

HB

129

<TARGET><BILL>HB 129</BILL><SUBJECT>HB
129</SUBJECT><COMM>HFIN28</COMM></TARGET>

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 18, 2013

FURTHER REFERRALS:

Date of Committee Action: 4/7/13

The FINANCE Committee considered:

HB 129

HOUSE BILL NO. 129

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

HB 129 OIL & GAS EXPLORATION/DEVELOPMENT AREAS

Recommends it be replaced with HCS or CS for HB 129 (FIN)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFG
 GOV
 DHS
 LWF
 LAW
 LEG
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW FISCAL NOTES</u>				
*FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	DNR	✓		

<u>PREVIOUS FISCAL NOTES</u>				
FN#	List by Dept(s):	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Kammann				X
	Holmes	X			
	Muñoz	✓			
	Neumann			✓	
	Thompson	✓			
	J. Wilson	✓			
	Garza				
	Castello	✓			
Chair:	Storte			X	
Chair:	Heusterman			X	

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HB 129
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB129-DNR-DOG-3-25-13
Title: OIL & GAS EXPLORATION/DEVELOPMENT
AREAS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Finance Committee

Department: Department of Natural Resources
Appropriation: Oil & Gas
Allocation: Oil & Gas
OMB Component Number: 439

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES								
Personal Services	80.0							
Travel	3.0							
Services	48.8							
Commodities	2.2							
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	134.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1004 Gen Fund	134.0							
Total	134.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary	1.0							

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 06/30/14

Why this fiscal note differs from previous version:

While the bill does not require regulations, after discussion and review in the House/Senate Resources Committees, the Department determined that regulations would be a useful tool in managing the decision-making process.

Prepared By: <u>William C. Barron</u>	Phone: <u>(907)269-8800</u>
Division: <u>Oil and Gas</u>	Date: <u>03/25/2013 11:00 AM</u>
Approved By: <u>Daniel S. Sullivan, Commissioner</u>	Date: <u>03/25/13</u>
<u>Department of Natural Resources</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HB 129

Analysis

This bill will allow the Department of Natural Resources to approve oil and gas exploration and development for a geographic area, without regard to individual lease boundaries.

To implement this bill would require one non-permanent position (Natural Resource Specialist III) to draft regulations and prepare exploration approvals for existing oil and gas lease sale areas. Contractual services would be for legal support, public outreach and notice, and travel for public meetings. On-going exploration and development approvals would be accomplished using existing staff as a result of efficiencies gained through implementing this bill.

The department plans to adopt regulations to facilitate implementation of this statute by June 30, 2014.

*Adopted
4/7/13*

28-GH1970\U
Bullock
4/5/13

CS FOR HOUSE BILL NO. 129(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

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

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 **LEGISLATIVE FINDINGS.** The legislature finds that

7 (1) in 2001, the legislature amended AS 38.05.035(e) to clarify that the
8 Department of Natural Resources is only required to issue a single written best interest
9 finding before approving contracts for the sale, lease, or other disposal of available land,
10 resources, property, or interests in them;

11 (2) on March 29, 2013, the Alaska Supreme Court issued an opinion in
12 Sullivan v. Resisting Environmental Destruction on Indigenous Lands, Supreme Court Case
13 No. S-14216, Opinion No. 6769 (March 29, 2013), that correctly and properly recognized that
14 art. VIII, sec. 2, Constitution of the State of Alaska, gives the legislature the "responsibility

1 and discretion to create procedures to meet the policy outlined in article VIII, section 1 to
2 develop Alaska's resources 'for the maximum benefit of [the State's] people,'" and that it is
3 "not the court's place to provide instruction on how the State should determine what action
4 would be for the maximum benefit of the Alaskan people";

5 (3) while the decision of the Alaska Supreme Court acknowledged the
6 legislature's authority to limit best interest findings to the disposal phase, the Alaska Supreme
7 Court also held that the Department of Natural Resources had a constitutional duty to
8 "continue to analyze and consider all factors material and relevant to what is in the public
9 interest after the lease sale phase, including the cumulative impacts of the project, and to
10 provide the public with timely and meaningful notice of its cumulative impacts assessment in
11 order to ensure the constitutional principle of maximum use consistent with the public
12 interest";

13 (4) the decision of the Alaska Supreme Court noted that this constitutional
14 duty would be met by taking a "continuing hard look at new information and changing
15 circumstances" as projects proceed through phases subsequent to the lease disposal phase;

16 (5) the Department of Natural Resources has carefully considered and
17 continues carefully to consider approvals of oil and gas exploration and development and
18 conducts an extensive analysis for each approval;

19 (6) the legislature instructed the Department of Natural Resources regarding
20 how it should determine what action would be for the maximum benefit of the people of
21 Alaska by enacting AS 38.05.180(a);

22 (7) the Department of Natural Resources already has taken and continues to
23 take a "continuing hard look at new information and changing circumstances" by gathering
24 information each year under AS 38.05.035(e)(6)(F) and by calling for comments from the
25 public to determine whether there is substantial new information that justifies a supplement to
26 the best interest finding for the most recent areawide lease sale;

27 (8) in addition to those efforts by the Department of Natural Resources, the
28 processes for issuing numerous other state, federal, and local permits and authorizations, some
29 of which are described in ch. 101, SLA 2001, provide the public with timely and meaningful
30 notice of information related to the effects of leasing, exploration, development, and
31 transportation;

1 (9) under AS 38.05.020(b)(1), the commissioner of natural resources is
2 expressly granted the ability to adopt regulations that are consistent with AS 38.05.180(a) and
3 provide procedures necessary to meet the constitutional duty created by the decision of the
4 Alaska Supreme Court for taking an ongoing hard look at new information and changing
5 circumstances when evaluating subsequent phases of an oil and gas project.

6 * **Sec. 2.** AS 38.05.035 is amended by adding a new subsection to read:

7 (o) The director may approve exploration or development for all or part of an
8 area previously approved for oil and gas or gas only leasing under (e) of this section.
9 An approval applies to exploration or development commencing during a period for
10 up to 10 years, as specified by the director in the approval. When authorizing
11 exploration or development under this subsection, the department will provide public
12 notice and the opportunity to comment using the methods described in
13 AS 38.05.945(b) and (c). The approval authorizes a lessee to begin exploration or
14 development during the period specified in the approval, subject to the lessee
15 receiving other authorizations required from the department or other state, local, or
16 federal agencies. Once a lessee begins exploration or development on a lease or group
17 of leases, the approval for exploration under this subsection or the approval for
18 development under this subsection remains valid for the term of the lease. This
19 subsection does not relieve lessees of any statutory, regulatory, or lease obligations,
20 including any obligations to submit for approval plans of operations, of exploration, or
21 of development.

22 * **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

2013 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 4/7/13

Gara

Amendment: amend fiscal note

to zero out

MEMBER	Favor	Oppose
REP. MUNOZ		✓
REP. NEUMAN		✓
REP. THOMPSON		✓
REP. WILSON		✓
REP. COSTELLO		✓
REP. EDGMON		
REP. GARA	✓	
^{Kawasaki} REP. GUTTENBERG	✓	
REP. HOLMES		✓
REP. STOLTZE		✓
REP. AUSTERMAN		✓

YEA 2 2

NAY 8 8

CSHB129\U: OIL & GAS EXPLORATION/DEVELOPMENT AREAS

SUMMARY OF CHANGES

FOR THE HOUSE FINANCE COMMITTEE • APRIL 7, 2013

This document summarizes the changes between HB 129 (28-GH1970\A) and CS HB129(FIN) Work Draft (28-GH1970\U).

