

SCR

20

Alaska State Legislature

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Sponsor Statement

SCR 20

“Relating to support of the State of Alaska’s Oil and Gas Leasing Program.”

*Sponsor: Senator Drue Pearce
Co-Chair Senate Finance Committee*

In 1996 the Legislature created the State’s current Areawide Leasing Program with unanimous support by all 60 legislators and the Governor. The current program has been implemented successfully by the Department of Natural Resources and has provided a cost and labor savings approach to offering lease sales in areas of Alaska already subjected to extensive leasing.

The oil and gas industry operates in a very contentious environment in Alaska. The administration of programs authorized by the Legislature is continually under attack by special interest groups. By passing this resolution, the 20th Alaska State Legislature lends its unwavering support for this practical approach to leasing our State’s oil and gas lands. This resolution further emphasizes the benefits of this program for all Alaskans.

Areawide Leasing

In 1996 the Alaska State Legislature unanimously passed, and Governor Knowles signed, HB 388, finding that annual areawide lease sales are in the best interest of the state.

Areawide lease sales are a cost and labor saving approach to offering lease sales in areas that have already had extensive leasing.

The primary difference between areawide lease sales and past state lease sales is that the legislation extends the life of the Best Interest Finding from 5 to 10 years.

All public processes that have governed past state oil and gas lease are unchanged, i.e., the requirements for notice to the public, the requirement for a Best Interest Finding, the opportunities for public comment, and the requirement that the sale be consistent with the Alaska Coastal Zone Management Program.

The legislation encourages annual sale of unleased lands within the sale area approved in the Best Interest Finding.

The legislation requires that before the state can offer the unleased land for sale each year, the Department of Natural Resources must notify the public of its intent to do so and must issue a request for substantial new information.

The legislation requires that if the DNR Commissioner determines there is substantial new information, a supplement to the Best Interest Finding must be issued 90 days before a sale.

The legislation requires that the public be given opportunity to comment on the supplement.

In the Department of Natural Resource's Five Year Oil & Gas Program submitted to the Legislature in January of 1997, the state is proposing three areawide lease sales, one in Cook Inlet (April, 1999), one in the Beaufort Sea (October, 1999) and one on the North Slope (February, 1999).

AREAWIDE LEASING

To better achieve stability and predictability in the leasing program, and in response to industry's request for more frequent lease sales, the state is implementing areawide leasing on the North Slope, in the Beaufort Sea and in the Cook Inlet region. The first areawide lease sale is scheduled for June 1998 on the North Slope. Then, beginning in 1999, the state intends to conduct annual areawide lease sales in all three regions. Areawide leasing will provide an established time each year that the state will offer for lease all available acreage within a geographical region. By conducting annual areawide sales, companies will be able to fiscally plan and develop their exploration strategies years in advance. The result will be more efficient exploration and earlier development.

Administrative Process

Areawide leasing necessitates changes to DNR's administrative process prior to and following a sale. Previously, industry was asked to nominate areas to include in a lease sale, and DNR sought public comment on the sale areas being proposed for addition to the program. Areawide leasing will include all available acreage within each geographic region, so there will no longer be the need for industry nominations. Nor will there be the need for public comment on a sale area being proposed as long as the configuration of the area does not change in successive years. Should the boundaries of a prescribed geographical area be altered, DNR will seek public comments on the new configuration.

Each geographic region will be divided into tracts that will remain fixed for future sales. The extent of the state's ownership interest in these lands will not be determined prior to the sale. Instead, following the sale DNR will verify title only for acreage that is leased. Therefore, should a potential bidder require title or land status information for a particular tract prior to the sale, it will be the bidder's responsibility to obtain that information from DNR's public records. It is possible that a tract included in the sale may contain land that the state cannot legally lease (existing lease, federal, native or private land, etc.). Once title has been verified, the legal descriptions for each tract's leasable acreage will be made available to the public for inspection prior to issuing the leases. Depending on the number of tracts leased and the complexity of the land holdings involved, it could be weeks to months following the sale before the leases are issued.

Best Interest Finding Process

In 1996, to facilitate areawide leasing, the Alaska State Legislature passed legislation establishing that a best interest finding developed for a lease sale would be in effect for ten years. Previously, a finding had a life of five years. As a result of this legislation, once a finding has been written for an areawide sale, DNR can then conduct a lease sale in that same area each year for up to ten years without having to repeat the entire finding process. Areawide leasing will still provide an opportunity for public comment. Prior to each sale, DNR must solicit any new information that is available, determine if it necessitates such a revision, and then issue either a revised finding or a finding of new no information.

