

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2938 SCOMM 128: HOUSE SPEC.COMM. ON OIL AND GAS, 2001-02

Testimony on

HB-439, Regarding the Coastal Zone Petition Process

Mr. Chairman, members of the committee. My name is Steve Borell, I am Executive Director of the Alaska Miners Association and I am testifying on behalf of the Association.

The Alaska Miners Association supports House Bill 439. This bill would remove a petition process which now appears is being used as a harassment tactic against some projects within the coastal zone. I am not aware of any mining projects that have yet been affected by this petition process, but at the same time I am not aware of any high-profile mining projects that have gone through this phase of the ACMP process in recent years.

The ACMP consistency review process is extremely detailed and thorough. Every member of the public has the opportunity to comment on the ACMP consistency review and on each of the individual permits that are required by the various agencies, including DNR, DEC and ADF&G.

There are two questions that I am often asked by Legislators:

First, What can be done to streamline the permitting process? and

Second, What can be done to encourage business investment in Alaska?

I believe that removing this redundant and un-necessary petition provision will help answer both of these questions. We urge passage of this bill.



Resource Development Council for Alaska, Inc.

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Founded 1975

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Thaddius J. Owens

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Tadd Owens, Executive Director
Resource Development Council
HB439 Testimony
House Oil & Gas Committee
February 26, 2002

Thank you, Mr. Chairman. For the record my name is Tadd Owens, executive director of the Resource Development Council. RDC is a private, non-profit, trade association representing individuals and companies from Alaska's mining, timber, tourism, fisheries and oil and gas industries. Our mission is to grow Alaska's economy through the responsible development of our state's natural resources.

RDC strongly supports HB439 and urges the House Oil and Gas Committee to move the bill forward. This legislation eliminates a redundant petition process from the Alaska Coastal Management Program (ACMP) without compromising the ability of Alaska's citizens or communities to provide meaningful input and comments regarding development projects within the coastal zone. The petition process targeted by HB439 has been used as a means to delay projects, adding uncertainty and increased costs to doing business in Alaska, while providing no measurable benefit to the environment.

If the Legislature sees fit to remove this particular process from the ACMP, rest assured that Alaskans retain a multitude of opportunities to participate in the evaluation of projects in the coastal zone. Alaskan citizens will continue to have opportunities to participate in and comment on ACMP consistency determinations, as well as the individual state and federal permits associated with any given project. In other words, HB439 provides the kind of permit streamlining that makes sense.

Mr. Chairman, you have RDC's full support on this issue and I appreciate the opportunity to testify this morning.

Alaska Oil and Gas Association



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Judith Brady, Executive Director

Testimony of the Alaska Oil & Gas Association House Special Committee on Oil & Gas

February 21, 2002

Re: HB 439: "An Act removing provisions providing an opportunity to petition for review of proposed consistency determinations under the Alaska coastal zone management program."

Chairman Ogan:

For the record, my name is Judy Brady. I am the executive director of the Alaska Oil and Gas Association (AOGA). As you now, AOGA is a private, non-profit trade association. Its member companies represent the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

AOGA supports the goals of HB 439 to once and for all close off the opportunity to use the petition process in the Alaska Coastal Management Program (ACMP to delay projects).

The costal zone management program provides coastal communities with oversight of their local development and we are supportive of this purpose. This legislation will not diminish this authority.

What this legislation does do is eliminate the ability of a citizen of a coastal district to file a petition, after a proposed consistency determination, asking that the Coastal Policy Council (CPC) determine whether or not their comments opposing the project had been "fairly considered".

The ability of an individual citizen to file a petition on a consistency determination is a holdover from the beginning days of the Alaska Coastal Management Program (ACMP)—when the public comments process was not yet developed. Through the years, with the development of a lengthy and multi-tiered public comment process, the individual petition is no longer important or necessary as an opportunity to be heard.

Today, individual citizens have several opportunities to provide comments on a project. Any citizen can comment to his or her own coastal district about a project. Any member of the public can comment to a coastal district, or to any agency or to the Division of Governmental Coordination (DGC) about a project. Finally, any citizen can go to court. This legislation does not decrease any of these rights. HB 439 does remove the now extraneous right of petition that is being used for delay purposes rather than the original purpose of public comment.

During the coordinated review process, each local, state, and federal agency is not only involved in helping the (DGC) make the consistency determination but is also responsible for reviewing, analyzing, and issuing their own numerous permits and authorizations. Individual members of the public have an opportunity to be involved in and to comment on not only the ACMP consistency review but also on each and every one of the agency permits.

The problem: If a single individual that lives in the district where the project is proposed submits comments to DGC during the public comment period and the agency subsequently issues a proposed determination that the project is "consistent" – this lone individual has the right to notify DGC of intent to petition the CPC. It does not matter that the coastal district in which the individual lives has approved the project, or the local government has approved the project, or that all the agencies involved have approved the project.

This single act of an individual petition automatically extends the consistency review period by up to 50 total days, which includes 20 days for the petitioner to draft the formal petition and then if submitted, another 30 days for the CPC to be convened and make its decision. Neither DGC nor the CPC get to review the merits of the Notice of Petition or the Petition itself. If the "petitioner" meets certain basic requirements, such as being a citizen in the district, and has submitted comments, regardless of the merit of the comments, the right to petition is automatically granted.

The petition process has been the source of concern, legal ambiguity and abuse since the ACMP began in Alaska. In 1984 the CPC itself wrote regulations to end the petition process but neglected to change the statute so petitions remained a problem. The Knowles Administration attempted to end the petition process through SB 186 (which did not pass for other reasons).

In 1994 the legislature attempted to correct the abuses and legal ambiguities of the petition process by limiting the right of petition to the single question of whether or not an individual's comments had been "fairly considered" by the DGC. Regulations were finalized in 1999.

From 2000 to date, 18 petitions were filed: 9 were filed since last year. Of the 18, nine were not accepted because of deficiencies in filing; nine were accepted (stopping the project clock); hearings were held on five (the Council ruled against the petitioner in each case); four were withdrawn near or on the day of the hearing, which meant the project was delayed the full time allocated for petition review.

HB 439 is fourth attempt to resolve the misuse of the petition process. We thank you for focusing on this issue and we support your effort.

Thank You.

Testimony of the Alaska Oil & Gas Association
House Special Committee on Oil & Gas
February 21, 2002
Page 2

Testimony Before House Oil and Gas Committee

February 21, 2002

Mr. Chairman, members of the committee, my name is Ken Donajkowski, I am the Manager responsible for permitting for Phillips Alaska, Inc. Thank you for the opportunity to testify today.

Phillips Alaska, Inc. is testifying in support of HB 439 because the ACMP petition process addressed in this bill significantly delayed a total of 5 consistency determinations. This petition process enables an individual to easily hamper responsible oil and gas development. HB 439 appropriately removes this needless component from the overall ACMP process.

The Alaska Coastal Management Program (ACMP) project approval process is extremely complex and in the short time I have to address Chairman Ogan and this Committee, I cannot attempt to fully discuss its complexities. However, although the following overview is necessarily simplified, it is accurate in characterization and sufficient to highlight Phillip's specific concerns.

The ACMP is set out in Alaska Statutes Title 46, Chapter 40 and its implementing regulations appear at 6 AAC 50. The ACMP is primarily a procedural and not a substantive "process." For most projects, the State Division of Governmental Coordination (DGC) is charged with coordinating on behalf of the state the determination of whether or not a proposed project in and around the State's coastal areas is "consistent" (in compliance) with the applicable standards of the ACMP at 6 AAC 80 and the standards of the applicable coastal district. During the coordinated review process, each local, state, and federal agency is not only involved in helping DGC make the consistency determination but is also responsible for reviewing, analyzing, and issuing their own numerous permits and authorizations.. Moreover, the public has an opportunity to be involved in and comment on the ACMP consistency review and each and every one of the agency permits.

It is here, where the petition process is being manipulated and misused. If a single individual that lives in the district where the project is proposed submits comments to DGC during the public comment period and the agency subsequently issues a proposed determination that the project is "consistent" - this lone individual has the right to notify DGC of intent to petition the Coastal Policy Council. This single act automatically extends the consistency review period by up to 50 total days, which includes 20 days for the petitioner to draft the formal petition and then if submitted, another 30 days for the Coastal Policy Council (CPC) to be convened and make its decision. Neither DGC nor the CPC get to review the merits of the Notice of Petition or the Petition itself. If the "petitioner" meets certain basic requirements, such as being a citizen in the district, and submitted comments, regardless of the merit of the comments, the right to petition is automatically granted.

Removal of the petition process will not decrease the right of the public to provide comments on a project. It will simply eliminate what is now a "right" to needlessly delay

a project. The specific responsibility of the CPC (Coastal Policy Council) is solely to answer the question: "Did DGC "fairly consider" the comments made by the petitioner during the public process." The CPC does not review or address the merits of the petitioners comments just whether the comment was considered.

One Kuparuk field development project - DS 3S - was delayed through this process for 35 days only to have Phillips, our outside attorney, a representative from the North Slope Borough, numerous agency personnel, and the entire CPC show up at the scheduled hearing only to find out that the petitioner had withdrawn the petition minutes before we were to begin. In addition to this needless delay of the project, this resulted in several hundred hours of wasted preparatory work done by DGC employees as well as our own. An entirely unrelated project package was impacted for 15 days because DGC staff needed to prepare for the CPC hearing.