Section 1 in Version U is a new section that amends the uncodified law of Alaska by adding Legislative Findings in response to the Sullivan v. REDOIL decision issued on March 29, 2013. This section sets forth the procedural history regarding a dispute over whether the Alaska Constitution (Art. 8, sec. 2) requires a Best Interest Finding at each oil and gas phase (leasing, exploration, production, and transportation).

Section 1 clarifies and reaffirms that the Legislature expressly grants the Department of Natural Resources (DNR) the ability to create, by regulation, procedures necessary to meet the constitutional duty created by the Alaska Supreme Court to take a “continuing hard look at new information and changing circumstances” in subsequent phases of an oil and gas project.

With the insertion of this section, all the following sections were renumbered accordingly.

Section 2 of Version U makes a few edits to existing language in Section 1 of Version A.

References below are to Version A, unless otherwise indicated:

- Page 1, line 7 – deleted the words “without regard to individual lease boundaries” as the language was deemed superfluous because this bill seeks to implement *areawide* exploration and development – not specific to an individual lease. Furthermore, any geographical area approval would conform to lease sale area tract boundaries, and would not, for example, bisect an existing lease whereby only one half of the lease would fall within a geographical area approval.
- Page 1, lines 7-9 – revised the sentence beginning “An approval under this subsection...” based on recommendation by Legislative Legal that the intent needed to be clarified and is revised to “an approval applies to exploration or development commencing during a period for up to 10 years” in Version U (page 3, lines 9-10).
- Page 1, lines 13-14 – modified “specified period” in Version A to “period specified under the approval” in Version U (page 3, line 14) and Version U adds “local” (page

3, line 15) to the list of agencies that may have authorizations required for exploration or development.

- Page 2, line 1 – added “or group of leases” following the word “lease” (page 3, line 16-17 in Version U) as a lessee may perform exploration or development activities on more than one lease within the geographical area approval.
- Page 2, lines 5-7 – deleted the sentence as “area” is already defined in the first sentence of the Section as “...an area previously approved for oil and gas or gas only leasing under (e) of this section” (page 1, lines 5-6).

