

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

January 27, 2021

3:31 p.m.

MEMBERS PRESENT

Senator Joshua Revak, Chair
Senator Peter Micciche, Vice Chair
Senator Click Bishop
Senator Gary Stevens
Senator Natasha von Imhof
Senator Jesse Kiehl
Senator Scott Kawasaki

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Roger Holland

COMMITTEE CALENDAR

OVERVIEW: DEPARTMENT OF NATURAL RESOURCES

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

CORRI FEIGE, Commissioner
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Provided a departmental overview of North Slope oil and gas, and the recent actions taken by the federal government.

JUSTIN BLACK, Deputy Commissioner
Division of Oil and Gas
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Provided a lease sales and activity update for the North Slope.

ACTION NARRATIVE

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CHAIR JOSHUA REVAK called the Senate Resources Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Bishop, Stevens, Kiehl, Kawasaki, and Chair Revak. Senator Micciche joined the meeting shortly thereafter.

Introductions

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CHAIR REVAK welcomed committee members to the first hearing of the Senate Resources Standing Committee of the 32nd Alaska State Legislature. He said he was honored that his colleagues selected him to chair the committee and he looked forward to exploring programs and activities of the departments.

CHAIR REVAK said while Alaska has challenges to address considering the new federal administrative orders, he looked forward to exploring solutions and working collaboratively with all committee members to find pathways to better success, better access, responsible management, and development of the state's resources to the benefit of all Alaskans.

He asked the committee members to introduce themselves and their committee staff if they would like to.

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SENATOR KIEHL said he was pleased to have the legislature back in Alaska's capital. He noted his committee aide was Edric Carrillo.

SENATOR BISHOP congratulated his committee member colleagues and recognized his committee aide, Cody Grussendorf.

SENATOR MICCICHE stated he looked forward to the many issues that the committee would face.

He noted the [oil and gas industry] sent hundreds of Alaskans home from work last week, many from his district. He said there is a middle ground that can be a right answer even when there is a Democratic administration, and his hope is we find that balance because what we are looking at is scary for the people of Alaska.

SENATOR MICCICHE said he is looking forward to working on those issues with committee members, the issues include fishing, mining, oil and gas, land use, and fish and game.

SENATOR STEVENS noted his pleasure to be on the committee and working with the members. He said his committee aide is Tim Lamkin.

He stated his major interest—in addition to everything the committee is dealing with—is fisheries issues, an important part of the state's economy. Issues include a terrible time in the pollock fishery—one of the greatest fisheries in the world and biggest producer of protein. The biggest [processing] plant in Alaska at Akutan closed due to COVID-19 and two or three others are facing that as well.

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SENATOR KAWASAKI said he represents Interior Alaska and the City of Fairbanks. He said his staff and intern members for the committee includes Robin ODonoghue and Max Robicheaux.

CHAIR REVAK introduced his committee aide, Betty Tangeman, and his chief of staff, Dirk Craft.

OVERVIEW: Department of Natural Resources

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CHAIR REVAK announced the purpose of the meeting is to hear an overview from the Department of Natural Resources regarding areas of concern.

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CORRI FEIGE, Commissioner, Department of Natural Resources, Anchorage, Alaska, said 2020 was a year of unprecedented volatility in oil markets and production levels across the globe. The pandemic has driven the oil price collapse, prorating of North Slope throughput into the Trans-Alaska Pipeline System (TAPS), and production curtailments due to very low-price environments.

She said Alaska now finds itself in early 2021 in a period of modest recovery and a bit of stability that shows North Slope oil production holding at just under 500,000 barrels per day with pricing stable in the mid-\$50 range.

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COMMISSIONER FEIGE explained slide 2 charts out the impacts from COVID-19 through November 2020. The slide shows the volatility in both price and production. In April 2020, oil prices hit a low of \$16.50 per barrel on [Alaska North Slope] (ANS) crude. Prices dropped nearly 75 percent between January-April 2020.

She explained companies immediately launched into production curtailment and TAPS prorated throughput in order compensate for lack of storage capacity at the Valdez Marine Terminal. Sixty thousand barrels a day came out of the Kuparuk River production in June; 40,000 barrels a day curtailed from the Colville River unit production in June; the Badami unit shut in 1,500 barrels a day in May—only to come back online in October. Thankfully, both the Colville River Unit and Kuparuk Unit were able to restore full production in July 2020.

She noted the Cook Inlet throughput—local refinery market and not TAPS—has not come back in line and that totals about 1,900 barrels per day between the West Macarthur River Unit and the Redoubt Unit, which had reached their economic limit with the COVID-19 conditions.

She said the laydown of the infill-drilling programs experienced from the result of COVID-19, the chart in slide 2 shows the curtailment of production in June and the rebound in July. However, the curtailment of the infill drilling experienced during the past year is going to make itself known in production for the next couple of years to come because the infill wells drilled today impact production in the near-term years.

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She referenced slide 3 on what companies have done to manage the COVID-19 impacts. There were rig laydowns across the North Slope, BlueCrest in Cook Inlet curtailed and postponed their natural gas exploration project until 2022, and prorating resulted in rate drawbacks in TAPS; all these saw Alaska's oil and gas industry and operations cutback from full production and exploration capacity to barebones—minimum personnel in the course of about 10 days. However, where the stabilized system finds itself today is amazing when considering the incredible shock that occurred.

