

Alaska Oil and Gas Association



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Ms. Lauren Boldrick,
Project Manager
Alaska OCS Region
Bureau of Ocean Energy Management
3801 Centerpoint Drive, Suite 500
Anchorage, Alaska 99503

Re: Hilcorp Alaska, LLC's Liberty Development and Production Plan (MMAA104000)

Dear Ms. Boldrick:

The Alaska Oil and Gas Association (AOGA) appreciates the opportunity to submit comments detailing its unequivocal support for Hilcorp Alaska, LLC's ("Hilcorp") Liberty Development and Production Plan (DPP). AOGA is a professional trade association whose members account for the majority of oil and gas exploration, development, production, transportation, and refining activities onshore and offshore in Alaska. AOGA and its members are longstanding supporters of responsible oil and gas leasing; exploration and development; and wildlife conservation, management and research. In accordance with those principles, AOGA is eager to articulate its support for Hilcorp's DPP, not just in its execution and potential, but also in acknowledgement of the vital role the Liberty project plays in the long term interest of all Alaskans.

As an initial matter, development of new oil and gas resources in Alaska is a critical state and national interest. In 1988 Alaska's North Slope was producing 2.145 million barrels per day – or 25% of our nation's domestic production. Current North Slope production has declined to less than 520,000 barrels per day, representing roughly 5% of our nation's domestic production. New offshore prospects and development of the discoveries that may be found remains essential to the long-term viability of the Trans-Alaska Pipeline System. The Beaufort Sea represents one of the largest undiscovered oil and gas resource accumulations in the U.S. Developments such as the Liberty project would serve to enhance the energy security of the United States by sustaining the Trans-Alaska Pipeline

System and generating significant economic benefits for Alaska and the nation. It is important to note that, although approximately 650 leases netting the federal government billions of dollars have been awarded to companies interested in oil and gas exploration in federal waters offshore Alaska since 2005, significant federal regulatory obstacles have effectively discouraged any of those projects from moving forward in any meaningful way. Additionally, four Chukchi and Beaufort Sea lease sales that were included in the 2007-2012 Program and proposed to take place between 2009 and 2012 were cancelled. Ultimately, Hilcorp's Liberty project represents one of the few remaining options at invigorating Alaska's economy, preserving the viability of the Trans Alaska Pipeline, and furthering this nation's goal of energy independence.

Specifically, the Hilcorp project contemplates developing the Liberty Oil Field, which is located on the Outer Continental Shelf (OCS), in Foggy Island Bay. The Liberty Development will be a self-contained offshore drilling and production facility located on an artificial gravel island with a pipeline to shore. The island will be built five miles offshore in Foggy Island Bay in approximately 19 feet of water, roughly two miles west of Tern Island shoal. The planning for this project began in earnest nearly twenty years ago, when the discovery of approximately 120 million barrels of recoverable reserves. The proposed project represents over two decades of experience at this particular location, as well as drawing upon substantial experiences garnered from similar island developments in the Beaufort Sea.

In addition to the economic benefits, the DPP outlines the extensive and comprehensive measures that will serve to protect the local environment and ecosystem. Understandably, each aspect of the design of the island, pipelines, wells, and process facilities account for and endeavor to protect the unique environmental realities. In part, the design of the Liberty project is born from the lessons learned from recent comparable Beaufort Sea oil and gas developments, including Endicott, Northstar, Oooguruk, and Nikaitchuq. Each of these successful developments serve as examples and strong templates for the installation and operation of subsea pipelines in the Beaufort Sea, as well as allowing for the perfection of exploration gravel islands and causeways. By examining the lessons learned from these similar projects, Hilcorp has incorporated a variety of prudent strategies, including: (1) employing a conservative design basis for the island design storm event; (2) designing a slope protection system that incorporates simplified slope maintenance; and (3) incorporating lessons from successful installations according to design and construction plans and contemplating further potential optimizations.

