



**Hilcorp Alaska, LLC  
ADL 32549 Tidelands Lease**

**Extension Decision  
AS 38.05.070(f)(2)**

May 12, 2021

**Proposed Action:**

The Department of Natural Resources (DNR), Division of Oil and Gas (Division), has determined that it is in the best interest of the state to extend a current lease agreement serialized by DNR ADL 32549 and issued to Hilcorp Alaska, LLC (HAK), for a maximum of two years pursuant to AS 38.05.070(f)(2). On August 18, 2020, HAK applied to renew the lease, which expires on June 12, 2021. The leasehold is further described as being located near West Foreland, Alaska, and within Section 5, Township 8 North, Range 14 West, and Sections 32 and 33, Township 9 North, Range 14 West, Seward Meridian. The leasehold is as depicted on Alaska Tidelands Survey (ATS) 657, plat 2004-95, and ATS 1618, plat 2002-132, containing 170.2 acres, more or less.

**Scope of Decision:**

The scope of this decision is limited to a two-year extension of the lease agreement for Lease ADL 32549, consistent with the terms and conditions of the existing lease.

**Lease Discussion:**

ADL 32549 was first established in a Lease Agreement between DNR and Union Oil Company of California on June 13, 1966. The lease was amended and assigned several times over the last 55 years before being partially assigned to HAK in 2011. The remaining interest in the lease was assigned to HAK in 2012.

Extension of the lease ADL 32549 will provide HAK and the Division with additional time necessary to complete the renewal and associated public process, and to reenter into a lease contract with minimal delays or disruptions prior to lease expiration.

**Authority:**

In accordance with AS 38.05.070(f)(2), a lease may be extended once for a period up to two years while the department considers an application to renew the lease under AS 38.05.070(e).

### **Administrative Record:**

The current case file for ADL 32549 comprises the administrative record for this case.

### **Legal Description, Location, and Geographical Features:**

The state land where the lease is located is described as follows:

- **Legal description:** Section 5, Township 8 North, Range 14 West, and Sections 32 and 33, Township 9 North, Range 14 West, Seward Meridian
- **Geographical location:** Roughly 3 miles north of West Foreland (West Cook Inlet)
- **Approximate Lat/Long:** 60.8186 N, 152.7840 W
- **Area geographical features:** A tideland tract located below the line of mean high tide of Cook Inlet
- **Existing surveys:** ATS 657 and 1618
- **Municipality/Borough:** Kenai Peninsula Borough
- **Native Corporations/Federally Recognized Tribes:** Cook Inlet Region, Inc.
- **Size:** 170.2 acres, more or less

### **Title and Third-Party Interests:**

The State of Alaska holds title to the subject tide and submerged lands under the Equal Footing Doctrine and the Submerged Lands Act of 1953.

Lease ADL 32549 partially overlaps oil and gas lease ADL 359111, held by Cook Inlet Energy, LLC. Extension of lease ADL 32549 is not expected to negatively impact ADL 359111.

### **Adjacent Landowners, Native Corporations or Borough:**

The lease is located within the boundaries of the Kenai Peninsula Borough and Cook Inlet Region, though no borough or corporation lands are impacted.

Uplands contiguous to ATS 657, except for lands within United States Survey (USS) 4566, were conveyed to Union Oil Company of California in 1968 and subsequently transferred to HAK in 2012 via a bill of sale. Uplands contiguous to ATS 1618, except for lands within USS 4566, are held by the Kenai Peninsula Borough through a municipal entitlement. The State holds title to lands within USS 4566.

### **Planning and Classification:**

The lease is subject to the Kenai Area Plan (KAP), Region 11, Management Unit 573: West Side Cook Inlet (map number 11H – Redoubt Bay and Kalgin Island). Tidelands within Management Unit 573 are classified as Water Development Land. Land classified as Waterfront Development, per 11 AAC 55.215, is “tideland, submerged land, or shoreland that is suitable to be used for commercial or industrial activities such as fish processing, aquatic farming, mineral and log transfer facilities, or commercial recreation.” The KAP recognizes existing oil and gas facilities in the unit.

