THE DEPUTY SECRETARY OF THE INTERIOR
WASHINGTON

DEC 2 6 2024

Mr. Aaron O'Quinn
Land Manager, Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, AK 99503

Dear Mr. O'Quinn:

The Bureau of Safety and Environmental Enforcement's (BSEE) Alaska Outer Continental Shelf (OCS) Region received Hilcorp Alaska, LLC's (Hilcorp) request for a Suspension of Production (SOP) for the three OCS leases comprising the Liberty Unit on August 28, 2024. The leases are currently held under an SOP that was granted on December 22, 2021, for a period of 3 years, expiring December 26, 2024. The three leases are OCS-Y-1585, OCS-Y-1650, OCS-Y-1886, all located in the Beaufort Sea OCS. BSEE is informing Hilcorp that our review of the SOP request is complete, and BSEE is issuing a decision on the request as detailed in this letter.

Background

Leases and Unitization Agreement

The oldest of the three Liberty Unit leases, OCS-Y-1585, was acquired in Beaufort Sea OCS Lease Sale 124 with an effective date of August 1, 1991. A second lease, OCS-Y-1650, was awarded in Beaufort Sea OCS Lease Sale 144 and effective October 1, 1996. On February 7, 1997, the Liberty #1 well was spudded on Lease OCS-Y-1650 and resulted in a commercially viable well test before being permanently plugged and abandoned on April 6, 1997. Leases OCS-Y-1585 and OCS-Y-1650 were approved for unitization under the Liberty Unit Agreement on June 27, 2003. A third lease, OCS-Y-1886, was awarded in Beaufort Sea OCS Lease Sale 202 with an effective date of July 1, 2007, and was approved to join the Liberty Unit on April 21, 2016.

BSEE's regulations at 30 CFR § 250.1301(g) (Unit operations) state: "If your lease, or any part of your lease, is subject to a unit agreement, the entire lease continues for the term provided in the lease, and as long thereafter as any portion of your lease remains part of the unit area, and as long as operations continue the unit in effect." Further, 30 CFR 250.1301(g)(2) provides: "When a lease in a unit agreement is beyond the primary term and the lease or unit is not producing, the lease will expire unless: (i) You conduct a continuous drilling or well reworking program designed to develop or restore the lease or unit production; or (ii) BSEE orders or approves a suspension of operations under § 250.170."

The three leases comprising the Liberty Unit are each beyond their primary term and remain valid until the expiration of the Liberty Unit. Since the Liberty Unit's approval in 2003, the leases comprising the Liberty Unit have been granted a sequence of nine separate lease

suspensions, not including two suspensions granted for the oldest Liberty lease prior to unitization. Each suspension was requested by Hilcorp or prior lessees and justified to BSEE's satisfaction citing various technical, permitting, and legal delays and other challenges in accordance with regulatory requirements and BSEE's discretion.

Development and Production Plan and Recent Lease Suspensions

On October 17, 2018, the Bureau of Ocean Energy Management (BOEM) approved a Development and Production Plan (DPP) for the Liberty Unit. Following BOEM's DPP approval, Hilcorp requested an SOP from BSEE citing both: (1) Hilcorp's need to have an Oil Spill Response Plan (OSRP) approved by BSEE before being able to proceed with development operations;and (2) Hilcorp's commitment to production before June 2023. BSEE approved the SOP for a term of 18 months, expiring on July 15, 2020. On December 26, 2019, BSEE approved another subsequent SOP request for a term of 2 years or 30 days after approval of an OSRP, whichever would come first.

On December 7, 2020, the United States Court of Appeals for the Ninth Circuit vacated BOEM's Environmental Impact Statement and Record of Decision approving the Liberty Unit DPP and remanded the action to BOEM for further proceedings consistent with the court's opinion. The court also deemed unlawful the U.S. Fish and Wildlife Service's Biological Opinion addressing the Liberty Unit DPP. Following the court's decision, BOEM inquired with Hilcorp via letter dated March 19, 2021, as follows: "BOEM requires that Hilcorp confirm in a letter to BOEM whether it is planning to pursue the activities described in the Liberty DPP for Outer Continental Shelf (OCS) blocks OCS-Y-1650, OCS-Y-1886 and OCS-Y-1585. Please clarify whether Hilcorp is planning to pursue the activities as described in the existing Liberty DPP or if Hilcorp anticipates amending the Liberty DPP."

