

**ALASKA
LEASING**

IDEAS

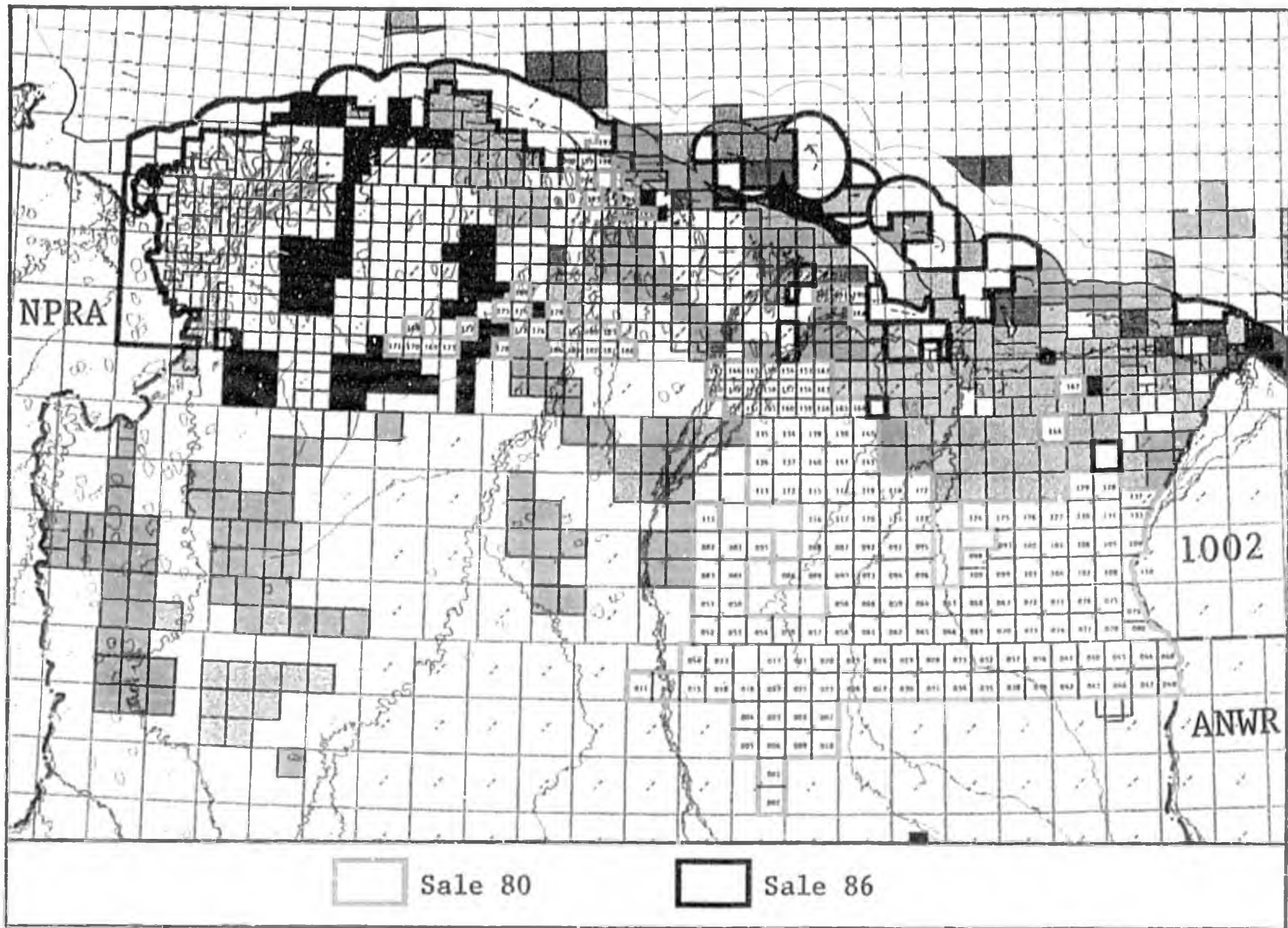
9-12-95

ANCH.

ALASKA LEASING IDEAS
SENATE RESOURCE COMMITTEE

September 12, 1995

Taylor



ALASKA LEASING IDEAS
OIL AND GAS POLICY COUNCIL

August 21, 1995

Identify Core Areas within Alaska where it is clearly in the best interest of the State to conduct lease sales.

Alaska Leasing Core Areas

200 Miles



August 21, 1995

PROPOSED CORE LEASING AREAS

- **North Slope**

All State of Alaska uplands lying north of the Umiat Baseline, between the Colville and Canning Rivers.

- **Cook Inlet**

All State of Alaska uplands and submerged lands lying in the area bounded to the north by the northern boundary of T17N S.M. and bounded to the south by the southern boundary of T6S S.M., bounded to the east by the Seward Meridian, and bounded to the west by the western boundary of R19W S.M.

ALASKA LEASING IDEAS
OIL AND GAS POLICY COUNCIL

August 21, 1995

Incorporate MMS Philosophy used in the Gulf of Mexico for State of Alaska lands in designated core areas.

1. Best interest finding in core areas would be updated every five years to account for any changes.
2. Offer the core areas for area-wide leasing on an annual basis with a set time of the year in which the sale will occur.
3. Delete only those areas within the core area that are environmentally sensitive or require further action from DNR, i.e., surface area consent, etc.

ALASKA LEASING IDEAS
OIL AND GAS POLICY COUNCIL

August 21, 1995

By having annual sales, DNR could consider shorter lease terms for core area lease sales.

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OIL AND GAS POLICY COUNCIL

August 21, 1995

Require industry to be more specific in identifying level of interest in non-core areas.

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OIL AND GAS POLICY COUNCIL

August 21, 1995

Drop or eliminate sales in non-core areas where there is little or no industry interest. Supplement those areas with licensing if necessary.

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August 21, 1995

Give DNR more authority to consider different royalty schemes on licensing requests.

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August 21, 1995

Avoid using lease sales to invoke operational stipulations for areas affected by leasing.

ALASKA LEASING IDEAS
OIL AND GAS POLICY COUNCIL

August 21, 1995

CONCLUSION

1. Identify core leasing areas within Alaska.
2. Use an area-wide leasing program for the core areas.
3. Give the DNR flexibility to do their job.
4. Work on comprehensive regulations instead of lease stipulations.



Official Business

Alaska State Legislature

SENATE

State Capitol
Juneau, AK 99801-1182

MEMO

TO: All Resources Committee Members

FROM: Senate Resources Committee Staff *(M)*

DATE: September 8, 1995

RE: Materials for Hearing 9/12/95

Attached are:

- 1) The meeting agenda
- 2) Back up materials for Items IV and V.
 - a) Two page preliminary report to the committee from Resources staff on best interest finding and permitting issues.
 - b) Three pages of persons invited to first work session on those issues.
 - c) Example of issue raised by a department in the best interest finding process (isostatic rebound) (one page)
 - d) Response from DNR to example raised by department regarding isostatic rebound. (one page)
- 3) For the first two items on the agenda, I have a copy of AOGCC's Conservation Order #360 (25 pages) and a copy of DNR's "Decision Regarding Jurisdiction" (86 pages) if committee members desire copies. I will have extra copies available for reference at the meeting.



Official Business

Alaska State Legislature

SENATE

State Capitol
Juneau, AK 99801-1182

SENATE RESOURCES COMMITTEE

Chairman: Senator Loren Leman
Vice Chairman: Senator Drue Pearce
Senator Steve Frank
Senator Rick Halford
Senator Robin Taylor
Senator Georgianna Lincoln
Senator Lyman Hoffman

AGENDA

10 a.m. to 2 p.m.

Tuesday, September 12, 1995

Second Floor Conference Room

Anchorage Legislative Information Office

- I. Alaska Oil and Gas Conservation Commission briefing on Conservation Order No. 360 and subsequent action by AOGCC
David Johnston, Chairman AOGCC (20 mins. presentation and questions)

- II. Department of Natural Resources briefing on hearings for optimization of Natural Gas Liquids blending and utilization of miscible injectant within the Prudhoe Bay Unit and subsequent action by DNR
Patrick Coughlin/Department of Law (20 mins. presentation and questions)
Ken Boyd, Director/Division of Oil and Gas/DNR

- III. Overview of Final Work Session Report to Resources Committee
Senate Resources Committee Staff (10 minutes)

IV. Arcawide Best Interest Finding (1.5 hours testimony/questions)

David Sutter/ARCO

Ken Boyd/Department of Natural Resources

(also present to respond to presentations):

Commissioner Frank Rue, Department of Fish and Game (telec.)

Al Bohn, Department of Environmental Conservation/Air

Quality

Diane Mayer, Director, Division of Governmental Coordination

V. Resource Permitting (1.5 hour testimony/questions)

Steve Porter/ARCO

Brad Penn/Marathon

(also present to respond to questions):

Ken Boyd/DNR

Commissioner Frank Rue, DF&G

Al Bohn, DEC

Diane Mayer, DGC

VI. Adjourn

PRELIMINARY REPORT TO
SENATOR LOREN LEMAN, Chairman
Senators: Pearce, Frank, Halford, Taylor, Lincoln and Hoffman
SENATE RESOURCES COMMITTEE
By: Senate Resources Committee Staff

Work Sessions with Oil and Gas Industry on Best Interest Finding and Permitting

At your request, I held a work session with representatives of the oil and gas industry and others (list attached) in Anchorage August 8. Another work session dealing more specifically with permitting and projects in coastal zones is scheduled for September 8. An update to this preliminary report will be finished for your use September 11. This report only reflects my interpretation of the comments of those who attended the work sessions.

