Hilcorp Alaska, LLC

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Bureau of Safety and Environmental Enforcement
Attn: Justin Miller, Director
Alaska Regional Office
Attn: Justin Miller
3801 Centerpoint Drive, Suite 500
Anchorage, AK 99503-5823 via e-mail Justin.Miller@bsee.gov

Subject: Request for Extension of Suspension of Operations and Production

August 28. 2024

Dear Mr. Miller,

Pursuant to 30 CFR § 250.168 et seq, Hilcorp Alaska, LLC ("Hilcorp Alaska"), as operator, submits this request for a Suspension of Production ("SOP") for Leases Y-1650, Y-1585, and Y-1886 associated with the Liberty Unit (the "Liberty Leases").

Background

The Liberty Unit consists of the Liberty Leases in the shallow Beaufort Sea in Federal waters. Beginning as early as 1982, numerous appraisal wells have been drilled into the Liberty prospect and following an exploration campaign in 1997, the Liberty #1 discovery well was drilled and determined to be producible pursuant to 30 CFR §550.115. Since that time, Hilcorp and predecessor operators have diligently worked to bring the Liberty Leases into production.

In 2014, Hilcorp Alaska submitted a Development and Production Plan ("DPP") to the Bureau of Ocean Energy Management ("BOEM") which contemplated the construction of a 24-acre gravel island in the shallow Beaufort Sea to drill and produce hydrocarbons from the Liberty Leases. The Bureau of Safety and Environmental Enforcement ("BSEE") extended an existing Suspension of Operations and Production ("SOP") to allow BOEM to complete its review and render a decision on the DPP. That SOP was extended in 2017, while BOEM's review continued. BOEM signed its Record of Decision ("ROD") on October 17, 2018, approving the DPP, and BSEE granted Hilcorp an additional SOP so that Hilcorp could provide BSEE with additional information necessary to finalize and approve the Liberty Oil Spill Response Plan ("OSRP"). This ROD was challenged in Federal court, casting significant permitting uncertainty on the project.

In December of 2020, the United States Court of Appeals for the Ninth Circuit (Case No. 18-73400) announced its ruling that the NEPA process leading up to the ROD for the DPP was insufficient in several areas. The result of this ruling is vacation of BOEM's approval and remand to BOEM for further proceedings to address the shortcomings of the NEPA analysis.

On December 26, 2021, BSEE granted Hilcorp an additional SOP for three years until December 26, 2024, to allow Hilcorp time to develop the OSRP and commence construction of the Liberty gravel island project.

Under that SOP, Hilcorp has reported quarterly its progress toward developing the OSRP. Hilcorp has explored several alternatives to address those initial concerns with the OSRP, including engagement with the University of Alaska-Fairbanks regarding potential studies to evaluate the technical feasibility of different spill response methodologies. Hilcorp has also taken a hard look at different reservoir development strategies that would alleviate the challenges associated with a worst-case discharge spill response scenario and reduce environmental impacts associated with the proposed development.

Based on this evaluation of the overall project, Hilcorp has determined that pivoting from the gravel island development and moving toward an extended reach drilling ("ERD") development project from the existing Endicott Satellite Drilling Island ("SDI"), represents the most prudent path forward. Hilcorp is committed to production from the Liberty Unit. To demonstrate Hilcorp's commitment, the following suspension request is submitted, which outlines a reasonable schedule of work to achieve an approved ERD DPP.

Suspension Request

- The existing suspension to be extended by one year until December 26, 2025.
- Proposed reasonable schedule of work to return to permitting:
  - November 2024 – Initial submission of revised DPP to BOEM.
  - December 2024 – September 2025 – Collaboration with BOEM to address requests for additional information regarding the development proposal.
  - October 2025 – BOEM determines the DPP is "deemed submitted".
  - October 2025 – BOEM advises public of its Notice of Intent to perform analysis under NEPA.
  - October 2025 – BOEM commences NEPA review, Hilcorp initiates work pursuant to revised schedule of work informed by complete DPP.
  - November 2025 – Hilcorp requests additional SOP extension pending NEPA review by BOEM including a schedule of work which will outline required permitting activities and timelines.

