

**01/24/14  
OVERVIEW:  
DEPARTMENT  
OF NATURAL  
RESOURCES**

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DEPARTMENT OF NATURAL  
RESOURCES</SUBJECT><COMM>SRES28</COMM></TARGET>

# ALASKA STATE LEGISLATURE

Sen. Cathy Giessel, Chair  
Sen. Fred Dyson, Vice Chair  
Sen. Lesil McGuire  
Sen. Anna Fairclough  
Sen. Click Bishop  
Sen. Peter Micciche  
Sen. Hollis French



State Capitol, Room 427  
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## Senate Resources Committee

Butrovich Room 205  
Friday, January 24, 2014  
3:30-5:00 p.m.

## AGENDA

### ➤ Department of Natural Resources Overview

- Commissioner Joe Balash
- Deputy Commissioner Ed Fogels
- Deputy Commissioner Bob Swenson
- Franci Havemeister, Director, Division of Agriculture
- Chris Maisch, Director, Division of Forestry
- Steve Masterman, Acting Director, Division of Geological and Geophysical Surveys
- Marcie Menefee, Executive Director, Mental Health Trust Land Office
- Brent Goodrum, Director, Division of Mining, Land and Water
- Bill Barron, Director, Division of Oil & Gas
- Ben Ellis, Director, Division of Parks & Outdoor Recreation
- Tom Crafford, Director, Office of Project Management and Permitting
- Allison Iversen, Acting State Pipeline Coordinator, State Pipeline Coordinator's Office
- Jeanmarie Davis, Director, Support Services Division