Best Interest Finding

- 1) The companies and the state want certainty to the best interest finding process. There are two slightly different viewpoints on "areawide best interest finding":
 - a) do a BIF on a chunk of geography, the BIF applies to lease sales in the next 3-5 years, area broken up by the state into lease tracts; and
 - b) Entire North Slope BIF and allow companies to competitively bid for larger areas (instead of 63 tracts, would be one tract or 10 tracts). I believe DNR and industry view this process slightly differently.

Some commented that the BIF adopted in SB 238 (CH 34, SLA 94) lengthens the permitting process with no positive result - it has become a delaying tactic. All who commented said SB 308 (CH 38, SLA 94) was a good start to addressing the problems of continual lawsuits aimed at delaying or derailing development projects. However, they see no value in having to address tract by tract factors which could be addressed in a uniform best interest finding. They said this uniform or areawide best interest finding should/could be done in areas where the factors affecting development are fairly uniform. The Colville/Canning rivers area was mentioned as one area where from the permittee perspective, the factors affecting a permit to operate are relatively uniform. The permittees said that rather than working with the permittees to mitigate concerns, some regulating agencies' (esp. DEC and F&G) seem to be more focused on thinking up not just reasonably foreseeable measures, but mitigation measures for minute concerns such as "isostatic rebound" in the comments on preliminary findings for the Yakataga Sale (copy attached). Companies state that if they don't "aggressively" track every mitigation measure, a mitigation measure becomes a "permit standard" by default of the company not being aware or believing that it wouldn't be kept in the final permit. This "permit standard" is then applied to succeeding permits.

- 2) The interest in re-evaluating how best interest findings are done seems to reflect the companies experience with downsizing and having to become more efficient at reducing operating costs. In the work session, a DNR/DO&G representative commented about reduced budgets and the need to be more efficient - the reaction was nods from around the room. Most agreed the first areawide BIF would be expensive. Paperwork would be voluminous, but those proposing it believe the resulting benefit is efficiency for DNR to be able to lease more land. Jack Chenoweth, DAA/Legal states "no prohibitions" as far as he can see, providing there is a lease sale of the area for which the BIF is done. His only

concern was in AS 38.05.035 (e)6(g): exempt sale under 180(d) sale within previous 5 years and AS 38.05.035(e)6(h): sale under 180(w) sale within 5 years is subject to BIF.

3) Jim Eason, consultant at the work session, mentioned a bifurcated best interest finding process. This would require rewriting the BIF provisions to allow sale areas where a final BIF has been accepted and upheld without challenge or if challenged and subsequently upheld, no additional findings would be required, unless the commissioner (of DNR) determines in his discretion that additional findings are necessary. Sale areas that have never gone through a BIF could be done under an areawide BIF which would require the entire AS 38.05.035 process.

4) Some of the smaller operators felt the 5-year oil and gas lease sale process is too long, but because a sale can be added so that it's on the lease sale schedule for only three years, this did not seem to be such a problem. State is trying to get companies to be more forthcoming about the areas they want to lease. (Pretense of nonchalance or active bluffing may result in leases being dropped from a sale.) This is where the areawide BIF is attractive to the strategic, secretive nature of the oil industry. If the second option mentioned in item 1 is chosen, a company could place sealed bids for any tract(s) in the area covered by the BIF - the larger the area of the BIF and the sale, the better for the company's strategy.

Permitting

1) The September 8 meeting will reveal more details, but in short there are questions about the ability of government departments to be efficient in permitting matters. There is perceived distrust among agencies. Instead of phoning or faxing for additional information, letters are sent to permittees resulting in additional time delays. The departments don't seem to realize that outside of government most matters are dispatched with a quick (documented) phone call or fax. Even the most important/sensitive answers can be readily attained with a phone confirmation that a fax was received. Problem with getting industry to speak about these problems on the record is the perceived threat of retaliation by the permitor.

2) Concerns and real-world problems are concentrated in several areas:

a) Lots more days are being tacked onto the permitting process - agencies say they can't meet the 5-day deadlines to issue permits once coastal zone requirements are met;

b) No comment from agencies until the last day for review.

c) Air Quality Permitting: Amount of time it is taking for permit evaluations not satisfactory. Consensus that inexperienced staff, plus reorganization at DEC may be hampering this permitting program.

3) Shared Costs. Under this arrangement, a company purchases expedited permits. Agencies say otherwise it's first come first served. This shared cost arrangement expedites permits, but raises eyebrows because:

a) concern that state employees are under pressure to overlook infractions in order to process the permit which was paid for;

b) concern about inexperienced employees taking too long to do what private sector counterparts do in less time;

c) concern about the "message" of industry financing the expedition of permits;

d) concern about departments blackmailing industry to pay for full time positions "necessary" to expedite permits.

Title Mr.	fn Paul	In Quesnel	cotitle Coordin tor, Governm ent and Public Affairs, Alaska	co BP Pipelines (Alaska) Inc.
Mr.	David	Parish	Senior Public Affairs Represent ative	Exxon Company, USA
Mr. Mr.	Gerry John	Gallagher Landrum	Kenai Region Manager	Phillips 66
Ms.	Pam	Neal	President	Alaska State Chamber of Commerce
Mr.	J. Y.	Christopher	Offshore/ Alaska Land Manager	Amerada Hess Corporation
Mr.	Dan	Bordelon	District Manager, Alaska	Anadrill/Schlumbe rger
Mr.	Cliff	Burglin	Vice President	Borealis Resources, Inc.
Mr. Mr.	Dan Shawn	Donkel Rice	President Manager	Danco Exploration Western Geophysical Co.
Mr.	Paul	Walker	Alaska Land Manager	Chevron U.S.A. Production Co.
Mr.	Fred	Pierson	Senior Land Advisor	Mobil Oil Corporation

Ms.	Teresa	Imm		Arctic Slope Regional Corporation
Mr.	J.P.	Tower	Land Manager	Petrofina Delaware Inc.
Mr.	Bill	Stewart	President	Stewart Petroleum Co.
Mr.	Steven	Fly	Manager, Business Develop ment	Union Texas Petroleum Alaska Corp.
Mr.	Brad	Penn	Landman	Marathon Oil Co.
Mr.	David	Lappi	President	Lapp Resources Inc.
Ms.	Sharon	Macklin		Government Relations
Mr.	James	Johnson	Manager of Governm ent and Environ mental Affairs	Anadarko Petroleum Corporation
Mr.	Keith	Burke	General Manager	Alaska Support Industry Alliance
Ms.	E.H.	Nelson	Land Manager	Texaco Exploration & Production, Inc.
Mr.	Kevin	Tabler	Land Manager	UNOCAL
Mr.	Rick	Foppiano	Regulator y Affairs Advisor	OXY USA, Inc.
Mr.	Gerald	Booth	President	CIRI Production Co.
Mr.	David	Marquez	Vice President	ARCO Alaska, Inc.

Mr.	Ken	Boyd	Director, Division of Oil and Gas	Department of Natural Resources
Ms.	Judy	Brady	Executive Director	Alaska Oil and Gas Association
Ms.	Shirley	Armstrong	Aide	House Special Committee on Oil and Gas
Mr.	Jeff	Logan	Aide	House Resources Committee
Mr.	Eric	Opstead		Opstead & Associates
Mr.	Paul	Craig		Z-Energy
Mr.	Chris	Bamette	Log Analyst	Western Atlas

stage in this area during the spring migration. Recent data suggest that Controller Bay is the primary landfall for shorebirds arriving in this area, with the birds then moving westward across the Bering and Copper River Deltas.

The most abundant species are western sandpiper and Pacific dunlin. Other common species include: the black-bellied plover, black turnstone, dowitchers, sanderlings; white-fronted, snow, and Canada geese; mallard, green-winged teal, American widgeon, and northern pintail. Most return to the Copper and Bering River deltas during the fall migration, although the birds are more dispersed over time and space when migrating south.

Wetlands in this area also provide important staging and nesting habitat for trumpeter swans. During August and early September of 1990, the USFWS counted 1364 swans between Dry Bay and Orca Inlet. The largest concentration of swans was observed around and to the west of Controller Bay.

Hazards Analysis: Storms and Heavy Seas: Although the document does mention (page 82, second paragraph) that "the Gulf of Alaska has turbulent sea storms", there is little analysis or recognition of the magnitude and intensity of these storm events, and when and where their effects are most likely to be manifest. For example, the section titled "Subsea Pipelines" (page 109) makes no mention of storms relative to oil spill cleanup. We question the statement that (page 109, last paragraph) "the tidal currents in the Gulf of Alaska could make repair and cleanup of subsea pipeline leaks more difficult." Are there really exceptionally strong tidal currents in this area? We also suggest that tidal current effects will pale in comparison to a severe storm which could make access to a spill virtually impossible for a period of days.

Our staff recollects a time in the early 1970's when a drill ship, the Glomar Conception (or Glomar Explorer?), attempted a stratigraphic drilling program in this part of the Gulf, only to be driven away by waves that sometimes exceeded 100' in height and storm events with 50' waves at 5 second intervals.

