



THE STATE
of **ALASKA**

GOVERNOR MIKE DUNLEAVY

Department of Natural Resources

OFFICE OF THE COMMISSIONER

550 West 7th Avenue, Suite 1400
Anchorage, AK 99501-3561
Main: 907.269.8431

October 27, 2023

The Honorable Bill Wielechowski
Alaska State Senate
1500 W. Benson Blvd.
Anchorage, AK 99503

Delivered Electronically

Dear Senator Wielechowski:

Thank you for your letter dated June 26, 2023, and the follow-up correspondence dated October 12, 2023. We agree that ensuring natural gas availability from Cook Inlet and energy security for Alaskans are of major public interest and consequence, and we are engaged in several significant efforts to address these issues. As detailed below, the Department of Natural Resources (the Department) is diligent in its oversight of all Cook Inlet operators and operations to promote the development of natural gas. Additionally, the Department is offering new leases with more competitive lease terms to incent more Cook Inlet activity.

As you noted, Hilcorp is subject to an array of obligations under the leases it maintains with the State. Hilcorp also has obligations under the unit agreements for the units it operates in Cook Inlet, and in the plans of development and exploration Hilcorp is required to provide for every unit it operates in the Cook Inlet with the Department's approval. These plans are reviewed and approved annually and may be found [on the Division of Oil & Gas website](#). Hilcorp's exploration and development activities approved under these plans have involved significant drilling, well work, facilities construction, and production optimization investments requiring hundreds of millions of dollars, as you referenced. Oversight of Hilcorp's activities under all these authorities is a core obligation of the Department that we continue to fulfill earnestly.

While the Department does not waive or release any claim under these authorities, either specifically or generally, Hilcorp is pursuing substantial efforts to advance development in the Inlet. The Department evaluates these efforts for each unit development plan, as mentioned above. Most leased acreage in Cook Inlet is held within these units, as you can see on [maps regularly published](#) by the Division of Oil & Gas. Leases which are not unitized are bound by the terms of the lease agreement and are relinquished if not held by production or an approved plan of development. As you are aware, the ultimate remedy for failure to fulfill these development obligations is relinquishment of assets—whether at the exploration, development, or production stage. The Department does not believe efforts to compel or manage such a transition of actively-producing assets would benefit the public, especially given the need for additional production as soon as possible for Railbelt consumers. We will, however, continue to require that both unitized and individual leases see development activity consistent with their terms or are contracted, released, and/or relinquished consistent with law.

Your correspondence also referenced the Department of Law's (DOL) investigative powers under the 2013 consent decree between Hilcorp and the State of Alaska that allowed Hilcorp to acquire Marathon's assets in Cook Inlet under certain conditions. The consent decree has been an important tool to protect the public interest and if at any time the DOL has reason to believe that Hilcorp has not or is not making commercially reasonable efforts to increase the production and development of natural gas from its Cook Inlet properties or has otherwise violated the terms of the consent decree, DOL will take appropriate action.

Your letter also inquired into the status of Gov. Dunleavy's Alaska Energy Security Task Force, established under Administrative Orders No. 344 on February 23, 2023, and No. 345 on March 22, 2023. Under the leadership of Lt. Gov. Nancy Dahlstrom, the task force is concluding work on an initial draft of a Statewide Energy Master Plan including priorities, strategies and action steps. The draft is available online at the Alaska Energy Security Task Force's [website](#), and broadly recommends several actions to address energy security needs across Alaska. The draft is circulating among task force members' entities for review, has been publicly posted for comment, and received public testimony this week at the Task Force's public meeting that was held October 24, 2023. The next Task Force [meeting](#) is currently scheduled for Tuesday, October 31, 2023 at 9 am, should you or your staff wish to attend. The task force is scheduled to present a final report to Gov. Dunleavy on December 1, 2023.

We understand these matters are of the utmost public importance, and welcome further opportunities to meet with you to discuss these issues in greater detail. We are also looking forward to working together to advance the Governor's Cook Inlet legislation and to promote and provide the distribution of information around these issues to the public. Thank you again for your letter, your focus on these issues, and your commitment to ensuring that Alaskans have abundant and affordable energy supplies.

Sincerely,



Treg Taylor
Attorney General
Alaska Department of Law



John C. Boyle III
Commissioner
Alaska Department of Natural Resources

CC: Laura Stidolph, Director – Governor's Legislative Office