Justification for Suspension

Hilcorp believes that an additional suspension period is justified to carry out the requirements of NEPA and due to inordinate delays encountered in obtaining required permits because of third party challenges to agency action.

NEPA

The Regional Supervisor may grant a suspension to carry out the requirements of NEPA. In this case, NEPA considerations are two pronged.

First, the 9th Circuit required BOEM to revisit its environmental impact statement ("EIS") regarding certain measurements of emissions from foreign oil consumption and with regard to the USFWS biological opinion it relied upon in issuing the ROD for the Liberty gravel island development. The EIS has been remanded to BOEM for further proceedings and the NEPA process remains unconcluded. Though Hilcorp anticipates moving forward with the ERD DPP, NEPA processes are still outstanding for the gravel island proposal.

The second prong originates from Hilcorp's assessment that a DPP amendment is necessary to contemplate exploitation of the Liberty reservoir via an ERD campaign rather than a gravel island. This pivot in development strategies will require Hilcorp to submit a DPP through an initial administrative process to completeness. The complete submission of the DPP will then be subject to a decision-making process that must be informed by an environmental assessment or EIS pursuant to NEPA. The schedule of work outlined above contemplates the renewed initiation of NEPA in approximately the 4th quarter of 2025.

For both reasons, a suspension is proper and justified to carry out the requirements of NEPA.

Permitting Delays

Proceeding with development of the gravel island scenario has proven to be infeasible due to permitting delays.

BSEE permitting delay resulting from discussion with BSEE and internal work by subject matter experts during the current SOP period regarding intentional well ignition (IWI) requires an SOP extension to allow further time to explain why IWI of oil released during a worst-case discharge ("WCD") event and mechanical response to a WCD event is significantly more achievable from the existing road-connected pad infrastructure at the SDI facility. Hilcorp believes that spill response from the SDI facilities is significantly easier to achieve by conventional and accepted means than from the gravel island development and that these permitting delays would be addressed by granting Hilcorp time via an SOP to design an OSRP around the SDI ERD path forward.

As such, additional time is required to develop the DPP and work with relevant permitting agencies in the spirit of this least impactful path forward.

Extended Reach Project Development

As Hilcorp has worked throughout the current SOP period to find a path forward on spill response for the gravel island development plan, it became increasingly clear that a more efficient and permittable path forward is an ERD approach. ERD technologies have improved since a prior Liberty ERD DPP was approved by the Minerals Management Service from the Endicott SDI in 2008.

While Hilcorp was exploring options for WCD response from the gravel, Hilcorp also commissioned a world-class ERD engineering consultancy to perform a drilling feasibility study for the Liberty SDI project. This included providing a full-time employee secondee within the Hilcorp organization who reviewed previous studies performed by other experts and those of BP ERD engineers in 2007-08.

As was determined by BP circa 2007, Hilcorp believes that successfully drilling the Liberty reservoir from SDI is possible and would result in the efficient development of the reservoir while utilizing existing surface facilities and minimizing impacts to greenfield areas of the Beaufort Sea. With many wells around the world drilled to greater depths since BP's nascent efforts at Liberty, there is additional precedent, learnings, and developed technology and methods to support this conclusion.

Stated plainly, the ERD length and depth envelope has expanded substantially since 2007 rendering the ERD proposal less exotic and far more technically feasible than would have been under the 2007 DPP.

We understand the importance of maintaining safe and responsible operations, and we are committed to resolving the issues that have necessitated this request. For the above reason, we respectfully request a one-year extension of the Liberty Leases SOP to allow the submission by Hilcorp, and the review by BOEM of an amended DPP which addresses extended reach drilling access to the Liberty resource. We will keep BSEE informed of our progress and will promptly notify you of any changes to our plans throughout this process.

We appreciate your attention to this matter and look forward to your response. Please do not hesitate to contact me at 907-564-4388 or aaron.oquinn@hilcorp.com if you require any additional information or have any questions.

Thank you for your consideration.

Sincerely,

Aaron O'Quinn
Land Manager
Hilcorp Alaska, LLC