She said DNR and the Division of Oil and Gas took some very specific steps to stabilize the industry over the last year. For example, the department and division added 30 days to the lease award schedule for the fall 2019 North Slope lease sale and the spring 2020 Cook Inlet lease sale, that allowed the companies

and lessees to better manage their cashflows and allowed the State to continue to capture acreage under lease and not see those acres go unleased and put off until the future.

COMMISSIONER FEIGE noted the department and division also granted extension requests on lease rental payments and deadlines for submitting things like plans of development data and other paperwork due to distributed workforce due to the difficulty in maintaining a business pace during COVID-19.

She pointed out even during the magnitude of the shock from COVID-19, Alaska's operations continued without any environmental, operational, or significant safety upset. Companies have managed to keep their workforces healthier than originally thought possible.

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SENATOR STEVENS noted the commissioner called the first two slides "Managing COVID-19 Impacts," and the committee sees the results of the changes that occurred. He asked her if she attributes all the changes to COVID-19.

COMMISSIONER FEIGE answered yes. She said everything the committee is seeing from her overview is a direct result of the COVID-19 impact on the workforce and the industry.

SENATOR STEVENS commented a piece is missing on exactly what happened. He asked her to provide specific information on why it all occurred, what happened to all the jobs, etcetera.

COMMISSIONER FEIGE asked if the department could work with the senator's office to clarify exactly what to quantify. The department has statistics in its overview on the barrels and throughput removed, and the implications. However, the overview does not have specific jobs information, but she is happy to provide those statistics.

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SENATOR MICCICHE noted the missing piece in the overview is the demand decline. He stated Senator Stevens is probably asking why oil backed up on the North Slope and why was production cut. He asked her to talk about the demand decline that caused the entire supply chain to back up. He said, "It wasn't the disease, it was the reduction in activity in the Lower 48."

COMMISSIONER FEIGE thanked the senator for his clarification and said he is right. At the peak of the pandemic response, the

reduction in global demand resulted in approximately 20 million barrels a day of global demand taken out of the market, the equivalence of the entire United States' daily production. The upstream impact resulted in filling up the United States' West Coast and Gulf Coast storage. No storage space resulted in oil curtailed all the way back to the wellhead to literally store oil in the reservoir.

She noted there were discussions facilitated by U.S. Senator Sullivan with the U.S. Department of Energy about opening empty strategic petroleum reservoir space around the country for storage to stabilize domestic oil prices, but thankfully that did not occur. However, that discussion might live on in the years to come to stabilize the overall industry picture.

She said current global demand has resulted in 50 percent of production bouncing back. However, there will be some demand variance as the disease manifests in China and Africa. The system itself is rather brittle but taking a 20 million barrel a day hit out of global demand is a massive shock to system that precipitated the changes presented in the department's graphs.

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She referenced slide 4 and noted North Slope production accounts for 98 percent of all oil production in Alaska. She remarked even with the COVID-19 response and the global decline in demand, 2020 will stand as a testament to durability of Alaska's operations because between FY2016-FY2020, oil production only averaged a one percent decline in production. The optimizations put into place during those years were in part what allowed for the rebound to a period of stability much more rapidly than what otherwise what would have occurred.

She explained some of the major changes that occurred in Alaska's North Slope production profile includes the transfer of all of BP's assets in June 2020 to the new owner, Hilcorp. Hilcorp immediately as the new operator at the Prudhoe Bay Unit, deployed some strong production optimization and cost cutting efforts, that helped as prices began to decline.

She said [ConocoPhillips] did a fantastic job with cost control and cashflow management with their curtailments at the Kuparuk and Colville River units to come back to full production in July 2020.

COMMISSIONER FEIGE detailed Hilcorp's Milne Point Unit actually grew production by 28 percent between FY2019-FY2020, and in just

the year prior to that had grown production by an additional 14 percent. Hilcorp has a spectacular level of investment and optimization going on at the Milne Point Unit that has contributed to stability and increased production in that field.

She said the Point Thomson Unit—operated by [ExxonMobil Alaska]—has progressively improved their facility reliability through new investment in new compressor designs and new approach in how they manage the extremely high pressure at the Point Thomson field. That has allowed them to stabilize production at some of the highest levels the department has seen since that field has come online in 2016.

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She noted there are some exciting near-term projects over the course of the next couple of years that will bring additional production into TAPS.

She detailed there is expansion drilling at GMT2 within the [National Petroleum Reserve Area (NPRA)], the department will be watching that for any potential impacts from the incoming administration's policies.

She said there is the CD5 Expansion and the Fiord West developments in the Colville River Unit. The Colville River Unit operates on jointly managed land between the State and the [Arctic Slope Regional Corporation] (ASRC).

She noted Hilcorp has their Raven Pad development slated for the Milne Point Unit.

She said projects farther out include the Pikka Unit—owned by Oil Search and Repsol—which is aiming to enter its [Front-End Engineering Design (FEED)] phase by the end of 2021. [ConocoPhillips] is moving the Willow Project—also in the NPRA—towards FEED with a final investment decision by end of 2021. The department is also watching the Willow Project very closely for any potential impacts due to the incoming policies.

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CHAIR REVAK asked her how some of the orders from the President and the order from the [Secretary of the United States Department of Interior]—Order No. 3352—might threaten any of the projects and in what ways is the department prepared to deal with that.