The possible effects of storms on transportation, production and cleanup of oil should be addressed in the Director's Finding. We also suggest that seasonal restrictions on trans-shipment of oil might serve to diminish the risk of oil spills or other catastrophic events.

Another source of geologic instability that was not mentioned is isostatic rebound. To what extent would the slow rising of lands recently covered by glaciers, threaten the integrity of pipeline wells, or other facilities.

38) Isostatic rebound as a source of geologic instability was not mentioned. To what extent would the slow rising of lands recently covered by glaciers, threaten the integrity of pipelines, wells, or other facilities.

Response: The above comment is not material to the scope of this finding. Although there may be gradual isostatic uplift in this region, about 1 cm/yr. for the past 5,000 yrs. (Combellick, memorandum to Hansen, citing to Plasker 1980, 1994), most of the uplift probably occurs suddenly during great earthquakes. Any hazard to engineered facilities from uplift would not be significant and will likely be overshadowed by other earthquake effects, such as strong shaking, seafloor failures, and tsunamis (Combellick, DGGG, 1994a). Since facilities within the Sale 79 area would be designed to withstand earthquakes, they would be able to withstand gradual isostatic uplift.

DNR RESPONSE TO EXAMPLE

REPORT TO
SENATOR LOREN LEMAN, Chairman
Senators: Pearce, Frank, Halford, Taylor, Lincoln and Hoffman
SENATE RESOURCES COMMITTEE
By: Senate Resources Committee Staff

Best Interest Finding and Permitting
Summary

At your request, I held work sessions with representatives of the oil and gas industry and others in Anchorage August 8 and September 8. I also conducted phone interviews with mining and logging representatives active in Alaska. In addition to touching on the best interest finding process for oil and gas lease sales, this report is meant to begin defining the "problem of permitting" which has been referred to in previous testimony by industry before legislative committees. The Energy Council's CLEER Report on Production and Jobs recommended state's audit their permitting process as part of any oil and gas legislative incentive package. Other reports to the legislature have criticized the state as being less than friendly to business. This report reflects my interpretation of the anecdotal comments of those interviewed and who attended the work sessions. It is my impression that those who are commenting on these issues are alerting the state to the fiscal reality of their business. Long lead times and uncertainty of development are no longer being accepted as normal business practice in Alaska. With the amount of acreage being released in Alaska, and the oil axiom that you find oil where there's oil, the practice of raising the same issues over and over again with the same players on the same leases seems to be striking a nerve in Alaska's industrial body.

Best Interest Finding Process for Oil and Gas Lease Sales

- 1) The companies and the state want certainty to the best interest finding process. There are two slightly different viewpoints on "areawide best interest finding":
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 - b) Entire North Slope BIF and allow companies to competitively bid for larger areas (instead of 63 tracts, would be one tract or 10 tracts). I believe DNR and industry view this process slightly differently.

Some commented that the hearing process adopted in SB 238 (CH 34, SLA 94) lengthens the permitting process with no positive result - it has become a delaying tactic. All who commented said SB 308 (CH 38, SLA 94) was a good start to addressing the problems of continual lawsuits aimed at delaying or derailing development projects. However, they see no value in having to address tract by tract factors which could be addressed in a uniform best interest finding. They said this uniform or areawide best interest finding should/could be done in areas where the factors affecting development are fairly uniform. The Colville/Canning rivers area was mentioned as one area where from the permittee perspective, the factors affecting a permit to operate are relatively uniform. The permittees said that rather than working with the permittees to mitigate concerns, some regulating agencies' (esp. DEC and F&G) seem to be more focused on thinking up not just reasonably foreseeable measures, but mitigation measures for minute concerns such as "isostatic rebound" in the comments on preliminary findings for the Yakataga Sale (copy attached). Companies state that if they don't "aggressively" track every mitigation measure, a mitigation measure becomes a "permit standard" by default of the company not being aware or believing that it wouldn't be kept in the final permit. This "permit standard" is then applied to succeeding permits.

2) The interest in re-evaluating how best interest findings are done seems to reflect the companies experience with downsizing and having to become more efficient at reducing operating costs. In one work session, a DNR/DO&G representative commented about reduced budgets and the need to be more efficient -the reaction was nods from around the room. Most agreed the first areawide BIF would be expensive. Paperwork would be voluminous, but those proposing it believe the resulting benefit is efficiency for DNR to be able to lease more land. Jack Chenoweth, LAA/Legal states "no prohibitions" as far as he can see, providing there is a lease sale of the area for which the BIF is done. His only concern was in how the idea would impact AS 38.05.035 (e)6(g): exempt sale under 180(d) sale within previous 5 years and AS 38.05.035(e)6(h): sale under 180(w) sale within 5 years is subject to BIF. Of course, that would depend on the proposal put before the committee for consideration.

3) Jim Eason, consultant at the work session, mentioned a bifurcated best interest finding process. This would require rewriting the BIF provisions to allow sale areas where a final BIF has been accepted and upheld without challenge or if challenged and subsequently upheld, no additional findings would be required, unless the commissioner (of DNR) determines in his discretion that additional findings are necessary. Sale areas that have never gone through a BIF could be done under an areawide BIF which would require the entire AS 38.05.035 process.

4) Some of the smaller operators felt the 5-year oil and gas lease sale process is too long, but because a sale can be added so that it's on the lease sale schedule for only three years, this did not seem to be such a problem. State is trying to get companies to be more forthcoming about the areas they want to lease. (Pretense of nonchalance or active bluffing may result in leases being dropped from a sale.) This is where the areawide BIF is attractive to the strategic, secretive nature of the oil industry. For example, in the second option mentioned in item 1, a company could place sealed bids for any tract(s) in the area covered by the BIF - the larger the area of the BIF and the sale, the better for the company's strategy.

Permitting

1) Permitting is an important factor in decisions about investing in Alaska. In one company's experience, "reserves, economics and permits are important to the (successful) development of a project". There are questions about the ability of government departments to be efficient in permitting matters. There is perceived distrust among agencies. There is a perception that departments don't seem to realize that outside of government most matters are dispatched with a quick (documented) phone call or fax. Instead of phoning or faxing for additional information, letters are sent to permittees resulting in additional time delays. Even the most important/sensitive answers can be readily attained with a phone confirmation that a fax was received.

2) Concerns and real-world problems are concentrated in several areas:

a) Interface between federal and state governments "critical".

Depending on land ownership and type of operation, companies may be working with local, state and federal governments. They may be required to completed from six to several dozen permits. Memorandums of Understanding to facilitate interaction between state and federal agencies exist now, but are apparently out of date. The Division of Governmental Coordination may be having internal discussions about updating the MOUs. The relationship between governments is "critical" because of the timing in issuance of permits. Companies are reluctant to say how much impact NOT getting permits in a timely

fashion has on the viability of a project. Although, if delays in land sales cause projects to lose their attractiveness, one might surmise that the same would hold true for permit delays.

b) Lots more days are being tacked onto the permitting process - industry reports agencies say they can't meet the 5-day deadlines to issue permits once coastal zone requirements are met.

What contributes to permit delays? The Alaska Coastal Zone Management Program can contribute to delays when the same issues are raised over and over again, even after the issue has previously been elevated to the commissioner level and a decision rendered (e.g., bear interaction plans attached to certain permits by DF&G at the request of USFWS, subsequently overruled. Although some companies have found ways to cope with additional requirements by implementing master plans such as bear interaction plans, all of these efforts increase operating costs - one of the prime factors in determining marginal fields.) Expanded authorities for agencies may be legal under the ACMP, but some question whether the stipulations on permits are consistent with the jurisdiction of the agency (DF&G stopping the clock to ask in a letter whether pipe being proposed for a pipeline was old or new pipe)

Undoubtedly, the issue of budgets will surface with the issue of delays. Industry, having undergone significant internal reductions, understands that issue, but questions whether state agencies can or will find more efficient methods of dealing with permits.

c) No comment from agencies until the last day for review. Uncertainty of whether projects can go forward.

For the most part, companies feel the ACMP program works "pretty well". Its consensus nature is "helpful". The veto power of one person to squelch a project is viewed as a negative. It is discouraging to industry that the clock can be stopped at the last hour. There is a perception that the public hearings are now forums for slowing or stopping projects. Frustration expressed that the question after a lease sale seems be if, not how, the project proceeds.

d) Air Quality Permitting: Amount of time it is taking for permit evaluations not satisfactory. Consensus that inexperienced staff, plus reorganization at DEC may be hampering this permitting program.

There is concern that there is no accountability in the billing system for the AQ program. At least one company would prefer using knowledgeable contractors selected by the state to process AQ permits. Concern about the level of training of employees processing AQ permits - most egregious example of billing was 45 hours processing an AQ permit when industry felt it could have been done in 8-16 hours. Some reported instances of being referred to a second employee and being billed for the initial contact who could not assist them and for the second contact. If this is not the case, the department may need to review it's billing so that charges are clearly documented.

e) Vagueness of Coastal Zone standards and expansion of state agency authority across agency boundaries under ACMP.

