

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

April 5, 2013

3:33 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Fred Dyson, Vice Chair
Senator Peter Micciche
Senator Lesil McGuire
Senator Hollis French

MEMBERS ABSENT

Senator Click Bishop
Senator Anna Fairclough

COMMITTEE CALENDAR

CONFIRMATION HEARINGS

Alaska Board of Game

Peter Probasco
Nathan Turner

- CONFIRMATIONS ADVANCED

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 99(RES)

"An Act relating to the membership of the Alaska Minerals Commission; and extending the termination date of the Alaska Minerals Commission."

- MOVED CSHB 99(RES) OUT OF COMMITTEE

SENATE BILL NO. 96

"An Act relating to the primary period of an oil and gas or gas only lease and the extension of a lease; relating to terms to be included in an oil and gas or gas only lease; relating to rental for an oil and gas or gas only lease; and providing for an effective date."

- MOVED SB 96 OUT OF COMMITTEE

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 4(FIN)

"An Act relating to the Alaska Gasline Development Corporation; establishing the Alaska Gasline Development Corporation as an independent public corporation of the state; establishing and relating to the in-state natural gas pipeline fund; making certain information provided to or by the Alaska Gasline Development Corporation and its subsidiaries exempt from inspection as a public record; relating to the Joint In-State Gasline Development Team; relating to the Alaska Housing Finance Corporation; relating to judicial review of a right-of-way lease or an action or decision related to the development or construction of an oil or gas pipeline on state land; relating to the lease of a right-of-way for a gas pipeline transportation corridor, including a corridor for a natural gas pipeline that is a contract carrier; relating to the cost of natural resources, permits, and leases provided to the Alaska Gasline Development Corporation; relating to procurement by the Alaska Gasline Development Corporation; relating to the review by the Regulatory Commission of Alaska of natural gas transportation contracts; relating to the regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline project developed by the Alaska Gasline Development Corporation; relating to the regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline that provides transportation by contract carriage; repealing the statutes relating to the Alaska Natural Gas Development Authority and making conforming changes; exempting property of a project developed by the Alaska Gasline Development Corporation from property taxes before the commencement of commercial operations; and providing for an effective date."

- MOVED OUT OF COMMITTEE 4/4/13

PREVIOUS COMMITTEE ACTION

BILL: HB 99

SHORT TITLE: EXTEND ALASKA MINERALS COMMISSION

SPONSOR(S): REPRESENTATIVE(S) SADDLER

02/01/13	(H)	READ THE FIRST TIME - REFERRALS
02/01/13	(H)	RES, FIN
02/25/13	(H)	RES AT 1:00 PM BARNES 124
02/25/13	(H)	Heard & Held
02/25/13	(H)	MINUTE(RES)
02/27/13	(H)	RES AT 1:00 PM BARNES 124
02/27/13	(H)	Moved CSHB 99(RES) Out of Committee
02/27/13	(H)	MINUTE(RES)
03/01/13	(H)	RES RPT CS(RES) NT 8DP

03/01/13 (H) DP: JOHNSON, TUCK, HAWKER, P.WILSON,
TARR, SEATON, SADDLER, FEIGE
03/20/13 (H) FIN AT 1:30 PM HOUSE FINANCE 519
03/20/13 (H) Moved CSHB 99(RES) Out of Committee
03/20/13 (H) MINUTE(FIN)
03/22/13 (H) FIN RPT CS(RES) NT 10DP
03/22/13 (H) DP: NEUMAN, GARA, GUTTENBERG, HOLMES,
MUNOZ, THOMPSON, T.WILSON, COSTELLO,
03/22/13 (H) STOLTZE, AUSTERMAN
03/25/13 (H) TRANSMITTED TO (S)
03/25/13 (H) VERSION: CSHB 99(RES)
03/27/13 (S) READ THE FIRST TIME - REFERRALS
03/27/13 (S) RES, FIN
04/05/13 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 96

SHORT TITLE: OIL AND GAS AND GAS ONLY LEASES

SPONSOR(S): SENATOR(S) MICCICHE

04/03/13 (S) READ THE FIRST TIME - REFERRALS
04/03/13 (S) RES, FIN
04/05/13 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE DAN SADDLER
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of HB 99.

DEANTHA CROCKETT, Executive Director
Alaska Miners Association
Anchorage, Alaska
POSITION STATEMENT: Supported HB 99.

MARLEANNA HALL, Project Coordinator
Resource Development Council
Anchorage, Alaska
POSITION STATEMENT: Supported HB 99.

BILL JEFFRESS, Chairman
Alaska Minerals Commission
Department of Commerce, Community & Economic Development
Anchorage, Alaska
POSITION STATEMENT: Did not provide a position on HB 99.

PETER PROBASCO, appointee

Board of Game
Palmer, Alaska

POSITION STATEMENT: Answered questions regarding Board of Game appointment.

AL BARRETTE, Vice President
Fairbanks Fish and Game Advisory Committee
Fairbanks, Alaska

POSITION STATEMENT: Supported Board of Game appointments for Messrs. Probasco and Turner.

DICK ROHRER, representing himself
Kodiak, Alaska

POSITION STATEMENT: Supported Board of Game appointments for Messrs. Probasco and Turner.

SAM ROHRER, President
Alaska Professional Hunters Association
Kodiak, Alaska

POSITION STATEMENT: Supported Board of Game appointments for Messrs. Probasco and Turner.

JASON BUNCH, representing himself
Kodiak, Alaska

POSITION STATEMENT: Supported Board of Game appointments for Messrs. Probasco and Turner.

BRAD DENNISON, representing himself
Sitka, Alaska

POSITION STATEMENT: Supported Board of Game appointments for Messrs. Probasco and Turner.

DAN MONTGOMERY, representing himself
Wasilla, Alaska

POSITION STATEMENT: Supported Board of Game appointments for Messrs. Probasco and Turner.

NATHAN TURNER, appointee
Board of Game
Nenana, Alaska

POSITION STATEMENT: Answered questions regarding Board of Game appointment.

LYLE BECKER, representing himself
Anchorage, Alaska

POSITION STATEMENT: Supported Mr. Turner's appointment to the Board of Game.