COMMISSIONER FEIGE replied the department is closely monitoring both GMT2 and the Willow Project development. The industry has said they have the needed permits in hand. GMT2 is an established development and is currently drilling. The Willow development has the needed permits for construction operations and material sites development for this winter.

She said likely impacts from the Biden administration's policies will be in how the companies can secure future permits. There could potentially be delays and a slow rolling of the process. The Willow Project currently has development litigation that could affect the record of decision with its work plan.

She reiterated the State is watching these programs closely. The State has intervened in litigation to ensure it has a seat and voice at the table. The developments are on federal lands and the State takes a bit of a support role in seeing the developments come to pass. However, the State will leverage everything at its disposal to ensure protection for the State's interests and the projects continue to move forward.

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SENATOR MICCICHE said he finds the reduction in the production decline interesting over the last four years even with some of the price challenges. The decline was 6.0 percent for quite some time and then it went down a little lower to 3.5-4.0 percent. He asked her what she attributes the reduction to a one percent decline and is that something that can turn around with better economics in Pikka and Willow.

COMMISSIONER FEIGE explained the North Slope optimization campaigns in the facilities and production operations has almost entirely driven that one percent decline. The step up in infill-drilling campaigns up until the COVID-19 curtailment last year was moving along at a lovely clip. The department anticipates a rebound, especially with stable prices.

She said the department is encouraged by new seismic data that BP acquired for the Prudhoe Unit just before its sale to Hilcorp. The data is generating some exciting targets for new oil accumulations that Hilcorp is feeling very bullish about being able to go after.

She stated new production in the mid-2020s from developments like Pikka and Willow will certainly help to offset decline—provided they stay on schedule and not impacted dramatically by the Biden administration. Mature North Slope fields: Kuparuk,

Colville River, and Prudhoe have a natural average decline rate of 4-6 percent. Any new production that comes online will be coming on to offset that.

COMMISSIONER FEIGE said she believes an important shift will occur towards state lands exploration and development over the next four years. The shift means very good things for the discovery rate.

She added a steady discovery rate of over 90 percent has occurred since 2013-2014 on the central North Slope. The discoveries are related to the Nanushuk and Torok Formations, specifically in the Brookian plate type, which is the Nanushuk, the Pikka development location. The department sees a growing focus on that over the next four years due to federal acreage uncertainties.

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SENATOR MICCICHE noted she is being careful on probably the primary reason why the state is seeing additional investment. He asked her if the same choices within NPRA would have occurred for investment, optimization, additional exploration, and all the activity had the tax structure been dramatically different.

COMMISSIONER FEIGE replied she does not believe the investment would have been the same had there been a tax structure change. Industry directly told the department that they were making investment decisions because dollars invested in Alaska are in competition with dollars spent in other basins and other places around the world. Every policy matters in the current market and in the current market climate.

She noted in the current climate with the curtailment of shale and the instability in federal acreage across the west in the Lower 48, the stage is set for an opportunity for Alaska because investment dollars will look for a place to go. The department has seen a rebalancing of the portfolios, investment houses, and in oil sector companies who are looking for less high decline shale resources and putting a greater focus back to longer duration, more stable, high level production of conventional assets.

She said she thinks that if the State does its job right in getting the word out about Alaska being open for business, having a stable environment in which to operate with a durable and predictable permitting process, etcetera, then the State

stands to capture a fair bit of that "otherwise capital" looking for a home.

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CHAIR REVAK welcomed Senator von Imhof to the committee meeting. He asked if she would like to introduce her staff.

SENATOR VON IMHOF introduced her staff member, Shareen Crosby.

COMMISSIONER FEIGE announced Mr. Black, Deputy Director for the Division of Oil and Gas, will address recent lease sales results and an activity update for the North Slope.

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JUSTIN BLACK, Deputy Commissioner, Division of Oil and Gas, Department of Natural Resources, Anchorage, Alaska, referenced slide 5 and noted an overview map with figures from the division's January 13, 2021 lease sales.

He said the promising lease sales resulted in a little over \$7 million for the state via 115 track leases. There are five different companies that are apparent high bidders, some are familiar, and one is a new entrant into Alaska, Arctic Circle Exploration, LLC. He detailed the lease sales as follows:

- Arctic Circle Exploration, LLC
 - Picked up a conglomeration of leases south of Prudhoe Bay.
- Great Bear Petroleum Ventures II, LLC
 - Acquired some offset lease acreage to their recently formed the Talitha Unit.
 - Encouraging to see they want to expand their holdings around their current footprint.
- Hilcorp North Slope, LLC
 - Entity that operates Prudhoe Bay for Hilcorp.
 - Acquired three tracks to the north of the unit adjacent to the unit.
- Lagniappe Alaska, LLC
 - Acquired additional acreage south of the Badami Unit alongside some existing lease holdings that they have.
- Oil Search (Alaska), LLC
 - Acquired some infill acreage and some offset acreage near their holdings to the west.

He explained the division held the lease sale in January 2021 in part because of the COVID-19 impacts that Commissioner Feige

mentioned earlier. With some of the deferrals given to the industry in making payments, allowing additional time for rental payments or leases surrenders for inclusion in the lease sale proved to be successful.