Chapter 2 of the KAP outlines the Goals, Management Intent and Guidelines for Waterfront Development. The Goals for Waterfront Development are to “aid in the development of infrastructure and continue to provide support for waterfront industries.” Resource transfer facilities should be sited and operated such as to: minimize interference with important established personal, commercial, or recreational uses; consolidate facilities to accommodate future development and avoid unnecessary relocation of sites; and avoid hazards to navigation.

The lease extension will facilitate continued industrial waterfront activities related to the operations and maintenance of the Trading Bay Production Facility and related oil and gas activities, and is therefore not in conflict with the Goals, Management Intent and Guidelines outlined in Chapter 2.

**Access:**

Access to the site is by boat or a through the Trading Bay Production Facility Airport.

**Access Along Navigable and Public Waters:**

Nearly all shore and tide lands in the State of Alaska are subject to an Along easement (AS 38.05.127 and 11 AAC 51.045). The purpose of this easement is to uphold the constitutional right of the public to have free access to, and use of, the State’s waterways.

**Public Trust Doctrine:**

Pursuant to AS 38.05.126 all authorizations for this site will be subject to the principals of the Public Trust Doctrine; specifically, the right of the public to use navigable waterways and the land beneath them for: navigation, commerce, fishing, hunting, protection of areas for ecological studies, and other purposes. These rights must be protected to the maximum extent practicable while allowing for the development or decommissioning of this project. As such, the Division is reserving the right to grant other authorizations to the subject area consistent with the Public Trust Doctrine.

**Development Plan:**

All updates must be approved, in writing, by the Division before any construction, deconstruction, replacement of infrastructure, or change in activity. The Division reserves the right to require additional agency review and/or public notice for changes that are deemed by the Division to be beyond the scope of this decision.

**Bonding:**

The existing tideland lease is included in the Financial Assurances Agreement between Hilcorp Alaska, LLC and the Alaska Department of Natural Resources. No additional bonding is required for lease extension.

**Insurance:**

In accordance with 11 AAC 96.065, HAK has submitted proof of liability insurance to the Division and shall be responsible for maintaining such insurance throughout the term of the lease.

**Survey:**

No additional survey is required for lease extension.

**Compensation and Appraisal:**

In accordance with AS 38.05.840(b), HAK provided an appraisal for this lease, effective June 12, 2014. A subsequent market check conducted by DNR on March 5, 2018, concluded that the rental rate should remain the same for another 5-year period, foregoing a request for a formal appraisal. The Division has determined a new appraisal is not necessary for the term of this extension.

**Annual Fee:**

The annual fee will remain at the current amount of \$4,400.00 for the duration of this extension.

**Periodic Rate Adjustment:**

In accordance with AS 38.05.105, the lease will be subject to re-appraisal at five-year intervals after the issuance of the proposed authorization.

**Subleasing:**

Subleasing is permissible through AS 38.05.095. A sublease is defined as improvements not owned by the lessee that are located within the leasehold on the land or located on structures owned by the lessee. A sublease pertaining to the lease includes but is not limited to, user agreements, license agreements, communication site agreements, or any contracts between the lessee and other commercial entities. All potential subleases must first be approved in writing by the Division. Depending on the activity of any potential subleases, the Division reserves the right to reevaluate the need for further agency review and/or public notice before making a determination on the appropriateness of the proposed sublease. Sublease compensation to the State will be determined by the Division according to AS 38.05.073(m), under the authority of AS 38.05.075(a) Leasing Procedures. In any case, the sublease fee for commercial activities will not be less than 25% of the annual fee paid to leaseholder by the sublessee.

**Assignment of Lease:**

The lease may be transferred or assigned to another individual or corporation only with written approval from the Division. A lease will not be assigned to an entity if that entity does not meet the statutory requirements of the lease, or if the lessee is considered not to be in “good standing” with Division or any other agency authorization. The Division reserves the right to amend the terms of the lease prior to assignment.