LARRY SEMMENS, staff for Senator Micciche
Alaska State Legislature

POSITION STATEMENT: Provided the sponsor's overview of SB 96.

BILL BARRON, Director
Division of Oil & Gas
Alaska Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Supported SB 96.

LISA PARKER, Manager
Government Relations & External Affairs
Apache Alaska Corporation
Soldotna, Alaska

POSITION STATEMENT: Supported SB 96.

SAREE TIMMONS, Petroleum Land Manager
Division of Oil & Gas
Alaska Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Did not provide a position on SB 96.

ACTION NARRATIVE

[3:33:43 PM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:33 p.m. Present at the call to order were Senators French, Micciche, Vice Chair Dyson and Chair Giessel.

HB 99-EXTEND ALASKA MINERALS COMMISSION

[3:34:15 PM](#)

CHAIR GIESSEL announced HB 99 would be up for consideration. [CSHB 99(RES) was before the committee.]

REPRESENTATIVE DAN SADDLER, Alaska State Legislature, Juneau, Alaska, sponsor of HB 99, said the bill would help to ensure the growth and sustainability of a vital sector of the Alaskan economy; that being the minerals development and mining sector. HB 99 would extend the sunset of the Alaska Minerals Commission (AMC) for ten years. AMC was established by the Alaska Legislature in 1986 and had been reauthorized four times. AMC was responsible for identifying road blocks to mineral development in Alaska and for making recommendations to the

governor and the legislature on how to clear those impediments. AMC meets three times a year in Anchorage, Fairbanks and in Juneau where the commissioners deliver their annual report at the Capitol during the first ten days of the legislative session. Since its last reauthorization in 2003, AMC had made several key recommendations which the legislature had since implemented or was working out to put into place that included but are not limited to: reforming the state permitting process to make them more timely and efficient; funding infrastructure development under the Roads to Resources Program; and asserting and defending public access to roads, trails, and navigable waterways. AMC was a proven and rather affordable voice for an important sector of Alaska's economy. He referred to AMC's fiscal note regarding program affordability. He said mining employed 4,500 Alaskans, provided more than \$620 million in direct and indirect payroll, and provided jobs and revenue for local governments and rural areas that sorely need them. He explained that HB 99 started out as a simple extension bill, but now provided for three years terms with a limit of two consecutive terms and provided for the annual election of a Chair and Vice Chair of the commission.

[3:36:26 PM](#)

DEANTHA CROCKETT, Executive Director, Alaska Miners Association (AMA), Anchorage, Alaska, said AMA was a statewide association representing the six large metals mines the state, one operating coal mine, exploration projects, miners, contractors, engineering firms, and anybody that really does business with the mining industry. She said AMA supported HB 99 and noted that AMC worked very closely with AMA and other resource development organizations to identify ways to promote the industry and eliminate barriers. She called attention to a letter from the Alaska Department of Commerce, Community, and Economic Development (DCCED) that had a list of AMC's accomplishments over the years. She noted that AMC had come up with and been an integral part of decisions that were recommended to the legislature and to the governor to help the mining industry succeed.

[3:37:37 PM](#)

SENATOR MCGUIRE joined the committee.

MS. CROCKETT asserted that AMC was an important commission with a small fiscal note on behalf of Alaska. She said AMC did a lot for the mining industry and noted that she would be remiss if she did not remind the committee that mining was the state's second largest industry, had a high employment level in Alaska,

and a very high wage average of \$100,000 that employed residents from approximately 120 communities around the state. She emphasized that mining had a far reaching impact and AMC helped the mining industry greatly.

[3:38:20 PM](#)

MARLEANNA HALL, Project Coordinator, Resource Development Council (RDC), Anchorage, Alaska, said RDC was a membership funded statewide business association that represented forestry, oil and gas, mining, tourism, and the fishing industry. She stated that RDC supported passage of HB 99. She asserted that the mining industry had been a cornerstone of Alaska's economy. Many roads and other infrastructure throughout Alaska were originally constructed to serve the mining industry. She said RDC believed AMC provided the necessary voice for issues as well as recommendations and mitigation ideas for Alaska's mineral prospect and projects. AMC's appointed group made recommendations to the legislature and the governor in an effort to promote Alaska's mineral, exploration and development industry. AMC continued to be an effective means of insuring policy makers had the benefit of the collective input of lead practitioners in the mining industry. She explained that mining, consisting of exploration, development, and production in Alaska, provided thousands of direct and indirect jobs with a large payroll of approximately \$620 million. She noted that HB 99 had incorporated term limits for commission members and term limits for members selected as Chairman and Vice Chairman. RDC believed that the proposed term limits would help to provide for a fresh prospective on the minerals industry. HB 99 would bring AMC in alignment with other boards and commissions, extend it for another ten years, and help keep the members fresh and active in identifying ways to mitigate constraints on mineral development in Alaska. She said AMC had a relatively low fiscal impact and RDC believed that the commission had a significant impact promoting Alaska's minerals and mineral exploration development. She explained that AMC was comprised of 11 commission members with broad-based mineral industry expertise and represented a diverse expertise in mineral exploration and development. She said RDC urged the committee to pass HB 99.

[3:40:41 PM](#)

BILL JEFFRESS, Chairman, Alaska Minerals Commission (AMC), Department of Commerce, Community & Economic Development (DCCED), Anchorage, Alaska, announced that he was available of questions.

[3:41:19 PM](#)

CHAIR GIESSEL found no questions and asked for closing remarks from the bill's sponsor.

REPRESENTATIVE SADDLER said there were seven operating mines in the state and the prospects were good for six more with the potential for many more in the future. He emphasized the need for Alaska to diversify its economy and resources. He said Alaska's mining industry was the state's future as well as its past and AMC would help the state achieve a diversified economic future.

[3:41:43 PM](#)

SENATOR DYSON moved to report CSHB 99(RES) from committee to the next committee of referral with attached fiscal notes and individual recommendations.

CHAIR GIESSEL announced that, without objection, CSHB 99(RES) passed from the Senate Resources Standing Committee.

[3:42:07 PM](#)

CHAIR GIESSEL stated that the committee would stand at ease.