Furthermore, 4 pf Phillips' exploration permitting packages, which also received proposed consistency determinations, were similarly petitioned. In the one case where the petitioner actually "appeared" by telephone to present their petition - the CPC unanimously dismissed it. Two of the remaining three petitions were withdrawn by the petitioner and the last one was dismissed because the actual petition itself was submitted after the 20-day period had expired - but even here a project which met the State's test for consistency was delayed 20 days merely through the submittal of comments and a "notice" that a petition would be filed.

Exploratory drilling on the North Slope is conducted during the few winter months when ice roads can be employed to mitigate tundra impacts. Consequently, the delays brought about by this petition process can result in abandoning a drilling program.

As mentioned above, the ACMP process and the various agency permits required offer the public significant opportunity to raise substantive concerns. This particular petition process has no constructive application. As I have described above, its only use is as a tool to hold hostage responsible projects that would develop the State's resources.

HB439 appropriately does away with this tool.

SCOMM

128:32

Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
LEGISLATIVE COUNCIL



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SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

House Bill 519 Sponsor Statement Version: 22-LS1651J

The time has come for Alaska to engage in the development of a natural gas pipeline. With declining production from Alaska's large oil fields, the scaling back in exploration efforts by some of Alaska's largest producers, apparent substantial delays in any work that might come from exploration and hopefully production on the coastal plain of ANWR, layoffs of oil industry employees, and problems in other resource industries such as fishing, mining, and timber. The gas pipeline offers the only hope for substantial near-term work for Alaska's oil and support industries. In our fiscal crisis, it is imperative the legislature enact legislation this session to encourage construction of a natural gas pipeline before this opportunity for our economy disappears for perhaps another decade or longer.

HB 519 provides an encouragement to the producers that helps diminish the huge risks in this largest of construction projects. In exchange, it also contains provisions, important to the State of Alaska, as conditions for obtaining the benefit of such incentive, such as the pipeline follow the "southern" route, and provisions for Alaska hire, buy, and build. Of course, the major benefits to the State, if this incentive results in construction of the line, will be a substantially positive effect on the economy with jobs and construction activity, and taxes and royalties from the production and sale of natural gas. These benefits may never come to be, or may not come from decades, if this window of opportunity is missed.

HB 519 offers an incentive in temporary relief from the ad valorem tax that would be imposed on the pipeline for the period, from before construction through the second year of commercial operations. This would provide tax relief in an important period of the project when a large amount of cost is experienced but no income is yet being generated, and early into commercial operations of the project. The project entails very substantial financial risk as to price, and the cost of this mega-project through a federal income tax credit. This would provide important risk protection, but possibly leave the project developers at risk for project construction cost overruns. The tax relief in HB 519 could provide a means of reducing one element of the costs during construction and thereby reduce the risk. This would not effect any other taxes or royalties the state collects. After the relief period has expired, the State and local governments will have a natural gas pipeline upon which to collect property taxes. If the project does not go forward, these benefits to the State will not be realized.

The gas pipeline must be constructed along the "southern" route. All the companies involved in the engineering, construction, and operation of the pipeline must pledge their best effort to hire Alaskans, buy from Alaskans, and build facilities in Alaska.

HB 519 also reopens the Alaska Stranded Gas Development Act, AS 43.82, enacted in 1998. It contains important provisions regarding Alaska hire and contracting with Alaska businesses, making gas available to meet reasonably foreseeable demand for in-state use, and provides a mechanism for the state and project sponsors to reach agreement or clarify certainty on fiscal terms and on other issues important to the parties.

HB 519 has the advantages of offering an incentive rather than threatening a disincentive. It will demonstrate that the State wants a natural gas pipeline to be constructed, is prepared to help this risky and enormous project be less risky, and will work with the current producers to their and the State's mutual advantage. At least one producer has indicated a willingness to go forward if the State makes this showing.



Representative Pete Kott

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FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB519
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Natural Gas Pipeline BRU Administration and Support
Special Provisions Component Office of the Commissioner
Sponsor House Rules Committee
Requester House Oil and Gas Committee Component No. 123

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	83.0	83.0				
Travel	30.0	30.0				
Contractual	250.0	250.0				
Supplies	5.0	5.0				
Equipment	6.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	374.0	368.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()			(1,000.0)	(22,000.0)	(35,000.0)	(53,000.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	124.0	118.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Statutorily Designated Receipts	250.0	250.0				
TOTAL	374.0	368.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached pages.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
Division Department of Revenue Date/Time 4/18/02 12:34 PM
Approved by: Wilson Condon, Commissioner Date 4/18/2002
Agency Department of Revenue

HB 519

Department of Revenue

OVERVIEW

This legislation would reauthorize the Alaska Stranded Gas Development Act under AS 43.82. The act expired June 30, 2001, and this legislation would extend the application date for a project sponsor from June 30, 2001 to June 30, 2005.

The Stranded Gas Development Act, adopted by the 1998 Legislature, authorized the Commissioner of Revenue to negotiate a contract for payments in lieu of taxes with the developer of an LNG project to commercialize Alaska's North Slope natural gas reserves. No project sponsor applied under the act before it expired last year. The intent of the legislation was to provide a mechanism whereby the state could help promote commercialization of its natural gas reserves by structuring payments in lieu of taxes to help relieve the burden on a project sponsor in the early years, when cash flow is not positive, and in return receive a larger share of the revenues in later years after the project sponsor had recovered its heavy development costs. This also would allow the state to receive a greater share of the revenues in later years if gas prices increased.

The act allows for a negotiated contract for payments in lieu of one or some or all of the following taxes:

- Production taxes and surcharges
- Oil and gas production property taxes (state and municipal portions) under AS 42.56)
- Municipal property taxes
- Municipal special assessments
- Corporate income taxes
- Municipal sales and use taxes

This legislation (HB 519) also expands the definition of a qualifying project under the Stranded Gas Act to include a natural gas pipeline to serve markets outside Alaska. In addition, this legislation clarifies the definition of a qualifying LNG project to include one that serves Lower 48 states or overseas markets.

A negotiated contract would make it possible to tailor the fiscal arrangements to meet the needs of the proposed project while, at the same time, ensuring that the public benefits from the project. A set of arrangements providing for contractual payments in lieu of taxes could provide fiscal terms that potential investors will believe are likely to remain permanently in place over the life of the project.

HB 519
Department of Revenue

COST OF LEGISLATION

The fiscal note for this legislation includes the following costs and assumptions leading up to the costs:

- We assume the state would receive a project application early in Fiscal 2003.
- Negotiating the contract for payments in lieu of taxes would start immediately, and would be completed at the conclusion of the 2004 legislative session.
- Project construction would start in Fiscal 2005 and continue through Fiscal 2008.
- Natural gas production would start in Fiscal 2009.
- A special assistant to the commissioner would be hired for Fiscal 2003 and 2004 to coordinate the Department of Revenue's work with the project sponsor and the affected communities.
- Travel, supplies and equipment costs would be associated with the new position and with the department's overall effort to meet with the project applicant and officials of the affected communities.
- The contractual expenses would be incurred in two areas:
 1. Oil and gas economic and tax consultants to advise the department in negotiating with the project applicant and structuring a contract for payment in lieu of taxes that is both advantageous to the project and provides for a fair return to the state on the publicly owned resource.
 2. Additional consultants to help the department prepare socioeconomic impact studies on the affected communities, to be used in determining the financial needs of the communities and negotiating with the project applicant.

The cost of the new position, travel, contractual and supplies is requested from the general fund. That total is \$116,000 in Fiscal 2003 and \$110,000 in Fiscal 2004.

The cost of the independent consultants allowed under AS 43.82.240 to assist in the department's evaluation of the project application and in developing terms of the contract could be reimbursed by the applicant. The statute allows the commissioner to condition the contract on agreement by the applicant to reimburse the state for the expenses of the independent contractors. Those funds are requested as authority to receive and expend statutorily designated program receipts. Those costs are \$250,000 each in Fiscal 2003 and Fiscal 2004.

HB 519

Department of Revenue

PROPERTY TAX WAIVER

Although the Stranded Gas Development Act calls for the commissioner to negotiate a contract for payments in lieu of taxes, including property taxes, Sections 4 and 5 of this legislation waive all state and municipal property taxes on the project during construction and the first two full years of project operation. This would be imposed upon the municipalities, which would not have any option in accepting or rejecting the property tax waiver.

The Department of Revenue believes it is premature to waive an estimated \$500 million in state and municipal property taxes without first determining if the tax relief would in fact be needed to make the project economical.

The Stranded Gas Act allows tax relief or deferral, but the explicit mandate of the Stranded Gas Act was to tailor the state's fiscal terms to the particular economics of the project and to maximize the benefit to the people of the state from the development. For example, the Stranded Gas Act enables the state to give tax relief where needed to make the project economic, but then recoup its foregone revenue — or more — when the project economics improved.

Under this bill, however, the state would get nothing in exchange for property tax relief. What happens if the price of gas goes up to \$5 or more per mcf? The project developers would profit enormously from the upside, and the state would lose out on sharing in that additional profit potential as "repayment" for any tax relief granted early in the development. Yes, the legislature could then raise taxes, but this is not the fiscal certainty that the state and potential project sponsors seek from this legislation.

The department strongly recommends a change in the property tax waiver provision of this legislation to (1) include an opportunity for the state to share in the potential benefits from a highly profitable project as part of the package for any tax relief, (2) provide an opportunity for the affected communities to participate in the tax relief discussions, and (3) a needs test for the tax relief.