It is also important to note that the environmental considerations for the Liberty project have been repeatedly and thoroughly examined. Over the past two decades, copious research has been undertaken to identify, analyze and document environmentally conscientious oil development in this specific area. Prior scientific evaluations include: (1) the Beaufort EA Planning Area Oil and gas Lease Sale 124 Final Environmental

Impact Statement (EIS); (2) the Beaufort Sea Planning Area Oil and Gas Lease Sale 144 Final EIS; (3) the 2000 Liberty DPP Final EIS; (4) the Beaufort Sea Oil and Gas Development/Northstar Project Final EIS; (5) the Beaufort Sea Planning Area Oil and Gas Lease Sales 186, 195 and 202 Final EIS; (6) the Beaufort Sea and Chukchi Sea Planning Areas Oil and Gas Lease Sales 209, 212, 217, and 221 Draft EIS; (7) the OCS Oil and Gas Leasing Program 2012-2017 Final Programmatic EIS; and (8) the BOEM Environmental Assessment of the 2014 Liberty Ancillary Activities Shallow Geohazard Seismic Survey, Beaufort Sea, Alaska. As a result, the broad history of environmental issue evaluation related to leasing and development of the Liberty reservoir and the general project area serves to arm Hilcorp with a substantial database that properly informed its Liberty project proposal. However, despite the wealth of scientific information at its disposal, Hilcorp has also engaged in a litany of new studies to compliment and supplement the data in hand, which resulted in an even stronger proposal.¹

Although the Liberty DPP evidences a comprehensive and thorough scientific approach in its proposal, there will invariably be those who articulate concerns regarding the variety of endangered species and marine mammals in the region. However, those concerns should be sufficiently mollified by the robust monitoring and mitigation components outlined in the Liberty DPP. The U.S. Fish and Wildlife Service (USFWS) and the National Marine Fisheries Service (NMFS) will prepare Biological Assessment and issue Biological Opinions as part of the DPP NEPA review and Letters of Authorization for the incidental take of marine mammals. Both the USFWS and NMFS have a decorated history in designing monitoring programs in Alaska, and the verified processes have served to protect marine mammal species in Northern Alaska for decades. Furthermore, requisite Polar Bear and Walrus Interaction Plans and similar wildlife management plans will include additional protection and monitoring measures. Ultimately, no more than a negligible impacts are expected to occur as a result of the Liberty Development Project.²

Every major aspect of the Liberty Development Project, including design, logistics, construction, and operations include calculated and thorough mitigation measures. Specifically, mitigation measures endeavoring to reduce, avoid, or eliminate environmental and social impacts include: (1) specific engineering design, construction, and operations measures or practices intended to provide impact mitigation; (2) engineering design, construction, and operations practices that, while not necessarily intended as mitigation, nevertheless have positive environmental or social impact benefits; (3) environmental studies and monitoring can also be considered as mitigation given that understanding possible environmental impacts allows adaptive management of the project to adjust practices to further reduce impacts or assure that impacts are being

¹ For a full breakdown of studies specifically undertaken, note table 12-1 (Environmental Study Information).

² Potential impacts to threatened and endangered species and associated mitigation are described in EIA Section 4.1.12.

appropriately managed and mitigated; (4) mitigation may also be implemented through compliance with regulatory-mandated requirements at the federal, state and local levels; and (5) mitigation as required by OCS lease sale stipulations.³

Finally, as referenced above, with an estimated 80-130 million barrels of recoverable oil, the Liberty Development Project is crucial to Alaska's economic welfare. The Liberty reservoir represents one of the largest potential sources of new light oil production in Alaska. The expected 60,000 to 70,000 barrels of oil per day from the Liberty project are vital to extending the viability of the Trans-Alaska pipeline for future generations. The Liberty project will also result in a dramatic expansion of the existing workforce, including construction and fabrication crews, additional operations personnel, drilling crews, maintenance, and various staff positions. Given the unique challenges with North Slope operations, Hilcorp strives to employ Alaskan works with local experience and knowledge, which is why the vast majority of current and prospective Hilcorp employees are Alaska residents. Increased Alaskan employment is represents one of the many positive externalities associated with the Liberty Development Project.

AOGA offers these comments with recognition that the majority of the United States' oil and gas resources are located offshore. Despite the estimated 86 billion barrels of oil and 420 trillion cubic feet of natural gas currently available offshore, approximately 87 percent of the OCS has been excluded from potential oil and gas development. Although domestic energy production has increased over the past five years, the United States continues to import roughly 40 percent of its annual oil at a cost of \$820 million a day. By allowing for greater access to OCS development through the Liberty Development project, the United States could begin to reduce its dependence on foreign oil, thereby fostering energy independence, stability, and myriad other economic benefits. Thank you again for the opportunity to submit this letter supporting Hilcorp's Liberty DPP. Should you have any questions please contact Joshua Kindred at 907-222-9604 or kindred@aoga.org.

Sincerely,

Joshua M. Kindred
Environmental Counsel
Alaska Oil & Gas Association

³ For a more detailed description of the mitigation features of the Liberty project, note section 13.2 of the Liberty DPP.