Testimony: By Invitation

Teleconference



# State of ALASKA

Department of Natural Resources



**Senate Resources Committee**

***DNR Overview***

January 24, 2014

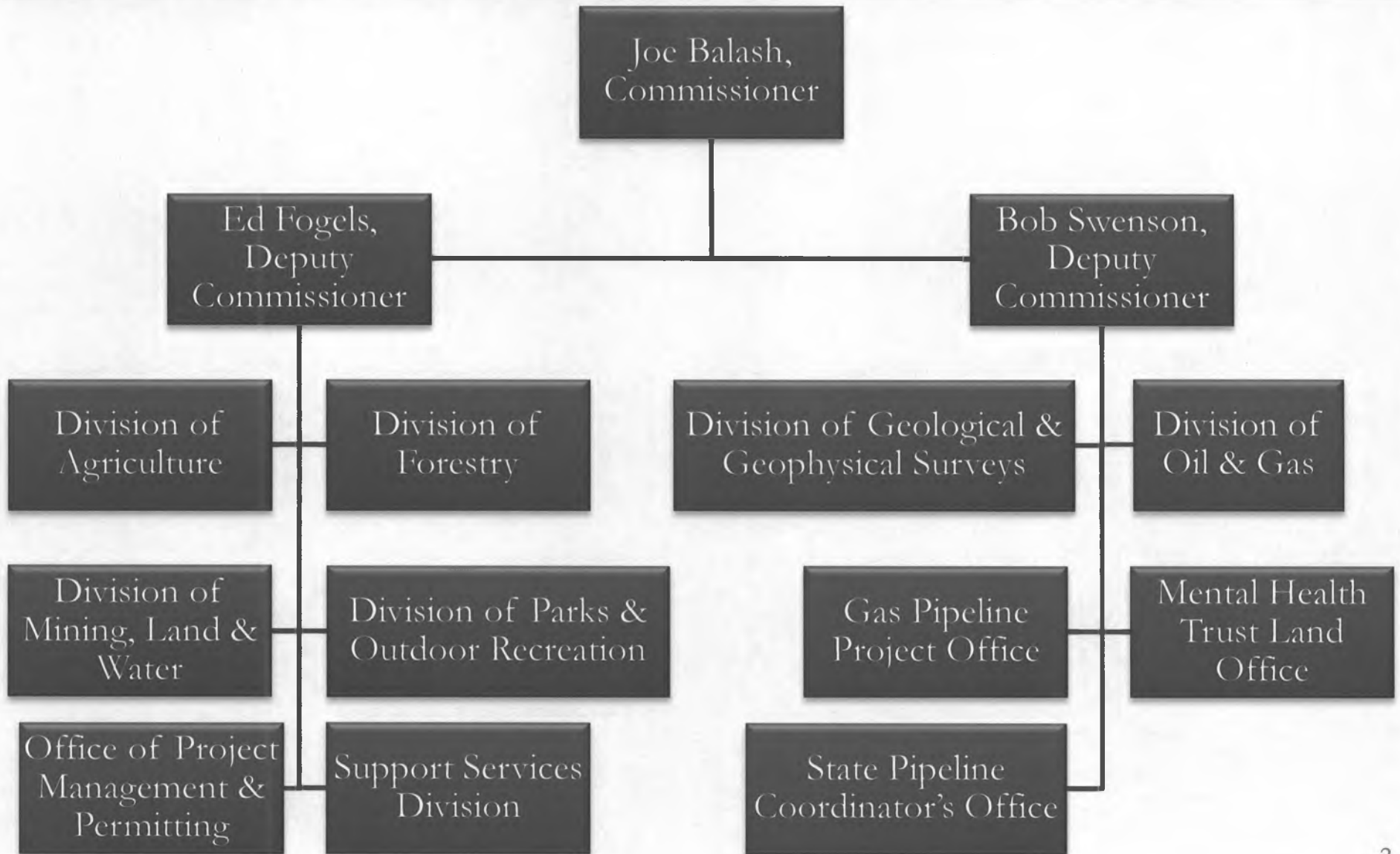
Commissioner Joe Balash

*Alaska Department of Natural Resources*

*[www.dnr.alaska.gov](http://www.dnr.alaska.gov)*

# STATE of ALASKA

## - DEPARTMENT OF NATURAL RESOURCES -



# DNR KEY 2013 ACCOMPLISHMENTS

## - GAS PIPELINE PROJECT OFFICE -

### **Eric Hatleberg, Acting Director**

- Monitors efforts by the Alaska Pipeline Project (APP) to design, develop, construct and operate a 48-inch natural gas pipeline to commercialize North Slope natural gas
- Key Accomplishments:
  - Monitored APP progress and reimbursable expenditures.
  - Facilitated project alignment between the State, North Slope producers, APP, and TransCanada in the Alaska LNG project
  - Lead the AK LNG-17 outreach effort describing the advantages of Alaska gas commercialization opportunities
  - Strengthened LNG technical analysis through oversight and review of B&V Royalty Study
  - Met with Japanese LNG buyers to maintain good communication and build readiness for commercial partnerships
  - Signed MOU with Resources Energy, Inc. (REI) to focus effort on a Cook Inlet LNG export project
  - Recommended cancellation of AGIA license: oversaw TC compliance in the preservation of data and documentation