CONFIRMATION HEARINGS

Board of Game

[3:43:25 PM](#)

CHAIR GIESSEL reconvened the meeting and announced that the committee would take up the Governor's appointments to the Board of Game. She invited Peter Probasco to testify on his qualifications and interest in being appointed to the Board of Game. She asked if Mr. Probasco was being reappointed.

[3:44:06 PM](#)

PETER PROBASCOS, appointee to the Board of Game, Palmer, Alaska, confirmed that he was finishing out a term on the Board of Game and he had only been to three meetings. He explained that he started in January and met three times. He said he found the meetings to be very interesting, challenging, and a good way to become much more informed about Alaska. He noted that he had been in Alaska twice, his second time was in the Matanuska-Susitna Valley since 1966. He said he had done a tour on Elmendorf in the late 1950s, grew up on a Minnesota farm where he hunted, fished, and trapped. He explained that he continued to hunt, fish, and trap in Alaska. He noted that the only ruminant animal he had not tried to harvest was a mountain goat. He summarized that he was very interested in conservation and what Alaska's constitution laid out regarding what was to be

followed and deliberated on regarding the Game of Board's big game recommendations. He stated that he looked forward to being on the board for another term if that was possible. He asserted that he would learn much more about Alaska. He noted that he had four children; two sons, both hunted and fished. He said he had six grandsons and had the opportunity to hunt with all six of them when they were successful in a big game hunt. He expressed his continued interest in serving and noted that the board had much to do in the business of game management. He said the challenges were there and the process that the Board of Game followed was one of the best in the nation.

[3:45:55 PM](#)

SENATOR FRENCH asked to clarify that Mr. Probasco was appointed about a year ago and had not appeared before the committee or been confirmed by the legislature.

CHAIR GIESSEL replied correct.

SENATOR FRENCH asked if Mr. Probasco could discuss some of the more interesting cases that he had taken up in the last year on the Board of Game.

MR. PROBASCOSCO replied that one of the more interesting challenges that the Board of Game faced was Intensive Management (IM) and noted the many concerns from both sides of the issue. He explained that IM was an opportunity to increase the potential for harvest of certain game species that were very important to many people in Alaska and coming forward with a plan that was going to work. The IM issue was taken up at the Sitka, Wasilla, and Kenai board meetings. There were many issues that impacted IM that were not known. Weather played a big role in what happened to the deer population in the Southeastern islands and the role wolves played in decimating the numbers was also not well established. The plan to come up with something where the board could establish baselines in part of the area had been very significant and a big challenge.

SENATOR FRENCH commented that Mr. Probasco had an interesting resume with a wide array of background, activities, and interests. He addressed IM and asked how Mr. Probasco balanced the needs and desires of Alaskans who liked to look at animals. He inquired how Mr. Probasco would fit people who liked to photograph animals like wolves and bears into the equation when he thought about authorizing IM to perhaps eradicate wolves or bears from an area that he thought may be eating too many big game animals like caribou and moose.

MR. PROBASCO addressed the large Southeast islands and replied that most of the area that the board was looking at had very little game viewing going on. He said tourism was important at Denali to be able to view wolves, but noted that it was a rarity in Alaska to observe wolves. He hunted for 48 years in Alaska and had only seen wolves in the wild four or five times. He emphasized that the board's issue was not to eliminate the wolves, it was to bring the number back under control so not only the wolf population stayed healthy, but so that, like in Southeast, the deer population stayed healthy. He noted that in Unit 13 in Central Alaska, the board wanted a very healthy moose and caribou population. Bringing the wolves somewhat in balance in Unit 13 was very significant.

SENATOR FRENCH replied that Mr. Probasco's distinctions were good. He asked how Mr. Probasco balanced IM and the wolf pack around Denali National Park.

MR. PROBASCO answered that Denali National Park was not involved much in IM or any kind of management. He said there were issues with the management of the park and management on the part of the state of Alaska. He noted that the Lands Claim Act came in recent years as to how Denali National Park should be managed. He explained that there was much to be done in resolving the management of the wolf population so that both the parks and the state could go forward.

[3:50:28 PM](#)

AL BARRETTE, Vice Chairman, Fairbanks Fish and Game Advisory Committee (FFGAC), Fairbanks, Alaska, supported Mr. Probasco's appointment to the Board of Game. He said he had a chance to watch Mr. Probasco for the last three Board of Game meetings and what was put on the record with the decisions he had made. He said FFGAC felt that Mr. Probasco would be a good Board of Game member. FFGAC liked Mr. Probasco's interaction, approachability, and open-mindedness to at least listen to subjects at hands during board meetings. FFGAC asked that Mr. Probasco be confirmed to the Board of Game.

[3:51:56 PM](#)

DICK ROHRER, representing himself, Kodiak, Alaska, supported Mr. Probasco's appointment to the Board of Game. He noted that he was a former member of the Kodiak Advisory Committee for many years and had a lot of opportunities to represent the committee in front of the Board of Game. He said he had attended the Board of Game meeting in Sitka at the first meeting Mr. Probasco

attended as a board member and was impressed with his performance. He noted that Mr. Probasco was very quiet, which he expected of a first time board member in learning the issues. Mr. Probasco asked some intelligent questions and was approachable during the breaks. He encouraged Mr. Probasco's confirmation to the Board of Game.

[3:53:07 PM](#)

SAM ROHRER, President, Alaska Professional Hunters Association (APHA), Kodiak, Alaska, said APHA supported Mr. Probasco's appointment to the Board of Game. He noted that he was at the Sitka Board of Game meeting and thought Mr. Probasco did a good job and was impressed. Mr. Probasco had demonstrated himself to be a thoughtful board member, willing to listen to all sides of an issue before taking a position. APHA appreciated Mr. Probasco's service and willingness to serve again. APHA supported Mr. Probasco's appointment to the Board of Game.

[3:53:59 PM](#)

JASON BUNCH, representing himself, Kodiak, Alaska, noted that he was a registered guide on Kodiak Island as well as an active duty Coast Guardsman. He said he supported Mr. Probasco's appointment to the Board of Game.

