



MEMORANDUM

Department of Natural Resources

STATE OF ALASKA
Office of the Commissioner

TO: Commissioner Larry Hartig, DEC
Commissioner Dan Seamount, AOGCC
Commissioner Cora Campbell, DFG

DATE: September 12, 2011

FROM: Commissioner Dan Sullivan *DSS*

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SUBJECT: Shale Task Force

Shale exploration and development in the North Slope area is expected to be the focus of increasing interest and activity beginning this year. We must prepare for the intensity this type of unconventional resource play requires. Current shale plays in North Dakota, South Texas, and Pennsylvania have shown the level of drilling, well stimulations, support services, and impact on infrastructure could exceed all activity levels seen in Alaska. In an effort to get in front of issues before they become obstacles, DNR is taking the lead in forming a task force to identify potential impacts and propose plausible solutions prior to full shale exploration and development activities commencing.

Members of your team have already participated in some initial informational meetings associated with Great Bear's exploration plans and permitting, as well as conceptual development scenarios. The most recent of these was Friday, September 2nd.

It is key to separate current work associated with progressing the Great Bear near term winter 2011/12 exploration phase from the longer term analysis. The scope and impact of the success case development phase needs the special attention of a broad, inter-agency task force. The exploration programs are relatively low impact and must occur in a timely manner to assess the viability of the play; such a program will allow development within the lease term and lead to further development activity. The need for the task force **now** is driven by the fact that, as mentioned below, any delay of a shale development could result in shutting down a new opportunity to arrest the decline of TAPS throughput.

From study of shale developments in Texas and North Dakota, wells are not prolific, expenses **must** be as low as possible and repeatable on a well by well basis, and activity must progress in an assembly line manner to maintain production and cash flow. A key difference between conventional oil and unconventional shale production is the sheer number of wells required for full development. As a result, the amount of support services and material required to achieve a given level of production is increased dramatically. To this end, the Shale Task Force is critically important to address the following issues—as well as any others identified as the group progresses its work:

- Gravel Supply
- Water Supply
- Sand (Proppant) Supply

- Gathering Systems (Tank/Trucks or Pipelines or Both)
- Fluid Disposal/ Recycling
- Gas use/disposal in area
- Surface Impacts/ Dust and Emissions
- Centralized Service Area with power source
- Power distribution – Stand alone per pad; Through power lines; Other
- Use of Insulation and composite pads to extend ice pads and roads.
- Staging area for pipe, equipment, housing, warehousing
- Road and bridge requirements
- Fuel Refining, Storage and Distribution
- Drinking Water Supply
- Sewage Treatment/ Disposal
- Trucking Impacts

I've assigned the Division of Oil and Gas with the responsibility to lead the task force and Greg Hobbs has been identified as the Project Manager. Members of your team are critical for the ultimate success of this task force and the ultimate success of the State to be prepared for this unconventional resource development.

The task force will meet at regular intervals to address the various topics identified above. The following is a personnel list of those who have been tentatively identified or have expressed interest in being participants of the team. If there are alternates to the proposed participation list and/or additional topics please advise Bill Barron, Director of Oil and Gas, or Greg Hobbs. Please encourage and support your staff members associated with this team. If you have any comments or suggestions to make this effort a success, please let me know.

DNR:

Greg Hobbs; Lead	DOG, Resource Evaluation
Bruce Buzby	DOG, Permitting
Alan Dennis	DOG, Commercial
Kim Kruse	DOG, Lease and Permit Manager
Jonne Slemons	DOG, Deputy Director
Sara Longan	OPM, Large Mine Project Manager
Tom Crafford	OPM, Director
Wyn Menefee	MLW, Division Operations Manager
Chris Milles	MLW, Northern Region Lands

DEC:

Lori Aldrich (Phone)	DEH, Environmental Program Manager
DOW TBD	DOW
DAQ TBD	DAQ, Air Permits

AOGCC:

TBD

DFG

Jack Winters (Phone)

HAB, Habitat Biologist

Executive Sponsors:

William Barron

DOG, Director

Brent Goodrum

MLW, Director

Joe Balash

DNR, Deputy Commissioner

Jon Katchen

DNR, Assistant to Commissioner