Building and Preserving Alaska's Future

Regulatory Program Update

Dave Casey

Supervisor, Kenai and Juneau Field Offices

Regulatory Division – Alaska District

U.S. Army Corps of Engineers

February 28, 2013

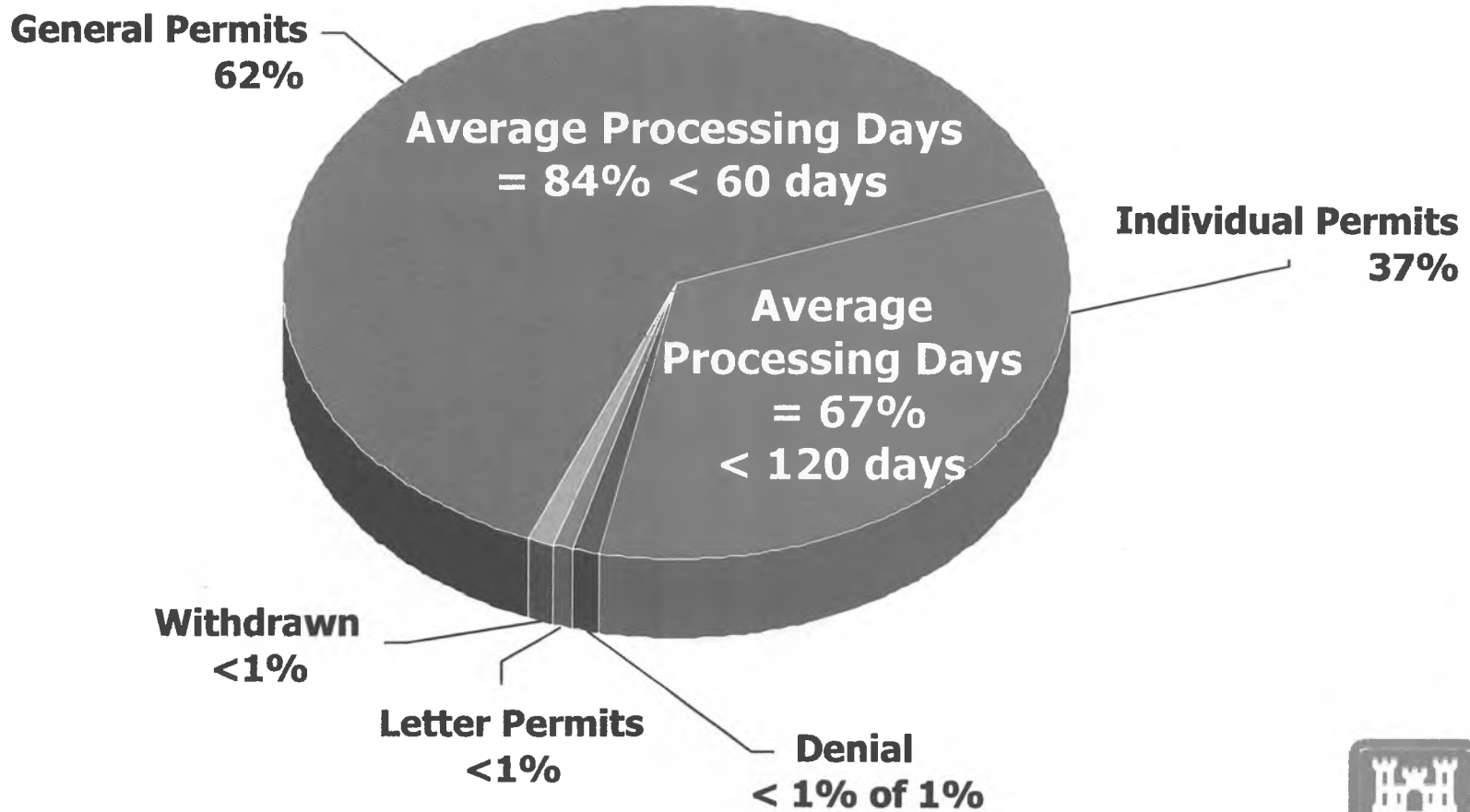


US Army Corps of Engineers
BUILDING STRONG®

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PERMIT ACTIONS FY12

1,100 Decisions



Distributed by Rep. Gaa

HB 129: OIL & GAS EXPLORATION AND DEVELOPMENT APPROVAL BY GEOGRAPHICAL AREA

House Finance Committee

March 26, 2013

Department of Natural Resources

- Dan Sullivan, Commissioner
- Wendy Woolf, DO&G



Areawide Oil and Gas Lease Sales

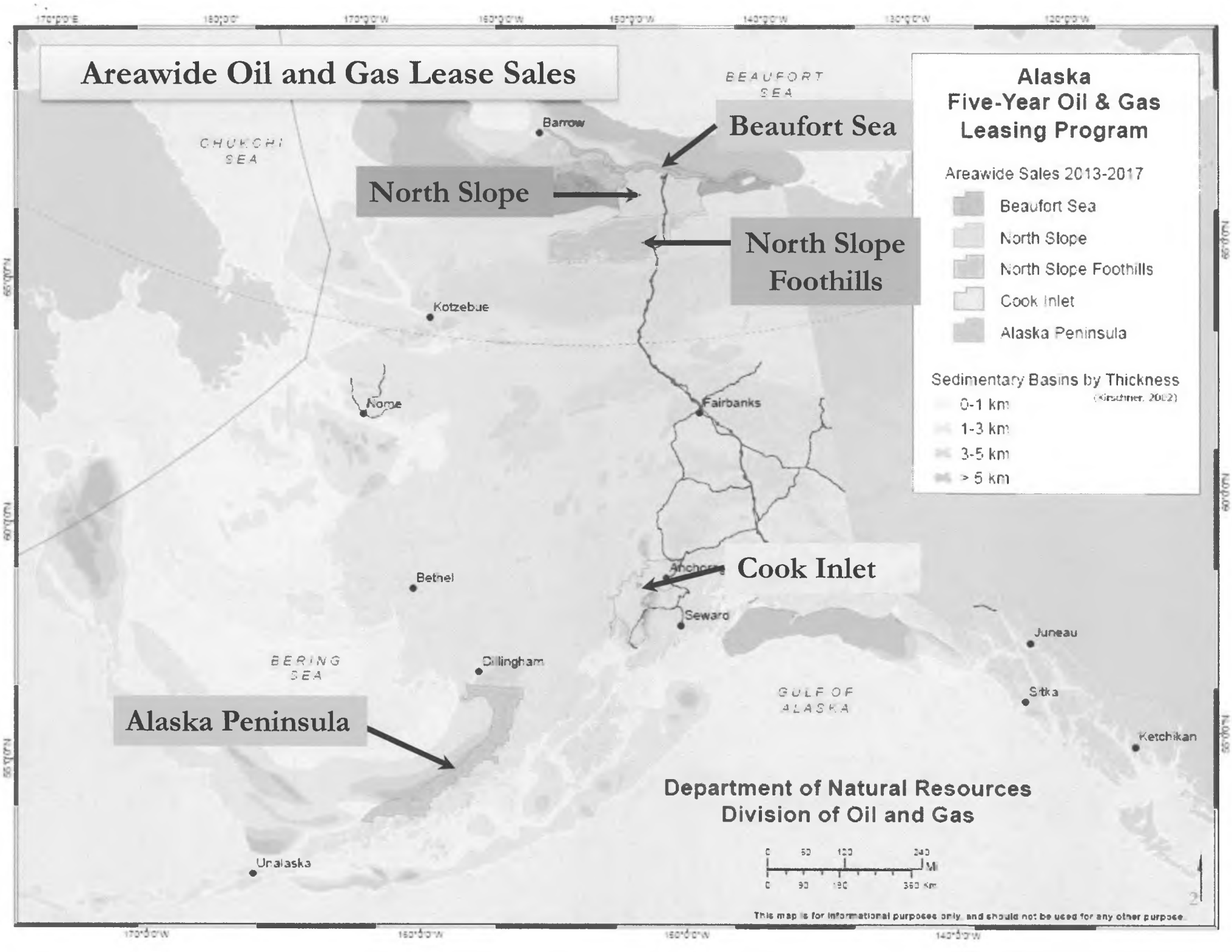
Alaska Five-Year Oil & Gas Leasing Program

Areawide Sales 2013-2017

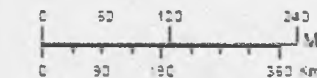
- Beaufort Sea
- North Slope
- North Slope Foothills
- Cook Inlet
- Alaska Peninsula

Sedimentary Basins by Thickness
(Girschner, 2002)

- 0-1 km
- 1-3 km
- 3-5 km
- > 5 km



Department of Natural Resources
Division of Oil and Gas



This map is for informational purposes only, and should not be used for any other purpose.

HB 129– “An Act relating to approval for oil and gas or gas only exploration and development in a geographical area; and providing for an effective date.”



What does HB 129 do?

- It clarifies the Department of Natural Resources can authorize oil and gas exploration and development activities within a geographical area.
- It preserves public notice and review at the beginning of an exploration or development phase.
- It ensures certainty when an approval has been granted for exploration or development activities.

How does this benefit the public?

- It allows the public to comprehensively evaluate oil and gas activities within a geographical area.
- It provides an opportunity for input at the beginning of an exploration or development phase.
- It safeguards environmental concerns through special stipulations and conditions.

How does this benefit industry?

- It allows a project to be planned within approved parameters and conditions.
- It provides certainty that plans of operations meeting those defined criteria can proceed.
- It ensures predictable project approvals for subsequent exploration or development activity.

Oil and Gas Lease Sale Process

- **Proposed Areawide Oil and Gas Lease Sale**
 - Public Notice and Opportunity to Comment
 - Evaluate Statutory Criteria
 - Develop Mitigation Measures
- **Final Finding of the Director to Lease Oil and Gas**
 - **Exploration Phase**
 - Public Notice and Opportunity to Comment
 - **Development Phase**
 - Public Notice and Opportunity to Comment
 - **Transportation (Pipelines)**
 - Public Notice and Opportunity to Comment

Life of an Oil and Gas Lease

Year 0

- Final Finding of the Director – Areawide Oil and Gas Lease Sale
- Lease Issued (10-Year Term)

Lessee develops exploration plans

Year 3

- Lease Plan of Operations – Seismic Program (multiple leases)
- Public Notice and Comment Period

Year 5

- Lease Plan of Operations – Exploration Well
- Public Notice and Comment Period

Year 6

- Lease Plan of Operations – Exploration Well
- Public Notice and Comment Period

Discovery – Lessee formulates development plan

Year 7

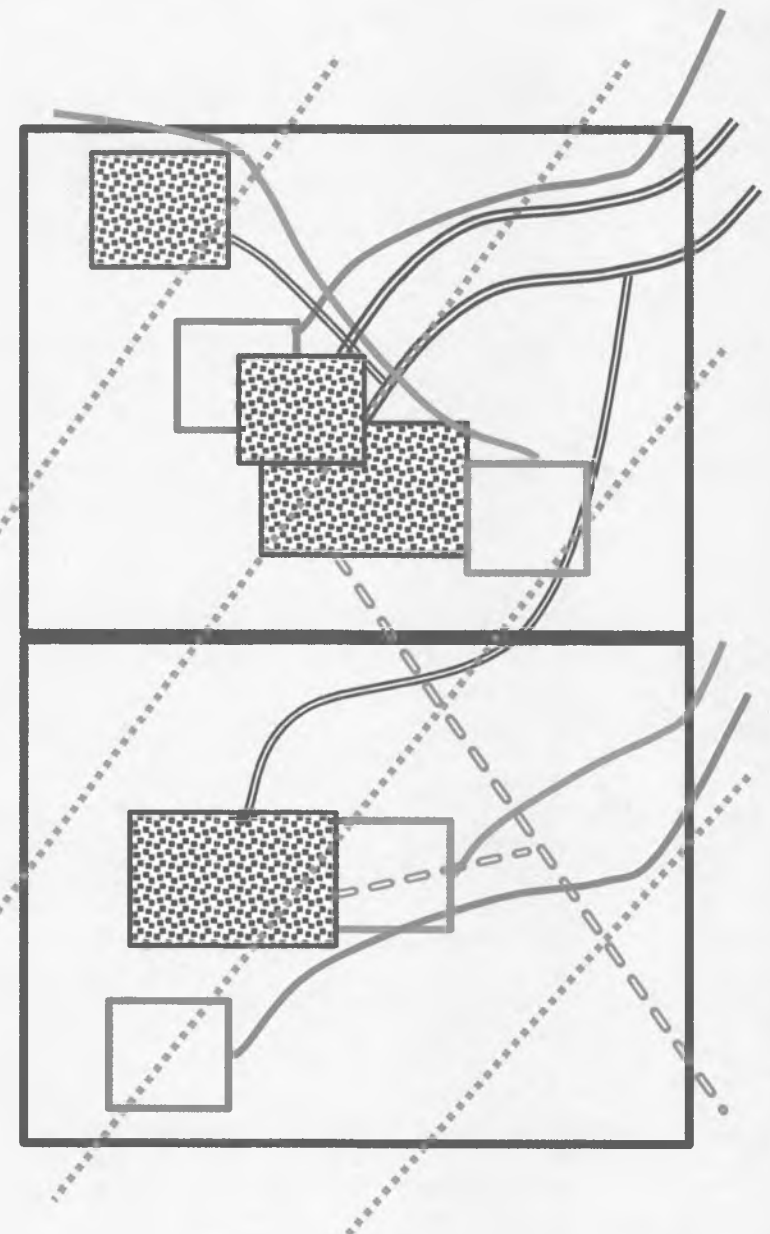
- Lease Plan of Development – Conceptual Development Plan