HB 519

Department of Revenue

DECREASE IN STATE and MUNICIPAL REVENUES

Under Sections 4 and 5 of this legislation:

- The state would lose an estimated \$212 million in property tax revenues during construction and through the second full year of project operation.
- The Fairbanks North Star Borough and North Slope Borough would lose an estimated \$302 million in property tax revenues during construction and through the second year of production.
- Although the state and the municipalities would never receive this property tax revenue if the project is not built, there is no opportunity to determine whether the tax relief provided by this bill is needed to make the project economic.
- This bill does not provide a mechanism to provide funding to affected municipalities that experience additional costs because of the impact of the project on the community.
- The above estimates are based on a natural gas project carrying North Slope gas to Alberta, for distribution to markets in the Lower 48 states. The estimate of lost revenues would be different and would include additional municipalities if the project was an LNG line to tidewater at Valdez or Cook Inlet.
- The affected municipalities would face higher expenses during the influx of construction workers and the resulting demand for increased school, police, road and various other public services. Meeting those demands without the ability to tax the project itself would put a severe strain on local resources.
- One option for localities would be raise property taxes on all other property within their jurisdiction. The state's share of property taxes on the Trans-Alaska Oil Pipeline and other oil and gas facilities already in place is reduced dollar for dollar by property taxes paid to local communities. Therefore increased municipal property taxes in the affected municipalities would reduce the state's oil and gas property tax receipts.

Section 7 of this legislation would exempt the natural gas project from municipal sales and use taxes. The department is unable to estimate the fiscal impact of this provision on municipalities.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 519
 () Publish Date: _____
 Dept. Affected: Natural Resources
 BRU: Oil and Gas Developmen
 Component: Oil and Gas Developmen
 Component Number: 439

Revision Date/Time (Note if correction): _____
 Title: Natural Gas Pipeline: Special Provisions
 Sponsor: House Rules Committee
 Requester: House Oil and Gas

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	See Note on Page 2:					
Travel	40.0	40.0				
Contractual	125.0	125.0				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	165.0	165.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()			*See Below			
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	40.0	40.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Stat. Des. Prog. Receipts	125.0	125.0				
TOTAL	165.0	165.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: none

Check this box (X) if funding for this bill is included in the Governor's FY2003 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill, in reviving the Alaska Stranded Gas Development Act, allows the state, with the concurrence of its North Slope oil and gas lessees, to: (1) establish a valuation methodology for the state's royalty share of gas production, and (2) modify existing requirements regarding the timing and notice of the state's right to take royalty in-kind or in-value.

Continued on next page.

Prepared by: Bonnie Robson
 Division: Oil and Gas
 Approved by: Pat Pourchot
 Agency: Natural Resources

Phone 269-8800
 Date/Time 18-Apr-02
 Date 18-Apr-02

ANALYSIS: (continued)

* HB 519, by extending the Stranded Gas Act, authorizes negotiations to "establish" a valuation method for the state's royalty share of gas production from an approved qualified project. Actually, a valuation methodology already exists in the state's oil and gas leases. Generally, that methodology requires the payment of royalties on the highest of: (1) the market value of the gas; (2) the lessee's actual proceeds from the sale of its own gas; or (3) an average of the actual proceeds of other proximate lessees from the sale of their own gas. Consequently, any valuation methodology agreed to through negotiations conducted under HB 519 may result in the collection of lower royalties than would be available under the existing valuation methodology. In fact, every \$0.01/mcf difference in royalties due under alternative valuation methodologies results in a \$36.5 million impact on the state treasury over 20 years for a 4 bcfd pipeline, and a \$54.7 million impact for a 6 bcfd pipeline. However, it is impossible to determine at this time whether a new valuation methodology would be agreed to under HB 519 and, if so, whether and to what extent it would reduce royalty payments to the state.

DNR estimates that HB 519, if passed, would require at least \$330,000 in expenditures to address any application to "establish" a royalty valuation method, \$250,000 of which would be reimbursed over a 2-year period by the applicant for change in methodology. DNR will need to obtain access to and review extensive documentation pertaining to the economics of any proposal, then engage in complex negotiations with multiple sophisticated oil and gas corporations. This effort will require diversion of existing and proposed staff from their currently assigned duties, the retention of one or more experts, and travel. Currently, we anticipate that much of the work envisioned by this bill would fall on the Division's Petroleum Investments Manager, Petroleum Market Analyst, and a Commercial Analyst, as well as an additional Pipeline Commercial Analyst, requested in the FY03 budget. One or more experts would need to be retained to assure that royalty relief is not inadvertently or imprudently given, though the cost of that expert or those experts is to be borne by the applicant. Finally, significant sums would be needed for travel and document reproduction and indexing expenses.

The cost of the independent consultants allowed under AS 43.82.240 to assist in the evaluation of a request to change the royalty valuation methodology could be reimbursed by the applicant. The statute allows the state to condition any contract on agreement by the applicant to reimburse the state for the expenses of the independent contractors. Those funds are requested as authority to receive and expend statutorily designated program receipts. Those costs are \$125,000 each in Fiscal 2003 and Fiscal 2004.

NOTE:

The estimated costs are split into two years for purposes of this fiscal note, however it is difficult to determine how much would actually be required in each year. The solution is to fund the full amount (\$330,000) as a single appropriation with a two-year lapse date.

Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
LEGISLATIVE COUNCIL



INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

House Bill 519 Sponsor Statement Version: 22-LS1651J

The time has come for Alaska to engage in the development of a natural gas pipeline. With declining production from Alaska's large oil fields, the scaling back in exploration efforts by some of Alaska's largest producers, apparent substantial delays in any work that might come from exploration and hopefully production on the coastal plain of ANWR, layoffs of oil industry employees, and problems in other resource industries such as fishing, mining, and timber. The gas pipeline offers the only hope for substantial near-term work for Alaska's oil and support industries. In our fiscal crisis, it is imperative the legislature enact legislation this session to encourage construction of a natural gas pipeline before this opportunity for our economy disappears for perhaps another decade or longer.

HB 519 provides an encouragement to the producers that helps diminish the huge risks in this largest of construction projects. In exchange, it also contains provisions, important to the State of Alaska, as conditions for obtaining the benefit of such incentive, such as the pipeline follow the "southern" route, and provisions for Alaska hire, buy, and build. Of course, the major benefits to the State, if this incentive results in construction of the line, will be a substantially positive effect on the economy with jobs and construction activity, and taxes and royalties from the production and sale of natural gas. These benefits may never come to be, or may not come from decades, if this window of opportunity is missed.

HB 519 offers an incentive in temporary relief from the ad valorem tax that would be imposed on the pipeline for the period, from before construction through the second year of commercial operations. This would provide tax relief in an important period of the project when a large amount of cost is experienced but no income is yet being generated, and early into commercial operations of the project. The project entails very substantial financial risk as to price, and the cost of this mega-project through a federal income tax credit. This would provide important risk protection, but possibly leave the project developers at risk for project construction cost overruns. The tax relief in HB 519 could provide a means of reducing one element of the costs during construction and thereby reduce the risk. This would not effect any other taxes or royalties the state collects. After the relief period has expired, the State and local governments will have a natural gas pipeline upon which to collect property taxes. If the project does not go forward, these benefits to the State will not be realized.

The gas pipeline must be constructed along the "southern" route. All the companies involved in the engineering, construction, and operation of the pipeline must pledge their best effort to hire Alaskans, buy from Alaskans, and build facilities in Alaska.

HB 519 also reopens the Alaska Stranded Gas Development Act, AS 43.82, enacted in 1998. It contains important provisions regarding Alaska hire and contracting with Alaska businesses, making gas available to meet reasonably foreseeable demand for in-state use, and provides a mechanism for the state and project sponsors to reach agreement or clarify certainty on fiscal terms and on other issues important to the parties.

HB 519 has the advantages of offering an incentive rather than threatening a disincentive. It will demonstrate that the State wants a natural gas pipeline to be constructed, is prepared to help this risky and enormous project be less risky, and will work with the current producers to their and the State's mutual advantage. At least one producer has indicated a willingness to go forward if the State makes this showing.

Representative Pete Kott

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**Testimony of Ken Konrad
Senior Vice President - BP Exploration (Alaska) Inc.**

**House Oil & Gas Committee
Friday, April 19, 2002**

My name is, Ken Konrad, Vice President Gas for BP Exploration (Alaska) Inc. I am here this morning to testify in support of HB 519.

Creating a supportive government framework is an essential ingredient toward developing a successful ANS gas project. An international project of this magnitude brings many inherent risks. Governments, working constructively with industry, can play a major role in reducing these risks by setting clear and predictable rules under which a project would be undertaken.

BP, with our partners, has previously laid out key government actions that would facilitate future investment on this massive undertaking. Specifically –

- A clear and efficient US federal regulatory process. Progress is being made with Alaska gas provisions currently part of the pending US Senate energy bill.
- An efficient and predictable Canada / First Nations regulatory process. BP remains very active working in Canada to establish such a process and progress is being made.
- A simple, clear, and predictable fiscal framework in Alaska such that the massive long payout investments being contemplated can be undertaken with the knowledge that the rules won't change.

HB 519 would be a positive step toward achieving the necessary fiscal framework in Alaska. The bill is modeled after HB 393, which was passed in 1998. As we did in 1998, we continue to support the content and approach inherent in the Stranded Gas Act, which this legislation refreshes, updates, and makes available for a gas pipeline project.

HB 519 and the Stranded Gas Act would:

- Demonstrate leadership and an intent by the legislature to provide stable fiscal terms that encourage development of ANS gas while fully and fairly compensating the people of the state.
- Establish a protocol, beginning with an application, and followed by a process to exchange information between investors and the state.

