

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

February 19, 2025

2:05 p.m.

MEMBERS PRESENT

Representative Robyn Niayuq Burke, Co-Chair
Representative Carolyn Hall
Representative Donna Mears
Representative Zack Fields
Representative Dan Saddler
Representative George Rauscher
Representative Julie Coulombe
Representative Bill Elam

MEMBERS ABSENT

Representative Maxine Dibert, Co-Chair

COMMITTEE CALENDAR

PRESENTATION(S): DNR LEASING ISSUES

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JOHN CROWTHER, Deputy Commissioner
Alaska Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Presented a PowerPoint regarding North Slope leasing issues.

MARY GRAMLING, Chief Assistant Attorney General
Alaska Department of Law
Juneau, Alaska

POSITION STATEMENT: Provided background regarding North Slope leasing issues.

ACTION NARRATIVE

[2:05:01 PM](#)

CO-CHAIR BURKE called the House Resources Standing Committee meeting to order at 2:05 p.m. Representatives Hall, Mears, Fields, Saddler, Rauscher, Coulombe, Elam, and Burke were present at the call to order.

PRESENTATION(S): DNR Leasing Issues

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CO-CHAIR BURKE announced that the first order of business would be a presentation by the Department of Natural Resources on leasing issues.

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JOHN CROWTHER, Deputy Commissioner, Alaska Department of Natural Resources, presented a PowerPoint regarding North Slope leasing issues and the role of the Alaska Department of Natural Resources (DNR). He reminded the committee that the matter is pending appeal before the Alaska Supreme Court, and he would need to limit his presentation as well as answers to questions. He pointed out that during the winter of 2024-2025 there were activities on the North Slope associated with the permit in question, but there had been assurances the work would not be delayed. He emphasized the importance of having access to the North Slope sites regardless of the permit holder or the location of the development.

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MR. CROWTHER showed slide 2, titled "Appendix D from MLUPNS 22-001," which showed a map of Prudhoe Bay color-coded for company permits. He identified the corridors and explained which roads are in question. He drew attention to the right side of the map which showed the connection to the Dalton Highway, describing it as the route used by all ground transportation to provide the Prudhoe Bay unit with supplies and equipment. He talked about the Pikka and Willow projects and the amount of expected production, describing those projects as a paradigm shift for Alaska.

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MR. CROWTHER moved to slide 3, titled "North Slope Leases," which showed a map of specific leases. He provided information

regarding the leaseholders and explained the unit color-coding. He described which leases were privately held, which were state owned, and which belonged to the federal government. He pointed out the importance of road access for continuing development on the slope.

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MR. CROWTHER summarized the three core interests regarding leasing. First, there are constitutional mandates and statutory directives to maximize development and bring revenue to the state. This mandate encompasses royalties, production taxes, and benefits to Alaskans such as employment. Second, when dealing with questions about permitting and managing access, DNR has been cognizant of several interests, including the environmental footprint and assisting companies with new explorations and developments. Finally, the state has significant interest in making sure the terms and covenants of the unit agreements and leases are maintained while having a clear authority and a reputation for actively managing the leases. He completed his presentation by stating the importance of all parties having clear road access to the North Slope units. He said the state did not dispute ConocoPhillips Alaska having the right to develop the oil and gas on their unit and to use the surface, free from reasonable interference. As the court case proceeds, DNR will be fully engaged in making sure the State's interests are protected.

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MR. CROWTHER, in response to a question from Representative Saddler, explained he was not aware of any other pending litigation. He noted that possible investors are following this case closely.

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MARY GRAMLING, Chief Assistant Attorney General, Alaska Department of Law, provided background regarding North Slope leasing issues. She explained that she would not be able to give details because the matter was in active litigation. She was able to provide an outline of matters that were not in dispute as well as the general issues being litigated. In 2021 Santos/Oil Search requested a permit under a miscellaneous land use permit. After the comment period, DNR issued the permit with certain conditions including provisions concerning the use of the corridor by the primary lessee. It also provided for

indemnification insurance and bonding in favor of the State. In addition, if there were damages, Santos/Oil Search was required to reimburse ConocoPhillips. After the permit was issued, ConocoPhillips appealed the permit to the DNR commissioner. Santos then submitted comments to the appeal, and Conoco submitted additional briefing. In December 2022, the Commissioner issued a decision affirming the DNR director's decision granting the permit and denying the ConocoPhillips appeal. Conoco then appealed the decision to the Superior Court, and Santos intervened in support of the State's decision. Briefings were submitted, and oral arguments were made before the Superior Court. A decision was issued from the bench; ConocoPhillips submitted a proposed decision; and objections were filed to the proposed decision. In December of 2024, a decision was signed by the Superior Court judge. (Copy of the decision available in the committee packet) The State requested a stay, and the Superior Court granted a stay until January 16, 2025. During that time, both the State and Santos filed appeals before the Alaska Supreme Court. The State's brief would be due March 17, 2025. Filings for attorney's fees were also pending before the Superior Court.