Year 8





- Lease Plan of Operations – Initial Development Plans
- Public Notice and Comment Period
- Lease Plan of Operations – Modified Development Plans
- Public Notice and Comment Period
- Pipeline Application (AS 38.05.850 or AS 38.35)
- Public Notice and Comment Period

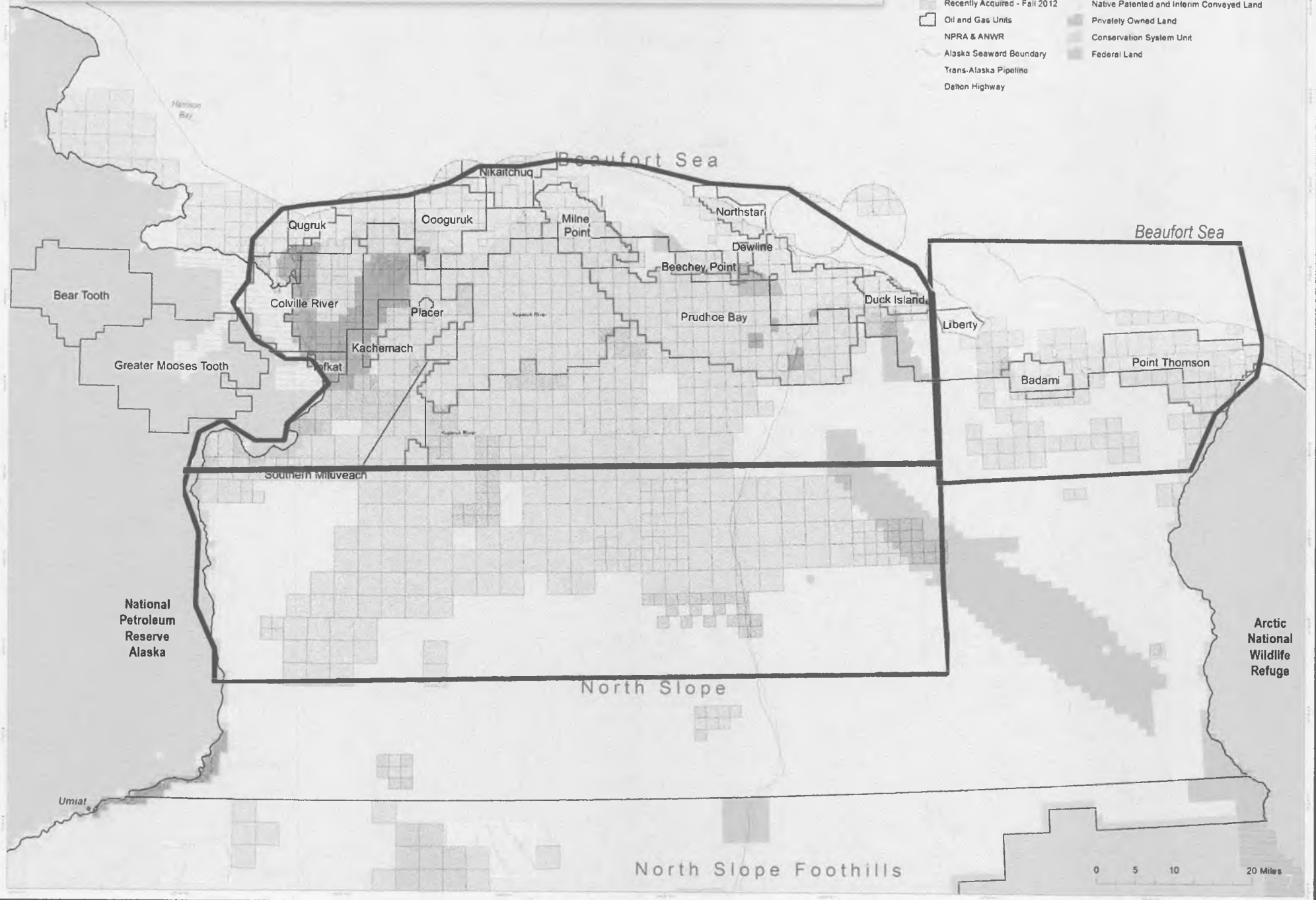
Year 10

- Production
- Lease Plan of Operations – Additional Development Plans
- Public Notice and Comment Period



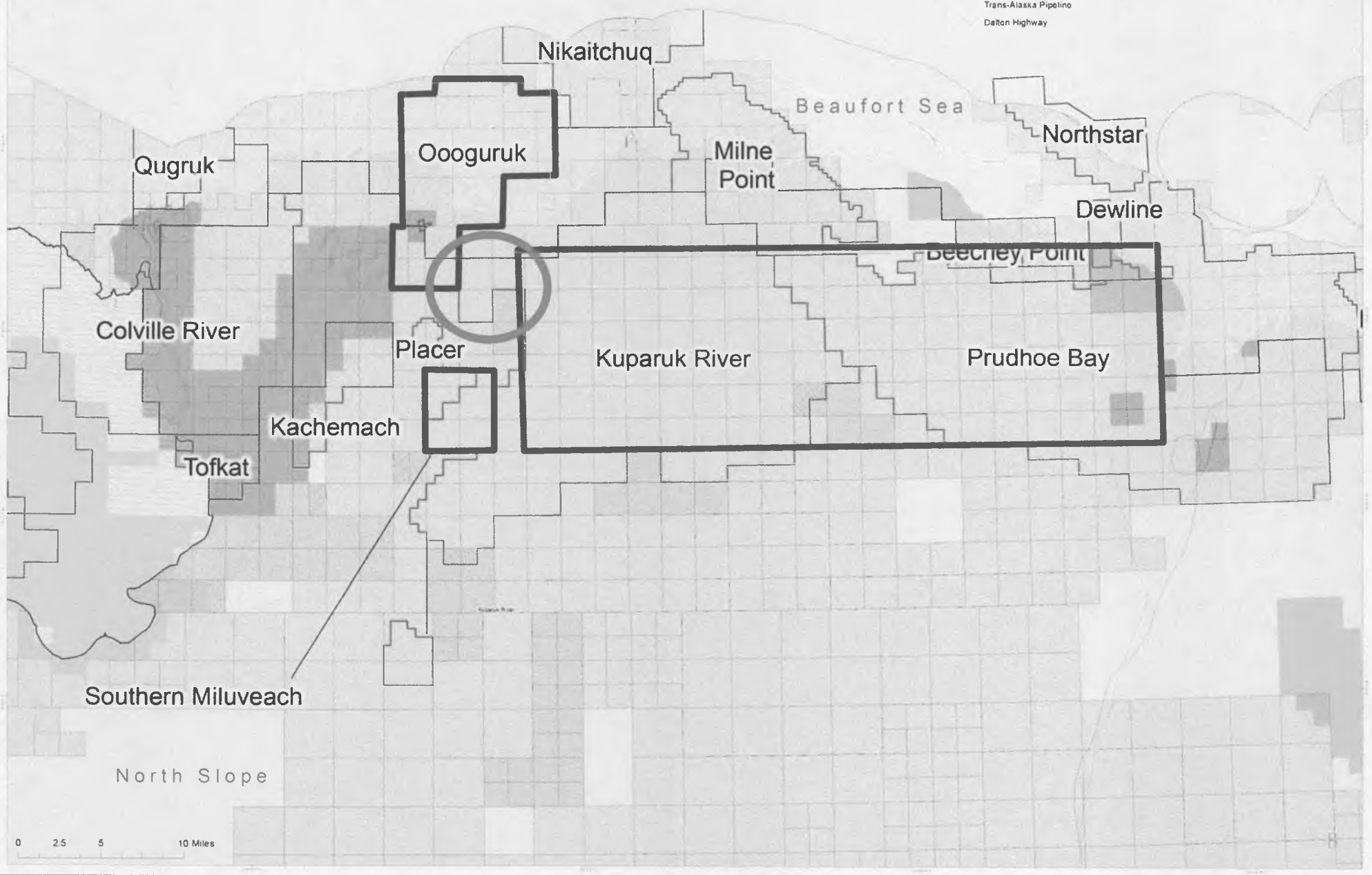
Example Geographical Areas for Exploration Activities