The general assessment is that the ACMP standards are open to interpretation. This could mean the agencies have the discretion to expedite or to hinder a permit based on an individual's subjective interpretation of the standards. The lack of standards for permitting contributes to the delays (e.g., for contiguous tracts the stipulations on overhead flights may be different from one tract to another. Stream setbacks vary from tract to tract.) Some consensus that putting additional activities on the ACMP "B" List would expedite permitting for those activities. Recommendation from industry that the ACMP program proposals be put in a form similar to proposed regulations for simpler review.

3) Shared Costs. Under this arrangement, a company purchases expedited permits. Agencies say otherwise it's first come first served. This shared cost arrangement expedites permits, but raises eyebrows because:

a) concern that state employees are under pressure to overlook infractions in order to process the permit which was paid for;

b) concern about inexperienced employees taking too long to do what private sector counterparts do in less time;

c) concern about the "message" of industry financing the expedition of permits;

d) concern about departments blackmailing industry to pay for full time positions "necessary" to expedite permits.

Dalton Highway Vehicle Permit
 Permission to Cross Lands and Easements Owned
 by the U.S. (U.S. Forest Service)
 Discharge of Dredged or Fill Material into U.S. Waters
 Structures or Work in/or Affecting Navigable Waters
 Natural Gas Certificate of Public Convenience
 and Necessity
 Application for Authorization to Export or
 Import Natural Gas
 Land Lease Authorization — (Indian Land)
 Rights-of-Way for Indian Land
 Rights-of-Way for Bureau of Land Management Lands
 National Wildlife Refuge Lands Special Use Permit
 Permits for Facilities & Vessels to Handle
 Hazardous Materials
 Annual and Accident Reports (Pipeline Safety Act)
 Pipeline Inspections (Pipeline Safety Act)
 Use of Explosives
 Environmental Impact Statement
 Clean Air Act — Prevention of Significant Deterioration
 of Air Quality Program
 Oil Storage Facilities — Spill Prevention Control
 Countermeasure Plans
 Permit to Discharge into Water — National Pollutant
 Discharge Elimination System (NPDES)
 Disposal of Hazardous Waste
 Radio and Wire Communications — Construction
 New Source Performance Standards

Local Government

Contact the local government regarding its permit requirements
 North Slope Borough
 P.O. Box 69
 Barrow, Alaska 99723
 Telephone: 907/852-2611

OIL OR GAS EXPLORATION AND DEVELOPMENT ACTIVITIES (Onshore and Offshore)

(State, Federal and local permits that may be needed in Alaska)

Conclusive Consistency Determination and
 Coastal Project Questionnaire
 Permit to Drill or Deepen
 Approvals — Oil or Gas Wells
 Articles of Incorporation
 Foreign Corporations — Certificate of Authority
 Certificate of Public Convenience and Necessity
 (Oil or Gas Pipeline)
 Permits (Oil or Gas Pipeline)
 Construction Contractor's License
 Air Quality Control Permit to Open Burn
 Air Quality Control Permit to Operate
 Certificate of Reasonable Assurance
 (Water Quality Certification)
 Plan Review for Sewage Systems or Water and
 Wastewater Treatment Works
 Solid Waste Disposal Permit
 Surface Oiling Permit
 Food Service Permit
 Wastewater Disposal Permit
 Oil Discharge Contingency Plans
 Proof of Financial Responsibility (Oil Storage
 Facilities, Tank Vessels, Tank Barge, Oil Barge,
 Offshore Exploration Facilities)
 Disposal of Hazardous Waste
 Anadromous Fish Protection Permit
 Critical Habitat Area Permit
 Fishways for Obstructions to Fish Passage
 State Game Refuge Permit
 Prevention of Accident & Health Hazards — Inspections
 Fired & Unfired Pressure Vessels — Inspections
 Foreign Labor Requirements

Unemployment Insurance
 Worker's Compensation Insurance
 Leasing of Lands Other Than for the
 Extraction of Natural Resources
 Land Use Permit
 Water Rights Permit
 Rights-of-Way Easement
 Material Sale (Applies to sand, gravel, rock, peat, etc.)
 Burning Permit
 Incompatible Use Permit
 Oil and Gas Leasing
 Lease Operations Approval (Oil and Gas)
 Unit Agreement Approval (Oil and Gas)
 Miscellaneous Land Use Permit (Oil & Gas, Seismic Work)
 Life/Fire Safety Plan Check for Construction/
 Occupancy of Buildings
 Permit to Use Dangerous Fireworks
 Permit for Oversize/Overweight Vehicles or Loads
 Alaska Business License
 Nonresident Affidavit and Tax Security Requirements
 Utility Permit
 Encroachment Permit
 Dalton Highway Vehicle Permit
 Mineral Material Permit — National Forest
 Special Use Permit
 Discharge of Dredged or Fill Material into U.S. Waters
 Structures or Work in/or Affecting Navigable Waters
 of the U.S.
 Natural Gas Certificate of Public Convenience
 and Necessity
 Application for Authorization to Export or
 Import Natural Gas
 Exporting Natural Gas
 Land Lease Authorization — (Indian Land)
 Rights-of-Way (Indian Land)
 Vegetative Mineral Material
 National Wildlife Refuge Lands — Special Use Permit
 Oil and Gas Exploration Operations — Notice of Intent
 Oil and Gas Leasing
 Oil and Gas Leasing — Outer Continental Shelf
 Agreement for the Subsurface Storage of Gas
 Development and Production Plans (OCS)
 Exploratory Drilling Plan (OCS)
 Oil & Gas Leases Communitization or Drilling Agreement
 Oil and Gas Wells Application for Permit to
 Drill, Deepen or Plug Back
 Oil and Gas Wells Sundry Notices
 Outer Continental Shelf Geological/Geophysical
 Exploration Permit & Agreement
 Unit Agreements — (Onshore & Offshore Joint or
 Secondary Recovery of Oil & Gas)
 Authorization for Disposal of Produced Water
 Alaska Railroad — Permit and Construction Agreement
 Permit for Bridges over Navigable Waters
 Private Aids to Navigation
 Certificate of Numbers — (for Vessels on Water)
 Merchant Vessel Documentation
 Merchant Vessels — Certificate of Inspection
 General Permit for Facilities to Handle Dangerous Cargo
 Letter of Intent (Waterfront Facilities Handling
 Bulk Petroleum (U.S. Coast Guard)
 Operations Manual (Waterfront Facilities Handling
 Bulk Petroleum (U.S. Coast Guard)
 Welding and Hot-Work Permit (CG-4201)
 U.S. Coast Guard (for all Waterfront Facilities)
 Application and Permit to Handle Hazardous Materials
 Tank Vessel Examination Letter
 Special Permit for Shipments of Bulk Solid Hazardous
 Materials by Vessel and Shipboard Fumigation
 Letter of Compliance
 Report of Entrance — Any Vessel of More Than 300
 Gross Tons Entering Prince William Sound
 Via the Sitka-John Entrance



Approvals of Containerized Shipments of "Class A"
Explosives by Vessel and Use of
Oversize Portable Magazines
Structures Which May Interfere with Airplane Flight Paths —
Notice of Proposed Construction or Alteration
Use of Explosives — Permit and License
Environmental Impact Statement
Clean Air Act — Prevention of Significant Deterioration
of Air Quality Program
Permit to Discharge into Water — National Pollutant
Discharge Elimination System (NPDES)
Approval of Disposal of Hazardous Waste
New Source Performance Standards
Oil Storage Facilities — Oil Spill Prevention, Containment
and Countermeasure Plans (SPCC)
Radio and Wire Communications Construction
Permits and Licenses

Local Government

*If a project, or a portion of a project, is located within the bound-
aries of any local government (city, borough, etc.), the developer
should contact local authorities regarding their permit and zoning
requirements.*

OIL REFINERY PLANT (In Fairbanks)

(State, Federal and local permits that may be needed in Alaska.)

Conclusive Consistency Determination
Articles of Incorporation
Foreign Corporations — Certificate of Authority
Construction Contractor License
Production Reporting of Facilities (Oil & Gas)
Certificate of Public Convenience and Necessity
(Oil or Gas Pipeline)
Permits (Oil or Gas Pipeline)
Air Quality Control Permit to Open Burn
Air Quality Control Permit to Operate
Certificate of Reasonable Assurance
(Water Quality Certification)
Plan Review for Sewage Systems or Water and
Wastewater Treatment Works
Solid Waste Disposal Permit
Surface Oiling Permit
Food Service Permit
Oil Discharge Contingency Plans
Proof of Financial Responsibility (Oil Storage Facilities,
Tank Vessels, Tank Barges, Oil Barges,
Offshore Exploration Facilities)
Wastewater Disposal Permit
Disposal of Hazardous Waste
Health Inspection/Plan Review of Public Establishments
Anadromous Fish Protection Permit
Critical Habitat Area Permit
Fishways for Obstructions to Fish Passage
State Game Refuge Permit
Prevention of Accident & Health Hazards — Inspections
Fired & Unfired Pressure Vessels — Inspections
Elevator Certificate of Operation
Foreign Labor Requirements
Unemployment Insurance
Worker's Compensation Insurance
Land Use Permit
Water Rights Permit
Leasing of Lands Other Than for the
Extraction of Natural Resources
Rights-of-Way Easement
Material Sale (Applies to sand, gravel, rock, peat, etc.)
Pipeline Right-of-Way Lease (Oil & Natural Gas)
Burning Permit
Access Route Permit
Special Land Use Permit
Incompatible Use Permit
Notice of Operation (Harvesting Timber)

