

ALASKA STATE LEGISLATURE
SENATE SPECIAL COMMITTEE ON TAPS THROUGHPUT

March 5, 2013

3:35 p.m.

MEMBERS PRESENT

Senator Peter Micciche, Co-Chair
Senator Lesil McGuire
Senator Berta Gardner

MEMBERS ABSENT

Senator Mike Dunleavy, Co-Chair
Senator Anna Fairclough

COMMITTEE CALENDAR

SENATE BILL NO. 59

"An Act relating to approval for oil and gas or gas only exploration and development in a geographical area; and providing for an effective date."

MOVED SB 59 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 59

SHORT TITLE: OIL & GAS EXPLORATION/DEVELOPMENT AREAS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/19/13	(S)	READ THE FIRST TIME - REFERRALS
02/19/13	(S)	TTP, RES, FIN
02/26/13	(S)	TTP AT 3:30 PM BUTROVICH 205
02/26/13	(S)	Heard & Held
02/26/13	(S)	MINUTE(TTP)
03/05/13	(S)	TTP AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

JOE BALASH, Deputy Commissioner
Department of Revenue
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 59.

WENDY WOOLF, Petroleum Land Manager
Division of Oil and Gas

Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 59.

ASHLEY BROWN, Assistant Attorney General
Oil, Gas, and Mining Section
Department of Law
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 59.

ACTION NARRATIVE

[3:35:27 PM](#)

CO-CHAIR PETER MICCICHE called the Senate Special Committee on TAPS Throughput meeting to order at 3:35 p.m. Present at the call to order were Senators Gardner, McGuire and Co-Chair Micciche.

SB 59-OIL & GAS EXPLORATION/DEVELOPMENT AREAS

[3:36:31 PM](#)

CO-CHAIR MICCICHE reported that the committee would have a seconding hearing on SB 59 today. He noted that the committee has received two letters in support of the bill and one in opposition to it.

CO-CHAIR MICCICHE opened public testimony, but no one wished to testify so he closed public testimony.

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SENATOR GARDNER inquired if the Department of Natural Resources (DNR) has had a chance to see the letter from Lisa Weissler.

JOE BALASH, Deputy Commissioner, Department of Revenue, said he had read the letter.

SENATOR GARDNER said Ms. Weissler refers to a Supreme Court decision that required DNR to prepare comprehensive best interest findings (BIF) for each phase of a project. Ms. Weissler found the proposed legislation to be contrary to the court finding. She asked Mr. Balash to comment on that issue.

MR. BALASH explained that with regard to the additional opportunities for public notice and comment, each of the decisions is to be taken in turn. The proposed statute would provide that each stage of the process, the decision to dispose of the land through the leasing process, then to authorize the

exploration activity, and then the development activities, could be made at the same, or smaller, levels.

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SENATOR GARDNER said there was one particular paragraph she wished to have clarification on.

WENDY WOOLF, Petroleum Land Manager, Division of Oil and Gas, Department of Natural Resources, said she has had the opportunity to read the letter.

SENATOR GARDNER said the part she wished to have clarified was on top of the second page and she read:

Alaskans will no longer have the opportunity to comment on proposed plans of operation for specific project activities that may occur in or near their community. They will be required to comment on oil and gas exploration and development without knowing the 'when, where, how, or what kind of exploration, development or production might ultimately occur' in a potentially vast sale area - from 2 million acres in the Beaufort Sea region to 7.6 million acres in the North Slope Foothills.

MS. WOOLF summarized that the concern is that the public will have to comment before knowing when, where, how and what kind of exploration might occur.

SENATOR GARDNER added it could be ten years in advance or a very large area.

MS. WOOLF deferred to Ms. Brown to comment on the legal aspects of the concern.

She maintained that the public is going to have an opportunity to comment about where activities can occur, how they can occur, and what kind of activities can occur holistically in a geographical area. They will look at those concerns in a prospective area before they occur.

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SENATOR GARDNER said she applauds the intention to streamline the process. She voiced concern that it is hard to galvanize the public to respond when the issue is unknown and so far in the future. She also wondered about unanticipated changes, such as new technology.