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MR. BLACK addressed slide 6 and highlighted a North Slope oil and gas activity map for the current winter as follows:

- Talitha Unit
 - Operated by Great Bear Pantheon, has spudded the Talitha A well this winter
 - The unit received approval and financing in fall 2020 to drill during the current winter
 - The division is anticipating and hoping for strong results from Great Bear Pantheon
- Alkaid Unit
 - Operated by Great Bear Pantheon, located adjacent to the Talitha Unit
 - Well drilled at the location several years ago
 - More exploration and development activities will be occurring over the next couple of years
- Accumulate Energy Alaska (AEA)
 - Merlin and Harrier wells
 - Merlin well anticipated to receive permit from the federal government
 - There is hope for the additional Harrier well this winter
- Milne Point Unit
 - Operated by Hilcorp
 - 17 wells and 20 workover wells for the current [plan of development] (POD) period which is phenomenal work—as Commissioner Feige mentioned—the 14 percent and 28 percent increase in production over the last few years
 - Hilcorp is doing a lot of great work

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He addressed longer term projects that are still on the activity horizon as follows:

- West Harrison Bay Unit
 - Operated by [Shell Offshore, Inc. (Shell)]
 - Division approved the unit in fall 2020
 - Division excited to have discussions with Shell and view their plans for the unit

- o Over the next several years there should be a well planned in the unit
- Oil Search and Repsol
 - o Proceeding with a phase-development approach in the Pikka Unit
 - o A lot of activity going on in terms of building infrastructure
 - o Hope is to see a lot of development drilling over the next few years
- Badami Unit
 - o Operated by [Savant Alaska]
 - o Located towards Point Thomson
 - o Production restored in October 2020 after a shut down for months
- Hilcorp
 - o Taken over operatorship at Prudhoe Bay

MR. BLACK said the division is very pleased to see the level of activity. Some might think with all the curtailments that perhaps it was a slow year for the division, but the division has seen a tremendous amount of activity.

He noted the division is partnering with industry, but the division has its regulatory hat for the benefit of all Alaskans. The division wants to see the development but done in a responsible way. There are a lot of promising things to come this winter and over the next several years.

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SENATOR BISHOP asked Mr. Black to clarify that his reference to POD is about plan of development.

MR. BLACK answered yes.

CHAIR REVAK noted he mentioned the expectation for permits in the NPRA are coming soon. He asked him if he sees the permits being in jeopardy from the recent orders.

MR. BLACK answered Accumulate Energy Alaska (AEA) recently released a press release that they are receiving their permit needed for their Merlin well, anticipated by tomorrow, January 28, 2021. The permit is still unsure, but that is what they indicated in their press release. They had a pause on their trading in Australia's stock exchange, but with their press release they were able to resume trading.

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COMMISSIONER FEIGE referenced slide 7 and noted royalty rates vary across state and federal lands on the North Slope.

She detailed with state lands, state royalty rates are either 12.50 percent or 16.67 percent. The state's royalty share is either 83 percent—in jointly managed lands with ASRC in the Colville River unit in a portion of Pikka—or it is 100 percent of the royalty take on just straight on-state lands.

She explained for offshore: 0-3 miles out—that is for state submerged lands in state waters—the state receives 100 percent of the royalty at a rate of 16.67 percent; 3-6 miles out, the state receives 27 percent in the split with the federal government; beyond 6 miles out, the state receives nothing, it is federal waters.

She explained in the NPRA, the royalty rate is either 12.5 percent or 16.67 percent. However, while the state has a 50 percent royalty split that includes rents and bonus payments in addition to royalty, those revenues do not go directly to either the Permanent Fund or the General Fund. The funds go into the Impact Mitigation Grant Fund, established many years ago to help offset NPRA oil development impacts to North Slope communities.

She detailed for the 1002 Area within the Arctic National Wildlife Refuge (ANWR) coastal plain, the state will receive 50 percent of the royalties, rents, and bonuses from the leases sales on January 6. The royalty rate for those leases is 16.67 percent.

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SENATOR MICCICHE asked if the department has thought about reviving the effort for an agreement on a better mix on the submerged lands beyond 3 miles, similar to what happened in the [Gulf of Mexico] a few years back.

COMMISSIONER FEIGE answered yes, there is certainly interest in changing that split rate. The department, as well as the [Alaska] congressional delegation, have investigated engagement with the [National Outer Continental Shelf (OCS) Leasing Program]. That conversation will depend upon how the Biden administration chooses to approach offshore leasing.

SENATOR MICCICHE commented if they are going to compromise Alaska's ability to develop due to their new policies, perhaps they will see somewhat of an exchange for what is already under production. He said he hopes the policies he previously spoke

about do not continue. However, if the policies continue, Alaska needs to try to expand its rights on submerged lands and OCS lands. He said that would be a minimum expectation considering that Alaska will have worse results from those new policies than any other state.

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COMMISSIONER FEIGE agreed and said perhaps that becomes a bargaining chip at some point for something like a Liberty development once there is a clearer picture of the legal situation with that development.

She detailed slide 8 shows the FY2020 restricted and unrestricted petroleum revenue sources from the North Slope. Unrestricted fund sources include royalties and taxes. The tax side includes production tax and petroleum property tax. FY2020 unrestricted revenues brought in just over \$1 billion.