Life/Fire Safety Plan Check for Construction/
Occupancy of Buildings
Permit for Oversize/Overweight Vehicles or Loads
Alaska Business License
Nonresident Affidavit and Tax Security Requirements
Utility Permit — on State Right-of-Way
Encroachment Permit
Discharge of Dredged or Fill Material into U.S. Waters
Structures or Work in/or Affecting Navigable Waters
Production Reporting of Facilities (Oil & Gas)
Land Lease Authorization — (Indian Land)
Rights-of-Way (Indian Land)
Vegetative Mineral Material
National Wildlife Refuge Lands — Special Use Permit
Alaska Railroad — Permit and Construction Agreement
Structures Which May Interfere with Airplane Flight Paths --
Notice of Proposed Construction or Alteration
Use of Explosives — Permit and License
Annual & Accident Reports (Pipeline Safety Act)
Pipeline Inspections (Pipeline Safety Act)
Environmental Impact Statement
Clean Air Act — Prevention of Significant Deterioration of
Air Quality Program
Permit to Discharge into Water (NPDES)
Disposal of Hazardous Waste
New Source Performance Standards
Oil Storage Facilities — Oil Spill Prevention,
Containment and Countermeasure Plans (SPCC)

Local Government

*If a project, or a portion of a project, is located within the bound-
aries of any local government (city, borough, etc.), the developer
should contact local authorities regarding their permit and zoning
requirements.*

City of Fairbanks
410 Cushman Street
Fairbanks, Alaska 99701
Telephone: (907)452-1881

Fairbanks North Star Borough
PO Box 1267
Fairbanks, Alaska 99707
Telephone: (907)452-4761

PIPELINES

*(State, Federal and local permits that may be needed for pipelines in
Alaska.)*

Conclusive Consistency Determination
Articles of Incorporation for Foreign Corporations
Air Quality Control Permit to Open Burn
Air Quality Control Permit to Operate
Certificate of Reasonable Assurance
(Water Quality Certification)
Solid Waste Disposal Permit
Surface Oiling Permit
Wastewater Disposal Permit
Anadromous Fish Protection Permit
Critical Habitat Area Permit
Fishways for Obstructions to Fish Passage
State Game Refuge Permit
Prevention of Accident & Health Hazards
Fired & Unfired Pressure Vessels
Explosive Handlers — Certificate of Fitness
Leasing of Lands Other Than for the
Extraction of Natural Resources
Tidelands Permit
Water Rights Permit
Rights-of-Way/Easement Permits
Incompatible Use Permit
Sand and Gravel Extraction
Burning Permit

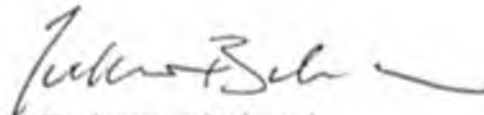
**NOTICE OF CHANGE OF DATES OF
HEARING AND PRE-HEARING CONFERENCE
ALASKA OIL AND GAS CONSERVATION COMMISSION**

Re: Prudhoe Oil Pool - Compulsory Unitization Plan
Pre-Hearing Conference and Hearing Rescheduled

Notice is hereby given that the Alaska Oil and Gas Conservation Commission (AOGCC) on its own motion has rescheduled to October 24, 1995, the hearing previously scheduled for September 11, 1995, to develop a plan for compulsory unitization of the Prudhoe Oil Pool, as provided by Conservation Order 360. The prehearing conference in this matter is rescheduled from September 5, 1995, to October 17, 1995. The hearing and pre-hearing conference will be held at 9:00 AM at the AOGCC office, 3001 Porcupine Drive, Anchorage, AK.

Upon written request, the hearing and pre-hearing conference may be postponed if, in the judgment of the Commission, the owners of the Prudhoe Oil Pool are working to integrate the separate and competing equities of the gas cap and oil rim within the Prudhoe Bay Unit.

If you are a person with a disability who may need a special accommodation, auxiliary aid or service, or alternative communication format in order to comment on the proposed action, please contact Diana Fleck at 279-1433 by 4:00 PM, October 10, 1995.


Tuckerman Babcock
Commissioner

Published August 30 and August 31, 1995

**STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
3001 Porcupine Drive
Anchorage Alaska 99501-3192**

In the matters of:)
)
A hearing to review the plan of development)
and operation and other agreements as they)
affect Natural Gas Liquid (NGL) throughput,)
Miscible Injectant (MI) utilization and ultimate)
recovery from Prudhoe Bay;)
)
The Petition of ARCO Alaska, Inc., for a)
ruling on maximization of NGL blending; and)
)
The Petition of BP Exploration (Alaska) Inc.)
requesting action or an order after the Com-)
mission's review of the plan of development)
and operation and other agreements as they)
affect NGL throughput, MI utilization and)
ultimate recovery from Prudhoe Bay.)

**ORDER DENYING PHILLIPS PETROLEUM COMPANY'S
APPLICATION FOR REHEARING OF CONSERVATION ORDER 360**

Phillips Petroleum Company ("Phillips") has applied for a rehearing with respect to Conservation Order 360 issued on August 9, 1995 ("Order"). Phillips has failed to show that the order is erroneous in any respect, and its application is therefore denied.

Contrary to Phillips' argument, the Commission's jurisdiction is not limited to the prevention of physical waste.¹ For example, AS 31.05.030(e)(6)—a provision not addressed by Phillips—authorizes the Commission to "regulate, for conservation purposes...the quantity and rate of the production of oil and gas from a well or property...." "Conservation purposes" include, at least, the purposes of preventing waste, insuring a greater ultimate recovery of oil and gas, and protecting correlative rights. See AS 31.05.030(d)(9) and 31.05.110(a). The Commission interprets

¹Moreover, Phillips interprets this term in an overly narrow way. The reference in AS 31.05.170(14)(A) to "good oil field engineering practices" does not mean that an operator must be violating good oil field engineering practices in order to be committing waste. That phrase acts as a qualification to the general rule that a method of operation which results in reducing the quantity of oil or gas to be recovered is wasteful: e.g., the failure to invest an additional billion dollars in pool development in order to recover one more barrel of oil is not wasteful, even though it literally reduces the quantity of oil to be recovered, because such an investment would not be in accordance with good oil field engineering practices.

AS 31.05 on the assumption that the legislature did not include superfluous or meaningless language, and consequently the concept of "insuring a greater ultimate recovery of oil and gas," while no doubt related to the concept of "preventing waste," is not identical to it.

In requiring maximum NGL blending through August 31, 1996, paragraph (1) of the Order regulates the quantity and rate of the production of oil and gas from Prudhoe Oil Pool wells for conservation purposes.

In claiming that the Order "does nothing to prevent" waste, and indeed that "maximum NGL blending will result in waste," Phillips ignores the limited duration of that portion of the Order regarding maximum NGL blending and its relationship to the Commission's findings and conclusions regarding unitization. The Commission believes that once the distorting effects of competitive equity interests are removed by complete unitization, the operators will likely be able to agree on a balance of MI and blendable NGLs that insures a greater ultimate recovery of oil and gas and prevents waste.² That course seems preferable to the Commission's imposition of a permanent rule based on a record in which the evidence and positions on the technical issues have been substantially driven by conflicting economic interests.

In the meantime, the Order is intended to minimize the likelihood of waste and of failing to insure greater ultimate recovery, while at the same time avoiding any impairment of correlative rights. That does not require that the Commission choose between two-dimensional and three-dimensional modeling, *see* Phillips Petroleum Company's Application for Rehearing ("Application") at 13, find that physical waste has occurred, *see id.* at 8, or believe or disbelieve the testimony of Dr. Jones, *see id.* at 14. It requires only that the Commission recognize that maximum NGL blending for a period of approximately one year will probably not adversely impact EOR recovery, while failure to maximize NGL blending during this period would result in the loss of some NGL production. That recognition is fully supported by the evidence and by the Commission's findings and conclusions. *See, e.g.*, Findings 54, 61, 66, 86, 87; Conclusions 13, 14, 15, 16. Phillips' factual claims in support of its argument that "maximum NGL blending will result in waste" are not justified by the record.

Phillips' arguments concerning Conservation Order 290 requires little discussion. No one questions that it would be preferable if the expectations presented to the Commission in the hearings leading to that order had been realized, and if there were no competition between MI and NGL production. Unfortunately, the present controversy does involve such competition and therefore demands, for the present at least, a decision that addresses such competition. Conclusion No. 5 in the present Order, however, reminds the working interest owners that neither maximum NGL blending as has been temporarily ordered, nor constrained NGL blending as had been imposed by BPXA at Skid 50, addresses the larger issue of fulfilling the expectations underlying Conservation Order 290.

²It is true that such an outcome is not guaranteed, and that even after complete unitization the possibility of technical disagreement will remain. In that event the Commission may be compelled to resolve the disagreement on a more permanent basis.