- | | |
|---|--|
|  Sale Area Boundary |  State Owned Land |
|  Active Leases |  State and Native Owned Land |
|  Recently Acquired - Fall 2012 |  Native Patented and Inform Conveyed Land |
|  Oil and Gas Units |  Privately Owned Land |
|  NPRA & ANWR |  Conservation System Unit |
|  Alaska Seaward Boundary |  Federal Land |
|  Trans-Alaska Pipeline | |
|  Dalton Highway | |

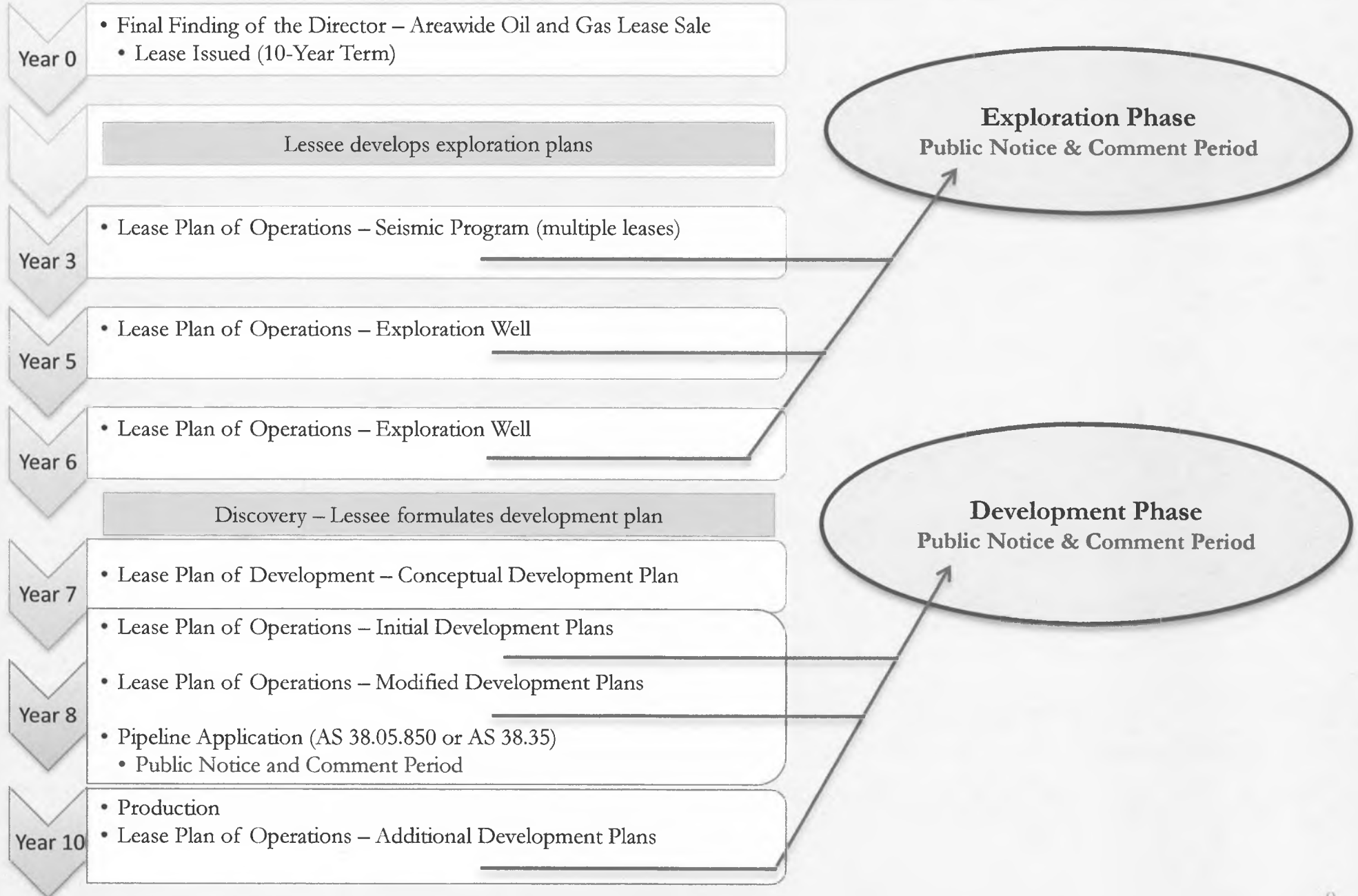


Example Geographical Areas for Development Activities

- Sale Area Boundary
- Active Leases
- Recently Acquired - Fall 2012
- Oil and Gas Units
- NPRA & ANWR
- Alaska Seaward Boundary
- Trans-Alaska Pipeline
- Dalton Highway
- State Owned Land
- State and Native Owned Land
- Native Patented and Interim Conveyed Land
- Privately Owned Land
- Conservation System Unit
- Federal Land

