

18 February 2020

To: Representative John Lincoln
Co-Chair, House Resources Committee
Alaska Legislature

Re: Questions for discussion of BP/Hilcorp Transaction

During our last visit, and via formal request, you asked if we could assist in the evaluation of the Hilcorp acquisition of BP's Alaska interests. Because we do not have access to any of the confidential documentation, we are unable to do any analysis that would be of added value versus the many evaluations being done by several Alaska departments. During the Fiscal Systems 101 and 102 training we talked about the importance of asking relevant probing questions. Below are a few select questions you might want to ask to try and surface more detailed information about critical aspects of future operations under Hilcorp as operator.

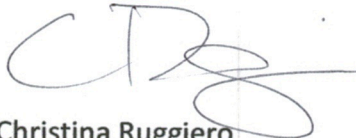
1. When an IOC sells a large world class producing field it is generally because looking forward it does not see that investments would compete with other opportunities in their portfolio. Often these assets have become underfunded by the existing lease holder, but can become a core investment focus of the new lease holder. The first question for Hilcorp, from your experience in the state do you see the North Slope and BP's assets as a great place to invest and increase production or are you seeing this as an opportunity to significantly reduce operating costs and enter a harvest mode?
2. How was the Alaska tax system viewed in your decision to expand your portfolio in Alaska? Why was it viewed as a favorable place to invest?
3. Currently in the Alaska fiscal system, taxes are ring fenced by taxpayer, so a producer is able to write off investments from a new field against the profits of an existing field. Is a goal of this acquisition to buy tax paying production so as to be able to immediately write off investments associated with new developments?
4. If the ballot initiative passes and the legacy fields are ringfenced, how will that impact your investment strategy?
5. We understand Hilcorp in Alaska is a pass through legal entity. Please describe the ownership and general fiscal structure and liabilities of the entity that owns the 'S' corp.
6. What is the size of non-traditional debt (such as private equity) and what are the repayment obligations associated with such? Is there a waterfall with certain requirements that could impact/restrict capital available for investment or payment of damages?
7. What are Hilcorp's near term and long term strategic goals? (for publicly listed companies this can be gleamed from analyst presentations) How does Alaska fit in?

8. What is the nature of BPs continued interest in either profits or liabilities, such as DR&R, into the future?
9. How much authority will Alaska based management have versus Houston based management?
10. What percent of the needed technical staff will be Alaska based versus Houston based?

The Legislature voiced some similar discomfort for the AGDC LNG project, wanting to better understand the project and the potential exposure and effects on the state. So that individual members of the Legislature did not have to compromise their role by signing a confidentiality agreement, as your advisors we signed a confidentiality agreement and sat down with AGDC to review in detail all aspects of their operation and provided the Legislature with high level comments about our comfort level with their actions and plans. We could do the same here if you think that would be of benefit.

Feel free to give us a call if you need further detail or want to discuss further any other acquisition related issues.

Regards,



Christina Ruggiero
For In3energy LLC

cc: Representative Chris Tuck, Chair, Legislative Budget & Audit Committee