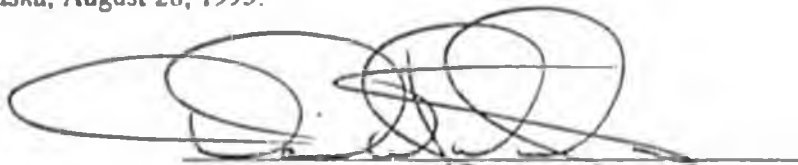
Finally, Phillips' attack on the Commission's authority to compel unitization of the equity interests in the Prudhoe Oil Pool is not persuasive. Phillips' premise, that there exists "an existing voluntary unit," is incorrect for purposes of AS 31.05.110.³ In "a unit", within the meaning of AS 31.05.110, all of the interests in affected land are integrated, and each tract receives an allocated share of "all oil and gas produced from [the] unit area." (Emphasis supplied). The existing property regime for the Prudhoe Oil Pool might perhaps be viewed as two units, one covering the oil rim and one covering the gas cap, or it might be viewed as an arrangement that meets many but not all of the requirements for a unit, but it is not "a unit" for purposes of AS 31.05.110.

THEREFORE, IT IS ORDERED BY THE COMMISSION THAT:

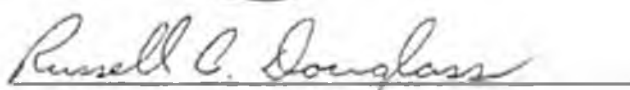
Phillips Petroleum Company's Application for Rehearing is denied.

DONE at Anchorage, Alaska, August 28, 1995.

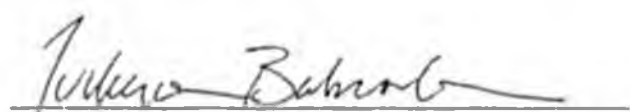




David W. Johnston, Chairman
Alaska Oil and Gas Conservation Commission



Russell A. Douglass, Commissioner
Alaska Oil and Gas Conservation Commission



Tuckerman Babcock, Commissioner
Alaska Oil and Gas Conservation Commission

³ This does not affect whether a cooperative or unit plan exists for purposes of AS 38.05.180.

**STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
3001 Porcupine Drive
Anchorage Alaska 99501-3192**

In the matters of:)
)
A hearing to review the plan of development)
and operation and other agreements as they)
affect Natural Gas Liquid (NGL) throughput,)
Miscible Injectant (MI) utilization and ultimate)
recovery from Prudhoe Bay;)
)
The Petition of ARCO Alaska, Inc., for a)
ruling on maximization of NGL blending; and)
)
The Petition of BP Exploration (Alaska) Inc.)
requesting action or an order after the Com-)
mission's review of the plan of development)
and operation and other agreements as they)
affect NGL throughput, MI utilization and)
ultimate recovery from Prudhoe Bay.)

ORDER RESCHEDULING HEARING

The Commission has decided to reschedule the hearing that was previously scheduled to take place on September 11, 1995, to develop a plan for compulsory unitization of the Prudhoe Oil Pool, as provided by Conservation Order 360.


The Commission also wishes to clarify the nature of this hearing, since it appears from certain filings received in this matter that some confusion may exist on this question. Under AS 31.05.110(b), a petition to compel unitization of a pool may be filed by or with the Commission, followed by a hearing. The petition must be accompanied by a recommended plan of unitization. The Commission to this date has neither filed a petition to unitize the Prudhoe Oil Pool nor developed a recommended plan of unitization. The hearing now scheduled for October 24, 1995, is intended to enable the Commission to develop a recommended plan of unitization. After developing such a recommended plan, the Commission anticipates petitioning on its own motion for compulsory unitization (unless appropriate voluntary efforts are evident) and scheduling a hearing on that petition.

IT IS ORDERED BY THE COMMISSION THAT:

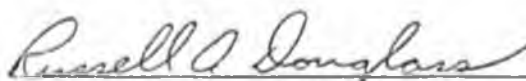
The hearing to develop a plan for compulsory unitization of the Prudhoe Oil Pool is rescheduled to 9:00 a.m., October 24, 1995, at the offices of the Commission, 3001 Porcupine Drive, Anchorage, Alaska. The prehearing conference in this matter is

rescheduled to 9:00 a.m., October 17, 1995, at the same location. The deadline for written submittals referred to in paragraph 3 of Conservation Order 360 is unchanged from September 1, 1995.

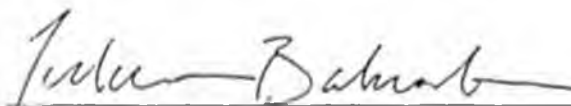
DONE at Anchorage, Alaska, August 28, 1995.



David W. Johnston, Chairman
Alaska Oil and Gas Conservation Commission



Russell A. Douglass, Commissioner
Alaska Oil and Gas Conservation Commission



Tuckerman Babcock, Commissioner
Alaska Oil and Gas Conservation Commission

**STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
3001 Porcupine Drive
Anchorage Alaska 99501-3192**

In the matters of:)
)
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affect Natural Gas Liquid (NGL) throughput,)
Miscible Injectant (MI) utilization and ultimate)
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requesting action or an order after the Com-)
mission's review of the plan of development)
and operation and other agreements as they)
affect NGL throughput, MI utilization and)
ultimate recovery from Prudhoe Bay)

**RULING ON REQUESTS TO EXTEND TIME FOR FILING APPLICATIONS
FOR REHEARING AND TO POSTPONE COMPULSORY UNITIZATION PLAN
HEARING**

On August 28, 1995, the Commission received requests from BP Exploration (Alaska) Inc. ("BPXA") and Exxon Company, U.S.A. ("Exxon"), seeking to extend the time within which applications for rehearing may be filed under AS 31.05.080(a). The requested extensions, however, would apply to rehearing with respect to only certain portions of Conservation Order 360, not the entire order. Whether or not the Commission is authorized under AS 31.05.080(a) to grant piecemeal extensions, to do so would create potentially tangled problems concerning the appealability of the order and the deadlines for filing appeals. This is particularly true given the fact that Phillips Petroleum Company has already filed an application for rehearing and that the time for deciding its application expires today.

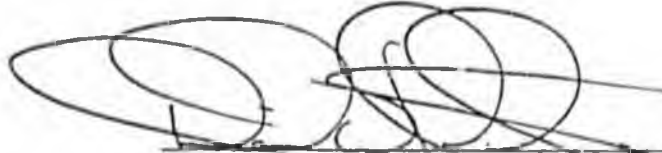
IT IS ORDERED:

For the reasons stated above, and for the reason that in a separate action today the Commission on its own motion is postponing the hearing referred to in Rule 2,

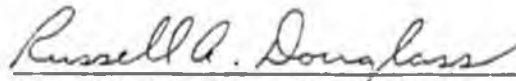
RULING ON REQUESTS TO EXTEND TIME FOR FILING APPLICATIONS FOR REHEARING AND
TO POSTPONE COMPULSORY UNITIZATION PLAN HEARING
PAGE 2

Conservation Order 360, thus effectively providing part of the relief sought by BPXA and Exxon, the requests of BPXA and Exxon are denied.

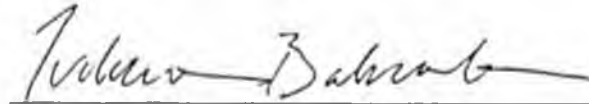
DONE at Anchorage, Alaska, August 28, 1995.



David W. Johnston, Chairman
Alaska Oil and Gas Conservation Commission



Russell A. Douglass, Commissioner
Alaska Oil and Gas Conservation Commission



Tuckerman Babcock, Commissioner
Alaska Oil and Gas Conservation Commission

**STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
3001 Porcupine Drive
Anchorage Alaska 99501-3192**

Re: THE APPLICATION OF ARCO) Conservation Order No. 361
ALASKA, INC. for an order granting)
an exception to spacing requirements of) ARCO Alaska Inc.
Title 20 AAC 25.055 to provide for the) Tabasco No. 1.
drilling of the ARCO Tabasco No. 1)
development oil well.)

August 16, 1995

IT APPEARING THAT:

1. ARCO Alaska, Inc. submitted an application dated July 25, 1995 requesting exception to 20 AAC 25.055(a)(3) to allow drilling the ARCO Tabasco No 1 development oil well to an undefined oil pool in the Kupanuk River Unit to a producing location which is closer than 500 feet to a drilling unit boundary.
2. Notice of hearing was published in the Anchorage Daily News on July 29, 1995 pursuant to 20 AAC 25.540.
3. No protests to the application were received.

FINDINGS:

1. The ARCO Tabasco No. 1 well as proposed will be drilled as a deviated hole with a surface location of 240' from the south line and 556' from the west line of Section 1, T11N, R8E, Umiat Meridian (UM) and a bottomhole location of 90' from the north line and 893' from the east line of section 11, T11N, R8E, UM.
2. Offset owners BP Exploration (Alaska) Inc., Chevron U.S.A. Inc., Exxon Company U.S.A., Mobil Oil Corporation and Union Oil Company of California have been duly notified.
4. An exception to 20 AAC 25.055(a)(3) is necessary to allow drilling of this well.

CONCLUSION:

Granting a spacing exception to allow drilling of the ARCO Tabasco No. 1 well as proposed will not result in waste nor jeopardize correlative rights.

Conservation Order No. 361
August 16, 1995

NOW, THEREFORE, IT IS ORDERED:

ARCO Alaska, Inc.'s application for exception to 20 AAC 25.055 for the purpose of drilling the Tabasco No. 1 well is approved as proposed.

DONE at Anchorage, Alaska and dated August 16, 1995.