[3:54:28 PM](#)

BRAD DENNISON, representing himself, Sitka, Alaska, said he supported Mr. Probasco's appointment to the Board of Game. He stated that he and his wife had lived in Sitka for 39 years and had hunted in Alaska the entire time during his residence. He noted that he attended the Sitka Board of Game meeting and said he believed Mr. Probasco demonstrated a genuine concern for the resource, was thoughtful, hardworking, and appeared to be fair. Mr. Probasco was a good communicator, easy to approach, easy to understand, and worked well with other board members. He encouraged Mr. Probasco's confirmation to the Board of Game.

[3:55:21 PM](#)

DAN MONTGOMERY, representing himself, Wasilla, Alaska, said he supported Mr. Probasco's appointment to the Board of Game. He noted that he was a 31 year resident of Alaska and also served on the Matanuska-Susitna Valley Advisory Committee as Vice Chairman. He set forth that Mr. Probasco had demonstrated to be a thoughtful board member. He said he attended board meetings in Region 2 and Region 4. He noted that Mr. Probasco was good at explaining his decisions; was very thoughtful when making decisions; possessed a good understanding of game and hunting regulations; was very respectful of the people; and very

approachable. He said he believed Mr. Probasco was an asset to the Board of Game and supported his reappointment.

CHAIR GIESSEL announced that the committee would forward Mr. Probasco's name and thanked him for his willingness to serve.

3:57:30 PM

CHAIR GIESSEL announced that the committee would interview Nathan Turner. She asked for Mr. Turner to address his background and reason for wanting to serve on the Board of Game.

3:58:08 PM

NATHAN TURNER, appointee to the Board of Game, Nenana, Alaska, said he was originally asked to put his name for a Board of Game seat several years ago and believed the interest was largely due to his subsistence background as well as his experience as a registered big game guide. He explained that he had made his entire living for the last 23 years from the resources that the land provided, whether through commercial or subsistence fishing, trapping, guiding, or log home building. He noted that he was the only Board of Game member who depended entirely on Alaska's wildlife populations for the primarily means of living and was the Board of Game's only active hunting guide as well. He said serving on the Board of Game had been a rewarding experience and noted working with other board members in order to navigate through the sometimes complex and very often controversial issues. He remarked that serving on the Board of Game had been a growing experience. He explained that he had spent most of his life out in the woods and believed that natural observation had its place. He asserted that the good data and good science that the Board of Game used for their decision process was a fun opportunity to review and learn from. He remarked what really stood out in his memory of the last three years on the board was the number of times Alaskans expressed a genuine appreciation for the board's efforts that were put forward to maintain or even enhance hunting and trapping opportunities at every opportunity. He said it was important to him that some of the old views of Alaska and the old-traditional uses had means for people to partake in the future. When he first came to Alaska, he was introduced to some of the older ways, such as the gentlemen's agreement with trappers to share the land without conflict. He wanted to make sure that the same opportunities were available for future generations as well.

SENATOR DYSON noted Mr. Turner's statement that he was the only active guide on the Board of Game. He asked for a quick survey

of what the professions or ways of making a living for the other board members.

MR. TURNER replied that Chairman Ted Spraker was a retired biologist, Stosh Hoffman worked for a native corporation in Bethel, Bob Mumford was a retired law enforcement officer, Teresa Sager Albaugh worked for several companies in the Tok area, and Nick Yurko was involved in a wildlife viewing tourism business in Southeast. He noted that Mr. Probasco previously provided his background to the committee.

[4:03:11 PM](#)

SENATOR DYSON pointed out a letter from Tina Brown that says Mr. Turner had an obvious conflict of interest. He asked if the conflict of interest was from Mr. Turner being a big game hunter.

MR. TURNER replied that he was not sure what Ms. Brown was referencing and noted that he had spoken with Ms. Brown in the past. He said he would assume Ms. Brown was inferring about his big game background and that he depended on wildlife for his entire living.

SENATOR FRENCH noted that the Board of Game hearing in Sitka had a proposal presented that would allow residents of Alaska to have an earlier season opener than nonresidents. He explained that the proposal would allow residents to go out and hunt moose and caribou before nonresidents. He asked if Mr. Turner recalled the proposal.

MR. TURNER answered that he did recall the proposal and noted that there were a series of nine proposals that came together as a group.

SENATOR FRENCH replied that he did not know what happened at the meeting except for what was given to him from an Alaska Dispatch article and read the paragraph that involved Mr. Turner as follows:

Board member Nathan Turner from Nenana, a rural community in Interior Alaska, observed that there are significant parts of the state where nonresidents are about the only hunters. Those hunters, he added, helped support jobs in the Alaska guide businesses and provide the state a big chunk of change for wildlife conservation in the form of high fees paid for nonresident tags and permits.

He asked if the paragraph he read was more or less a synopsis of Mr. Turner's position on the proposal.

MR. TURNER answered yes.

SENATOR FRENCH responded that the reason why some folks asked whether Mr. Turner understood his conflict of interest as a big game guide who would take nonresident hunters out into the field. He noted that when Mr. Turner was asked if any of his votes on matters that came before the board might affect him or a member of his family financially, he answered no on the form that came with Mr. Turner's application.

MR. TURNER answered that the issue Senator French was referring to came up in Southeast and was particularly for the Southeast units, all of the proposals addressed Units 1-5 and maybe 6. He explained that he had no financial interest in those regions, had never guided there, and never intended to. He reiterated that the proposals only addressed Southeast regions.

SENATOR FRENCH replied that he would take Mr. Turner's word that the proposals were strictly about Southeast. He noted that earlier in the article it said that board members thought a statewide preference went too far, so it implied to him that there were other parts of the state up for that proposal. He asked Mr. Turner if he could see how a question like that if it were applied to an area where he trapped, hunted or guided clients might affect him financially.

MR. TURNER answered that he agreed and it was something that he was cognizant of. He explained that any other board member and the majority of the public would agree that he had been very careful to recuse himself of any situation that would even hint of benefiting himself in any way financially.