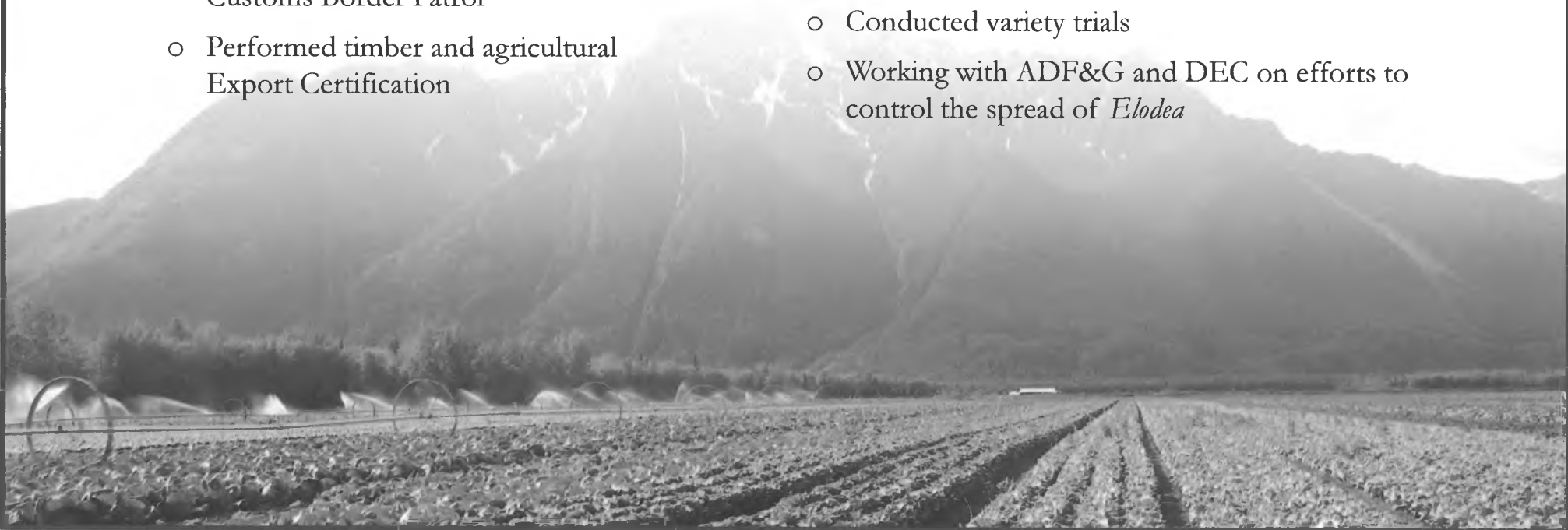
# DNR KEY 2013 ACCOMPLISHMENTS

## - DIVISION OF AGRICULTURE -



### Franci Havemeister, Director

- Promotes and encourages development of an agriculture industry within Alaska
- Inspection Section
  - Conducted pest surveys the summer of 2012 & 2013
  - Performed U.S. - Canada Border Inspections in cooperation with Customs Border Patrol
  - Performed timber and agricultural Export Certification
- Land Section
  - Staff continues to identify state land with suitable agriculture soils
  - Ongoing discussions with farmers and stakeholders on the agriculture land program
- Plant Materials Center:
  - 407 acre production farm
  - Conducted variety trials
  - Working with ADF&G and DEC on efforts to control the spread of *Elodea*



# DNR KEY 2013 ACCOMPLISHMENTS

## - DIVISION OF AGRICULTURE -



- Marketing:
  - Increased Alaska Grown Farm Membership
  - Restaurant Reward Program increases use of Alaska Grown
  - Increased the number of Farmer's Markets accepting Supplemental Nutrition Assistance Program
- Farm to School:
  - Selected to receive the Alaska Community Service Award for Health (January 14)
  - Provided On-Farm Food Safety Workshops to producers
  - School Food Service Directors indicated that "there has been an increase in local foods served in schools as a result of the Farm to School Program".
  - Farm to School projects have been successful throughout the state
- Alaska Food Resources Working Group:
  - Formed through AO 265, resulting from HCR1



# DNR KEY 2013 ACCOMPLISHMENTS

## - DIVISION OF FORESTRY -

### Chris Maisch, Director

- Serves Alaskans through forest management and wildland fire protection
- Forest Management and Development:
  - As a result of the Governor's Alaska Timber Job Task Force Recommendations:
    - Established a "Roads Office" within DOF
    - Promote the proposed Susitna State Forest (HB79/SB28)
    - Using a \$2.0 million CIP to develop infrastructure to access SE State Forest parcels (Gravina Island and Edna Bay)
  - Offered a 25 year long-term timber sale for 35,000 green tons of biomass per year in Tok Area to support a CHP project, currently available as and over-the-counter sale (OTC)
  - Sold 16,422,000 board feet of lumber to 37 Alaskan businesses (DOF data)
  - Provided direct and indirect support to 105 woody biomass projects (AEA data)
  - Continue to work with the USFS to implement the 2008 TLMP to support the timber industry in SE



# DNR KEY 2013 ACCOMPLISHMENTS

## - DIVISION OF FORESTRY -

- Fire Suppression Preparedness:

- Successfully and safely responded to our 4th. largest fire season over the past ten years (1.3M acres 613 fires) and our 2nd largest in the past five
- Continue to build out and deploy our Integrated Fire Management software tool to improve initial attack and overall fire management
- Aviation – completed procurement of a safer air attack platform, Aero Turbo Commander, with a second purchase closing this month
- Wildland Fire Crewboss Academy – 20 students received advanced training from 17 rural communities. A crewboss is needed to lead each 19 person EFF Type II Crew
- Partnered with UAF Wildland Fire Program to deliver the Advanced Firefighter training for the 2014 Academy



- Offered 14 internships for past graduates of the basic and advanced wildland fire academies
- Received five competitive WUI grants for a total of \$1.094M for hazard fuel mitigation projects in Mat Su, Fairbanks, Kenai, Tok
- Developed a project concept/vision for the Northern wildland fire facility



# DNR KEY 2013 ACCOMPLISHMENTS

## - DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS -

### Steve Masterman, Acting Director

- Determines the potential of Alaskan land for production of metals, minerals, fuels, and geothermal resources, the locations and supplies of groundwater and construction material, and the potential geologic hazards to buildings, roads, bridges, and other installations
- Minerals Section:
  - Completed year 3 of the Strategic and Critical Minerals project, with 2,600 square miles assessed for platinum group elements in the central Alaska Range
  - ~10,000 samples analyzed or published
  - Acquired (3,311) or published (1,267) 4,578 square miles of airborne geophysical data
  - Assessed and mapped 212 square miles in the Styx River area (Cu and Au deposits)
- Energy Section:
  - Mapped 250 sq. mi. in west Cook Inlet basin focused on the Mesozoic petroleum system
  - Discovered two new oil-stained sandstones in older Mesozoic units in the Cook Inlet
  - Collaborated with UAF and the USGS on the shale oil potential on the North Slope, a target of high interest to industry
  - Completed compilation of geothermal data for Alaska



# DNR KEY 2013 ACCOMPLISHMENTS

## - DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS -

- Geological Materials Center:

- Building purchased for collection relocation, expansion, and improved industry access
- Construction begins in spring and summer 2014, with grand opening September 2014



- Engineering Geology Section:

- Initiated Hydrogeology program, with a resource development and community focus
- Completed engineering geology mapping for DOT&PF at the Yukon River Bridge
- Completed geologic-hazards field reconnaissance along the proposed in-state gas pipeline from Livengood to Prudhoe Bay
- Tsunami inundation maps, reports and GIS maps published online for 5 communities
- Coastal hazards assessments conducted in 8 communities

- Volcanology Section

- Compiled geologic information for Chiginigak, Makushin, and Okmok volcanoes
- Geologic mapping and description of 2008 Kasatochi eruption



- Geological Communications Section

- Launched four datasets in a new interactive online map series
- Published 52 new geologic maps and reports, distributed 2,579 publications, and recorded nearly 6.1 million web page views

# DNR KEY 2013 ACCOMPLISHMENTS

## - MENTAL HEALTH TRUST LAND OFFICE -

### **Marcie Menefee, Executive Director**

- Protect and enhance the value of Alaska Mental Health Trust Lands, including minerals, coal, oil and gas, timber, and real estate, while maximizing revenues from those lands over time to support mental health services
- Key Accomplishments:
  - Conducted two timber sales generating over 10 MMBF and ~\$1 Million in revenue
  - Land sales and rentals across the state, both competitive and negotiated, provided \$4.4 Million in revenue
  - Coal and hardrock mining and exploration land contributed over \$5 Million in revenue (primarily Fort Knox, Chuitna, Chickaloon & Livengood)
  - Oil & Gas revenues, including a Cook Inlet lease sale, resulted in a record annual revenue high of \$3.2 Million
  - The real estate program, in its second year of implementation, brought in just over \$0.8 Million

## *The* TRUST LAND OFFICE

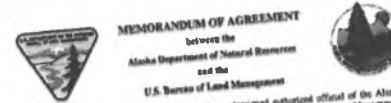
- Made significant progress in a federal exchange of Trust land for Tongass National Forest land to preserve the Trust's timber portfolio
- Authored and published a new and revised comprehensive long-term asset management plan (Resource Management Strategy, 2014) to establish goals and policies to effectively manage the Trust's natural resources

