate of Convenience and Necessity No. 311 from BP Pipelines (Alaska) to Harvest Alaska LLC.
- P-19-019 --- Joint Application for Approval to Transfer a 5% Ownership Interest in PTE Pipeline LLC, Holder of CPCN No. 746 from ExxonMobil Pipeline Company to BP Transportation (Alaska) Inc.

The dockets were noticed on October 4, 2019, and comments were due on October 25, 2019. The RCA extended the time to file comments to December 13, 2019.

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Regulatory Commission of Alaska

- The Regulatory Commission of Alaska (RCA) conducted a public input hearing on February 2, 2020. One hundred and four individuals offered comments.
- Confidential treatment of the purchase and sale agreement was granted on February 11, 2020.
- Confidential treatment of financial statements was granted on March 12, 2020. The Commission will issue final orders in these proceeding by September 28, 2020.
- The RCA will be issuing orders requiring the filing of additional information to evaluate if the applicant is willing and able to meet the obligations under the Certificate of Public Convenience and Necessities (CPCNs) in this transaction. The legacy and going forward Dismantlement, Removal and Restoration (DRR) issues will be part of this evaluation.

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Alaska Oil & Gas Conservation Commission Oversight

- Designation of Operator and Notice of Ownership forms required from Hilcorp at time of sale
- BPXA and Hilcorp are compliant with new bonding regulation
 - Each is required to provide \$30 million in bonding, payable in four annual installments
 - Each operator currently has \$7.65 million in bonds in place with AOGCC
 - If BPXA assets become a subsidiary of Hilcorp, then Hilcorp and “new BPXA” will be considered separate operators, each required to furnish a bond
- AOGCC has an ongoing dialogue with Hilcorp
 - To ensure smooth transition for permitting and inspections
 - To understand whether new organization is staffed appropriately to maintain safety and compliance



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Environmental Permitting Requirements

Presented by Commissioner Jason Brune
Department of Environmental Conservation
March 18, 2020



DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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
- So far, Hilcorp has formally initiated the process for the oil spill contingency plan approval

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Oil Spill Contingency Plan

- 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.
- 45-day public comment period began Feb. 7 and closes March 23.



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Presented by Commissioner Doug Vincent-Lang
Department of Fish & Game
March 18, 2020



DEPARTMENT OF FISH & GAME

Background & Responsibilities

- Statutory responsibility to properly protect freshwater habitat for anadromous fish and provide for the free passage for all fish in freshwater (AS 16.05.841-.871).
- Any activity or project conducted below the ordinary high-water mark of an anadromous stream or has the potential to impede fish passage requires a Fish Habitat Permit.
- We are often consulted by the other state agencies to provide expertise for maintaining and protecting important fish and wildlife habitat.

DEPARTMENT OF FISH & GAME

Permitting

- There are approx. 62 permits involved in the sale.
- Not all may be needed – Hilcorp may have existing permit(s) that they will utilize to conduct their work.
- Permitted Work and Responsibilities
 - Installation of culverts, bridges, or docks, water withdrawals, and stream crossings with vehicles.
 - Habitat biologists also conduct research and field surveys, review plans, and work with permit applicants to ensure proposed projects do not adversely impact anadromous fish habitat and provide for the free passage of fish.
 - Habitat Section biologists also monitor projects and conduct site visits for compliance.



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Presented by Dan Robinson, Research Chief
Department of Labor & Workforce Development
March 18, 2020



DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

Oil and Gas Jobs – Background

- Background data: Alaska oil and gas jobs peaked at 15,300 in December 2014, and then fell to a low of 9,100 over the next three years
- The industry has added back about 1,000 of the 6,000 jobs lost (10,100 in January 2020)

DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

DOLWD Services to Workers

- Department “Rapid Response” team contacted BP soon after sale of its assets to Hilcorp was announced in August 2019
- At BP’s request, services were postponed a few months while they presented options to workers
- Rapid Response team began working with BP in October 2019 to create a plan for assisting employees facing upcoming layoffs

DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

DOLWD Services to Workers

- As required by law, BP issued WARN letters Dec. 19, providing workers in Anchorage and the North Slope at least 60 days' notice of the company's layoffs
- The team held a workshop on Jan. 23, 2020 for impacted employees at Anchorage's BP Alaska Building where workers received information on unemployment insurance, job training, and other employment services

DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

DOLWD Services to Workers

- 1,567 total workers impacted
- 806 received Hilcorp offers and 749 accepted offers
- 342 BP employees volunteered for severance
- 294 employees, 237 Alaska residents, will receive involuntary severance
- 153 employees will continue with BP outside Alaska and 29 have resigned

THANK YOU!