[4:07:20 PM](#)

He noted an example where the Board of Game created a community permit system in Unit 9 to allow the harvest of brown bears out of the normal hunting season to address the local villagers' concern for safety and several other factors. He asserted that the Unit 9 issue had nothing to do with guiding, but asked to be recused due to the possibility of indirect benefit. The Board of Game's Chairman, Cliff Judkins, said he did not see a reason for conflict, but decided to step down to avoid the appearance of impropriety. He noted that he had done his best to recuse himself throughout the state on all of the issues that addressed

areas or regions that he either guided in or worked for someone that guided in. He said his comment about how it could have a negative impact on the state wildlife management was generally true and had nothing to do with his own personal financial interests. He noted that it was commonly know that nonresident hunting provided for 70 percent of the funding through direct payment and Pittman-Robertson Funds for wildlife management in Alaska, a very important aspect of funding Alaska's programs.

SENATOR FRENCH stated that the conflict of interest statement that Mr. Turner answered was really prospective and not retrospective. He asked if Mr. Turner or any member of his family be affected financially by decisions to be made by the board or commission for which he was applying. He inquired how he would answer that question today.

MR. TURNER replied that none of the decisions he had made had led to or foresaw anyway of benefitting from in the future.

SENATOR FRENCH remarked that was not how it reads and did not ask if you made decisions that affected you, the question was prospective. He asked if Mr. Turner or any member of his family be affected financially by decisions to be made by the Board of Game Board for which he was applying.

MR. TURNER replied that board members were asked to identify what those decisions would be or could be in reference to the proposals that were in front of them and that was how he proactively did it at every meeting. He said the board reviewed and studied proposals in great depth before the meetings and he would recuse himself if he foresaw any hint of economic advantage or disadvantage. He noted that he had asked to be recused during the middle of meetings when catching on to a nuance to a proposal that he had not anticipated. He said he was doing his best and promised he would continue to.

[4:11:39 PM](#)

SENATOR MICCICHE stated that he appreciated the fact that Mr. Turner was saying his actions would keep him from having a conflict. He agreed with Senator French that probably a "yes" was a better answer, but appreciated the way Mr. Turner operated. He noted his own experience with the Board of Fish and appreciated the fact that sport fishermen, commercial fishermen, and guides were on that board. He asserted that it was imperative that the Board of Game had folks that sort of knew the lay of the land from all of the different ways that the board could be affected. He said it sounded like Mr. Turner was

very cognizant and careful about when he had a conflict. He stated that he was very impressed by reading Mr. Turner's biography and noted that the Board of Game would benefit from his experience. He stated that he heard from folks that he respected very much that said Mr. Turner was a great candidate to continue.

[4:13:03 PM](#)

AL BARRETTE, Vice Chairman, Fairbanks Fish and Game Advisory Committee (FFGAC), Fairbanks, Alaska, said he supported Mr. Turner's appointment to the Board of Game. He explained that most of the FFGAC members enjoyed an opportunity to work with Mr. Turner and watch him grow during his last term as a Board of Game member. He said what FFGAC really liked was that Mr. Turner attended advisory committee meetings, something that was very important to FFGAC. He noted that at meetings, Mr. Turner explained what board actions were taken and some of the background reasoning on why the board had taken action the way they did. He said FFGAC believed that Mr. Turner was honest and had high integrity. He said some other things that were really important to FFGAC was that Mr. Turner reads all of the advisory committee comments put forth in front of him, readily referred to advisory committee comments to proposals when that topic was up, and placed on the record or made a comment that specific advisory committees were interested or made comments. He said FFGAC asked that Mr. Turner be approved for confirmation and appointed him to the Board of Game.

[4:14:35 PM](#)

LYLE BECKER, representing himself, Anchorage, Alaska, said he supported Mr. Turner's appointment to the Board of Game. He noted that he was a registered guide and a board member of the South Central Chapter of the Alaska Trappers Association. He stated that he found Mr. Turner to be incredibly level headed, even keeled, and was always willing to openly respond to any inquiry. He said Mr. Turner appeared to be a very "everything on top of the table" type of person.

[4:15:27 PM](#)

DICK ROHRER, representing himself, Kodiak, Alaska, said he supported Mr. Turner's appointment to the Board of Game. He explained to the committee that he had come to Alaska almost 50 years ago and was a hunter, fisherman, Kodiak Advisory Board member, and Board of Game meetings attendee. He said he had known Mr. Turner for a number of years and knew him as a man of integrity, honesty, and was approachable as a board member. Mr. Turner brought a unique experience to the board with his

lifestyle, experience in trapping, subsistence, sport hunting, and knowledge in the guide industry. He state that he gave Mr. Turner high marks for listening carefully to public and department testimony, asking good questions, being attentive, never being aggressive, and not putting a person down that he may not have agreed with. He added that Mr. Turner had not always voted in a way that he would have liked him to, but supported his careful and honest consideration of all of the issues in making good decisions.

[4:17:33 PM](#)

SAM ROHRER, President, Alaska Professional Hunters Association (APHA), Kodiak, Alaska, said APHA supported Mr. Turner's appointment to the Board of Game. He stated that it was challenging to find a person who was able to successfully navigate the complex and often contentious issues that the Board of Game process presented. An affective board member must be willing to weigh all sides of a proposal while carefully considering its biological and allocative implications. Board of Game members must always approach a process with an open mind. Over the last three years, Mr. Turner had proven himself to be just such a board member. Mr. Turner had demonstrated a willingness to look closely at all sides of an issue, carefully considered the views of interested parties before reaching a position on any given issue, and had taken time to carefully place the long term health of the resource first. He noted Mr. Turner's extensive backcountry experience as a fulltime trapper, hunting guide, and subsistence hunter had put him in a unique position to relate to the various user groups who brought issues before the board. He said it was APHA's opinion that Mr. Turner was the right person for the job and be confirmed for reappointment. He noted that he had spent quite a bit of time out in the field guiding with Mr. Turner and found him to be an excellent woodsman and a true conservationist.

[4:19:23 PM](#)

JASON BUNCH, representing himself, Kodiak, Alaska, said he supported Mr. Turner's appointment to the Board of Game. He stated that he had the opportunity to work with Mr. Turner on various subcommittees and noted him as being an exceptional mentor who possessed an unyielding desire to do what was best for Alaska and Alaskan's resources. Mr. Turner was honest, humble, and consistently shown an open mind during discussion groups concerning issues at hand. He said as a board member, Mr. Turner truly defined Alaska and many of the issues brought before the board. He supported Mr. Turner's reconfirmation to the Board of Game.