She noted the restricted fund side includes revenues that go to the Alaska Permanent Fund, the split that goes to the [Alaska Public School Trust Fund], and those monies that come in from any tax or royalty settlements and go directly to the Constitutional Budget Reserve as well as funds that come into the Impact Mitigation Grant Fund for NPRA, those totaled \$620 million. The year-on [revenue] total was \$1.7 billion.

SENATOR KIEHL noted tax and royalty settlements to the budget reserve fund are significantly higher than they have been in several years. He asked her if there are new types of settlement cases for something that has been lingering for a while.

COMMISSIONER FEIGE explained the department has been diligently working for the last 18 months or so at settling long standing appeals and disputes, particularly around royalty audits. Also, the Department of Revenue has focused on settling long standing appeals related to tax settlements. Slide 8 reflects in large part the clean-up done around taking care of and resolving with BP all their outstanding tax and royalty disputes prior to their exit from the state.

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She noted slide 9 shows petroleum revenue for both restricted and unrestricted types of funds by year. The slide provides a lookback to FY2017 and roughly provides a five-year window as well as a forecast from the Revenue Sources Book for what the department believes FY2021 and FY2022 may look like.

COMMISSIONER FEIGE noted the department's forecast for FY2021 and FY2022 has an ANS price in the mid-\$40s, but current pricing is a bit ahead of that—one thing to highlight. Current prices could be on a bit of an upside in FY2021, but everyone will have to see how the price performance goes for the rest of the year.

She pointed out flat or slightly increased barrel per day production rates on the North Slope. Current production is just below 500,000 barrels per day. From a price and production standpoint, the North Slope is slightly ahead of the department's forecast.

She said [slide 10] takes a close look at federal leases on the North Slope. The NPRA—identified in tan and located on the left slide of the slide—represents roughly 2.6 million acres in 307 tracks currently under lease. In total, there is about 23 million acres in NPRA with large portions set aside for environmental and wildlife protection. The map does not show an area around Teshekpuk Lake and a large area north of the Colville River in the southwest portion, off the left side of the map.

She noted [North Slope Exploration, LLC], which is an affiliate of [Armstrong Oil and Gas, Inc.], leases the acreage the farthest to the west—designated in the sand color. Also, a small company called [Borealis Alaska Oil, Inc.] has a few leases in the middle portion that looks like a horseshoe.

COMMISSIONER FEIGE said [ConocoPhillips] has a very commanding lease hold position on the eastern side of the NPRA leases. Also, there are the Greater Mooses Tooth Unit development, the Bear Tooth Unit development, the Willow Unit resides inside the Bear Tooth Unit development, and the West Willow Unit sits just outside to the west of the unit boundary.

She noted the [Alaska] Congressional Delegation was working closely with Biden administration staff over the weekend to explain impacts to [Project Peregrine]—developed by AEA that Mr. Black spoke about earlier. The administration has given their authorizations to proceed and travel across federal lands for purposes of mobilizing that program. The department is waiting on the final paper to catch up with them, a standard operating procedure for getting out and on the ground.

COMMISSIONER FEIGE said when the secretarial order came up on January 20, 2021 and imposed the 60-day delay, it created a pause for AEA. Based on information from the press and what was

publicly available, they expended about \$3 million on that program in terms of executing the rig contract and commencing snow road and pad production for accessing. She noted she personally has done a lot of work in that area, noting its requirement for over 100 miles of snow road construction from the Dalton Highway just to access that acreage, something that takes a fair bit of lead time for mobilization.

COMMISSIONER FEIGE said the department is looking eagerly for AEA to provide notification when they have received the final authorizations from the administration. Taking 60 days out of a program on Alaska's North Slope is equivalent to taking a year because the area does not have the length of season to absorb 60 days like in the Lower 48. She said to Senator Micciche's earlier point, the decisions like the one that came down from the Biden administration disproportionately impacts the state and the department will be watching very closely.

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She noted saying earlier in presentation the department referenced drilling at Greater Mooses Tooth. They have permits and authorizations in hand for that work. Similarly, the department will closely monitor the initial construction phase at Willow along with Peregrine.

COMMISSIONER FEIGE detailed Oil Search also holds a few tracks just inside the NPRA boundary—located where the Colville River comes around and hooks up to the north and then goes straight south—that is in the area of their new Horseshoe discovery. She added they drilled a confirmation well, the [Stirrup Well].

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CHAIR REVAK announced Senator Holland was attending the meeting.

SENATOR VON IMHOF asked her to confirm that the tan horseshoe-area shown on the slide, within NPRA, are already [federally] leased, can move forward, and there should not be any political roadblocks from the new Biden administration to take away, stymie, or stop the leases.

COMMISSIONER FEIGE answered correct, the tan area is all leased acreage with valid preexisting property rights that someone cannot summarily do away with. However, there will be delays on any exploration work on acreage that is subject to receipt of federal permits. That is where the State is going to have to work very closely with its federal partners in supporting entities that wish to get out and explore that acreage.

SENATOR VON IMHOF asked her to confirm that the 60-day ice or snow road she referenced earlier is an example of ways to stymie a lease in terms of the permitting angle.

COMMISSIONER FEIGE answered correct. She noted under the Obama Administration, permits took a little longer. For example, authorizations did not occur as quickly or were possibly sent back to Washington, DC for review as opposed to the local office. The tempo of exploration will experience an impact.