On September 21, 2021, Hilcorp requested another SOP. In the request, Hilcorp stated that "[a]n extended SOP is necessary to allow BSEE, BOEM, and Hilcorp Alaska to appropriately address pending environmental analysis associated with the project's overall environmental review process and to overcome delays associated with ongoing litigation. (See 30 CFR § 250.1 72(d) authorizing BSEE to grant an SOP to 'carry out the requirements of NEPA or to conduct an environmental analysis['']; and 30 CFR § 250.1 72(e) to overcome the 'inordinate delays encountered in obtaining required permits... including ... Judicial challenges or appeals.')."

In its request, Hilcorp assured BSEE that "[d]uring the requested SOP period, Hilcorp Alaska will continue to provide quarterly updates to BSEE on progress made to date, permitting, agency coordination and stakeholder outreach activities. Hilcorp Alaska commits to continuing engineering processes, continuing to engage with [BSEE's Oil Spill Preparedness Division] to obtain an OSRP and committing capital to continue progressing the Liberty Project forward to development."

BSEE approved the SOP "effective December 26, 2021, and will extend until such time as the OSRP is approved, with a 30-day period in which to apply for a subsequent SOP for construction, or three years, whichever is shorter." Absent a complete OSRP submission from

Hilcorp resulting in an approval of the OSRP by BSEE or another subsequent SOP approval, this SOP will expire on December 26, 2024.

In a letter dated May 9, 2022, Hilcorp responded to BOEM's inquiry of March 19, 2021. Hilcorp affirmed it "is continuing to update the Liberty Oil Spill Response Plan (OSRP), specifically focusing on a mechanical response strategy for the worst-case discharge scenario. While the initial OSRP focused on intentional well ignition and well capping for a worst-case discharge response, Hilcorp is now updating the OSRP to include more traditional mechanical response tactics. The addition of a full mechanical response scenario will result in changes to the Liberty DPP. Hilcorp is currently working with the University of Alaska Fairbanks (UAF) to study technical aspects of the proposed mechanical response concept. Upon conclusion of that study, Hilcorp will complete updates to the OSRP and resubmit to BSEE for review and approval. Hilcorp does not propose to amend the Liberty DPP until BSEE determines the OSRP is adequate and complete."

Oil Spill Response Plan

Hilcorp submitted its first OSRP for the Liberty Unit to BSEE's Oil Spill Preparedness Division (OSPD) in March 2017. In July 2017, BSEE OSPD provided feedback to Hilcorp on the OSRP through a process called Request for Additional Information (RFAI), identifying 91 individual line-item deficiencies in the application that required additional comment or action from Hilcorp in order for BSEE to advance the OSRP for further review. In December 2017, Hilcorp submitted a first revision of the OSRP to BSEE for review, and in April 2018, through a second RFAI process, BSEE determined and notified Hilcorp that the revised OSRP did not comply with the requirements in 30 CFR § 254. Specifically, in accordance with 30 CFR § 254.5(b): "The OSRP must be consistent with the National Contingency Plan (NCP) and the appropriate Area Contingency Plans (ACP)." The response tactic proposed by Hilcorp in the OSRP, Intentional Well Ignition, was not an approved oil spill response tactic in either of those documents.

In September 2018, BSEE OSPD received Hilcorp's response to BSEE's second RFAI, including a second revision of the OSRP. In July 2019, BSEE completed a review of the second OSRP revision and identified to Hilcorp 29 remaining RFAI line items to be addressed.

In support of its September 21, 2021, SOP request to BSEE (the "current SOP"), Hilcorp's Reasonable Schedule of Work (RSW) described actions to resolve still-outstanding deficiencies in the OSRP application to BSEE, mainly through pursuit of a contracted study with UAF, which Hilcorp argued may serve to inform BSEE's decision to authorize elements of a future revision to the pending OSRP application. BSEE approved a suspension until such time as the OSRP was approved or for 3 years, whichever was shorter.