[4:19:51 PM](#)

BRAD DENNISON, representing himself, Sitka, Alaska, said he supported Mr. Turner to retain his appointment to the Board of Game. He stated that he had personally known Mr. Turner for quite a few years and noted his genuine concern for Alaska's resources. Mr. Turner was hard working, fair, and always asked the right questions to bring enough information to the board so a fair and reasonable decision could be made. Mr. Turner worked very well with the public and other board members, was very easy to approach, and a good communicator. He encouraged the committee members to confirm Mr. Turner to the Board of Game.

[4:20:53 PM](#)

DAN MONTGOMERY, representing himself, Wasilla, Alaska, said he supported Mr. Turner's appointment to the Board of Game. He noted that he was a Master Guide and had been living in Alaska for 31 years. He explained that he also served as Vice Chairman on the Matanuska-Susitna Valley Advisory Committee of Game. He set forth that he supported Mr. Turner to be reappointed to the Board of Game and noted Mr. Turner to be an exceptional board member over the last three years. Mr. Turner researched the Board of Game's proposals thoroughly, explained his decisions thoroughly, was very fair, and ethical when making decisions. He said he had been at all of the Board of Game meetings for Region 2 and Region 4 since 2007 and Mr. Turner had always recused himself whenever there was even a hint of conflict of interest concerning nonresident allocation versus resident allocation for guiding. He said he strongly supported Mr. Turner's renomination.

[4:22:08 PM](#)

CHAIR GIESSEL announced that finding no further comments, public testimony was closed. She said the appointee list had concluded for the day. She stated that in accordance with AS 39.05.080, the Senate Resources Committee reviewed the following and recommended the appointments be forwarded to a joint session for consideration: Board of Game, Peter Provasco and Nathan Turner. She said the appointment recommendations did not reflect intent by any committee member to vote for or against the confirmation of the individuals during any further sessions. She announced that the transmittal document would be passed around the committee. She thanked Mr. Provasco and Mr. Turner for their willingness to serve.

[4:23:03 PM](#)

CHAIR GIESSEL announced that the committee would stand at ease.

SB 96-OIL AND GAS AND GAS ONLY LEASES

[4:24:09 PM](#)

CHAIR GIESSEL announced SB 96 to be up for consideration.

[4:24:34 PM](#)

LARRY SEMMENS, staff for Senator Micciche, sponsor of SB 96, Alaska State Legislature, Juneau, Alaska, said the bill proposed to allow the commissioner of the Alaska Department of Natural Resources (DNR) to extend oil and gas, and gas only leases on a one-time basis to allow a lease holder additional time to develop and get a lease productive. He stated that the DNR and industry supported SB 96. He explained that SB 96 had a zero fiscal note. He detailed that SB 96 would fix shorter-term, five and seven year issued leases that entailed situations where the leases should be extended. He noted that there was no statutory authority to extend the leases. He said oil and gas, or gas only leases did not expire as long the leases were producing, or if the lease land was part of a unit that was producing; otherwise the lease term was limited to the initial term. He explained that SB 96 would provide the statutory authorization to extend a lease if it was in the best interest of the state to do so.

[4:26:56 PM](#)

CHAIR GIESSEL announced that the committee would stand at ease.

[4:28:36 PM](#)

BILL BARRON, Director, Division of Oil & Gas (DOG), Alaska Department of Natural Resources (DNR), Anchorage, Alaska, said SB 96 would address areas in the statutes that were a bit remiss in the DNR's ability to manage state land. He asserted that there was no way to extend a lease out of its primary term other than through active drilling, being part of a unit, or was part of production. He said there were opportunities where short term leases issued by DOG had companies diligently trying to work their leases while coming up to the brink of their term without drilling a well or proving hydrocarbons. Rather than having oil and gas companies release their acreage just to go back into a lease-sale and take the risk of not being a party to pick it up, oil companies tend to bring forward unit applications which were not necessarily fully mature. He explained that DOG gets into a dialogue of what was and was not a "unit." He informed the committee that a simple one, two, or three year extension would have given the oil and gas companies the ability to drill wells and prove-up their acreage in a timelier manner. The DNR commissioner's decision would not be based upon work that was

planned to be done. The first step in the decision process would address what work had been done on a lease. The lease extension decision was not about warehousing and the interaction with the lessees allowed the commissioner to look over a lease's history. Companies that had done little or no work on their lease would have a tough battle to get past the first step. The second step in the process was that the oil and gas companies would be buying a premium or an option in order for the DNR to manage the state's land. A performance bond or work commitment that identified the types of funding or work may be required. The process at the second stage was a contractual negotiation of a term. The process was an opportunity for the state to talk to companies about the lease work's scope, funding, and timing that they had in a primary term. Leases would expire if a company did not establish performance terms and conditions.

He addressed a slide to the committee that displayed short term leases for the North Slope, Foothills, and Beaufort Sea regions. Short term leases were divided into three expiration groups: two years or less, two to five years, and outside of five years. There were 104 leases in the first group with multiple companies having leases that were to expire in two years or less. He noted that Repsol and Alaska Venture Capital Group (AVCG) were actively trying to work their short term leases and explained that they were running into a time clock. He said the DNR was trying to not have leases come back to lease-sale for companies that were working hard to develop their acreage.

SENATOR FRENCH noted that Repsol stood head-and-shoulders above other oil companies for short term leases that were to expire in two years or less. He asked if Mr. Barrons could comment on the amount of leases Repsol had that were expiring.

MR. BARRONS replied that Repsol stepped in a couple of years ago to acquire some of the acreage in joint cooperation with Armstrong Oil and Gas. Repsol recognized very clearly that they were under-the-gun and aggressively approached the opportunity immediately. Repsol had a rig up within the first drilling season and started processing drilling activities. Repsol was the kind of company that was actually trying to drive while recognizing the time frame. He asserted that DOG should not be put into a position to hurt the companies later. He noted that Repsol and AVCG were clearly the first two candidates. He said the big player for the out-years, the seven year leases was Great Bear Petroleum Ventures (GBPV). GBPV's focus was on shale based oil and their out-years would be addressed as well. He agreed that Repsol was a very interesting case and reiterated

that they did not come into the primary lease activity. Repsol had shown their ability to get going and prove-up acreage as quickly as possible. Additional time would allow Repsol to continue their operations and Repsol had the knowledge with rigs under contract. Working with Repsol was the kind of game that the DNR was trying to make sure was played out correctly.