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SENATOR BISHOP noted the capitalized dollars to do an ice road, secure a rig, but then you have got a new administration with a 60-day full stop. He asked her if there is any recourse for the people who are out cash at no fault of their own and is the department and the [Alaska] delegation looking at avenues to help these people out.

COMMISSIONER FEIGE answered yes. She reiterated if you hold a lease, you have a valid preexisting property right. While policy can be set with a stroke of a pen, the law is still the law and you are do certain rights. If an agency's arbitrary actions harm you, there is remedy and recourse.

She said the department is leaning heavily into understanding how arbitrary actions or certain quick policy changes by an incoming administration can adversely impact industry. The situation is fluid, noting she will address executive orders and secretarial orders later in her presentation.

SENATOR MICCICHE commented there are so many ways a new administration could get in the way. He noted the commissioner talked about dedicated guaranteed property rights through the leasing system. However, there is no guarantee for production techniques in those leases. There are a lot sneakier ways that the new administration could really compromise project economics. For example, not only via permitting but seismic activity, hydraulic fracturing, and any chemical activity.

COMMISSIONER FEIGE replied correct.

SENATOR MICCICHE asked her if the department is evaluating what the potential is for how the new administration's populist actions on stemming hydrocarbons will affect the State of Alaska and if there are other ways to possibly negotiate for production on existing leases while awaiting the next two or four years.

COMMISSIONER FEIGE answered yes, the department is working with its sister agency, the [Alaska Oil and Gas Conservation Commission (AOGCC)], who has the authority over fracking. Alaska has 40-plus years of fracking activity, a routine function in the North Slope reservoirs. Alaska has the most stringent fracking regulations than any place in the nation, noting AOGCC updated the regulations in 2015. The department will be looking to understand the potential impacts to any kind of sweeping change.

She said she believes fracking is a matter of education regarding basins in other parts of the country or the world, and to help the administration and new agencies understand how things are different in Alaska, both in management and geological differences versus shale for example.

She noted the new administration has talked about wanting to listen to the science. The department believes providing them with the best available science on Alaska oil and gas operations is germane to that conservation.

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SENATOR KAWASAKI addressed Senator von Imhof's question dealing with permitting and noted a recent Reuters' article about how even though there are the secretarial and executive orders, there has been so many stockpiled permits that work can continue within federal leases. He asked her if the same applies within NPRA and ANWR.

COMMISSIONER FEIGE explained western states have shale operations that have large banks of wells drilled but not completed due to economics while waiting for the right price structure, etcetera. Alaska does not have the same kind of backlog of drilled and uncompleted wells, the state is conventional oil and not shale.

She said the NPRA tends to go season to season. Just like state-managed units, producers must submit regular plans of development. At the federal level, those plans cover a five-year period as opposed to just a one-year period. There is potential to have a look ahead and have authorizations for work that might take place over a five-year period, but Alaska certainly does not have a stockpile of wells waiting for completions and permits as in western states. Federal permits like state permits have timeframes, typically three years. Western states could

have three-year moving windows of wells drilled yet uncompleted that could be sitting on permit approvals.

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COMMISSIONER FEIGE said slides 11 and 12 go hand in hand. Slide 11 represents the tracks offered for the January 6, 2020 lease sale for the [1002 Area] on the coastal plain. Potential lessees bid on 11 tracks with 9 tracks taken under lease—illustrated in the slide as colored tracks on the western side.

She noted the [Bureau of Land Management (BLM)] removed tracks from the sale located in the southeast portion of the 1002 Area—shown as grey tracks in the slide. BLM received concerns during their call for nominations period that the area was caribou calving grounds as well as environmentally sensitive.

COMMISSIONER FEIGE detailed the bids received are colored blue and brown on the map, plus there were bids received for tracks 22 and 23—the department did not take the 2 bids under lease. The State of Alaska receives 50 percent of the proceeds from sales in the ANWR coastal plain. The total bid amount was just over \$14 million, and the State will bring in 60 percent of that, just over \$7.2 million.

She explained slide 12 shows an overlaid pink area that represents the area identified by previous geologic work and [two-dimensional] seismic run in the late '80s and early '90s. The area represents with highest hydrocarbon potential within the 1002 Area. The slide shows that the nine tracks taken under lease represents the "guts" of the highest potential acreage within the 1002 Area. All 9 leases have a 10-year primary term that commenced upon signing, approximately on January 15, 2021.

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SENATOR BISHOP asked if track 29 is a disputed track with the federal government that the State of Alaska has claimed as state land, and what was the status on resolution.

COMMISSIONER FEIGE replied correct, track 29 is the disputed acreage between the Canning River and the Staines River, which is the ANWR boundary that the State has long disputed. The track-29 acreage sat on appeal to the Interior Board of Land Appeals (IBLA) within the [U.S. Department of Interior] for a number of years until about two weeks before the announcement of the January 6, 2021 sale. The IBLA ruled against the State and contended that the acreage belongs to the federal government.

COMMISSIONER FEIGE noted the State disputes the IBLA decision and can still pursue a court appeal. She said she believes the State has a very compelling data set that shows a survey error was made on the ground in the early '60s. She remarked if anyone has ever been on the ground in that part of Alaska, knowing where you actually are is very difficult.

