

“The Department of Natural Resources agrees that ensuring natural gas availability from Cook Inlet and energy security for Alaskans are of significant public interest and consequence, but we are disappointed that this letter mischaracterizes State oversight of Cook Inlet operators and the activities that have occurred in the basin,” said John Boyle, DNR Commissioner. **“After more than a decade of diligently monitoring Hilcorp's production and exploration activities in Cook Inlet, DNR is confident that Hilcorp is meeting its obligations under their State of Alaska leases, unit agreements, and Department-approved plans of development and exploration for their activities in the Inlet. We need the Legislature to take up the Governor’s proposals to incentivize more investment and activity in Cook Inlet, not invite federal regulators to second guess us at this critical stage.”**

The Alaska Department of Natural Resources (DNR) through the Division of Oil & Gas – in coordination with the Attorney General and Alaska Department of Law – have been proactive and diligent in our oversight of all Cook Inlet operators and operations to promote the development of natural gas. Monitoring and enforcement of operators’ activities under legislatively-granted authorities is a core obligation of the Department that we continue to fulfill earnestly. Operators like Hilcorp are subject to an array of obligations under:

- **Leases** they maintain with the State;
- **Unit agreements** for the units they operate in Cook Inlet; and
- **Plans of development and exploration** that operators are required to provide annually or biannually for every unit they operate in the Cook Inlet, which must receive the Department’s approval. 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. These plans and their approvals are publicly available here: <https://dog.dnr.alaska.gov/Library>.

Additionally, Hilcorp is subject to the **Consent Decree** referenced in the Senators’ letter.

As we have described in legislative hearings and repeatedly to the Senators, and as evidenced in the publicly available approved plans of development for the active oil and gas units in the Cook Inlet, based on our robust and ongoing evaluation of Hilcorp’s Cook Inlet activities by Division of Oil & Gas experts, Hilcorp is pursuing robust and comprehensive development of the resources they have under lease in Cook Inlet. In sum, Hilcorp has invested hundreds of millions of dollars in Cook Inlet and drilled over 200 wells, with additional hundreds of millions of dollars of investment and scores of wells committed to in existing development plans and contracts. This meets their development obligations.

The challenges facing the Cook Inlet that are not acknowledged in the Senators’ letter are that other companies operating in the Inlet have not yet been able to bring the significant resources under their leases and units to the market at scale. Furthermore, no

other companies, large or small, local or international, have come to the Inlet to compete with existing operators for additional exploration or development.

Also unacknowledged in the letter is that the significant volumes of gas Hilcorp is obligated to deliver under existing contracts is priced consistent with the trends in the historical consent decree price caps, despite the fact that the currently applicable consent decree does not include price caps and such caps have not been in place since 2017. DNR does not regulate consumer or utility sales of natural gas, but publicly available gas pricing data is available through the Regulatory Commission of Alaska.

In light of the urgency and significance of the Railbelt's energy needs, the Governor has directed the Department to offer new highly competitive leases in Cook Inlet, which have unfortunately still not seen significant interests from new or existing operators. The Governor also brought forward legislation to support the development of new natural gas supplies during the last Legislative session and actively worked to support the same proposals in HB 223, which passed the House with an overwhelmingly bipartisan 35-to-5 vote but which the Senate did not take up. The Governor is committed to continuing to bring forward solutions on these issues that are focused on bringing more energy to Alaskans.

Finally, as has previously been stated by the Department, the ultimate remedy for failure to fulfill development obligations is relinquishment of assets - whether at the exploration, development, or production stage. The State 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 natural gas production as soon as possible for Railbelt consumers.

Additional info:

- Information about wells drilled is presented on the Division of Oil & Gas website at <https://dog.dnr.alaska.gov/Information/PowerBI> (see tab 7). This data comes from the Alaska Oil and Gas Conservation Commission database (<http://aogweb.state.ak.us/DataMiner4/Forms/Wells.aspx>); please reach out to AOGCC for questions about the data

- In addition to their record of diligent development drilling within its producing units, Hilcorp has:

- Completed 57 exploratory or stratigraphic test wells in search of new gas sources, compared to 17 exploration or stratigraphic test wells by all other operators combined since 2012. **No other operator has drilled an exploration well since 2014.**

- Currently holds drilling permits for 20 more stratigraphic test wells.

- Future drilling plans can be found in Hilcorp's published Plans of Development on the Division of Oil & Gas website: <https://dog.dnr.alaska.gov/Library> To filter for Hilcorp's Cook Inlet plans, use the following unit names or ADL numbers:

Unit Name	Management Agency
Cannery Loop	SOA
Deep Creek	SOA
Granite Point	SOA

Ivan River	SOA
Lewis River	SOA
North Cook Inlet	SOA
Ninilchik	SOA
North Trading Bay	SOA
Pretty Creek	SOA
Seaview	SOA
Trading Bay	SOA
Federal Units (with SOA resource acreage)	
Beluga River	BLM
Kenai	BLM
Gas Storage	
Kenai Pool 6 (ADL 390821)	SOA
Pretty Creek (ADL 390776)	SOA

● Total Cook Inlet gas production since January 2012 by Hilcorp was 808.3 billion cubic feet. See slide 8 of [this presentation](#) for a chart comparing Cook Inlet production volumes.

Production data is available via

AOGCC: <http://aogweb.state.ak.us/DataMiner4/Forms/Production.aspx>. Charts of this data is presented on tab 4 at <https://dog.dnr.alaska.gov/Information/PowerBI>.

● Hilcorp recently purchased the Spartan 151 jack-up rig on May 31, 2024 for nearly \$40 million to ensure the equipment was available for Cook Inlet.

● Testimony provided by Hilcorp (as well as Furie/HEX, BlueCrest, and ENSTAR) on February 7, 2024 before the Senate and House Resources

committees: https://www.akleg.gov/basis/Meeting/Detail?Meeting=HRES%202024-02-07%2015:30:00#tab4_4