- Empower the state to enter into a contract negotiation to achieve clear and simple tax and royalty terms. These terms would need to be subsequently approved by both the executive branch and the legislature.
- Provide a process with the state and investors while providing for municipal input.
- Provide for contract review, approval, and termination provisions, inclusive of municipal input, legislative authorization, and judicial review.
- Provide for prioritization of state agency support for a qualifying project.

In aggregate, it would set out a thoughtful and workable framework to work through important fiscal issues subject to subsequent approval by the legislature.

The bill also encourages Alaska hire, training, and purchasing. BP has and continues to support the use of in-state capability. However, some technical modifications should be considered to ensure the bill's language does not draw legal challenge.

Passage of HB 519 would send a positive message to investors and provide a framework to achieve fiscal clarity and predictability. BP is fully supportive.

Thank you. I would be happy to answer any questions at this time.

Phillips Petroleum Company
House Oil and Gas Committee April 19, 2002
HB-519 Testimony

Good morning Mr. Chairman, and members of the Committee. For the record, my name is Joe Marushack. I am Vice President of ANS Gas Commercialization for Phillips Alaska. My primary responsibility is the development of Phillips' ANS gas resources and Phillips' is committed to achieving our goal in a timely and economic fashion. We appreciate the opportunity today to testify in support of HB-519.

As you know, we have been focusing this year on those areas that we believe are most likely to result in an economically viable gas pipeline project to the Lower 48. We have completed our joint analysis of the work the producers initiated last year and will be setting up a time to brief you on the results of that work. For the past several months however, most of Phillips gas emphasis has been directed at the federal level to achieve congressional legislative changes to advance the project. These include:

1. New Federal Legislation that creates permitting certainty. I believe you are well aware of the current federal legislation in the Senate Energy bill.
2. A Federal tax mechanism that would help mitigate the unacceptable market risk of a project of this magnitude. I understand you are aware of current drafts of this mechanism that provides down-side mitigation but also provides for repayment of any credit if used, and that is currently assessed by the U.S. government as having a zero cost. This piece of legislation is in Phillips' view a most critical element in moving our project forward. It shares the benefits the Lower 48 consumers will see from ANS gas coming to market while addressing the risk inherent in such a large and costly project.

Given achievement of the federal legislation (at this point it is not a certainty), it is important to the economic viability of the project to progress fiscal matters at the state level.

Fiscal matters include fiscal certainty, and what we really mean is that we need to know, with a fair degree of specificity, how our taxes and royalties will be calculated and administered. We would also like to address potential opportunities to gain assurance that those taxes and royalties won't change once we've made our investment. We also believe that strategic participation by the State in mechanisms to improve the economic viability of the project are important.

While there may be a need for minor clarifying language, we are encouraged by the committees' consideration of HB-519 that proposes both a temporary property tax abatement and the revival of an existing statutory process by which pipeline project sponsors can work with the state to gain the kind of fiscal certainty and clarity which will reduce the risks and help the project move forward. The temporary property tax abatement is an important signal to the US Congress that Alaska has stepped up to try to make a project happen. By itself, an ad valorem holiday is not of sufficient size that it can singularly make a challenged project economic. However it is an important step in a series that along with other actions at the state and federal level, and potential technological improvements, can reduce the risks and improve the economics of the project.

Thank you for this opportunity to testify today and express our support of HB-519. I'll be happy to try to answer any questions you may have.

Testimony of David Marquez in support of HB 519
House Oil and Gas Committee
April 19, 2002

I am David Marquez. My address is 18546 Osprey Circle in Anchorage. I am an attorney in Anchorage and today I represent VECO Corporation, an Alaska company headquartered in Anchorage. I speak in support of HB 519 and urge its passage.

VECO Corporation is an engineering, construction, and oil and gas service company that has been active in the Alaska oil patch for several decades. It has also been a good employer and an active member of the greater Alaska community participating vigorously in philanthropic and community activities. VECO urges passage of this bill because it believes that Alaska desperately needs a gas pipeline for its economy. VECO has seen and experienced over the last 15 years, significant reductions in the oil industry workforce in this state with the most recent one being announced within the last few weeks by Alyeska Pipeline Service Company. Coincident with all these reductions have been the elimination of contractor positions staffed by employees of VECO. VECO needs a gas pipeline to keep its Alaska employees employed and hopefully even to increase its workforce.

Despite the high costs and risks of the huge project for the development and construction of the Alaska North Slope natural gas pipeline, VECO believes that it is still possible to achieve this dream. Some producers have indicated that work will continue when three legislative actions are taken: (1) federal enabling legislation (2) federal legislation that

helps reduce the risk of gas prices cycling to low levels and (3) Alaska legislation that provides both an incentive, and tax and royalty certainty and clarity. As to the federal legislation, some have questioned why any federal assistance should be provided if the state of Alaska is unwilling to step forward. HB 519 will send a clear signal that the state is willing to participate. It grants a temporary exemption to the project from local and state property taxation under the 20-mill property tax (AS 43.56) for a period from commencement of the project's construction through the first two years of operation of the pipeline. The bill calls for expeditious priority treatment by state officials and agencies in support of development and construction of the project.

The Bill puts back into action the Alaska Stranded Gas Development Act that expired last June. This legislation was enacted after very substantial effort by the legislature, the administration and the industry to encourage the development of an LNG project to commercialize Alaska North Slope Gas. HB 519 makes it applicable to a North Slope gas line as well as an LNG project and extends until June 2005 the deadline for filing an application for a contract with the State. Such a contract would be approved by the legislature and would contain provisions addressing the issues of tax and royalty clarity and certainty, and other fiscal issues important to the parties.

A little more on the temporary property tax exemption provided in the Bill. It does not apply to any taxes currently being collected so present revenues will not be affected by this bill. Only if a pipeline is built and the state enjoys the benefits of that development will the investment of this temporary tax exemption be made. It is temporary and lasts

only for the period of construction and the first two years of operations. At its expiration, if this Bill in fact encourages the producers and a pipeline is built, the state and local governments will have a pipeline on which to levy taxes for many years, a new industry - a gas industry - will have been created, in-state use of gas will be possible, and Alaskans will be employed. If it is not built, there will not be any of that.

Just a year or so ago when gas prices were very high, everyone thought the pipeline was just around the corner. Now reality has set in and the project's enormous costs and risks make it very doubtful that it will be built unless action is taken to keep the project alive. VECO together with Fluor performed the recent study for the producers. VECO recognizes the great risks involved with the project, but believes that if the state takes action to reduce the risks and costs, we can make it happen. There may be concern that this will be seen as a give away and that, instead, the state should negotiate with the gas owners before any incentives are given. VECO feels a great sense of urgency. If action is not taken this year, the only opportunity for a significant boost to the state economy may be lost. If we take a year or two or three to negotiate any incentives, the opportunity may be lost as the producers move on to other projects. There will be time in the coming years under the Alaska Stranded Gas Development Act to negotiate a total fiscal regime, but VECO believes concrete action must be taken this year to keep the project going.

Further, the Bill requires that the producers must meet certain conditions to be eligible for the temporary tax exemption. First, it must be a pipeline that follows the southern route. The Bill lists six other conditions, including compliance with the federal acts relating to

natural gas pipelines. Amendments to those acts that would be favorable to Alaska are being considered as part of the currently pending federal enabling legislation. Also included as requirements are Alaska hire, buy and build.

The Alaska Stranded Gas Development Act, which this bill reopens, provides the opportunity for tax and royalty certainty and clarity that will benefit both the state and the producers. The state and the oil owners were locked in long, costly and antagonistic disputes over issues relating to the determination of the taxpayers liability for severance tax and royalty. VECO has been informed that the producers strongly desire that such disputes be avoided as to gas and that the risk associated with tax and royalty uncertainty and lack of clarity is one more risk that burdens this already risky project. The Stranded Gas Act provides a good process for the state and producers to negotiate such clarity and certainty and in fact the opportunity to negotiate what fiscal regime would be in the long-term fiscal interest of the state, while accommodating affected municipalities, and the project sponsors under a wide range of economic conditions, potential project structures and marketing arrangements. The legislature retains the power to authorize execution of the contract. The Act gives the municipalities an important role through the formation of a municipal advisory group.

There has been testimony today that reflects basic agreement on certain issues. First, there is the recognition that some incentive will be necessary for this project. Second, there is acknowledgment that a property tax exemption would be the most leveraging of the available incentives. Where there is disagreement is at what point the incentive

should be granted. VECO feels strongly that the incentive should be granted now, and then negotiations between the state and producers can address the total fiscal regime that would apply.

In summary HB 519 is crucial and contains perhaps the only chance left to try to keep the possibility of a gas line project alive for the next few years or it may be decades before the opportunity arises again. VECO also wants to make it very clear that it does not consider this to be a producer bill. This is an Alaska bill that provides for a short-term investment by Alaska that will pay off in a project that could be shipping gas for a hundred years.

ALASKA STATE CHAMBER OF COMMERCE

Testimony on HB 519
by Pamela LaBolle

Good morning, I am Pam LaBolle, President of the Alaska State Chamber of Commerce. The Alaska State Chamber represents 35 local chambers and 700 businesses, most of whom are small businesses deeply concerned with the economic future of Alaska. As the Voice of Alaska Business and the leading advocate for business headquartered here in Juneau, we always appreciate the opportunity to address bills of importance to the economic development of the state. Our legislative priorities are developed at the grassroots level by our membership through a several month long process of proposal, review and debate. Our top five priorities include urging the legislature and the governor to encourage the producers to proceed with development of a southern gas line route through Alaska.