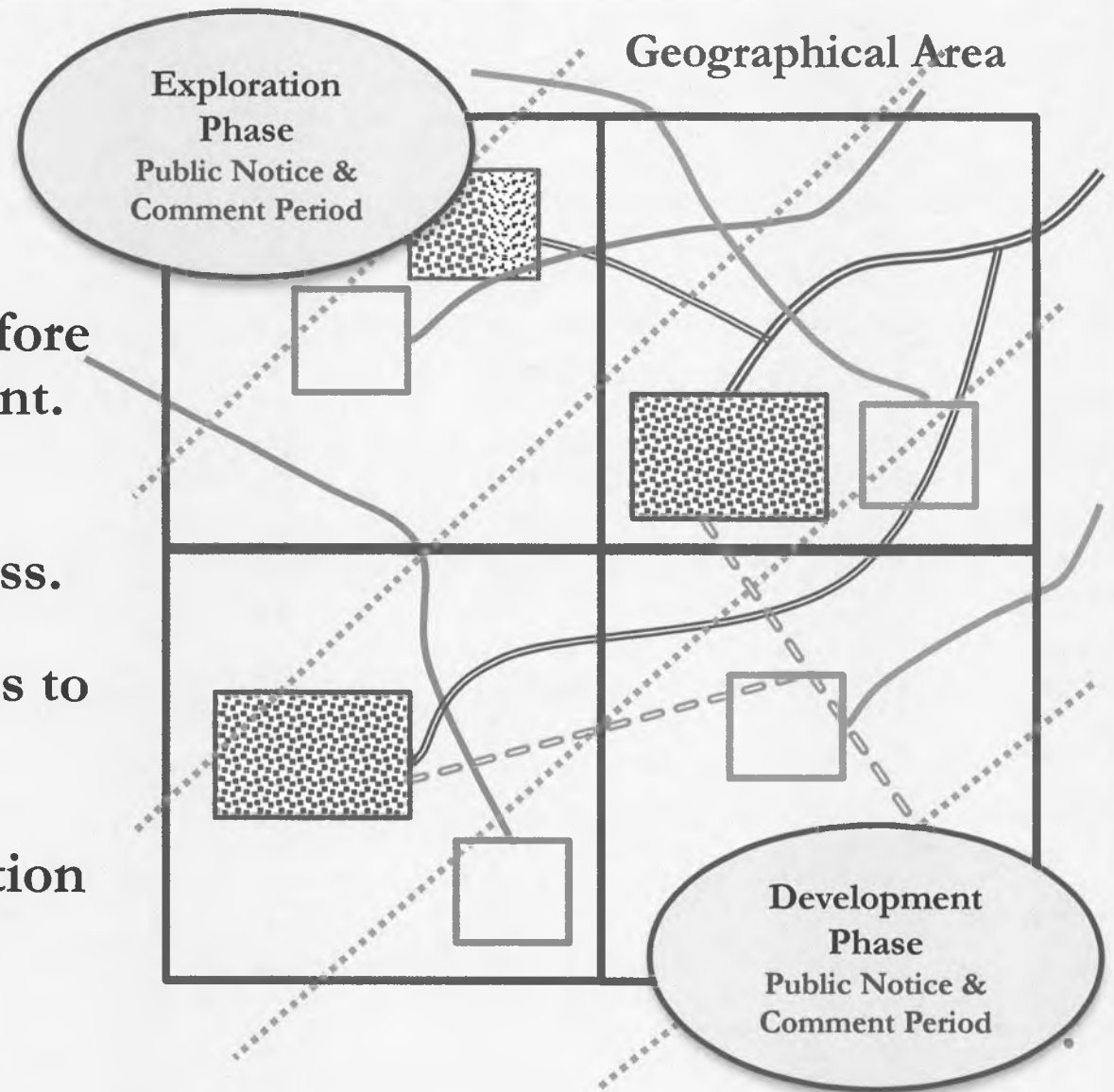


Life of an Oil and Gas Lease under HB 129



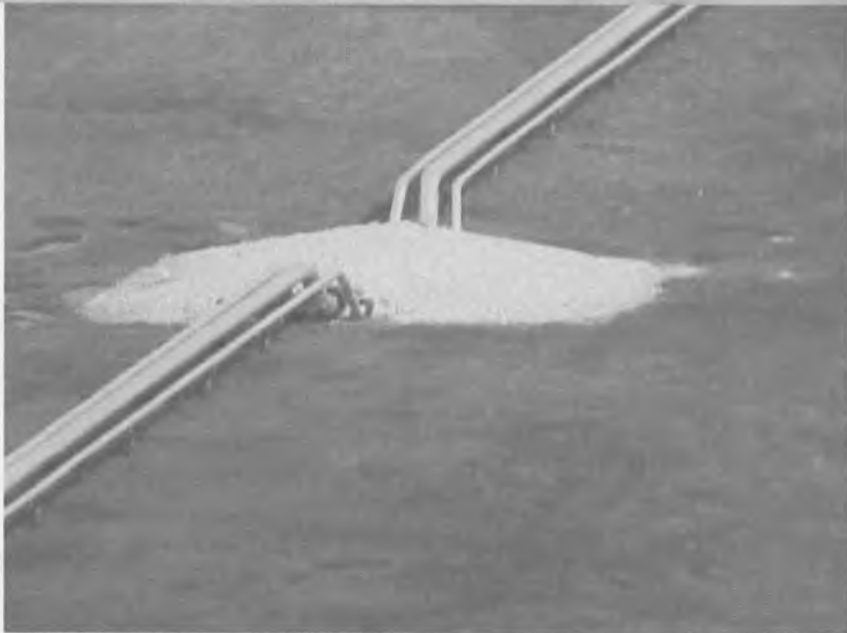
Results

- HB 129 provides for a comprehensive review before exploration or development.
- HB 129 preserves public participation in the process.
- HB 129 allows stipulations to be approved before a company develops site specific plans for exploration or development activities.





Questions?





THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Natural Resources

Office of the Commissioner
550 West 7th Avenue, Suite 1400
Anchorage, Alaska, 99501-3650
Phone: 907.269.8431
Fax: 907.269.8918

March 29, 2013

The Honorable Bill Stoltze, Co-Chair
The Honorable Alan Austerman, Co-Chair
House Finance Committee
State Capitol Room 505
Juneau, AK 99801

Dear Representatives Stoltze and Austerman:

I wanted to thank you for inviting the Department of Natural Resources to testify before the House Finance Committee on March 26, 2013 on HB129, Oil and Gas Exploration/Development Areas. This correspondence allows me to reiterate a few of the points from the testimony and to answer your question about how geographical areas would be determined. I understand the bill will be before the committee next Monday, and we will be available to answer other questions.

The Division of Oil and Gas manages its oil and gas leasing program through areawide lease sales conducted each year. The decision to lease is made in a "Best Interest Finding" issued after an extensive public process and evaluation of criteria under AS 38.05.035(g).

HB129 will simply allow "geographical areas" to be reviewed holistically through a public process prior to beginning an exploration or development phase of an oil and gas project. HB129 also specifies that the Division will conduct public notice under AS 38.05.945(b) and (c).

Reviewing exploration or development activities across geographical areas is a discretionary tool that will add efficiency to the process for approving subsequent plans of operations. The process outlined in this bill is optional, not mandatory, pursuant to the bill language. Further, the process outlined in the bill does not change the existing regulatory obligation for the Division to approve lease or unit specific operations for individual projects. After an area has been approved for exploration or development, it provides certainty to the public and industry that future activities will be conducted within those approved parameters.


The bill language contemplates that an area of approval (or "geographical area" as referenced in the bill title) could include all or part of an oil and gas lease sale area previously approved for leasing under AS 38.05.035(e). Geographical areas will be defined based on the amount of oil and gas development in a given area and anticipated exploration and development activity. The reason that geographical areas are not further defined in this bill is to maintain flexibility as circumstances change. Whether to assess exploration for an area as broad as an areawide lease sale area, or a

narrower subset of a lease sale area, will largely depend on the degree of existing oil and gas development in the area as well as residential settlement. Because levels of oil and gas development will change over time, it is important to maintain flexibility to adjust geographical areas when considering exploration or development.

When preparing a public notice for evaluating exploration in a geographical area, the Division would define the areal extent, describe the types of exploration activities, and propose special conditions and parameters for exploration activities within the defined area. The public would have an opportunity to evaluate exploration activities, as well as the size of the overall area under consideration. For development, the geographical area will likely be much smaller, such as an oil and gas unit. But to limit the development areas to only oil and gas units would limit our ability to consider joint development across multiple leases that have not been unitized, or to combine developed areas of existing units into one development phase approval. If HB129 passes, we will adopt regulations to implement this statute. The public will have an opportunity to provide input during the regulation adoption process.

I want to thank the Committee members for their time and look forward to responding to specific questions that the Committee may have during its evaluation of HB129. Please let me know if you require more information, we are happy to provide it.