The public notification process for individual sales will be different depending on whether or not an original finding is required.

When an Original Best Interest Finding is Required:

The planning and execution of an oil and gas lease sale that requires a finding is a lengthy process which begins years before a sale is conducted. This process involves the participation of a number of state agencies, with DNR serving as the lead agency. It also involves federal agencies, industry, environmental organizations, local communities and the public.

Aside from statutory requirements, there are important reasons for starting the leasing process far in advance of an actual lease sale. An early start provides the time to conduct analyses of the region prior to each sale. An analysis of the socioeconomic and environmental effects of activity resulting from the sale allows DNR to develop mitigation measures designed to protect the environment, wildlife resources, and subsistence uses. Much of the environmental and socioeconomic information

for each sale is obtained as a result of DNR's requests for comments from federal, state, and local agencies, industry and environmental groups, as well as the public. The balance of this information is obtained by staff research.

DNR believes that public involvement in the leasing process is especially important. Therefore, the department provides several opportunities prior to a scheduled lease sale for the public to comment. A call for comments for general information on the area is issued approximately three years before the sale. About two years prior to the sale DNR requests specific socioeconomic and environmental information. All public and agency comments received by DNR are then used to develop the director's preliminary best interest finding. The preliminary finding describes the proposed sale and its potential impacts, and is normally published approximately nine months before the sale. DNR encourages public comment on the preliminary finding, including the proposed mitigation measures. For each of these comment opportunities and findings display ads or legal notices are placed in statewide and local newspapers. Comments received help develop the final finding and the decision of the director as to whether or not the sale is in state's best interests.

During the public process, DNR staff may attend public meetings or teleconferences in affected communities and meet with local governments and organizations in order to gather information on the proposed lease sale area, and to provide information on the leasing process. During the 60-day comment period following the issuance of the preliminary finding, DNR staff conduct a public hearing in one or more of the affected communities.

Concurrent to writing the best interest finding, DNR analyzes a proposed lease sale for consistency with the Alaska Coastal Management Program (ACMP) and the local coastal management plans. The consistency analysis is issued along with the preliminary finding and the final consistency determination is issued concurrent with the final finding

When an Original Best Interest Finding is Not Required:

Approximately nine months before a sale, DNR issues a call for comments requesting substantial new information that has become available since the most recent finding for that region. Based on information received, DNR determines whether or not it is necessary to revise the finding. Either a revised finding, or a decision of no new information justifying a revision to the best interest finding, is issued 90 days prior to the sale.

Mitigation measures placed on earlier leases will be carried forward to all future sales unless, as a result of new information, DNR deems it necessary to change some of the measures, or add additional ones. A new coastal management consistency review will be done whenever new information or conditions suggest the proposed lease sale may no longer be consistent with ACMP standards.

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**THE ALLIANCE**

... for responsible development of Alaska's Oil, Gas & Mineral Resources

February 3, 1997

Senator Drue Pearce
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Senator Pearce:

One of the most important issues facing Alaska's oil & gas industry, and thus the economy, is the state's new Areawide Leasing Program. It would appear that the Legislature agrees, having passed the law creating the program. In fact, the vote says it all. In 1996, every single one of Alaska's elected officials ... democrat, independent and republican ... passed HB388. As a trade organization consisting of over 300 businesses that supply products and services to oil and gas companies and activities, The Alliance was extremely pleased to see the law pass in such a unified manner.

Unfortunately, there are those that are choosing to ignore our state leader's unanimous passage of areawide leasing. The opposition claims that they did not have sufficient time to express their opinions on the legislation. Given the two-year time period during which the bill was considered and modified, The Alliance believes there was in fact ample time to provide comment at numerous stages. For this reason, The Alliance asks that the legislature reiterate support for areawide leasing through a resolution. This reiteration will assist The Alliance in efforts to accurately portray the program and the benefits to be reaped by all Alaskans.

Smart global economics... efficiency in government... business and job opportunities ... additional royalty revenue for our Permanent Fund. Areawide leasing simply makes good sense for Alaska.

Sincerely,

Karen Cowart
General Manager

Atch: Alliance Resolution #98-02