She detailed that in advance of the sale, the State expressed to BLM within the comments on the call for nominations that the State still believes the track-29 acreage belongs to Alaska. The State exercised—under the [Alaska National Interest Lands Conservation Act (ANILCA)]—sent a [Section 906 (b)] letter that puts BLM on notice that if the acreage is under lease, to hold any revenues generated in escrow because at the time of resolution the State will be due 90 percent of those revenues.

COMMISSIONER FEIGE said she believes the State has two years to press the issue in court with IBLA's decision. The State is presently contemplating how and when is the right time to go about doing that in terms of the other federal litigation with the [ANWR] coastal plain.

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SENATOR KIEHL asked her how the State will swing 90 percent of the revenue on a parcel appeal win if the State otherwise gets 50 percent in the ANWR leases.

COMMISSIONER FEIGE explained if the State prevails, the State will convert the track to a State lease and therefore receive 90 percent of all revenue collected by the federal government prior to dispute resolution.

SENATOR MICCICHE noted when the State started the fight for ANWR, it was not privy to the exciting geology in NPRA. He asked her if the lack of interest in ANWR is due to a change in administration—policy related and not party related—or the current commitment to moving north and west.

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COMMISSIONER FEIGE answered a little bit of "all of the above." She noted another factor she believes at play were [environmental non-governmental organizations (ENGOS)] threatening companies in a campaign against anyone even contemplating participating in an ANWR lease sale. People in the oil and gas business are not weak kneed or risk adverse, but the pressure was intense.

COMMISSIONER FEIGE said there was uncertainty around the possibility of an incoming Biden administration—that certainly impacts NPRA as well—but the uncertainty amplified and heightened for the 1002 Area lease sale.

She noted her belief that the [Alaska Industrial Development and Export Authority (AIDEA)] announcement to participate in the sale changed industry behavior due to a State entity participating. To avoid scrutiny, companies could wait to see the leased acreage and then potentially deal with someone like AIDEA at a later date.

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COMMISSIONER FEIGE referenced slide 13, Recent Federal Actions, regarding Secretarial Order 3395: Temporary Suspension of Delegated Authority, issued on January 20, 2021 by Acting Secretary of the U.S. Department of Interior, Scott de la Vega.

She explained Secretarial Order 3395 instituted the 60-day suspension on any authorization of any kind within the department. The order addresses everything from actions on resource management plans to anything published in the Federal Register. A secretary or a director within a federal agency can sign an action, but until the Federal Register publishes the action, it does not take effect. The process is a bit of shift between something signed but not effective until register publication. However, the action acts as a placeholder that holds everything in limbo.

COMMISSIONER FEIGE stated with the action, there are to be no issuances of rights of way, leases, conveyances of land of any kind—implications for Alaska with listing of public land orders—and the attachment of state select lands and the conveyance of title on those lands. The action also impacts [Revised Statute 2477 (RS 2477)] mining plans of operations. The action really was the "wholesale stop sign" for activity within the Department of Interior, unless someone confirmed or acting in an official position signed the authorization.

She said the action was the piece that impacted Project Peregrine in NPRA and got the [Alaska] Congressional Delegation engaged with the Biden administration last weekend. The order—and subsequent restrictions like it—could well prohibit exploration activities within the 1002 Area or certainly areas in NPRA outside of the existing producing units.

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COMMISSIONER FEIGE referenced slide 14, noting the President issued Executive Order 13990 on January 25, 2021. The President calls his order, Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis.

COMMISSIONER FEIGE pointed out the order directs all agencies to immediately review and take action to address any regulation or other actions promulgated over the course of the Trump administration that may conflict with the policy directions of the Biden administration. Those policy initiatives within the Biden administration primarily focus on climate change and the climate crisis.

She said she thinks the greatest amount of discussion—something that the state is going to be paying extremely close attention to—is the discussion on listening to science. The question is who gets to decide what the science is and what science is robust enough.

COMMISSIONER FEIGE noted the [National Environmental Policy Act (NEPA)] reviews require that all supportive data submitted in the environmental information documents must derive from the best available data. That scientific data must be meaningful to the queried question. Scientific and technical data should be robust, repeatable, and peer reviewed. Whether the new administration applies that new bar in the years ahead is going to be interesting to see because there are a lot of questions that exist around climate science and the implications for or impacts of greenhouse gas.

She added the other policy directives are to improve public health, protect the environment, ensure access to clean air and clean water, limit the exposure to dangerous chemicals and pesticides, and hold polluters accountable. The new administration also focuses on reduction of greenhouse gas emissions, bolstering the resilience to climate change, restoring and expanding national treasures and monuments, and the prioritization of environmental justice.

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COMMISSIONER FEIGE noted today, the Biden administration issued another executive order to address the reduction of greenhouse gas emissions, the restoration of national treasures, as well as an indefinite pause on new oil and gas leasing on federal lands. The order talks about expanding national treasures and monuments, and access to outdoor education by what they call, Thirty Percent by 2030. That initiative seeks to protect or

conserve 30 percent of both the land and water in the country by 2030.

COMMISSIONER FEIGE said there will be a large push for conservation initiatives, certainly in Alaska that could mean large areas offshore tied up, drilling moratoriums, or leasing moratoriums placed on those. That action raises questions for the outer continental shelf leasing program, and the proposed lease sale for Cook Inlet that is currently out for public comment.