Sincerely,



Joe Balash
Deputy Commissioner

Cc: Daniel Sullivan, Commissioner Department of Natural Resources
Bill Barron, Director, Division of Oil and Gas, Department of Natural Resources
Representative Neuman, Vice Chair
Representative Costello
Representative Edgmon
Representative Holmes
Representative Munoz
Representative Thompson
Representative T. Wilson
Representative Gara
Representative Guttenberg
Representative Kawasaki, Alternate
Representative Hawker, Alternate

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Governor Sean Parnell
STATE OF ALASKA

February 18, 2013

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to approval for oil and gas or gas only exploration and development in a geographical area. This bill will reduce the time required to get oil into production and flowing through TAPS, while protecting Alaska's environment.

Under current procedures, the Department of Natural Resources (DNR) grants lease exploration and development approval in conjunction with individual plans of operation for a lease or project. As such, a separate public notice is required for each approval, often resulting in repetitive approvals within the same geographical area. In order to streamline the State's permitting process, this bill allows DNR to comprehensively evaluate oil and gas exploration and development in a geographical area, and define the criteria by which specific projects are evaluated and approved. Approvals made under the provisions of this bill are valid for up to ten years as specified by DNR's Director of the Division of Lands.

Creating economic opportunity in Alaska requires a clear, predictable, and timely permitting process that encourages resource development while protecting the environment. I urge your prompt and favorable action on this measure to create a streamlined permitting process in the interests of increasing oil throughput and growing Alaska's economy.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell".

Sean Parnell
Governor

Enclosure

HB129: OIL & GAS EXPLORATION/DEVELOPMENT AREAS

BRIEFING PAPER

FOR THE HOUSE FINANCE COMMITTEE • MARCH 19, 2013

HB129 will consolidate the Department of Natural Resources' exploration and development approvals, while still protecting the environment and providing for public participation. The right to explore and develop oil and gas is granted through a lease that has been through an extensive public disposal process. A lease is subject to mitigation measures, multiple agency permits, and plans of operations approval. Exploration and development approvals are made in conjunction with individual plans of operations for a lease or project and include a separate public notice for each approval. Many approvals are repetitive, subject to the same mitigation measures, and within the same geographical area.

HB129 will allow the department to comprehensively evaluate oil and gas exploration and development in a geographical area, without regard to lease boundaries, and define the criteria by which specific projects are evaluated and approved. The initial comprehensive review of a geographical area gives the public, government agencies and industry an opportunity to participate and identify exploration and development considerations for all subsequent projects. Projects may then move forward within the defined parameters and subject to the lease mitigation measures without additional public review following the geographical area approval process, saving time and resources for both the state and lessee when approving subsequent plans of operations.

Approvals covering a broader area would both create efficiencies in the exploration and development review process and provide for the department to look at the overall effects of exploration and development across multiple leases. This bill will still protect the public interest by requiring public notice and an opportunity to comment under AS 38.05.945. Further, it provides certainty to the oil and gas industry that exploration and development projects may proceed within defined parameters.

This bill will:

- Create efficiencies by streamlining the oil and gas exploration and development approval processes;
- Protect the public interests by requiring public notice and the opportunity to comment during the approval process for a geographical area;
- Enable a review of the effects of exploration and development across multiple leases;
- Allow exploration or development approvals to be consolidated into a comprehensive decision at the beginning of the process; and,
- Provide certainty to oil and gas operators, industry and the public when approval is granted.

HB 129: OIL AND GAS EXPLORATION/DEVELOPMENT AREAS

SECTIONAL ANALYSIS

FOR THE HOUSE FINANCE COMMITTEE • MARCH 19, 2013

Section 1 of HB129 adds a new subsection (o) to AS 38.05.035 that allows the director to approve exploration or development for all or part of an area previously approved for oil and gas or gas only leasing under best interest findings as required under AS 38.05.035(e).

This section preserves the right for the public to comment by requiring the Department of Natural Resources to provide public notice.

If the approval is granted, exploration and development activities would be valid for a period of up to 10 years as specified by the director and the lessee can begin exploration or development only after it receives other authorizations as required by state or federal law. After exploration or development has begun on a lease, the approval for exploration or development under this subsection remains valid for the term of the lease.

This approval process would apply only to lands DNR previously described as areawide lease sales in its five-year program of proposed oil and gas or gas only lease sales.

Section 2 of HB129 establishes an immediate effective date.



4 March 13

ELECTRONIC TRANSMISSION

Commissioner Daniel Sullivan
Alaska Department of Natural Resources
550 West 7th Avenue; Suite 1400
Anchorage, AK 99501-3554

Dear Commissioner Sullivan:

Linc Energy Operations, Inc. (Linc) is actively working to progress its oil and gas development projects in the Cook Inlet and on the North Slope. For this reason, Linc supports the Parnell Administration's efforts to improve the permitting process while at the same time, maintaining the state's high environmental standards. A more efficient permitting process will play a critical role in lowering costs, attracting investment and, ultimately, increasing oil and gas production in the Cook Inlet and on the North Slope.

Currently, projects are often delayed while waiting to receive authorizations from DNR on their Plans of Operations, Exploration or Development. Linc was pleased to see that the Parnell Administration introduced SB 59, which will improve the DNR permitting process by consolidating DNR's exploration and development approvals. Our assessment of the bill is that SB 59's changes will likely reduce the permitting process timeline by months; and, over the life of a project, this could help move projects more quickly from exploration and into development and production. In the end, this type of efficient and well organized approach benefits all Alaskans, as more production will be brought on line without reducing environmental standards or saddling projects with unnecessary and costly delays.

Linc appreciates your willingness to identify ways to improve the permitting process and believes SB 59's changes could have a material impact on Linc's ability to timely develop its Alaska assets.

Sincerely,

A handwritten signature in cursive script, appearing to read "Corri A. Feige".

Corri A. Feige
General Manager – Alaska

Cc:/ Deputy Commissioner Joe Balash, ADN

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North Slope Borough

OFFICE OF THE MAYOR

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Charlotte E. Brower, Mayor

March 15, 2013

The Honorable Sean Parnell
Governor of Alaska
State Capitol Building
Juneau, Alaska

Subject: Senate Bill 59, Approvals for Oil and Gas Exploration in a Geographic Area

Dear Governor Parnell:

On behalf of the North Slope Borough, thank you for this opportunity to offer some comments in regards to Senate Bill 59, an Act relating to approval for oil and gas or gas only exploration and development in a geographical area.

Since petroleum was first discovered on the North Slope and the formation of the North Slope Borough, there has been an ongoing effort to work with the State of Alaska towards responsible development. Both the State of Alaska and the North Slope Borough have benefited tremendously from this development. And we have both sought to varying degrees to protect the land and subsistence resources from any potential negative impacts resulting from this development.

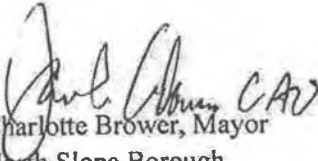
Senate Bill 59 will consolidate the Department of Natural Resources' (DNR) exploration and development approvals. The right to explore and develop oil and gas is granted through a lease that has been through the public disposal process. An initial comprehensive review of a geographical area provides an opportunity for participation by the public, government agencies, and industry.

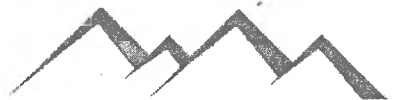
When DNR authorizes exploration or development phases of oil and gas projects in a geographic area without regard to individual lease boundaries, public notice and the opportunity to comment will be required under AS 38.05.945. There is a question whether DNR approvals for a plan of operations that provide comprehensive details on the entire project and its effects are subject to public notice and comment.

Currently SB59 is being considered in the Legislature, and it is our desire to work cooperatively with your administration toward your goal of creating economic opportunity through a permitting process that helps to continue responsible development. We would respectfully request consideration for moving this

legislation forward in order to achieve its goal, but to also insure that adequate opportunities are left in place for notice and opportunity to comment by communities located near projects that are developed.