The Chamber speaks in favor of HB 519 and urges its passage. Alaska absolutely needs a gas pipeline. For our members to have their businesses thrive or even just stay viable Alaska's resources must be developed. It sometimes seems that people outside our state have a much greater say in what happens in our state than we do. With the defeat of ANWR in Congress just yesterday, there are no other large developments on the horizon that will spur the growth of our economy in the near term. Our executive committee meets monthly around the state often in smaller communities. As a result, we are very concerned about the state's economy. What is the state doing to encourage economic growth, to try to have a hand in our own destiny.

While the final results of the producers' study haven't been released yet, it should be apparent to everyone that this is a project of enormous cost and risk. The state and local governments would benefit greatly for years to come if we can encourage the producers to take the risks inherent in this huge project and develop the North Slope gas resources by building a project through Alaska. The temporary tax exemption provided by this bill should be looked upon as an investment by the state and municipalities to encourage the producers to go forward with a project that will create jobs, benefit municipalities, spur economic opportunity for businesses and start a whole new industry - a gas industry. By revitalizing the Alaska Stranded Gas Development Act and having it apply to this project, the state and producers can create a contract that will assure tax clarity and certainty and protect vital interests of the state and affected municipalities. How often does the state have an opportunity to take such a bold step to encourage large-scale economic growth. Several states and cities around our nation have offered to businesses tax incentives to encourage them to invest. The state should be less concerned with perhaps giving away too much and more concerned with not missing a significant opportunity for economic growth, perhaps the only one in the next few decades. Thank you.

VECO Corporation, Inc.

3601 C Street, Suite 1000
Anchorage, Alaska 99503

Testimony of Bill Allen
Before the House Oil and Gas Committee Hearing (HB 519)
April 19, 2002

Thank you Mr. Chairman and members of the committee.

For the record my name is Bill Allen, I am Chairman and CEO of VECO Corporation, an Alaskan company with its headquarters in Anchorage.

Before I begin, I would ask the committee to please bear with me. Because of an accident I suffered last summer, my speech is sometimes broken and I must speak slowly. I will do my best, and submit written testimony to fill in any gaps.

With your permission I will have my Vice President Rick Smith read my testimony. These are my words, but it will go much quicker if Rick reads them for me.

Testimony:

Mr. Chairman, and members of the committee, it is a pleasure to be here with you today and I appreciate the opportunity to speak with you on an issue of utmost importance to Alaska.

I know each of you personally. Over the years, we have had the chance to work together on many issues important to Alaskans. Creating jobs and local hire, improving education, encouraging business and economic development – to name just a few.

I'm here today to tell you that, in my opinion, no single issue is more important to Alaska's future – than the legislation you now have before you.

Alaska is truly at a cross-roads. Many of our traditional industries are struggling – often through no fault of their own. Our oil resources are declining, our timber, mining and fishing industries are on the ropes – because of factors largely beyond their control.

But the bottom line is that as those traditional mainstay Alaskan industries struggle – Alaska struggles – and Alaskans find themselves out of work and unable to provide for their families.

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• VECO Corporation, Inc.
House Oil & Gas Committee
4/19/02

In addition, as our state's economy shrinks, so does your ability to ensure better schools, better communities and a better quality of life for all Alaskans.

Mr. Chairman, I believe the legislation before you offers an opportunity for Alaska to control its own destiny. We know that the North Slope has enough proven reserves of natural gas to fill a pipeline to capacity for the next 50 years. 35 trillion cubic feet – and that's just the known reserves. Estimates suggest there may be much more – perhaps enough to keep the pipeline – and the jobs and revenues it will create – operating for the next 100 years.

Unfortunately, before Alaska can realize any of those benefits, a pipeline must be built.

A few years ago, like most Alaskans I was enthusiastic about the prospects for the gas line. With prices soaring – it looked as if the pipeline was just around the corner.

Well, we all know what happened next. Just as quickly – prices dropped – and the economics suddenly changed.

After months of study, it's now clear that without some economic incentives, private industry is not going to be willing to risk the billions of dollars necessary to construct the gas line at this time. The project simply does not math out at current and foreseeable prices -- unless some of the construction and start-up risks are offset.

We know that we have some of the largest known gas reserves in the world. We know that we have reliable, private sector partners who can help Alaska develop and market our vast, untapped resource.

But we also know that Alaska is not the only place in the world where natural gas exists. And as with our other industries, international competition increases every year.

I guess more than anything, I am here today to urge you to act quickly to seize a unique opportunity that can help ensure Alaska's future.

I believe the window of opportunity is still open – if we act now to help make this project a reality. I also strongly suspect that if that window shuts – it may never open again.

In the past several weeks, I have talked with senior officials from the production companies. They have indicated a willingness to proceed providing federal and state legislation is passed to help offset some of the project's tremendous risk. They also seek reasonable assurances of stability in our tax and economic climate.

In that regard, for the past several months members of our Congressional delegation have worked hard to enact federal incentives to help make the gas line a reality. But as with

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any Alaska resource development issue, they are fighting a difficult uphill fight – and they need our help.

Last week Senator Murkowski called me and said that opponents of the gas line are now pointing out the absence of state action on the issue – and using that point to try to defeat our delegation's efforts in D.C. "If Alaska does not care enough to offer incentives," they say, "why should we?"

Senator Murkowski and the rest of our delegation have indicated that passage of HB 519 will go a long way toward demonstrating Alaska's commitment to this project. It will send a clear signal to Washington and the producing companies that Alaska is ready to step up to the plate and invest, along with them, in Alaska's future.

I have been asked what this legislation will cost Alaska. My answer has been very simple. Absolutely nothing. Because without this legislation, the gas line will likely never be built.

You can't tax something that doesn't exist.

So any taxes potentially deferred by this legislation – would never have been realized anyway.

On the other hand, I believe the true cost to Alaska – lies in doing nothing. If this legislation does not pass, and the gas line is not built, what will that cost Alaska?

The gas line will create thousands of new jobs and billions in new revenue and economic activity. It can help provide a stable economic climate for Alaska at least well into this century – and long after you and I are gone.

At a time when Alaska is desperately seeking new economic opportunities – I suggest to you – that the best opportunity is very close at hand, if we will simply reach out and grasp it.

Thank you again for the opportunity to testify. I would be happy to answer any questions you may have.

SCOMM

128:33

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 527
() Publish Date: _____
Dept. Affected: Natural Resources
BRU: Oil and Gas Development
Component: Oil and Gas Development
Component Number: 439

Revision Date/Time (Note if correction): _____
Title: Minto Flats Game Refuge
Sponsor: House Resources Committee
Requester: House Oil and Gas Committee

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	**** See Below
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: none

Check this box (X) if funding for this bill is included in the Governor's FY2003 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill adds that entry for the purposes of oil and gas exploration and development shall be permitted when compatible with the purposes for which the refuge was established.

****In April 2001, Division of Oil and Gas received a request from Andex Resources for an exploration license which included most of the Minto Flats SGR. If Andex rejects the license, the state would lose \$499,840 in application fees as well as eventual royalties and rental fees if the license is converted to leases.

Prepared by: Mark D. Myers Phone 269-8800
Division: Oil and Gas Date/Time 2-May-02
Approved by: Pat Pourchot Date 2-May-02
Agency: Natural Resources

Alaska State Legislature

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House Resources Committee

Sponsor Statement

HB527: An Act relating to entry into the Minto Flats State Game Refuge for purposes of exploration and development of oil and gas resources.

This bill will facilitate economic development in the state of Alaska by allowing for the responsible exploration and development of oil and gas resources within the Minto Flats Game Refuge.

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

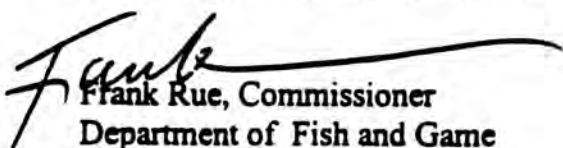
DEPARTMENT OF FISH AND GAME

Commissioner's Office

P.O. BOX 25526
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MEMORANDUM

TO: Pat Pourchot, Commissioner
Department of Natural Resources

FROM:  Frank Rue, Commissioner
Department of Fish and Game

DATE: May 1, 2002

SUBJECT: Oil and Gas Exploration in the Minto Flats State Game Refuge

This memo clarifies the Department of Fish and Game's position regarding oil and gas exploration and development in the Minto Flats State Game Refuge (MFSGR). In the absence of sufficient site-specific information to render a compatibility determination at this time, the department's position was summarized in our March 15, 2002, recommended Licensee Advisory. That advisory stated in part,

Licensees are advised that ADF&G may require additional mitigation measures for activities within the refuge and may, in some instances, not find all oil and gas development compatible with the refuge's purposes and management plan. Licensees must coordinate closely with ADF&G early in the exploration and development process to ensure that proposed activities are consistent with the refuge management plan and can be developed in a manner that protects core refuge habitats and public use values.

We remain committed to working with the Department of Natural Resources, the project proponents, and the affected public to find ways to advance this project consistent with the MFSGR's statutory purposes, management plan, and public use values. Final decisions regarding the compatibility of gas resource development in the MFSGR will be made on their own merits once project siting and design information is available.