BSEE's approval of the current SOP also contained Conditions of Approval (COAs) that required Hilcorp to provide quarterly status updates of its progress toward the RSW and plans for the next quarter's RSW progress, and it informed Hilcorp that failure to complete the RSW milestones by the end of the SOP term could lead to denial of future SOP requests. The COAs

also established that BSEE may request "evidence of diligence" as Hilcorp worked to satisfy the requirements of the SOP RSW.

Over most of the course of the current 3-year SOP term and associated RSW, Hilcorp affirmed to BSEE quarterly that both coordination with BSEE OSPD to complete an OSRP submission and talks with UAF refining a final study contract were continuing. BSEE accepted Hilcorp's quarterly reports updating BSEE on the Liberty SOP RSW until the submission for the 4th quarter of 2023, dated January 15, 2024. The initial RSW update submission for that quarter asserted that Hilcorp had received a final study scope and cost estimate for a potential contract with UAF and would work with UAF to initiate the study in 2024. On January 25, 2024, BSEE requested that Hilcorp submit the final UAF study scope as "evidence of diligence" prior to BSEE's acceptance of the pending quarterly RSW progress report submission.

Hilcorp's February 1, 2024, response to BSEE provided the study scope but clarified that the study scope "does not reflect the final study scope. Hilcorp intends to refine the scope in future discussions with UAF" and added that "[i]n addition to working with UAF, in 2023, Hilcorp evaluated the technical feasibility of drilling the Liberty reservoir from the Endicott Satellite Drilling Island (SDI) and an alternative onshore location. A review of these options will occur in the 1st quarter 2024 and Hilcorp will provide an update in the next Liberty quarterly SOP status report. Hilcorp introduced the possibility of this extended reach alternative in a meeting with the BOEM Alaska Director in January 2024. Further discussion regarding implications to the DPP will take place following Hilcorp's technical analysis of these alternative surface hole options."

In response to this new information, BSEE's Alaska OCS Regional Office requested a joint meeting with Hilcorp and BSEE OSPD to discuss Hilcorp's Liberty Unit development intentions and the technical details of the draft UAF study scope in greater detail, and to discuss timing of any submissions Hilcorp may need to make to BSEE prior to the December 26, 2024, expiration of the current SOP. At a meeting held virtually on March 4, 2024, Hilcorp confirmed to BSEE that it was evaluating an option to revise its Liberty DPP to develop the Liberty Unit from an onshore location rather than from the previously permitted OCS artificial gravel island. BSEE discussed the nearing expiration date of the current SOP and reviewed with Hilcorp the regulatory citations governing BSEE's consideration of an SOP request before providing Hilcorp a printed copy of the regulations.

BSEE also explained the distinction between a BSEE OSRP approval and a BOEM DPP approval. A BSEE OSRP approval is not a prerequisite to a BOEM DPP approval. They are separate approvals that follow different processes and as such, continued delays in submitting a sufficient OSRP after so many years, without demonstrating significant progress, would not support approval of additional SOPs. BSEE asserted that, given all the other outstanding permitting actions yet to be resolved before the Liberty Unit could proceed to development and the anticipated lack of successful completion of RSW milestones leading to an OSRP approval during the current SOP term, Hilcorp would need to provide greater justification beyond its work to submit an adequate OSRP to support further suspension requests. When BSEE OSPD attempted to address how Hilcorp's draft UAF study scope might not sufficiently address BSEE's requirements for a complete OSRP submission in its current state, Hilcorp stated it did

not have a staff member present who could speak in detail on the technical aspects of the UAF study proposal with BSEE OSPD.

On May 10, 2024, Hilcorp contacted BSEE and BOEM to request a joint meeting "to discuss changes we are considering for the Liberty Development Plan. We would like to get feedback on the proposed changes, BOEM's process, and any potential implications for the SOP." At the meeting held on June 5, 2024, Hilcorp informed BSEE and BOEM that it was not going to proceed with developing the Liberty Unit from a new artificial gravel island in OCS waters or from an onshore location as proposed in the pending DPP. Instead, Hilcorp would change its entire plan and submit a new DPP to BOEM to develop the Liberty Unit from the existing Endicott SDI. This change would also require Hilcorp to submit a new or revised OSRP to BSEE.