[4:34:33 PM](#)

MR. BARRONS addressed the Cook Inlet and noted that Apache Alaska Corporation's (AAC) operations stood out. He explained that AAC did very similar activities that Repsol did with other companies in the Cook Inlet and bought a large area of acreage that was scattered across Cook Inlet's western and eastern sides. He said some of AAC's acreage was clearly coming up short in terms of time. AAC was the kind of player that DOG also wanted to encourage. He noted that AAC's diverse acreage was a challenge for DOG. Companies had to understand what work had to be done on specific acreage and not on the totality of their leases. Extended time would not apply to requests for seismic testing or getting wells drilled. He said the DNR commissioner and DOG wanted the committee to appreciate that the intent was getting a work program established for: drilling wells, advancing technology, and bringing resources to market as quickly as possible. The process would provide the state with a better understanding of its resources.

SENATOR MICCICHE explained that his interest in the bill addressed the three top prospects for getting gas to market in Cook Inlet: AAC, Buccaneer, and Hilcorp. The three companies had a large number of leases that were coming up against the less than two year deadline. He said we certainly want to encourage the three companies to hopefully get some gas to market as soon as possible without starting over.

[4:36:50 PM](#)

MR. BARRONS answered that he agreed. He said the intent was to assist people who have diligently tried to progress a lease without having to release it and try to get it back. There was also a balance that had to be recognized in the general business practice of lease-sales. Some companies were concerned that not managing extensions properly could be seen as a way to hold acreage in a competitive market. Some companies knew the geology as well as others and were waiting for leases to expire for the next bid-round. DOG understood the concerns for holding acreage and noted that the intent was for the state to benefit from lessees that were doing the work on their five or seven year lease. He remarked that if there were issues on timing, weather,

rigs, equipment, or whatever the problems were, DOG would have an opportunity to listen and then firm up a strong contractual deal. He said a contractual deal would make companies drill wells with bonding, committed work programs, and elevated rental agreements. The clear intent was for the DOG to form a new contractual business relationship with companies for the next year or two if extensions were granted.

He reiterated that extensions were not guaranteed, a five year lease would not get a five year extension. Extensions would be handled on a case basis with decisions based upon a company's committed work program. He said an example was a five year extension might be provided if annual performance-gates were set and not meeting the goals could lead to lease expiration. He explained that the extension process was an opportunity for the state to really engage with the industry in a very positive way by encouraging development. DOG was excited about the extension process and believed it to be an important issue for the division. He explained that both the industry and the state would benefit from the lease extensions. The industry would be accommodated for shorter drilling windows and additional time for working diligently. The state benefited from requiring a work program for the first time that encouraged ongoing work to be completed. He emphasized the importance of a work program for increasing the probability of leases being brought on to production more quickly.

SENATOR FRENCH stated that he appreciated being brought up to speed by Mr. Barrons. He noted having a meeting with Mr. Barrons prior to the committee meeting and said there were some folks, including himself, that believed a work program should be setup in the first five years. He said he realized what the state's current philosophy was, but it struck him that having a firm set of work commitments earlier rather than later would benefit everybody. He noted that work commitments in an initial lease was not the bill in front of the committee and would set the point aside.

[4:40:11 PM](#)

SENATOR FRENCH noted that Repsol's approximate 60 leases were coming up for expiration. He asked if Repsol's leases would be a lease-by-lease decision, or would the DOG just say that it really liked Repsol, the company had a lot of money, and they would be given a break.

MR. BARRONS replied that DOG's clear intent was to require the companies to come in and explain what they had been doing on the

leases. Some of the leases would be bundled with contiguous lease blocks identified and area work activity noted. Some of the leases could be packaged as A-B-C with extensions managed in a negotiated settlement where packaged leases were addressed separately. He addressed GBPV'S 500,000 un-unitized acreage of shale and noted that it was going to be very interesting to see.

SENATOR FRENCH asked how many individual leases there were within GBPV's huge swath of property.

MR. BARRONS answered several hundred.

SENATOR FRENCH asked to confirm that there could not be more than 5,000 acres per lease.

MR. BARRONS answered correct. He explained that GBPV's leases were quarter-sectioned for reasons associated with shale development. GBPV did their work along the highway which was a smart and well-reasoned activity. He said DOG would ask GBPV what they were going to do at other parts of the acreage and the division would have difficulty with a reply where GBPV would get to other areas of their lease in five years. He specified that his comment was not an official stand, but if GBPV were to meet with DOG today, it would be a hard road for them to hoe.

SENATOR FRENCH asked what would happen if a bigger company wanted to buy GBPV's leases. He said his view would be that the second company should start and stand in GBPV's shoes. The new company, despite their best intentions and deep pockets, decided to buy leases that were expiring. The scenario he presented would be a tough case for DOG to decide because suddenly there was a new player with a lot of money on leases that were expiring.

MR. BARRONS replied that oil and gas was a very intelligent and sophisticated industry. When a company comes in and buys acreage from someone who already owns the lease; they would know what the rules and contractual obligations were. The new owner would have to abide by the original lease and it was not DOG's problem if the new company did not "action" activities associated within the given time frame. The DOG's problem was to make sure that the lease was either worked or returned so that the division could lease it to somebody else.

SENATOR FRENCH replied that he appreciated Mr. Barrons' reply, especially given the shifting sort of ownership structures where

a lessee created a new oil company to buy the leases in order to obtain five additional years.

MR. BARRONS answered that Repsol was a good example of somebody who did buy-in, recognized what the rules were, and progressed as quickly as they possibly could.

SENATOR FRENCH replied that Repsol hurried a rig up to their lease, had a blow out and some bad luck. He said the example of Repsol struck him as an easy case where a company ran into force majeure problems that they could not overcome. He asked Mr. Baron to address a letter for AAC where they raised two concerns regarding the performance bond and \$250 an acre. He inquired how many leases in general would a \$250 per acre charge be sort of out of bounds and above what was paid in the first place.