Regional staff will be submitting additional resource and public use information to DNR during the open public review and comment period. We will continue to work with DNR and the

CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION**



Central Microfilm Services
Department of Education & Early Development
State of Alaska

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

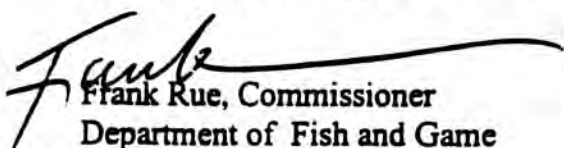
Commissioner's Office

TONY KNOWLES, GOVERNOR

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We remain committed to working with the Department of Natural Resources, the project proponents, and the affected public to find ways to advance this project consistent with the MFSGR's statutory purposes, management plan, and public use values. Final decisions regarding the compatibility of gas resource development in the MFSGR will be made on their own merits once project siting and design information is available.

Regional staff will be submitting additional resource and public use information to DNR during the open public review and comment period. We will continue to work with DNR and the

project proponents to identify alternative mitigation measures to avoid or minimize impacts. We encourage DNR to maintain open channels of communication between all affected interests.

cc: Representative Hugh Fate
Representative Scott Ogan, Chair, House Special Committee on Oil and Gas
Senator John Torgerson, Chair, Senate Resources Committee
Chip Dennerlein, ADF&G, Habitat and Restoration
Mark Meyers, ADNR, Division of Oil and Gas
Jim Hansen, ADNR, Division of Oil and Gas
Al Ott, ADF&G, Habitat and Restoration
Jim Mery, Doyon, 1 Doyon Place, Suite 200, Fairbanks, AK 99701
Jim Dodson, Andex, 1720 S. Bellaire St., Suite 807, Denver, CO 80222

STATE OF ALASKA

Department of Natural Resources

Division of Oil and Gas

Tony Knowles, Governor

550 W. 7th Avenue, SUITE 800
ANCHORAGE, ALASKA 99501

April 12, 2002

Phone: 269-8805

Notice of Issuance of the Preliminary Finding under AS 38.05.035(e)

Proposed Nenana Basin Oil and Gas Exploration License

The Department of Natural Resources (DNR), Division of Oil and Gas (DO&G), has issued the preliminary best interest finding for the proposed Nenana Basin Oil and Gas Exploration License.

LICENSE AREA

The State of Alaska is proposing to issue an oil and gas exploration license on approximately 490,000 acres within the Nenana Basin. The proposed license area is located west of Nenana and extends from as far south as Anderson, northward to approximately nine miles south of Minto. The area includes a large portion of the Minto Flats State Game Refuge. Only lands for which the state owns the subsurface estate will be included in the license. Activities resulting from this offering may affect the communities of Anderson, Nenana, Minto and Fairbanks.

FINDING PROCESS

Before issuing the license, state law requires the commissioner of DNR to make a written finding as to whether a proposed exploration license is in the best interest of the state. To facilitate this, DO&G has collected socio-economic and environmental information in order to consider the potential effects of this proposed offering. This information was then used to prepare this finding. This finding establishes the scope of the administrative review for the proposed license; considers and discusses certain important facts and issues determined to be material as required by AS 38.05.133(f); and sets out the law, regulations and applicable policies upon which the commissioner bases his final determination. The finding also includes certain proposed mitigation measures considered necessary to minimize possible adverse impacts resulting from activity within the license area.

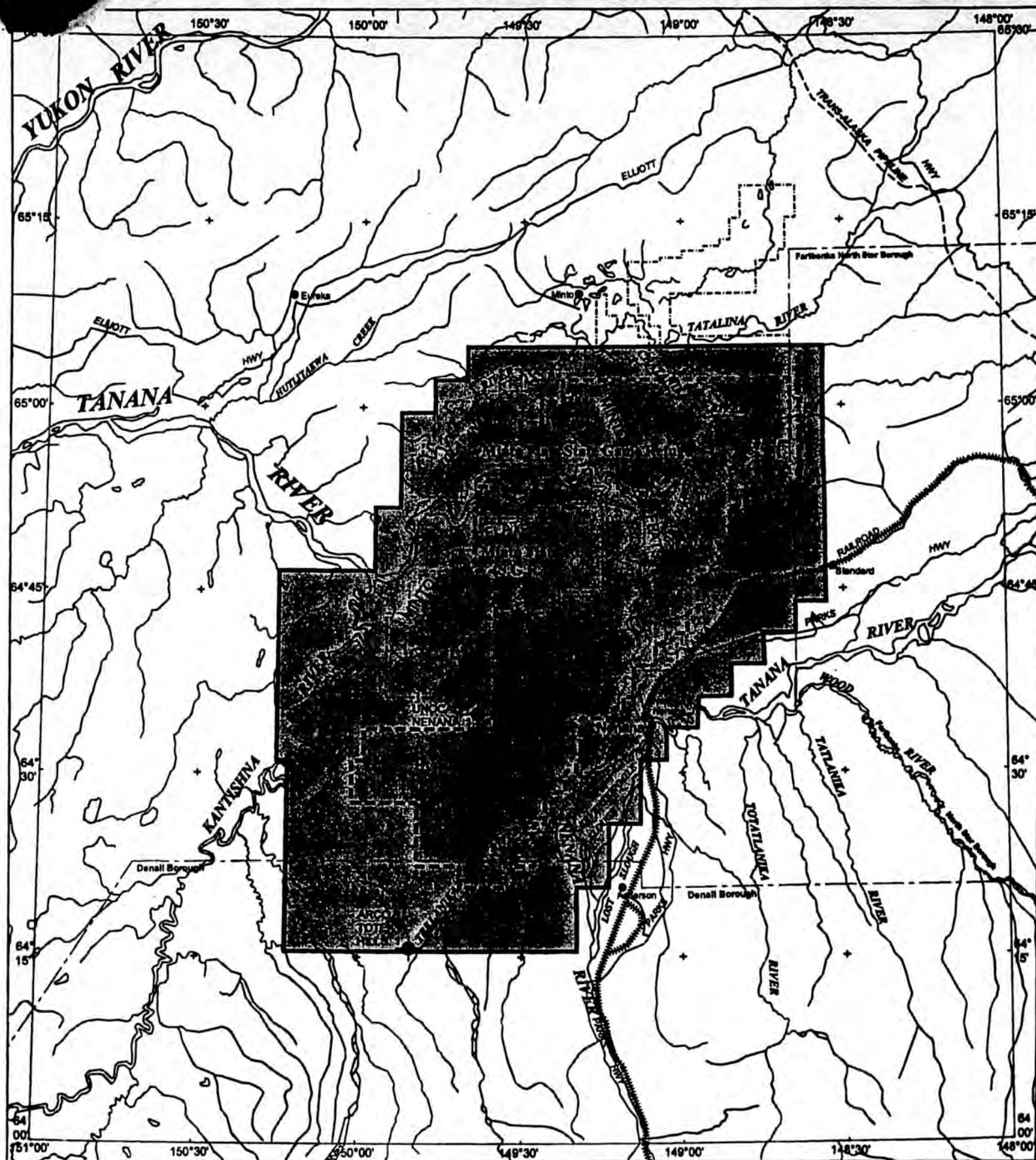
PUBLIC COMMENT

DO&G invites the public to comment on any aspect of this license, including the preliminary best interest finding, or the proposed mitigation measures. Mail comments to Division of Oil and Gas; 550 West 7th Ave., Ste. 800; Anchorage, AK 99501; ATTN: James Hansen. Email: jjh@dnr.state.ak.us. DO&G must receive comments no later than 5:00 p.m. (ADT) May 31, 2002 to be considered in the final finding.

Interested individuals may obtain a copy of the preliminary finding from the Division of Oil and Gas, 550 West 7th Avenue, Suite 800 in Anchorage. Copies are also available for review at the following libraries:

Noel Wien Library in Fairbanks
Anderson School/Village Library
Nenana Public Library

Minto School Library
Tri-Valley School/Community Library in Healy
Loussac Public Library in Anchorage

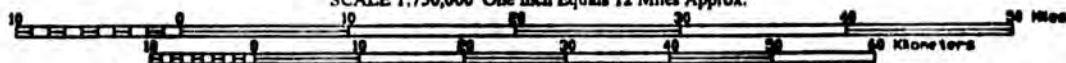


Nenana Basin Study Area

Nenana Basin Study Area = Proposed License Area = - - -

Exploratory Wells =

SCALE 1:750,000 One Inch Equals 12 Miles Approx.



Map created, edited, and published by the State of Alaska, Department of Natural Resources, Division of Oil and Gas.

Albers Equal-Area Conic Projection, 1927 North American Datum, Clarke 1866 ellipsoid with a central meridian of 149° 30', origin latitude of 50°, northern parallel of 65°, and southern parallel of 55°.

ADNR 2/02

CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION**



Central Microfilm Services
Department of Education & Early Development
State of Alaska

STATE OF ALASKA

Department of Natural Resources

Division of Oil and Gas

Tony Knowles, Governor

550 W. 7th Avenue, SUITE 800
ANCHORAGE, ALASKA 99501

April 12, 2002

Phone: 269-8805

Notice of Issuance of the Preliminary Finding under AS 38.05.035(e)

Proposed Nenana Basin Oil and Gas Exploration License

The Department of Natural Resources (DNR), Division of Oil and Gas (DO&G), has issued the preliminary best interest finding for the proposed Nenana Basin Oil and Gas Exploration License.

LICENSE AREA

The State of Alaska is proposing to issue an oil and gas exploration license on approximately 490,000 acres within the Nenana Basin. The proposed license area is located west of Nenana and extends from as far south as Anderson, northward to approximately nine miles south of Minto. The area includes a large portion of the Minto Flats State Game Refuge. Only lands for which the state owns the subsurface estate will be included in the license. Activities resulting from this offering may affect the communities of Anderson, Nenana, Minto and Fairbanks.