# DNR KEY 2013 ACCOMPLISHMENTS

## - DIVISION OF MINING, LAND & WATER -

### Brent Goodrum, Director

- Provides for the appropriate use and management of Alaska's state owned land and water, aiming toward maximum use consistent with the public interest
- Key Accomplishments:
  - Reduced permit backlog by 53.5% since beginning of FY12 while issuing 794 authorizations in CY2013
  - Continue to modernize permitting process via Unified Permit project; Water Rights (Release I) - mid February
  - Statewide project involvement: Port McKenzie Rail Extension, Roads to Resources projects, North Slope Oil and Gas exploration and development projects, AIDEA LNG Trucking, and CBJ Cruiseship dock decision
  - Successfully amended the 2005 Bristol Bay Area Plan with significant public participation and input
  - Entered into cooperative agreement with BLM to help resolve long standing Native Allotment applications
  - Stewardship: removal of submerged Homer vessels



The State of Alaska (SOA), acting through the undersigned authorized official of the Alaska Department of Natural Resources, and the Department of Interior, Bureau of Land Management (BLM), acting through the undersigned authorized official (hereinafter the "Parties"), have entered into the following agreement regarding the optional relinquishment of certain Native Allotment parcels from lands that were conveyed in error to the State of Alaska under other State selected lands.

The Parties agree that in order to provide the greatest flexibility for implementing optional relinquishments, a significantly larger pool of land must be available for those Native Allotments that qualify for retention. The parties further agree that it is in their mutual best interests to open a robust pool of state selected land to provide this opportunity as the parties collectively work to fulfill the promise of the Alaska Native Allotment Act to provide land ownership to Alaska Natives.

**Purpose:** The purpose of this Memorandum of Agreement (MOA) between the BLM and the SOA is to put into effect the provisions of 43 U.S.C. § 1617 permitting the discretionary relinquishment of Native Allotment claims from lands previously conveyed to the SOA to other lands currently selected by the SOA.

**Objectives:** This MOA sets forth the general terms, conditions and criteria under which the Parties will provide allotment applications the opportunity to re-evaluate valid applications, as determined under Sections 18 of the Alaska Native Claims Settlement Act of December 18, 1971, as amended (43 U.S.C. § 1617) and the Alaska Native Allotment Act, (43 U.S.C. §§ 2701 to 2703 & 1970), expanded with a savings provision by Sec. 18(a) of ANCSA, 43 U.S.C. § 2612(a), to fulfill their allotment claims from other lands currently selected by the SOA and to draw title to those parcels conveyed to the SOA.

**Participation:** Applications under the Alaska Native Allotment Act are subject to the regulations provided for the implementation of the Act in Final Rule 616 of the Federal Register of America, 474 F. Reg. 602 (2) Alaska 1979 ("the Regulations"). In accordance with the Regulations, this program to relinquish allotments from lands conveyed by the SOA to lands selected by the SOA in cases where the SOA has determined that it is not in the SOA's best interest to recover the original allotment lands.

**Authorities:**  
1. BLM enters into this MOA under the authority of 43 U.S.C. 1617(d).  
2. SOA enters into this agreement under the authority provided in AS 38.05.002(b)(6).



# DNR KEY 2013 ACCOMPLISHMENTS

## - DIVISION OF OIL & GAS -

### **Bill Barron, Director**

- Responsible for the leasing of state lands for oil, gas, and geothermal exploration
- Permitting Section:
  - 9 Plans of Operations (POOs) and 6 Miscellaneous Land Use (MLU) permits approved
- Leasing Section:
  - 24 leases awarded in Cook Inlet
  - 90 leases awarded in North Slope, all within 7 weeks of sale date
  - One geothermal lease awarded
  - 114 leases awarded converted from exploration licenses
  - Six applications for lease extension received. Five 2-year lease extensions approved (total acreage 12,720 at \$3/acre rent)
  - Continued strong advocacy to promote new investment and responsible development of Alaska's oil and gas resources