She added the executive order also specifies that [U.S. Environmental Protection Agency (EPA)] regulations related to the oil and natural gas sector address any emissions-methane venting or methane emissions-with some specific action taken by September 2021. This really is the key area that could impact Alaska's existing oil and gas operations because it is unknown at this time how EPA's review of its regulations is going to affect operations like air permits in the state for large oil and gas operations on the North Slope or Cook Inlet. DEC will be fully engaged because they administer the clear air program for EPA in the state, so this falls squarely in their domain.

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COMMISSIONER FEIGE said slide 15 also addresses Executive Order 13990. She detailed the order also suspends the coastal plain ANWR leasing program, but it has no affect on the existing leases issued in January 2021 because those were preexisting property right.

She detailed the order places a temporary moratorium on all activities related to the implementation of the oil and gas program. The Tax Act of 2017 mandated the program and subjected to a national environmental policy act review, and the record of decision was issued in August 2020.

COMMISSIONER FEIGE said the three bullets points-noted on the slide under the suspension of the ANWR leasing program-really speak to the Biden administration wanting to take a step back, reevaluate the [ANWR] coastal plain oil and gas leasing program as defined in the Tax Act of 2017, and instructs the secretary to conduct a new environmental assessment and essentially issue a new record of decision.

She noted the administration also instructed the attorney general that he can alert the court that any pending litigation related to the oil and gas program can receive requests for

stays dependent on reviews. There are currently four lawsuits in which the State has intervened that are active around the question of the ANWR oil and gas leasing program; this sort of heralds the notion of sue-and-settle because if the State brings a case forth and the existing administration has had a policy change and does not necessarily disagree with the points brought up in the suit, they can theoretically step aside and settle. If the State has joined the suit, intervened in the suit, and the federal government steps away, the State is still there to press the case points in the complaint.

COMMISSIONER FEIGE explained the four suits filed on ANWR all revolve around the sufficiency of the environmental review that went into the August 2020 record of decision. The state is going to see a tremendous amount of activity around a new record of decision and around the litigation surrounding the existing oil and gas lease program.

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She said what is concerning about the accounting for benefits of reducing climate pollution is that the Biden administration is creating new terms which currently have no definition: social cost of carbon, and social cost of nitrous oxide and methane. At the present time, the full cost of greenhouse gas emissions is unknown, there is no metric or meter for measuring it, and there are a whole lot of assumptions that goes into that. She said that goes back to the question of listening to the science and who decides what is science of a sufficient quality to answer some of these questions.

COMMISSIONER FEIGE noted the Liberty development decision on the North Slope—held by Hilcorp—sits on federal acreage. The [United States Courts for the Ninth Circuit] just a few weeks ago issued a decision that said the Bureau of Ocean Energy Management (BOEM) had done an insufficient job of explaining why they dismissed or did not fully develop the discussion around this total cost or potential damages or impacts globally to greenhouse gas emissions associated with the Liberty development, and that shows a nexus now seen in the executive order.

She reiterated the Liberty development issue relates to the whole discussion on the impact, how to measure, and how to put a monetary value to what those greenhouse emission impacts are around the globe from a well drilled on the North Slope of Alaska. The issue is difficult, but it has the potential to "suck the air out of the room." The Biden administration is

going to establish a working group to help define its terms. When the State has a better understanding of what the terms look like, the State will look to find a way to be a stakeholder or a cooperating agency in the process.

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COMMISSIONER FEIGE noted slides 16 and 17 provides reference for what is next and what delay can mean coming through federal actions. Slide 16 addresses how the stroke of a pen can set policy priorities, but the changes of regulation, records of decision, and any process takes more process at the federal level.

She said seeing all the orders coming very fast is a bit overwhelming. The department is still in the process of trying to unpack and digest all the information, especially in what they mean to Alaska and its operations.

COMMISSIONER FEIGE explained that any project which requires an EPA authorization—which is any project that needs to go through a national environmental policy act or NEPA review to get an [Environmental Impact Statement (EIS)] or an [Environmental Assessment (EA)]—is certainly going to be subject to the policies of the Biden administration.

She said there is the question whether an EIS or EA comes quickly, slow rolled, or denied based upon some of the new metrics and new science they want to fold in the process. Also, there is the question for areas like Willow and [Greater Mooses Tooth], and even the exploration acreage in NPRA and the [1002 Area] of ANWR on whether they will move quickly on permit authorizations or slow roll those permit authorizations to draw out the timeline in the process.

COMMISSIONER FEIGE stated where developments are concerned, time is money. That is also an area where the State is going to have to work very diligently with those federal agencies to continue to impress upon them the importance to the state regarding the material nature of TAPS throughput and the royalty impacts to Alaska's North Slope communities through the Impact Mitigation Grant Fund. There is a very real and very different impact from slow rolling federal authorizations, especially within NPRA as it comes to impacting the North Slope Borough and its communities.

She said the department will be engaging in conversations with the North Slope Borough through its [memo of understanding

(MOU)] with them to see what the department can do to support them as well as continuing to advance the State's interest.

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CHAIR REVAK thanked the department for their overview. He said the committee just scratched the surface and looks forward to hearing more from the department.

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There being no further business to come before the committee, Chair Revak adjourned the Senate Resources Standing Committee meeting at 4:58 p.m.