National Environmental Policy Act

In the meeting on June 5, 2024, Hilcorp also stated it would likely submit another SOP request to BSEE after it submitted a revised DPP to BOEM in the fall, citing as justification that the SOP would be "necessary to carry out the requirements of the National Environmental Policy Act (NEPA) or conduct an environmental analysis" and that BOEM's NEPA review of Hilcorp's DPP submission should meet that justification. BSEE informed Hilcorp that the suggested timing of its submission was tight because BSEE would not approve an SOP on that justification unless BOEM could affirm to BSEE that NEPA activities were underway to BOEM's satisfaction prior to expiration of the current SOP.[1] BOEM confirmed it does not formally commence its NEPA review until it has deemed a DPP submission complete and published a Notice of Intent to commence NEPA analysis in the Federal Register.

The August 12 and August 28, 2024, Suspension of Production Requests

On August 12, 2024, Hilcorp submitted a request for BSEE to grant an SOP pursuant to 30 CFR § 250.172 for a period of 1 year from December 26, 2024. Hilcorp's request seeks a suspension based on the need to conclude a NEPA review and delays with submitting an adequate OSRP. Following an administrative review of the request to verify that it contained each of the required elements of a suspension request as defined in 30 CFR § 250.171, BSEE returned the request to Hilcorp on August 27, 2024, because it was incomplete. The notification to Hilcorp stated "BSEE has determined that your request does not sufficiently satisfy three of the required elements, as follows:

- § 250.171(c): A statement that a well has been drilled on the lease and determined to be producible according to § 250.1603 (SOP only), 30 CFR § 550.115, or 30 CFR § 550.116;
- § 250.171(d): A commitment to production (SOP only); and
- § 250.171(e): The service fee listed in § 250.125 of this subpart."

Hilcorp responded on August 28, 2024, with a request that was substantively identical to the August 12 submission but contained each of the required elements of § 250.171 to BSEE's

[1] Hilcorp's prior DPP submission had not been deemed complete until 9 months after its original submittal.

satisfaction. Hilcorp submitted this missing information and service fee on August 28, 2024. Following BSEE's verification of a complete request, BSEE commenced a technical and regulatory analysis of the SOP request.

On December 13, 2024, BSEE received a supplement to Hilcorp's request for an SOP for the three OCS leases comprising the Liberty Unit. In that supplement, Hilcorp stated that it had submitted a DPP to BOEM on November 20, 2024, that "contains a schedule which plans to return to production by January of 2029" and that "is subject to review under [NEPA]." By letter dated today, BOEM informed Hilcorp that its DPP is incomplete.

Analysis

To request a suspension, Hilcorp must submit to BSEE the information identified in 30 CFR § 250.171 before the end of the lease term. That information must include the justification for the suspension, a reasonable schedule of work leading to commencement of the suspended activity, a statement that a well has been drilled on the lease and determined producible, a commitment to production, and the required service fee. BSEE must determine that the request has met these requirements before it may grant a suspension. These relevant requirements and considerations of 30 CFR § 250.171 are analyzed as follows:

a) 30 CFR § 250.171(a) requires a suspension to contain a justification and length for the suspension. Hilcorp's request contains its justification for the suspension including the length of suspension requested (1 year) as required by 30 CFR § 250.171(a).

b) 30 CFR § 250.171(b) requires an RSW leading to the commencement or restoration of the suspended activity. To grant an SOP, the RSW must result in the commencement of production prior to the expiration of the requested SOP. The ultimate outcome of the RSW schedule (production) should be demonstrably achievable. The RSW Hilcorp submitted in August 2024 does not show a path leading to the commencement of production within the requested SOP duration, ending instead in a "return to permitting." The final milestone of the provided RSW states that in 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." Similarly, the supplement Hilcorp submitted in December 2024 fails to show a path leading to the commencement of production within the requested SOP duration. Hilcorp requested a 1-year SOP; the DPP referenced in the supplement would not commence production from the Liberty Unit until January of 2029. Moreover, BOEM has determined that the DPP is incomplete. Therefore, Hilcorp's request fails to satisfy 30 CFR 250.171(b).