**Notice:**

The director shall provide notice of the decision as required by AS 38.05.070(g). Notice of the decision describing the lease extension will be posted on the State of Alaska Public Notice System for 30 days.

*Signature page follows*

**Decision**

It has been determined that extending the lease agreement for a term of two years is in the best interest of the State. Issuance of the lease extension for a limited term will allow for continued use of ADL 32549 while HAK continues to work with the Division to complete the lease renewal. The lease extension will allow the lessee and the lessor to continue a lease agreement without a lapse in authorization. In consideration of all the information and facts listed above, it is my determination that a lease extension with a limited term is consistent with the overall classification and management intent for this land and would be a benefit to the State of Alaska. DNR hereby extends this lease for a term of two years as shown in the following attachment:

- Attachment A – Lease Extension Agreement

  
\_\_\_\_\_  
Haley Paine, Deputy Director, Division of Oil and Gas

5/12/2021  
Date

**Appeal Provision:**

A person affected by this decision may appeal it in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of “issuance” of this decision, as defined in 11 AAC 02.040(c) and (d) and may be mailed or delivered to the Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-(907) 269-8918, or sent by electronic mail to [dnr.appeals@alaska.gov](mailto:dnr.appeals@alaska.gov). Under 11 AAC 02.030, appeals and requests for reconsideration filed under 11 AAC 02 must be accompanied by the fee established in 11 AAC 05.160(d)(1)(F) which has been set at \$200 under the provisions of 11 AAC 05.160 (a) and (b).

If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31<sup>st</sup> calendar day after issuance. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to the Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

**ATTACHMENT A**

**STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS  
550 W. 7<sup>th</sup> Ave, Suite 1100  
Anchorage, AK 99501**

**LEASE EXTENSION AGREEMENT**

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**HILCORP ALASKA, LLC  
ADL 32549  
Tideland Lease**

In accordance with AS 38.05.070(f), the term of Lease Agreement ADL 32549, entered into by **Hilcorp Alaska, LLC** effective the **13<sup>th</sup>** day of **June 1966**, is hereby extended to 12 o'clock midnight on the **12<sup>th</sup>** day of **June, 2023**.

This extension effects the following described leasehold:

Section 5, Township 8 North, Range 14 West, and Sections 32 and 33, Township 9 North, Range 14 West, Seward Meridian. The leasehold is as depicted on Alaska Tideland Survey (ATS) 657, plat 2004-95, and ATS 1618, plat 2002-132, containing 170.2 acres, more or less.

All other terms and conditions of the lease agreement, including subsequent amendments and assignments, remain unchanged.

By signing this Extension to Lease Agreement, the lessor and lessee agree to be bound by its provisions.

LESSOR:

**STATE OF ALASKA  
Department of Natural Resources**

\_\_\_\_\_  
Haley Paine, Date  
Deputy Director, Division of Oil and Gas, Department of Natural Resources

STATE OF ALASKA )  
 ) ss.  
4<sup>th</sup> Judicial District )

The foregoing instrument was acknowledged before me this \_\_\_ day of \_\_\_\_\_, \_\_\_ by  
\_\_\_\_\_, **Department of Natural Resources.**

\_\_\_\_\_  
Notary Public in and for the State of Alaska  
My Commission Expires: \_\_\_\_\_

LESSEE:

**Hilcorp Alaska, LLC**

By:

\_\_\_\_\_  
David S. Wilkins Date  
Senior Vice President, Hilcorp Alaska, LLC

STATE OF ALASKA )  
 ) ss.  
\_\_\_\_\_ Judicial District )

The foregoing instrument was acknowledged before me this \_\_\_ day of \_\_\_\_\_, \_\_\_ by  
\_\_\_\_\_, of Hilcorp Alaska, LLC.

\_\_\_\_\_  
Notary Public in and for the State of Alaska  
My Commission Expires: \_\_\_\_\_



**Recorder's Office:**

State Business; No Fee

**Return the recorded document to:**

DNR, Division of Oil and Gas, Permitting  
550 W. 7<sup>th</sup> Avenue, Suite 1100  
Anchorage, Alaska 99501