FINDING PROCESS

Before issuing the license, state law requires the commissioner of DNR to make a written finding as to whether a proposed exploration license is in the best interest of the state. To facilitate this, DO&G has collected socio-economic and environmental information in order to consider the potential effects of this proposed offering. This information was then used to prepare this finding. This finding establishes the scope of the administrative review for the proposed license; considers and discusses certain important facts and issues determined to be material as required by AS 38.05.133(f); and sets out the law, regulations and applicable policies upon which the commissioner bases his final determination. The finding also includes certain proposed mitigation measures considered necessary to minimize possible adverse impacts resulting from activity within the license area.

PUBLIC COMMENT

DO&G invites the public to comment on any aspect of this license, including the preliminary best interest finding, or the proposed mitigation measures. Mail comments to Division of Oil and Gas; 550 West 7th Ave., Ste. 800; Anchorage, AK 99501; ATTN: James Hansen. Email: jjh@dnr.state.ak.us. DO&G must **receive comments no later than 5:00 p.m. (ADT) May 31, 2002** to be considered in the final finding.

Interested individuals may obtain a copy of the preliminary finding from the Division of Oil and Gas, 550 West 7th Avenue, Suite 800 in Anchorage. Copies are also available for review at the following libraries:

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Anderson School/Village Library
Nenana Public Library

Minto School Library
Tri-Valley School/Community Library in Healy
Loussac Public Library in Anchorage

PUBLIC MEETINGS

Representatives from the Division of Oil and Gas (DO&G) will be available to discuss the license proposal, answer questions, and take public comments at the following public meetings:

April 22: Nenana – 7:00 p.m.; George Hall

April 23: Minto – 1:30 p.m.; Lake View Lodge

April 23: Fairbanks – 7:00 p.m.; Noel Wien Library auditorium

FINAL FINDING

DO&G anticipates making the final finding available to the public in August 2002. Under AS 38.05.035(i) only those whom the final finding affects, and who have meaningfully participated in the best interest finding process, through written comment or oral testimony presented at a public hearing, are eligible to file an administrative appeal or request for reconsideration of the final decision by the commissioner. Further, under AS 38.05.035(l) only those who have exhausted their administrative rights by requesting reconsideration have standing to appeal the finding to the Superior Court.

The State of Alaska, DNR, DO&G complies with Title II of the Americans with Disabilities Act 1990. This Publication will be made available in alternative communication formats upon request. Please contact Suzanne Gaguzis at (907) 269-8803.



Mark D. Myers
Director

Date: May 2, 2002

Pages: 2

TO: House Special Committee on Oil and Gas
FROM: Northern Alaska Environmental Center
RE: Testimony on HB 527

Mike Chenault
District 9 - Republican
fax: (907) 465-2833

Fred Dyson
District 25 - Republican
fax: (907) 465-4587

Hugh 'Bud' Fate
District 33 - Republican
fax: (907) 465-3883

Gretchen Guess
District 16 - Democrat
fax: (907) 465-6615

Reggie Joule
District 37 - Democrat
fax: (907) 465-4586

Vic Kohring
District 26 - Republican
fax: (907) 465-3818

Scott Ogan
District 27 - Republican
fax: (907) 465-3265

**Northern Alaska Environmental Center**

830 COLLEGE ROAD, FAIRBANKS, ALASKA 99701-1535

PHONE: (907) 452-5021 FAX: (907) 452-3100

<http://www.northern.org> ♦ info@northern.org

May 2, 2002

Dear Sirs and Madam,

Please accept the following testimony from the Northern Alaska Environmental Center, pertaining to House Bill 527.

House Bill 527 specifies that "entry upon the Minto Flats State Game Refuge for purposes of exploration and development of oil and gas resources shall be permitted when compatible with the purposes specified in (b) of this section". While we do not directly disagree with this statement, it is our studied opinion that in no case will the stipulation of compatibility prove tenable. The Minto Flats Game Refuge is an area of major ecological and social importance, and the purposes for which it was set aside are not compatible with gas drilling. Thus, HB 527 should not be passed out of committee.

The Minto Flats State Game Refuge was established for the purposes of protecting habitat, conserving fish and wildlife, and guaranteeing fishing, hunting and trapping, when these are compatible with conservation. The Game Refuge is an important area for both subsistence users and sport hunters, with extensive hunting, trapping, and fishing taking place along the Tanana River and smaller waterways. The complex mosaic of forests, rivers, and wetlands that spans the Game Refuge is prime habitat for salmon, moose, black bear, raptors, and waterfowl, and also supports healthy populations of many other species. For moose, this is a crucial area for calving and over-wintering. Chinook, coho, and chum all spawn here. Local residents' concerns center around access issues, hunting pressure, and habitat conservation.

Gas exploration and drilling, even if done with the lowest-impact modern techniques, requires detonation of explosives, significant land clearing, and creation of access routes. These impacts in turn can lead to habitat fragmentation, unprecedented stresses on nesting birds and calving moose, and increased pressure on game species through increased hunter access.

The Northern Center's position is that while gas is a cleaner substitute for fuels such as oil and coal, it should be considered a transitional fuel on the way to much cleaner technology. Whenever gas is developed, the resultant infrastructure should be designed to minimize ecological impacts, and should be kept within existing development corridors. The Minto Flats State Game Refuge contains crucial habitat for many game species which we believe would be significantly impacted by development. In addition, the Refuge has no existing development corridors. Therefore, the Northern Center strongly believes that development should not occur within the Minto Flats State Game Refuge.

For the above reasons, we ask that you reject House Bill 527. Thank you for your attention in this important matter.

Sincerely,


Arthur Hussey, Executive Director

80773 35 1 4534

TONY KNOWLES, GOVERNOR

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

P.O. BOX 25526
JUNEAU, ALASKA 99802-5526
PHONE: (907) 485-4100
FACSIMILE: (907) 485-2332

April 22, 2002

Buzz Otis, Chair
Kara Moriarty, President/CEO
Greater Fairbanks Chamber of Commerce
250 Cushman Street, Suite 2D
Fairbanks, AK 99701-4665

Dear Mr. Otis and Ms. Moriarty:

I recently received a copy of the Greater Fairbanks Chamber of Commerce's Resolution 02-0415A dated April 15, 2002 regarding support for natural gas exploration in the Nenana Basin. The resolution contains a misrepresentation regarding the Alaska Department of Fish and Game's (ADF&G) preliminary position on gas exploration and development in the Minto Flats State Game Refuge (MFSGR). Specifically, the resolution states that "preliminary comment by the State of Alaska's Department of Fish and Game indicates that they intend to deny surface access to ... exploration targets" in the MFSGR. I would like to take this opportunity to correct this misrepresentation for the record.

ADF&G regional staff provided comments to the Alaska Department of Natural Resources (ADNR) on September 13, 2001 and March 15, 2002. We raised issues regarding the compatibility of some aspects of gas development in critical portions of the MFSGR. We did so in order to foster state resource agency discussions in the hope of working through as many issues as possible prior to public release of the Best Interest Finding. Regional staff believed this would provide the highest level of assurances to prospective licensees. However, to address the possibility that ADNR would decide to delay resolution to a later stage when additional, site-specific information becomes available, my staff recommended inclusion of a Licensee Advisory that provided a brief outline of our core refuge areas and concerns. Recommended language was included in regional staff's final response to ADNR prior to public release of the Preliminary Best Interest Finding (memorandum from Al Ott, ADF&G, to Jim Hansen, ADNR, dated March 15, 2002). The recommended advisory did not unilaterally exclude all surface occupancy and use within the core refuge area. Unfortunately, ADF&G's recommended Licensee Advisory was not included in the Preliminary Best Interest Finding.

Habitat and Restoration Division staff informed the Division of Oil and Gas, as well as Doyon Ltd. and Andex Resources LLC, of the omission. My staff has already initiated contact with the project proponents and is committed to working with them through the Best Interest Finding process and subsequent permit approvals to find ways to advance this project consistent with the

Mr. Buzz Otis, Chair
Kara Moriarty, President/CEO

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April 22, 2001

protection of the MFSGR's statutory purposes and public use values. Final decisions regarding the compatibility of gas resource development in the MFSGR will be made on their own merits after project siting and design information is available. Areas of key resource and public use concern will be identified and discussed with project proponents as we continue to maintain an open dialog.

A copy of ADF&G's March 15, 2002 recommended Licensee Advisory is enclosed for your use.

Sincerely,



Frank Rue
Commissioner

Enclosure

cc: Governor Tony Knowles, State of Alaska
Interior Delegation
Mayor Rhonda Boyles, Fairbanks North Star Borough
Mayor Steve Thompson, City of Fairbanks
Mayor Jeff Jacobsen, City of North Pole
Mayor Jason Nayrand, City of Nenana
Mr. Jack Irwin, Minto Tribal Council
Commissioner Pat Pourchot, ADNR
Chip Denerlein, ADF&G, Habitat and Restoration
Mark Meyers, ADNR, Division of Oil and Gas
Jim Hansen, ADNR, Division of Oil and Gas
Al Ott, ADF&G, Habitat and Restoration
Jim Mery, Doyon, 1 Doyon Place, Suite 200, Fairbanks, AK 99701
Jim Dodson, Andex, 1720 S. Bellaire St., Suite 807, Denver, CO 80222

Mr. Buzz Otis, Chair
Kara Moriarty, President/CEO

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April 22, 2001

ADF&G Recommended Licensee Advisory (March 15, 2002)

Licensees are advised that ADNOR and ADF&G have joint management authority of the Minto Flats State Game Refuge (MFSGR). A refuge management plan was adopted by ADF&G under 5 AAC 95 in April 1993. The management plan presents the management goals for the refuge and identifies policies to be used by ADF&G in determining whether proposed activities within the refuge are compatible with the protection of fish and wildlife, their habitats, and public use of the refuge. Habitat and public use values in the MFSGR are high, particularly in the core habitat area within the refuge unit north of the Tanana River (Figure ____). Licensees are advised that ADF&G may require additional mitigation measures for activities within the refuge and may, in some instances, not find all oil and gas development compatible with the refuge's purposes and management plan. Licensees must coordinate closely with the ADF&G early in the exploration and development process to ensure that proposed activities are consistent with the refuge management plan and can be developed in a manner that protects core refuge habitats and public use values.