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MR CROWTHER responded to a question from Representative Rauscher regarding road use on the North Slope by explaining it was difficult to quantify as each of the companies have different methods for figuring this out.

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MR. CROWTHER discussed a question from Representative Saddler regarding how much this particular dispute has cost the state and what the implications might be for future North Slope development.

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MS. GRAMLING, in response to a question by Representative Coulombe, explained that she had not previously seen a situation where the decision was written by one of the parties in a dispute and used by the judge. She said it was unusual for a judge to use a decision drafted by one of the parties and pointed out it was one of the State's points of objection.

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MR. CROWTHER addressed a question from Representative Fields about whether the legislature should be working on a statutory solution to North Slope rights-of-ways by saying that it might be addressed in the future but not at this time.

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MR. CROWTHER responded to a series of questions from Representative Coulombe and Representative Fields regarding the North Slope roads. He briefly described the history of North Slope road use and the dynamics regarding the road network from early Prudhoe Bay development to more recent expansions. He explained that even though the issue is being litigated, the roads will not be blocked during the season.

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MR. CROWTHER addressed a series of questions from Co-Chair Burke. He explained that the dispute between Santos and Conoco was the first time DNR regulation authority for the use of North Slope access corridors had been an issue. For the purpose of comparison, he referenced a dispute regarding a Mustang field easement which included questions of access. Agreement on that matter was reached, and there was no active litigation concerning that question. There have been commercial agreements regarding road access, but those do not involve DNR. Regarding the question of roads being used for other purposes, such as community uses, transit by residents, the U.S. military, and scientific research, the state would maintain the ability to authorize multiple uses.

MS. GRAMLING commented further on reasonable and concurrent uses of state lands.

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MS. GRAMLING responded to a question from Representative Saddler by explaining that reasonable and concurrent use could include indemnification, insurance, bonding, and priority of use.

MR. CROWTHER provided additional information by explaining that DNR believes it has authorities associated with lease agreements and unit agreements among other statutory authorities which ensure reasonable and fair use and access. There are significant reservations and conditions to the permit that are believed to be within department authority to include and reflect the primary use of Conoco to use those roads for the

purpose of development and not be interfered with for the purpose of development.

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MR. CROWTHER responded to questions from Representative Coulombe regarding the road dispute. He explained that the filings submitted by Conoco posit that the road is their property on their lease and the State doesn't have a reservation that allows its use. Therefore, Conoco has the total authority to set the terms on that use including the commercial terms. The State's position is that those reservations allow the primary use of oil and gas development but don't allow the total right to exclude or set terms. In the future, DNR will make abundantly clear to all lessees and unit operators that the reservations apply specifically in this way. The state does not believe there is an ambiguity, but clarification can moot this in the future.

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REPRESENTATIVE RAUSCHER moved to rescind action on HSCR 1.

[2:55:11 PM](#)

The committee took a brief at-ease at 2:55 p.m.

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[CO-CHAIR BURKE ruled the motion out of order]

REPRESENTATIVE RAUSCHER explained that he wished to rescind the vote used to move HSCR 1 out of committee. He said his motion was not out of order because he was moving to rescind the motion to move the resolution out of committee. Without this, the resolution will be stuck in committee.

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REPRESENTATIVE FIELDS explained why it was correct to rule Representative Rauscher's motion out of order.

REPRESENTATIVE SADDLER stated his belief that there needed to be clarity on the issue and objected to the ruling of the Co-Chair.

CO-CHAIR BURKE reviewed the actions of the previous meeting of the House Resources Standing Committee regarding HSCR 1. She requested that the clerk call the roll

REPRESENTATIVE RAUSCHER clarified that the vote before the committee is in regard to the Chair's overruling of the motion to rescind previous action on HSCR 1. A yes vote supports the ruling of the Chair; a no vote opposes the ruling of the Chair.

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The committee took a brief at-ease at 3:06 p.m.

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A roll call vote was taken. Representatives Hall, Mears, Fields, and Burke voted in favor of sustaining the ruling of the Chair. Representatives Coulombe, Rauscher, Saddler, and Elam voted against it. Therefore, by a vote of 4 yeas and 4 nays, the ruling of the Chair was sustained.

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ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:09 p.m.