MR. BARRONS replied that the \$250 uplift applied to years eight, nine, and ten. The current lease terms were introduced two years ago on entry level leases at \$25 an acre, previously it was \$3 per acre and the lease terms were a very low entry price. He reiterated that oil and gas companies were sophisticated and knew how to make business decisions. Companies had a business choice if they had not been diligently progressing land for seven years. A company would have to decide if the increased cost of holding land as an exclusive right at \$250 acre for the last three years was viable. The alternative was relinquishing the acreage, putting it back to the lease-sale, and allowing DOG to manage it through the lease-sale process. He noted that one company had leaned in and said the increased cost should only be 150 percent. He opined that 150 percent of \$3 an acre really did not give him a warm comfort required from a business negotiating standpoint and allow a company to not be serious about moving the land. He said for the reasons previously noted, it was clearly the discretion of the commissioner to decide if a company had been doing work in order to authorize waving the \$250 per acre charge and allow the original lease to be maintained. He addressed comments and concerns about a required work program. He reiterated that if a company wanted an extension, they would be asking for an option to hold land exclusively and there should be something that goes back to the state. If a company wanted the luxury to have land for an extended period of time, something had to be in it for the state. He asserted that the state required wells to be drilled in order to hold acreage longer and the requirement he set forth was a very simple business philosophy that the DOG followed to get wells drilled.

SENATOR MICCICHE stated that the maximum lease extension to the primary terms was up to five years with a total primary lease and extension not to exceed ten years.

[4:47:56 PM](#)

MR. BARRONS replied that Senator Micciche's statement was a critical piece and DOG was working with the Senator's staff to make sure that at no time would any of the primary terms exceed ten years. He emphasized that there could only be one and only one extension.

SENATOR MICCICHE added that it was imperative for Alaskans to understand that the intent was getting leases to work and producing hydrocarbons. He emphasized that the extensions were not about a landholding program.

MR. BARRONS concurred with Senator Micciche.

[4:48:42 PM](#)

LISA PARKER, Manager, Government Relations & External Affairs, Apache Alaska Corporation (AAC), Soldotna, Alaska, thanked Senator Micciche for working with ACC and the administration in moving SB 96 forward. She said SB 96 would allow the DNR commissioner to extend the term of oil and gas leases or gas only leases beyond the original primary term. The legislation offered an alternative to last minute rushes to create units, proposed placement of rigs, or other lease saving operations that would allow an operator to hold its oil and gas leases. She noted that the DNR dealt with repeated requests for extensions that wasted time while a company continued to hold its units with no actual work being performed. She explained that AAC was a new operator in Alaska and the company acquired a significant amount of acreage with leases that were expiring prior to seismic exploration completion. AAC's seismic studies helped to delineate the potential for oil and gas resources. AAC had been aggressive in exploration and development efforts since the fall of 2010. ACC possessed and continued to find new and innovative ways to conduct seismic studies that created only the slightest disturbance while gathering good quality data. AAC employed a cutting-edge technology that in 2012 resulted in seismic acquisition on over 200,000 acres within the Cook Inlet basin. She informed the committee that AAC "spudded" their first well on the Cook Inlet's west side in late 2011. She stated that there was still a lot of work left to do and AAC was hopeful that in working with the DNR there would be an opportunity to continue its 3D seismic program to better identify the Cook Inlet's potential. She noted that AAC had submitted a letter to

the committee on suggestion changes to SB 96. She summarized that AAC's general manager, John Hendrix, had stated on numerous occasions that, "Apache does not sit on its assets." AAC wanted an opportunity to delineate its assets before commencing with exploration efforts and that was the reason why the company was working with Senator Micciche and the administration.

CHAIR GIESSEL announced that finding no further comments, public testimony was closed.

[4:52:22 PM](#)

SENATOR FRENCH inquired if the only way to extend a lease term was through unitization.

MR. BARRONS answered yes. He explained that lease extensions could occur through unitization or active drilling.

SENATOR FRENCH clarified that what he meant was doing something short of doing something productive.

MR. BARRONS responded that companies could process the application for unitization.

SENATOR FRENCH noted that unitization would be tough to do if there had not been drilling, but it was an avenue that the companies pursued. He inquired if the ability to extend leases would be considered one more negotiation option between the industry and the department.

MR. BARRONS answered that the DNR had thought about what Senator French had said. He explained a statute that stated companies would have to come to the commissioner 180 days prior to lease termination. Companies would have to plan and have an idea of where they were 180 days prior to lease expiration. Companies should provide the DNR with the latitude of time and come to them with a plan and a program.

SENATOR FRENCH asked how many leases were turned straight back to the DNR where and owner-operator gives back their lease.

MR. BARRONS asked Saree Timmons to answer Senator French's question.

[4:54:19 PM](#)

SAREE TIMMONS, Petroleum Land Manager, Division of Oil & Gas (DOG), Alaska Department of Natural Resources (DNR), Anchorage, Alaska, stated that she did not have the information.

SENATOR FRENCH asked for a "ballpark" answer.

MR. BARRONS replied that the number was small number, less than ten percent.

SENATOR FRENCH asked how often lease extensions would be used.

MR. BARRONS replied that the Senator's question was speculative and he would reply with a speculative answer. He advised that companies would come in 50 percent of the time and ask for extensions without having done anything with their leases. He said requests for extensions without lease activity would be a very short conversation.

SENATOR FRENCH asked how often the DNR would say "yes" to an extension request.

MR. BARRONS replied that the decisions would clearly depend on the quality of the applications.

CHAIR GIESSEL asked if Mr. Semmens had any closing remarks as carrier of the bill.

MR. SEMMENS thanked the committee for hearing the bill. He acknowledged the DNR for their excellent work and appreciated hearing from the industry as well.

[4:56:00 PM](#)

SENATOR DYSON moved to report SB 96 from committee with attached fiscal note and individual recommendations.

CHAIR GIESSEL announced that, without objection, SB 96 moved from committee with attached zero fiscal note.

CHAIR GIESSEL adjourned the Senate Resources Standing Committee meeting at 4:56 p.m.