MS. WOOLF said when talking about exploration approval, those kinds of activities are broad and temporary in nature. However, development plans may be more specific. By the time a company gets to the development stage, they have already discovered a reservoir and they have an idea of the size of the reservoir and their overall plan to develop it. The development area will be larger than a lease, but it may encompass a group of leases or a unit. From a practical perspective it is not as large as a unit, encompassing millions of acres. As the point the development phase is allowed to move forward, each individual activity on the ground - plans for operation for implementing that development - still need to be approved by DNR. There are many permits that will need to be approved through public processes in order to implement the development. The bill does not get rid of any public notices or opportunities to address specific concerns people may have.

SENATOR GARDNER understood that the voice of the public is retained at each of those steps.

MS. WOOLF said yes. The bill only addresses the Division of Oil and Gas within DNR and the requirement to do an exploration phase decision and a development phase decision. It does not relieve DNR of the obligation under the oil and gas lease to approve the specific plans of operation that implement a company's development. Those specific plans of operation will continue to have agency review, but not a public review. Any time the division feels that there are concerns they could also hold public reviews, depending on the need.

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SENATOR GARDNER asked if a citizen could rely on the agencies to bring concerns to the public review phase if the agency saw a problem.

MS. WOOLF explained that the public would have an opportunity to comment at the initial phase. She said that when the plan goes out to agency review that is generally when the division hears about other concerns. She inquired if Senator Gardner asked if the public has to rely on the agencies to do their job.

SENATOR GARDNER said yes.

CO-CHAIR MICCICHE commented that is not going to happen by chance or by the public's notice of something substantially different that triggers a reevaluation by the department. If

there is a substantial change in the activity that is different than what is included in the prior lease system, a reevaluation is triggered.

MR. BALASH clarified that the bill addresses winter exploration that takes place on the North Slope and the standard exploration well that has happened over 100 times in the last 25 years. He added that the people in the communities most directly affected by this activity are familiar with the process. Yet, the state persists in going through the same exercise for each one of the exploration plans and reviews. The bill is intended to provide the department with a tool under which to standardize or generalize the conditions under which that exploration activity can take place in the given area. The department hopes to draw out patterns of use and seasonal activities, such as subsistence hunting or gathering, when making development decisions.

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SENATOR GARDNER appreciated that information. She emphasized that she wanted to feel confident that efficiency does not lose a critical piece - an opportunity for the public to make their concerns known down the road. It should be the public's right to be heard, not a department decision.

MR. BALASH pointed out that it is not clear that the department would make the exploration decision process look exactly like the leasing process, though it might have the same template. With regard to the area-wide leasing program, the department does put together a BIF that applies for ten years. However, it is not just put on the shelf and left alone for ten years. He said there is an annual call for new information, a look at new technology and approaches, and changes in regulatory actions. Similar features would more than likely be built into the regulations applicable to SB 59.

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CO-CHAIR MICCICHE noted that SB 59 does not compromise any of the permitting standards, it just allows for bulk permitting in geographically similar areas. It does not change the 10-year impact. It provides that a larger area is brought in for pooling permits. Responsible companies will contact the community and educate them on impacts of development activities.

MR. BALASH said that was correct. He suggested that the geographic scope would be taken into account in the decisions. Activities will look different in each area - it is not a cookie

cutter approach. The bill looks to broaden the geographic scope of a given decision.

SENATOR GARDNER read, "The legislature amended AS 38.05.035(e) with the stated intent of making it clear that no best interest finding is required after the lease disposal phase but that 'public notice and the opportunity to comment shall be provided at each phase of the project.'" She asked if that provision is retained in SB 59.

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MR. BALASH said yes.

ASHLEY BROWN, Assistant Attorney General, Oil, Gas, and Mining Section, Department of Law, agreed.

CO-CHAIR MICCICHE opined that Alaska and its natural resources should be protected. He said he could not support the bill if it allowed the department unrestricted permitting. He stated he was comfortable with the aspects of geographic similarities and the types of activities that would normally occur in those areas. He spoke in support of needing an efficient permitting system in Alaska that does not compromise on protection for people or the environment.

SENATOR MCGUIRE said she was comfortable with the bill.

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At ease

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CO-CHAIR MICCICHE asked for the will of the committee.

SENATOR MCGUIRE moved to report SB 59 from committee with individual recommendations and the attached fiscal note. There being no objection, SB 59 was reported from the Senate Special Committee on TAPS Throughput.

[4:00:07 PM](#)

There being no further business to come before the committee, Co-Chair Micciche adjourned the Senate Special Committee on TAPS Throughput Committee at 4:00 p.m.