Russell C. Douglass

Russell A. Douglass, Commissioner
Alaska Oil and Gas Conservation Commission

Tuckerman Babcock

Tuckerman Babcock, Commissioner
Alaska Oil and Gas Conservation Commission

AS 31.05 080 provides that within 20 days after receipt of written notice of the entry of an order, a person affected by it may file with the Commission application for rehearing. A request for rehearing must be received by 4:30 PM on the 23rd day following the date of the order, or next working day if a holiday or weekend, to be timely filed. The Commission shall grant or refuse the application in whole or in part within 10 days. The Commission can refuse an application by not acting on it within the 10-day period. An affected person has 30 days from the date the Commission refuses the application or mails (or otherwise distributes) an order upon rehearing, both being the final order of the Commission, to appeal the decision to superior Court. Where a request for rehearing is denied by nonaction of the Commission, the 30-day period for appeal to Superior Court runs from the date on which the request is deemed denied (i.e., 10th day after the application for rehearing was filed.)

STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
3001 Porcupine Drive
Anchorage Alaska 99501-3192

Re: THE APPLICATION OF STEWART)	Conservation Order No. 359
PETROLEUM COMPANY for an order)	
granting an exception to the spacing)	Stewart Petroleum Company
requirements of Title 20 AAC 25.055)	West McArthur River Unit No. 1A
for the Stewart West McArthur River Unit)	
No. 1A development oil well.)	August 14, 1995

IT APPEARING THAT:

1. Stewart Petroleum Company submitted an application dated July 10, 1995 requesting exception to 20 AAC 25.055(a)(3) to allow drilling the West McArthur River Unit No. 1A development oil well as the second well within a drilling unit to produce oil from the West McArthur River Oil Pool.
2. Notice of an opportunity of public hearing was published in the Anchorage Daily News on July 14, 1995 pursuant to 20 AAC 25.540.
3. No protests to the application were received.

FINDINGS:

1. Stewart Petroleum's West McArthur River Unit No. 1A well as proposed will be a deviated hole drilled from a surface location 2871' from the south line and 1351' from the west line of Section 16, T8N, R14W, Seward Meridian (SM) to a bottom-hole location 1793' from the north line and 1710' from the east line of Section 10, T8N, R14W, SM.
2. Offset owner Union Oil Company of California has been duly notified.
3. An exception to 20 AAC 25.055(a)(3) is necessary to bring this well into compliance with statewide rules governing well spacing and drilling units.

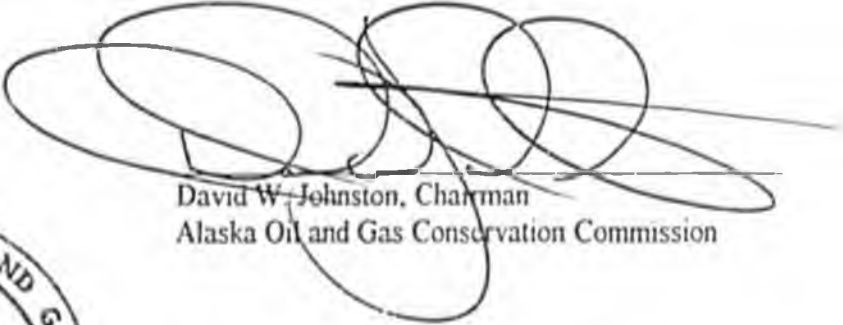
CONCLUSION:

Granting a spacing exception for the West McArthur River Unit No. 1A development oil well will not result in waste nor jeopardize correlative rights.

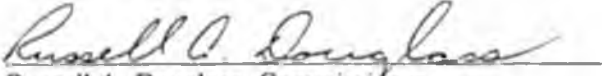
NOW, THEREFORE, IT IS ORDERED:

Stewart Petroleum Company's application for exception to 20 AAC 25.055 for the West McArthur River Unit No. 1A well is approved as proposed.


DONE at Anchorage, Alaska and dated August 14, 1995.



David W. Johnston, Chairman
Alaska Oil and Gas Conservation Commission



Russell A. Douglass, Commissioner
Alaska Oil and Gas Conservation Commission



Tuckerman P. Ibbcock, Commissioner
Alaska Oil and Gas Conservation Commission

AS 31.05.080 provides that within 20 days after receipt of written notice of the entry of an order, a person affected by it may file with the Commission an application for rehearing. A request for rehearing must be received by 4:30 PM on the 23rd day following the date of the order, or next working day if a holiday or weekend, to be timely filed. The Commission shall grant or refuse the application in whole or in part within 10 days. The Commission can refuse an application by not acting on it within the 10-day period. An affected person has 30 days from the date the Commission refuses the application or mails (or otherwise distributes) an order upon rehearing, both being the final order of the Commission, to appeal the decision to Superior Court. Where a request for rehearing is denied by nonaction of the Commission, the 30-day period for appeal to Superior Court runs from the date on which the request is deemed denied (i.e., 10th day after the application for rehearing was filed).

Notice of Public Hearing

STATE OF ALASKA Alaska Oil and Gas Conservation Commission

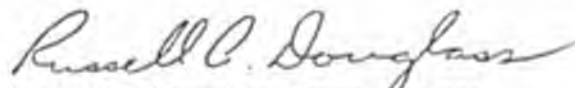
Re: The application of STEWART PETROLEUM COMPANY for exception to 20 AAC 25.055 to allow drilling the WEST McARTHUR RIVER UNIT No. 4 exploratory oil and gas well.

STEWART PETROLEUM COMPANY by letter dated August 23, 1995 has requested an exception to the provisions of 20 AAC 25.055(a)(2) & (3) for the drilling of an exploratory oil and gas well in the West McArthur River Unit, in the Cook Inlet.

The exception would allow Stewart Petroleum Company to directionally drill the West McArthur River Unit No. 4 exploratory well to a potentially gas productive location that is closer than 1500 feet from a section line. The well is also projected to encounter a secondary oil target within 500 feet of a quarter section line. The proposed surface location is 2026' from the south line and 1974' from the west line (FWL) of Section 16, T8N, R14W, Seward Meridian (SM) and the proposed bottom-hole location is 1088' from the north line and 200' FWL of Section 22, T8N, R14W, SM.

A person who may be harmed if the requested order is issued may file a written protest prior to 4:00 PM September 14, 1995 with the Alaska Oil and Gas Conservation Commission, 3001 Porcupine Drive, Anchorage, Alaska 99501, and request a hearing on the matter. If the protest is timely filed and raises a substantial and material issue crucial to the Commission's determination, a hearing on the matter will be held at the above address at 9:00 am on September 29, 1995 in conformance with 20 AAC 25.540. If a hearing is to be held, interested parties may confirm this by calling the Commission's office, (907) 279-1433 after September 14, 1995. If no protest is filed, the Commission will consider the issuance of the order without a hearing.

If you are a person with a disability who may need a special modification in order to comment or to attend the public hearing, please contact Diana Fleck at 279-1433 no later than September 25, 1995.



Russell A. Douglass, Commissioner
Alaska Oil and Gas Conservation Commission

Published August 30, 1995

NATURAL RESOURCES

AOGA Briefing Paper Leasing Policy November, 1994

A predictable and dependable oil and gas leasing program is essential to the continued vitality of the oil industry in Alaska. Companies that might be interested in investing in Alaska need a dependable leasing program so that budgetary and manpower commitments can be made to effectively evaluate lease areas and prospects.

Desired Action: *The Commissioner of Natural Resources, key managers of the Division of Oil and Gas, and industry representatives should jointly participate in a leasing policy work session to identify areas of agreement on ways to improve and strengthen the state's leasing program.*

Benefit to State: A predictable oil and gas leasing program allows the state, public, local governments and the industry to efficiently plan for oil and gas related activities and fiscal expenditures.

Significance: The future expenditure of exploration dollars and the drilling of exploration wells is dependent on the financial and logistical planning of lease sales within the state. Companies are competing on a worldwide basis for exploration dollars and a reliable and consistent leasing program will enable companies to evaluate opportunities in Alaska.

Background: The state has a Five-Year Leasing Program in place since 1979 and has held over 36 sales under this program. The sale areas are concentrated on the North Slope and Cook Inlet. There has been a rather hesitant leasing program in these areas over the last 9 years. This is in no way the states fault, in that external events have largely shaped when lease sales will occur. The strengthening of this program along with supplementing the system with exempt sales and a supplemental exempt system will allow for more options in making state lands available for leasing.

There is a window of opportunity for leasing in the different areas which is driven by the companies economics and the prospects available. To supplement the leasing program exempt sales should be offered to allow for no more than one year to pass between offerings in an area. In areas where bids are received exempt sales should be used to supplement the Five-Year Leasing Program.

An optimum leasing program would include a mix of successful policies and practices aimed at a goal of providing new leasing opportunities annually. The mix would include planned sales under the Five-Year Plan, supplemented by both *Annual Exempt Sales* and some form of *Supplemental Exempt Sales*.

The State's Five-Year Leasing Program is the cornerstone of oil and gas exploration in Alaska. A joint effort of the industry and the state in improving lines of communication with each other and the public about the implementation of SB 308 in planning and holding lease sales will benefit everyone.