c) 30 CFR § 250.171(c) requires a statement that a well has been drilled on the lease and is producible. BSEE confirms the producibility determination of the Liberty #1 well, drilled by a prior lessee on lease OCS-Y-1650 in 1997, in accordance with 30 CFR § 250.171(c).

d) 30 CFR § 250.171(d) requires that the lessee demonstrate a commitment to production (CTP). The SOP request submitted in August 2024 asserts that "Hilcorp and predecessor operators have diligently worked to bring the Liberty Leases into production" and "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." However, BSEE has determined that the RSW provided to demonstrate this CTP does not contain a firm timeline that would reasonably result in production before the end of the lease term (i.e., December 26, 2025). The schedule of activities described by Hilcorp to demonstrate its CTP instead includes only the preliminary steps necessary to begin a plan approval process. The preliminary steps identified would only lead to submission of another SOP request to BSEE near the end of the new SOP term in December 2025. Because the regulation requires that a request include a CTP that would lead to production prior to the end of the suspension, BSEE cannot approve an SOP, like the one at issue here, that clearly states it will not lead to production by the end of the new suspension. The regulations do not permit a lessee to rely on the future submission of additional SOP requests to extend the period during which the CTP must be demonstrated. Hilcorp's August 2024 request does not satisfy 30 CFR §250.171(d).

The supplement Hilcorp submitted in December 2024 does not cure these deficiencies. The RSW timeline in the supplement provides 3 years for what it describes vaguely as "Permitting, Facility Upgrades, Procurement for 2028-2029 drilling campaign" but provides no specific details regarding these sweeping categories of action. Hilcorp has referenced a feasibility study for its extended reach drilling strategy but did not provide the study. The supplement also identifies "mobiliz[ing]" the Doyon 26 drilling rig as part of its RSW but provides no information on its drilling capabilities or how those capabilities conform to the results of the feasibility study and no information demonstrating Hilcorp's efforts to secure a contract or otherwise demonstrate a financial commitment to use this rig. These omissions would not justify a 5-year suspension—the minimum time Hilcorp actually appears to require for production—much less the 1-year suspension Hilcorp has actually requested. Moreover, as noted above, BOEM has determined that the DPP Hilcorp sent is incomplete. Therefore, the supplement does not provide a firm timeline that would reasonably result in production before the end of the 1-year suspension Hilcorp requested.

e) 30 CFR § 250.171(e) requires submission of a service fee. BSEE confirms that Hilcorp submitted the applicable service fee as required by 30 CFR § 250.171(e).

In addition to submitting the information required by 30 CFR § 250.171, Hilcorp's request must satisfy one of the five identified circumstances for granting an SOO or SOP pursuant to 30 CFR § 250.172. Hilcorp asserts that an SOP is necessary for two reasons under this regulation. First, Hilcorp claims that the request is "necessary to carry out the requirements of NEPA or to conduct an environmental analysis." 30 CFR § 250.172(d). Second, Hilcorp claims that the request is necessary "to allow for inordinate delays encountered in obtaining required permits or consents, including administrative or judicial challenges or appeals." 30 CFR § 250.172(e).

First, BSEE disagrees that an SOP is necessary to carry out the requirements of NEPA. Hilcorp is incorrect in asserting that the Ninth Circuit's December 7, 2020, decision vacating BOEM's approval of the Liberty DPP and remanding the action means that an applicable NEPA process remains unconcluded. The court required a supplemental NEPA analysis if the DPP is pursued. However, the need to conclude the analysis of the DPP is moot in light of Hilcorp's representation that it is pursuing an entirely new development concept that requires a revised or amended DPP. It is not necessary to supplement a NEPA analysis for a DPP concept that has

been abandoned and is being replaced by a new concept that will require a new NEPA review. Even if that NEPA analysis were not moot, another SOP would not be necessary to complete that work. The Ninth Circuit issued its judgment 4 years ago; that 4 years provided an adequate amount of time to prepare a supplemental NEPA analysis.

