



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Natural Resources

Division of Oil & Gas
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March 19, 2013

The Honorable Cathy Giessel, Chair
Chair, Senate Resources Committee
State Capitol Room 427
Juneau, AK 99801

Dear Senator Giessel:

I wanted to thank you for inviting Wendy Woolf and me to testify before the Senate Resources Committee on March 15, 2013 on SB-59, Oil and Gas Exploration/Development Areas. This correspondence allows me to reiterate a few of the points from the testimony and answer specific questions raised during the committee meeting.

The Division manages its oil and gas leasing program through areawide lease sales conducted each year. The decision to lease is made in a "Best Interest Finding" issued after an extensive public process and evaluation of criteria under AS 38.05.035(g).

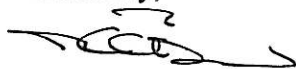
SB-59 will simply allow "geographical areas" to be reviewed holistically through a public process prior to an exploration or development phase as required by AS 38.05.035(e)(1)(C)(ii).

Reviewing exploration or development activities across geographical areas is a discretionary tool that will add efficiency to the process for approving subsequent plans of operations. The process outlined in this bill is optional, not mandatory, pursuant to the bill language. Further, the process outlined in the bill does not change the existing regulatory obligation for the Division to approve lease or unit specific operations for individual projects. After an area has been approved for exploration or development, it provides certainty to the public and industry that future activities will be conducted within those approved parameters.

The bill language contemplates that an area of approval (or "geographical area" as referenced in the bill title) could include all or part of an area previously approved for oil and gas or gas only leasing under (e) of this subsection. The reason that geographical areas are not further defined in this bill is to maintain flexibility as circumstances change. Whether to assess exploration for an area as broad as an areawide sale area or a narrower subset of that area will largely depend on degree of existing development in the area. Because levels of development will change over time, it is important to maintain flexibility to adjust geographical areas for considering exploration. For development, we have stated that the geographical area will likely be much smaller, such as a unit. But to limit the development areas to units would limit our ability to consider joint development across multiple leases that have not unitized. If SB-59 passes, we anticipate adopting regulations to implement this statute. The public would have input into this process.

I want to thank the Committee members for their time and questions. If you require more information, I and my Division are happy to provide it. Again, thank you for the opportunity, and I look forward to future discussions.

Sincerely,

A handwritten signature in black ink, appearing to be 'W. C. Barron', written over a horizontal line.

W. C. Barron
Director

Cc: Daniel Sullivan, Commissioner Department of Natural Resources
Joseph Balash, Deputy Commissioner, Department of Natural Resources
Senator Fred Dyson
Senator Peter Micciche
Senator Click Bishop
Senator Lesil McGuire
Senator Anna Fairclough
Senator Hollis French