- Resource Evaluation Section:
  - Analyzed seismic and well data and identified significant prospectivity for methane hydrates on North Slope State acreage
  - 2009 Cook Inlet Gas Study affirmed with current Cook Inlet gas drilling success (Platts Gas Daily, 1-2-14)
- Units Section:
  - 17 North Slope Unit Plans of Development (POD) approved
  - 23 Cook Inlet Unit PODs approved

# DNR KEY 2013 ACCOMPLISHMENTS

## - DIVISION OF OIL & GAS -

- Audits Section:
  - 10 audits initiated; 6 audits issued; 4 audits appealed; 3 audits closed
  - Collected \$52,000
- Commercial Section
  - Continued monitoring under AGIA
  - Participated in DNR study to understand LNG markets
  - Developed method to mitigate the State's exposure to risk of lessee's failure to dismantle, remove, and restore an offshore platform in the Cook Inlet
- Petroleum Systems Integrity Office (PSIO)
  - Engaged Mary Kay O'Connor Process Safety Center at Texas A&M University to provide technical assistance to development of investigation protocols, operator management systems assessment program, and plan for tracking and trending system infrastructure conditions on state lands
  - Advised the State Pipeline Coordinator's Office (SPCO) on root cause analyses and chemical engineering.
- Royalty Section
  - Managed \$2,534,562,629

# DNR KEY 2013 ACCOMPLISHMENTS

- DIVISION OF PARKS & OUTDOOR RECREATION -

## Ben Ellis, Director

- Provides outdoor recreation opportunities and conserves and interprets natural, cultural, and historic resources for the use, enjoyment, and welfare of the people
- Recruited, hired, or trained more than 800 volunteers who donate over 76,000 hours of service with a cash value of \$1.2 million



Design & Construction

Administration & Grants



Park & Outdoor Recreation Management

Alaska Trails Office



Office of History & Archaeology

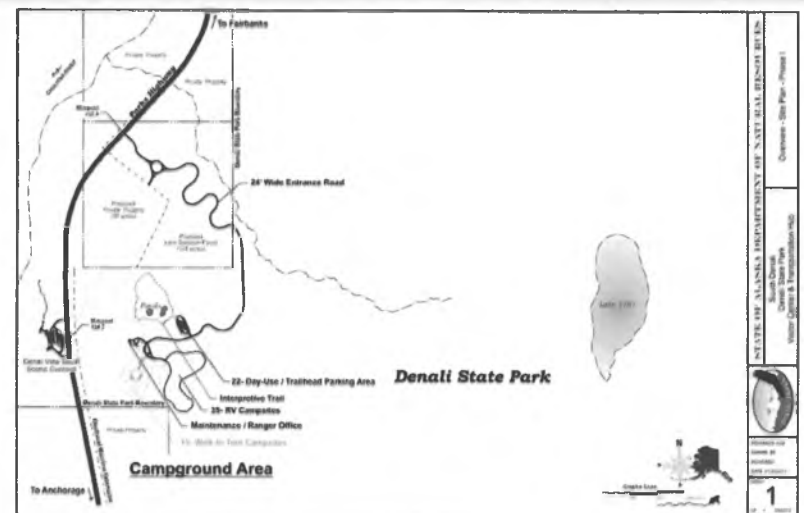


Office of Boating Safety

# DNR KEY 2013 ACCOMPLISHMENTS

## - DIVISION OF PARKS & OUTDOOR RECREATION -

- South Denali Visitor Center Complex:
  - Broke ground on the campground, which is the first built in 30 years
  - Phase One: Energizing Parks corridor
    - 2.3 mile gravel access road
    - 35 RV campsites/campground
    - Maintenance structure
    - 0.6 miles of trails
  - Phase One expanded:
    - 15 walk-in campsites
    - 5 miles of additional trails
    - Ranger Office added to maintenance structure
  - Phase Two:
    - Expand lower parking and build access road to top
    - Visitor Center
    - Additional Trails