Alaska's Leasing Program could be strengthened through the following:

- Areawide Best Interest Findings: *The preparation of Areawide Best Interest Findings would shorten the time and work now undertaken to hold a lease sale. The amendments to Title 38 will allow the use of an Areawide Best Interest Finding for Cook Inlet and North Slope. New and additional data would be addressed in sale specific Best Interest Findings (in which the Areawide Best Interest Finding would be incorporated by reference). Areawide findings are extensively used by the Department of Fish & Game, the federal Environmental Protection Agency, and other national management agencies, like the Forest Service and Bureau of Land Management*
- Exempt Oil and Gas Lease Sales: *To supplement the lease sale process in Cook Inlet and the North Slope, exempt sales should be offered in each area where recent leasing has occurred and where the industry shows an interest. A 2 to 3 year period is too long to go without offering a lease sale in areas where there is demonstrated interest. The goal should be a minimum of annual exempt sales.*
- Supplemental Exempt Lease Sales: *An addition to the statutory Five-Year Leasing Program would be a form of supplemental exempt lease sales held at industry request following the nomination of individual tracts or small numbers of tracts which have been previously offered for lease under the regular lease sale process and for which no bids were received. Following tract nominations, a 30-day public notice period would allow all interested parties to submit bids on the nominated tracts. 45 days after the tracts were originally nominated, bids would be opened and the tracts would be offered to the highest bidder.*
- Administration of State Leases: Unitization: *A model administration program would include agreement on more objective guidelines for establishment, expansion, contraction, and work commitments associated with state units. The move toward rationalized work commitments based on prudent practices will encourage early development and production.*

Schedule: The Five-Year Leasing Program is scheduled for release in January of 1995. Developing regulations for supplemental exempt sales could be done in conjunction with the legislative session.

LAPP Resources Inc.

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September 11, 1995

Ms. Annette Kreitzer
Senate Resources Committee
Suite 540
716 West Fourth Avenue
Anchorage, AK 99501-2133

Dear Annette:

Thank you for conducting the last two work sessions on oil and gas statutes, regulations and the permitting process. I have received your FAX dated September 10 and would like to offer the following comment.

Page 2, Item 4 of the BIF/Permitting Report states that the smaller companies do not see much problem with a three-year (instead of five-year) time line on the State's leasing process. I believe that the Alaskan independents are still poorly served by even a three-year time line. We often cannot get the land which we want to explore included in a lease sale. When we find attractive land in a lease sale, we may not be able to secure enough of the play or prospect at any given sale to attract partners to form a larger joint venture.

As an illustration of the above, I enclose a real-world example of the difficulties encountered by my company in trying to get any previously-offered acreage from a specific area offered as an exempt sale or included in an upcoming sale. The earliest our preferred acreage could be included in a scheduled sale is July 1996 - Sale 85), and no guarantees then! What do we do in the meantime for three years???

A much more flexible and attractive leasing program, especially for smaller companies, would be an "over the counter" type leasing program on acreage offered but not awarded in previous sales. Notice the "not awarded" terminology will allow the state to offer even those tracts which received bids at previous sales, but were either not eventually awarded, or were awarded and later surrendered or forfeited.

Outside independents looking at Alaska as a possible exploration destination need to see that acreage is available at a reasonable cost within a reasonable time frame (measured in weeks or months, not years), to seriously consider that Alaska is truly "Open for Business".

Thank you.

Sincerely,



David W. Lappi
President

LAPP Resources Inc.

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May 21, 1993

Division of Oil and Gas
Alaska Department of Natural Resources
3601 "C" Street, 13th Floor
Anchorage, AK 99510-7034

Attn: Mr. James A. Eason - Director
Re: Request for Additional Cook Inlet Lease Sale

Dear Mr. Eason:

LAPP Resources Inc. hereby requests the Department to schedule an additional lease sale as soon as possible in the Cook Inlet Basin within the area identified on the enclosed map. The proposed lease sale could be held pursuant to Alaska Statute 38.05.180 (d) or (w). If possible, the sale could be held in conjunction with Sale 78 in January, 1994. This would allow the State to take advantage of the considerable industry interest developed in the basin by the ARCO/Phillips information releases on their Sunfish discovery.

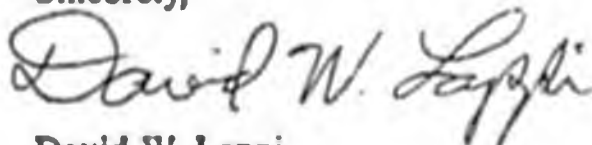
Our fresh evaluation of the Basin over the last year-and-a-half has identified this area as one of high potential and we look forward to exploring it over the coming years. We believe that this area contains significant undiscovered reserves (several hundred million barrels recoverable) that were overlooked during past exploration activities.

As early as the last half of 1993, when the sale for the above area is firmly scheduled, LAPP Resources Inc. and its partners will expend approximately \$300,000 on regional airborne geophysics, satellite studies, and subsurface geological studies to prepare for the sale. These new exploration data will help guide our bid preparation for these new leases and assist in locating economic reserves once we have obtained our acreage.

LAPP Resources realizes that some of this area has been available in Lease Sale 67A in 1991 and Sale 67A-W in 1993. LRI not active in Alaska during the 1991 Sale, and participated as an exercise in the January, 1993 Sale 67A-W, bidding on and winning one lease. We are now prepared to undertake a larger, multi-year exploration program aimed at establishing commercial hydrocarbon production in this area.

I would be pleased to meet with you to confidentially discuss our plans.

Sincerely,



David W. Lappi
President

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPT. OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

P.O. BOX 107034
ANCHORAGE, ALASKA 99510-7034
PHONE: (907) 782-2553

June 17, 1993

David Lappi
LAPP Resources Inc.
4900 Sportsman Drive
Anchorage, Alaska 99502-4169

Re: Nomination of acreage for proposed Sale 78 Cook Inlet

Dear Mr. Lappi:

The division of Oil and Gas appreciates your interest in the state's oil and gas leasing program and thanks you for your nomination. Unfortunately, we are unable to accede to your request for a separate oil and gas lease sale to be held concurrently with proposed Oil and Gas Lease Sale 78 (Cook Inlet), in January of 1994. There is insufficient time remaining before the sale date for this division to complete the necessary research and review and to adhere to the legal requirements. Nor is there enough time to attempt to include the acreage in Sale 78. To attempt to hold a sale concurrent with, or to include this acreage in proposed Sale 78 would mean delaying the sale six to eight weeks.

Under state law, the division must follow certain administrative procedures and adhere to prescribed schedules so as not to invite legal challenges and unneeded delays to our lease sales. As a result of our obligation to follow the law and to abide by regulations, the division's schedule may not always conform to a company's own individual requirements.

Regularly scheduled sales must be included on the state's five-year oil and gas leasing schedule for at least two years before the sale may be held. Sales exempt from this specific requirement, such as under AS 38.05.180(d), still require adequate public review and public notice, as well as a best interest finding under AS 38.05.035 and a coastal zone consistency determination under AS 44.19 (ACMP).

Exempt sales under AS 38.05.180(w) are functionally sales that re-offer lands included in oil and gas lease sales held within the last five years for which a best interest finding has already been issued. Sales under this statute can be exempted from the issuance of a new best interest finding if, after public review, the commissioner determines that no new information has been submitted that would require a revision of the existing best interest finding. This exemption, however, does not relieve the division of its responsibility for proper title review, soliciting substantive public comment and giving adequate public notice. An exempt oil and

gas lease sale of this type would require six to nine months of preparation depending on the information obtained during the comment periods.

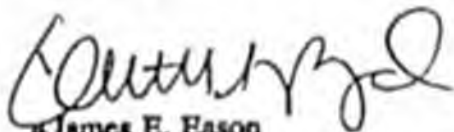
In reviewing your nomination it appears that AS 38.05.180(w) would not be applicable to most of the acreage you have nominated. A large portion of the acreage included in your nomination is currently under lease. Half of the unleased acreage indicated was not offered in either Sales 67A, 67A-W or 76 and therefore would not qualify under this exemption. This acreage would have to be offered under one of the other exemptions under AS 38.05.180(d) which are not exempted from a full public review and the issuance of a new best interest finding and consistency determination under ACMP. This process would require twelve to eighteen months of preparation, depending on the information obtained during the comment periods.

The balance of your nomination was offered in two oil and gas lease sales held just this last January. Acreage from Sale 67A-W was previously offered as recently as January 1991 in Sale 67A. DO&G has offered a total of four oil and gas lease sales within the Cook Inlet Basin in the last 30 months and is actively preparing for another three over the next three years. I believe that this division has done its best in providing industry with ample opportunities to acquire leases on lands within this region.

Because of this division's diminished manpower, adding another Cook Inlet exempt sale would require the deletion of one of the state's currently scheduled sales. Though the division is interested in leasing as much acreage as it can in the Cook Inlet Basin, it is obligated to the public interest and to industry to offer lands in other basins as well. Industry has devoted substantial time and resources to evaluating and preparing for these sales. I feel that it would be unreasonable to forego opportunities to offer acreage in other prospective areas in order to give some companies a third or fourth shot at the same acreage in the Cook Inlet. However the area you have nominated will be considered when the division selects acreage to be included in proposed Oil and Gas Lease Sale 85 (Cook Inlet), scheduled for offering in July 1996.

If you have any questions you may contact our Lease Sales Manager, Jim Hansen, at 762-2588.

Sincerely,



James E. Eason
director