Furthermore, BOEM hosted a virtual meeting with BSEE and Hilcorp on March 29, 2022, to clarify BOEM's expectations for Hilcorp's DPP following the Ninth Circuit's 2020 decision. BOEM's record of that meeting shows that BOEM made clear to Hilcorp "that it is BOEM's understanding that the DPP may change as a result of Hilcorp's OSRP study. BOEM does not know the extent of the changes, but those changes will affect the NEPA analyses. BOEM is waiting on Hilcorp before we revise the NEPA analyses and address court's decisions. BOEM will need to know Hilcorp's changes to their plans before we proceed." BOEM's record of the meeting also confirms that Hilcorp acknowledged that "Hilcorp understands that BOEM is waiting on updates to the DPP before supplementing the NEPA evaluation." In the meeting, BOEM also inquired about Hilcorp's failure to respond to BOEM's March 19, 2021, letter requesting that "Hilcorp provide a written response as to their intent to amend the Liberty DPP and continue pursuit of the Liberty project." The meeting notes show that Hilcorp acknowledged receiving BOEM's letter and "stated Hilcorp would provide BOEM with a written response." Hilcorp responded to BOEM's request on May 9, 2022.

In its August 2024 SOP request, Hilcorp also asserted that the SOP is justified to allow time to draft and submit a "revised DPP" to BOEM, which would trigger the requirement to initiate a new NEPA analysis for the revised DPP. However, Hilcorp's proposal states that it does not anticipate submission of a complete, revised DPP to BOEM until approximately the 4th quarter of 2025, precluding BOEM's initiation of a NEPA analysis before the expiration of the current SOP on December 26, 2024. *See* 30 CFR § 550.285(c).

On November 20, 2024, Hilcorp submitted to BOEM an amended DPP for the Liberty project pursuant to 30 CFR § 550.267(d), rather than a revised DPP pursuant to 30 CFR § 550.285, and the BOEM Regional Supervisor determined that the amended DPP is subject to the procedural requirements of 30 CFR § 550.266. Pursuant to those regulations, BOEM reviewed the submitted information and, in a letter dated today, determined that it is incomplete and therefore deemed not submitted. Even if we were to grant the requested SOP, BOEM would not initiate a new NEPA analysis for the amended DPP until after it has deemed the submission complete. In any event, the amended DPP comes almost 4 years after the Ninth Circuit's decision.

The future initiation of a not-yet-required NEPA analysis does not satisfy 30 CFR § 250.172(d). Hilcorp's request rests on speculation and estimations of time needed for Hilcorp to provide additional information sufficient to cure the deficiencies with the amended DPP and for BOEM subsequently to deem the amended DPP submitted. This speculation and indeterminate, unenforceable timeline do not meet the requirements of this regulation. Therefore, the requested SOP is not "necessary to carry out the requirements of NEPA or to conduct an environmental analysis" within the meaning of 30 CFR § 250.172(d).

Second, BSEE determines that Hilcorp's permitting delay allegations are unfounded. Those allegations center around past "discussions with BSEE" and work during the current SOP period

by Hilcorp's subject matter experts on intentional well ignition. As of the date of this letter, Hilcorp has not yet fulfilled the outstanding line items from the second RFAI, dated July 19,2019, or submitted a revised OSRP to BSEE. BSEE cannot initiate formal review and technical analysis of Hilcorp's pending OSRP application until BSEE determines that Hilcorp has adequately addressed the 22 line items identified in the RFAI. Hilcorp's inability or refusal to submit a complete OSRP application to BSEE and to do so in a timely manner does not constitute an inordinate delay under 30 CFR § 250.172(e), where the delay is entirely Hilcorp's creation and within its control. Any additional allegations of permitting delays are related to Hilcorp's intention to submit a revised DPP in the future and speculation that this process will entail permitting delays of some unidentified sort. These allegations do not satisfy 30 CFR § 250.172(e).

Decision

Following a detailed review of the information submitted, and based on the information and analysis presented herein, Hilcorp's request, pursuant to 30 CFR § 250.171 and 30 CFR § 250.172, for an SOP of the three Liberty Unit leases is hereby denied.

Please contact Justin Miller at (907) 334-5300 or Justin.Miller@bsee.gov if you have any questions.

Sincerely,

Laura Daniel-Davis
Acting Deputy Secretary

cc: Bureau of Ocean Energy Management
Office of Natural Resources Revenue