Sincerely,


Charlotte Brower, Mayor
North Slope Borough



Brooks Range Petroleum

March 1, 2013

Commissioner Dan Sullivan
Department of Natural Resources
550 W. 7th Ave, Suite 1260
Anchorage, AK 99501-3557

Dear Commissioner Sullivan:

Brooks Range Petroleum Company (BRPC) is a strong supporter of the Parnell Administration's efforts to streamline and improve the permitting process while maintaining high environmental standards. Permitting reform is, after all, critical to turn around the TAPS throughput decline. Indeed, a permitting process with unnecessary layers that do nothing to safeguard the environment only undermines the ability of companies to move projects forward in a timely and cost effective manner.

BRPC believes SB 59 provides a substantial improvement to the DNR permitting process. The current permitting process around Plans of Operation, Exploration, and Development is inefficient and cumbersome. SB 59 will remedy these shortcomings because it will consolidate the Department of Natural Resources' exploration and development approvals and streamline its approval process, while still protecting the environment and providing for public participation. SB 59's changes will reduce the permitting process by months, which is especially critical because exploration companies only have a few short months to operate during the North Slope exploration season.

Thank you again for your leadership on this issue and your efforts to make Alaska more competitive.

Sincerely,

Barton J. Armfield
Chief Operating Officer
Brooks Range Petroleum Corporation

Cc: Joe Balash

Dear House Finance Committee Members:

HB 129 has the potential to adversely affect how the public and affected communities participate in oil and gas permitting decisions for oil and gas exploration and development activities.¹

The following describes the process regarding review and approval of oil and gas exploration and development plans of operation and how HB 129 changes public participation in that process.

Plans of Operation. Before a lessee may conduct any exploration or development activities within an oil and gas lease or unit area, the lessee is required to prepare a plan of operations that must be approved by DNR.² Though not required by statute, plans of operation for lease or unit activities are public noticed with an opportunity for public comment.³

Oil and gas lease activities addressed by plans of operation include seismic surveys, exploration drilling, roads, construction of support facilities, material sites, temporary camps, fuel storage, water use, solid waste disposal, production wells, and oil and gas processing facilities. Among other things, plans address ways to prevent or minimize adverse effects on other natural resources and other uses of the area.

HB 129. Under HB 129, DNR may approve exploration or development for all or part of an areawide lease sale area before specific lease activities are identified. Exploration and development approvals will be subject to public notice and comment. An exploration or development approval is good for ten years. The approval for a lease activity that is initiated during that ten years remains valid for the entire lease term, but the activity is still subject to other authorizations, including plans of operation.

Changes from Current Practice

1. The public review and comment on oil and gas exploration and development approvals within an areawide lease sale area will take place with little information on where, when or how specific oil and gas exploration or development lease activities will occur.

¹ The comments submitted here reflect what I've learned from hearings on this legislation in the House and Senate Resource committees. For more information, please see my comments submitted to the House Resources Committee dated March 1, 2013 and to the Senate Resources Committee (for SB 59) dated March 19, 2013.

² 11 AAC 83.158 (lease plan of operations); 11 AAC 83.346 (unit plan of operations)

³ The plan of operations public notice and comment serve as the required notice and comment for phased reviews of oil and gas projects. See AS 38.05.035(e)(1)(C)(ii).

2. While DNR will still review and approve plans of operation for specific lease or unit activities, the public and affected communities will no longer be given notice about the plans or have the opportunity to comment on the information provided in the plans.
3. People will still be allowed to appeal plans of operation. However, without public notice of an internal DNR decision on a plan of operations, most people will be unaware a decision has been made until the time for an appeal has passed.
4. The public will still have opportunities to comment on other permits issued for lease activities.⁴ However, these permits are issued piecemeal and are limited in scope, in contrast to plans of operation that provide comprehensive information about all lease activities and how local issues will be addressed.

DNR Testimony. During committee hearings on HB 129/SB 59, DNR testified as to how they intend to implement the proposed statute, including potentially providing for public notice and comment on a plan of operations even when there is an exploration or development approval for an area. However, without specific language in statute, there is no guarantee DNR will follow through with their stated intentions. In addition, the proposed language in the bill may lack the necessary statutory authority for DNR to issue regulations to do what they propose.

DNR also testified that they receive very few substantive comments on plans of operation. However, this may be because until two years ago, local issues regarding oil and gas lease activities were often dealt with through the now defunct coastal management program.

CONCLUSION

I am commenting on this legislation because the opportunity for public and local community involvement in state resource permitting decisions has diminished over the years. HB 129 is one more door closing on Alaska's citizens. I believe there are other, more effective ways to improve the permitting process and urge you to vote "no" on this legislation. Thank you for your consideration.

Lisa Weissler
Juneau, Alaska
907-723-5902
lisaweissler@gmail.com
Business website: <http://changingtides.com>

⁴ Note that other legislation is being proposed that may limit public involvement in DNR project-specific permits. HB 77 authorizes the commissioner to issue general permits for a wide range of activities that may include oil and gas exploration and development lease activities. A general permit has broad application and limits the opportunity for people to comment on a specific activity.



*Conserving and protecting habitats in Interior and Arctic Alaska
for wildlife, culture, environmental health and future generations since 1971.*

March 18, 2013

The Honorable Alan Austerman
Co-Chair, House Finance Committee
State Capitol Room 505
Juneau AK 99801

The Honorable Bill Stoltze
Co-Chair, House Finance Committee
State Capitol Room 515
Juneau AK 99801

Dear Reps. Austerman and Stoltze:

The Northern Alaska Environmental Center opposes Gov. Parnell's legislation to change the rules for oil and gas, and gas only exploration and development approvals (SB 59 / HB 129). We understand the importance of the oil and gas industry to Alaska's economy, but it is important to find the right balance of public involvement and the time it takes to issue permits. Senate Bill 59 and HB 129 do not strike that balance these sacrifice Alaskan's rights to public participation in the evaluation of impacts and proposed mitigation for exploration and development of the State's natural resources that belong to the public.

The exploration and development approval process currently allows for affected communities to evaluate and comment on the proposed plan of operation. Local residents are able to review site-specific and cumulative impacts to identify and mitigate those impacts to fish, wildlife and other subsistence resources before operations begin. The input of the public and local communities is critical in shaping DNR's decision.

The proposed changes would end review of specific project plans, for both exploration and development. Rather, once a decade DNR would establish general conditions for exploration and development that operators must meet for the next ten years. Without plans of operation to review, the burden would be on local residents to identify all potential impacts to fisheries, wildlife and other subsistence resources before any site specific information on all projects is available. Agency officials and local residents are ill-suited to evaluating impacts without knowing the actual location of projects, the combined effect of exploration and development projects and changes in technology or

environmental factors. We are also concerned that notice may not be provided to communities when exploration or development will occur nearby.

Considered in conjunction with HB 77, the DNR permitting rollback bill, the changes to oil and gas approvals pose more significant concerns. HB 77 would allow temporary water use permits to be continually approved, eliminating the need for oil and gas operators to receive a permanent water use certification, which requires significant hydrological data to be provided. The temporary water permits are often issued in a matter of days. Public notice is never issued and comment is never taken. The public would never be involved in water use decisions, and if passed, local residents would need to anticipate all potential impacts once every ten years for oil and gas exploration and development. For these reasons we oppose this legislation. It sacrifices local communities' and public oversight, and disregards concerns regarding fisheries, wildlife, subsistence, and health issues.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Arnold", written in a cursive style.

David L. Arnold, Ph.D.
Executive Director