# DNR KEY 2013 ACCOMPLISHMENTS

## - OFFICE OF PROJECT MANAGEMENT & PERMITTING -



### Tom Crafford, Director

- Coordinates the review of larger scale projects in the state
- Key Accomplishments:
  - Signed Memorandum of Understanding (MOU) Agreements and initiation of permitting coordination for:
    - Oil & Gas: Buccaneer, Buccaneer Cosmo, LINC Umiat, Nordaq, and ConocoPhillips Greater Moose's Tooth
    - Mining: Graphite One's Graphite Creek Project in the Seward Peninsula and Free Gold's Golden Summit Project in the Fairbanks area
  - Coordinated the issuance of a complex, multi year special use permit for Apache to seismically image thousands of acres of subsurface hydrocarbon resources in the Kenai National Wildlife Refuge
  - Coordinated state agency participation and review of the United States Fish & Wildlife Services' Izembek Land Exchange Environmental Impact Statement (EIS) for a road connecting the King Cove community to the all-weather airport in Cold Bay
    - Unfortunately, on Dec 23 DOI Secretary Jewell denied the land exchange

# DNR KEY 2013 ACCOMPLISHMENTS

## - OFFICE OF PROJECT MANAGEMENT & PERMITTING -

- Key Accomplishments (continued):


- Coordinated state agency review of final draft of Environmental Protection Agency's Bristol Bay Assessment document
  - EPA issued the Final version on January 14, 2014.
- Coordinated the first third-party environmental audit of the Red Dog mine as required in state waste management permit for tailings and waste rock and reclamation plan approval
- Coordinated state agency approval of underground expansion of the Pogo mine to the East Deep deposit
  - Final approvals of tailings dry stack expansion including engineering review.
- Coordinated state agency participation in the US Forest Service led EIS for the expansion of the Greens Creek Mine dry stack tailings facility
- Continuing coordination of review of application documents and initiation of NEPA/permitting process for the Donlin gold project near Crooked Creek on the Kuskokwim River.



# DNR KEY 2013 ACCOMPLISHMENTS

## - STATE PIPELINE COORDINATOR'S OFFICE -

### Allison Iversen, Acting State Pipeline Coordinator

- Issues leases of state land for pipeline rights-of-ways and implements the state's policy set forth in Alaska Statute (AS) 38.35.010 concerning the development, use, and control of a pipeline transportation system within the state
  - Key Accomplishments:
    - Facilitated the Badami pipelines transfer-of-interest from BPTA to Nutaaq Pipeline, LLC
    - Released the 2013 SPCO Annual Report with new features and a more professional look
    - Facilitated the Oliktok change-of-service from natural gas liquids to natural gas
    - Received an amended application from Trans-Foreland Pipeline Co. for the proposed Trans-Foreland pipeline under Cook Inlet
    - Issued a right-of-way lease for Spectrum LNG Project
    - Completed the Commissioner's Analysis and Proposed Decision for the Polar LNG project
- 
- Adjudicated and finalized multiple amendments to the TAPS right-of-way lease to allow for system upgrades, improvements and necessary maintenance
  - Continue to coordinate state permitting and right-of-way efforts for the Alaska Stand Alone Pipeline/ASAP
  - Coordinated state permitting efforts for the AK LNG Pipeline
  - Oversaw initial construction of the Point Thomson Export Pipeline

# DNR KEY 2013 ACCOMPLISHMENTS

## - SUPPORT SERVICES DIVISION -

### **Jeanmarie Davis, Director**

- Provides information technology, financial, budget, procurement, facility, and human resource services for Department of Natural Resources, and administers the statewide recording system
- Key Accomplishments:
  - Implemented electronic recording (eRecording) in 91% of recording districts (31 of 34) in 2013
    - Allows customers to electronically file their business with the state recorder's office
    - As of January 16, 2014, the three remaining districts (Homer, Kenai and Seldovia) became available for eRecording, making Alaska the 4th state to fully implement eRecording statewide)
  - Installed IBM Business Process Management servers and software as part of permitting reform initiative
  - Continued participation in the IRIS (Integrated Resource Information System) project, a statewide effort led by a project team in the Department of Administration
    - IRIS is a new accounting, financial, procurement, payroll and human resource management system
  - Provided programmer support for the Unified Permit Automation project, designed to modernize and automate permitting for state land and water use requests, and helping make the state's permitting process more efficient, timely and certain
    - Land use permits were implemented in 2013, with water rights scheduled for February 2014