Jim Hansen

From: Mac McLean [mac_mclean@fishgame.state.ak.us]
Sent: Saturday, March 16, 2002 1:57 PM
To: 'Pam Rogers'; Al_Ott@fishgame.state.ak.us; plr@dnr.state.ak.us
Cc: jim_durst@fishgame.state.ak.us; jim_hansen@dnr.state.ak.us
Subject: RE: Nenana License Core Area?



NBSA
CoreRoads.jpg

Pam - the attached map (in color) may be easier than the faxed black and white. It is a jpg that will open in Microsoft Photo Editor. The core area corresponds to Mineral Order #510. The areas we are proposing that may be suitable for Oil/Gas development include all of the southern unit of the MFSGR (south of the Tanana River), all of the Northern unit (north of the Tanana River) south of the common Township 1S and 2S border, Sections 17, 18, 19, 20, 29-31, T1S, R6W, FM, and a number of parcels north of the proposed licensing area. Section 24, T3N, R8W, FM is within the proposed licensing area and is also outside the core area (it was not included in MO #510).

*This is
all outside
the core
area of the
MFSGR.*

The area proposed to be opened is adjacent to Dunbar and the common boundary of the Alaska Railroad and the Refuge. That provides either direct vertical drilling access to the gravity anomaly or directional drilling access to the most northern portion of the anomaly. It also allows direct pipeline access to the rail corridor without having to snake it south first to Nenana. The map shows the Standard Creek road immediately northwest of Dunbar.

If that is as clear as mud, you can give me a call at home this weekend (488-0729) if you need to. Otherwise I will be in the office Monday.

-----Original Message-----

From: Pam Rogers [mailto:progers@pci.net]
Sent: Friday, March 15, 2002 9:37 PM
To: Al_Ott@fishgame.state.ak.us
Cc: mac_mclean@fishgame.state.ak.us; jim_durst@fishgame.state.ak.us;
jim_hansen@dnr.state.ak.us
Subject: Nenana License Core Area?

Al, I have scrutinized your maps with everything but 3-D glasses. Where is your MFSRG core area, and where is the linkage to the ARR ROW? Please respond to me at: plr@dnr.state.ak.us.

If I already have a map, which one is it?

Thanks.

Pam Rogers
ADNR

PS: Good job, especially your side-by-side, on the Nenana Basin exploration license mitigation measures.

MEMORANDUM**State of Alaska
Department of Fish and Game**

To: James Hanson
Chief Petroleum Geologist
Division of Oil and Gas

Date: March 15, 2002

File No:

Telephone Number:

FAX Number:

From: Alvin G. Ott
Regional Supervisor
Habitat and Restoration Division

Subject: Nenana Basin Oil and
Gas Exploration
License - Mitigation
Measures

The Alaska Department of Fish and Game (ADF&G) has reviewed the draft mitigation measures for the Nenana Basin Exploration Licensing Area provided to us on March 1, 2002. The following comments reflect the combined response of our divisions of Habitat and Restoration, Wildlife Conservation, Sport Fish, Commercial Fisheries and Subsistence. These comments must be considered preliminary since the ADF&G has not been provided or had opportunity to review the full preliminary best interest finding. We reserve the right to augment our comments during the public review phase when the full document has been reviewed.

We continue to believe that surface occupancy (facilities, pads, pipelines and roads) within portions of the Minto Flats State Game Refuge (MFSGR) located north of the Tanana River generally is inconsistent with the refuge's statutory purposes and management guidelines. We have, however, carefully considered the geologic and likely exploration and production scenario information provided to us during a March 5th meeting between ADF&G and ADNOR-DOG. Based on the new information, we have concluded that our initial September 13, 2001 response can be refined to potentially allow some oil and gas development, including surface occupancy, within a portion of the refuge unit located north of the Tanana River, without unreasonably compromising core refuge values.

Using a combination of directional drilling, staging from state lands (Tanana Valley State Forest) located on both the east and west sides of the refuge, and staging from non-core MFSGR lands left open to surface occupancy, we believe most, if not all, of the potential oil and gas targets could be developed. The portions of the MFSGR we are identifying to be left open to surface occupancy include a direct linkage to the Alaska Railroad ROW for location of distribution lines to markets in Fairbanks or Nenana (and further south). The identified area also permits direct staging from the all-season Standard Creek road located just east of the MFSGR.

NOTE email clarifies that these portions are not part of the "core area" of the refuge

James Hanson

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March 15, 2002

The remaining core area within the MFSGR which we believe should remain closed to surface occupancy predates the refuge's enabling legislation and was set aside in the 1985 Tanana Basin Area Plan as the single highest-value fish and wildlife habitat area in the planning unit and proposed for legislative designation. This core area was closed to mineral entry in 1985 under Mineral Order #510. While this closure does not extend to oil and gas development, it does underscore the significant importance of this area for fish and wildlife, their habitat, and public use of those resources. The mosaic of water bodies, wetlands, and wet shrub habitats contained within this core area supports one of the largest (in terms of harvest numbers and user days) waterfowl hunting areas in Alaska. It also supports significant large game hunting, trapping, and sport and subsistence fisheries.

The MFSGR's enabling legislation extended the refuge's boundaries beyond the original 1985 core habitat area to include additional fish and wildlife habitat and public use areas. While these additional areas remain important, the even greater significance of the core area underscores our conviction that the state's best interests are served by placing the core area off limits to surface occupancy; particularly since the target oil and gas deposits can still be developed from other refuge and adjacent state and private lands without compromising the core area.

We would also like to voice our support for your proposal to require the use of ice roads as opposed to winter roads (as that term is used in interior Alaska); most particularly within the MFSGR. Properly constructed ice roads with ice and ice aggregate overlying vegetation are a proven technique for avoiding or minimizing adverse impacts to surface vegetation. Winter roads on the other hand often involve surface disturbance and can result in thermal degradation, alteration of surface hydrology, and changes in vegetative communities.

Our remaining recommendations are presented as markups on the attached draft "Mitigation Measures and Licensee Advisory". The Licensee Advisory would be modified if our recommendation for excluding surface occupancy within the core MFSGR area is included in the draft Best Interest Finding.

If there are any questions, please contact Mac McLean (459-7281) or Jim Durst (459-7254).

Attachments

1. ADF&G markup of draft "Mitigation Measures and Licensee Advisory"
2. Identification of MFSGR core area
3. Comparison of proposed ADF&G mitigation measures for the NBSA, MFSGR, and MFSGR core area

cc: Chip Dennerlein, ADF&G, Anchorage
Wayne Regelin, ADF&G, Juneau
Kelly Hepler, ADF&G, Juneau

Attachments to F&C memo
dated 3-15-02

Attachment 1

Mitigation Measures and Licensee Advisory

AS 38.05.035(e) and the departmental delegation of authority provide the director, Division of Oil and Gas (DO&G), with the authority to impose conditions or limitations, in addition to those imposed by statute, to ensure that a resource disposal is in the state's best interests. Consequently, to mitigate the potential adverse social and environmental effects of specific selected license-related activities, DO&G has developed mitigation measures and will condition plans of operation, exploration, or development, and other permits based on these mitigation measures.

Under AS 38.05.035(e), ADNOR has authority to apply the following mitigation measures for the Nenana Basin Exploration License, to all oil and gas activities performed to access the state's mineral interest, regardless of the ownership status of the land from which the licensee seeks access.

Licensees must obtain approval of a detailed plan of operations from the director before conducting exploratory or development activities (11 AAC 83.158). An approved plan of operations is the authorization by which DO&G regulates exploration, development, and production activities. A plan of operations must identify the specific measures, design criteria, and construction methods and standards, and end-of-use plans to be employed to comply with the restrictions listed below. It must also address any potential geohazards that may exist at the site.

The measures presented in this preliminary best interest finding were developed after considering measures imposed in state oil and gas lease sales and other exploration license areas; fish and wildlife resource and harvest data submitted by ADI&G; and environmental data relating to air and water quality, solid and liquid waste disposal, and oil spills submitted by ADEC. Measures were also developed or modified after considering comments submitted by the public, industry, federal and state agencies, and local government. Additional project-specific mitigation measures may be imposed if and when licensees submit plans of exploration, operation, or development.

In addition to compliance with these mitigation measures, licensees must comply with all applicable local, state and federal codes, statutes and regulations, and any subsequent amendments. Portions of the exploration license area are located within the Minto Flats State Game Refuge. All activities within the refuge that might affect fish and wildlife, their habitats, and public use of the refuge require authorization from ADI&G under AS 16.20 and 5 AAC 95 in addition to ADNOR authorization. Federal, state and local government powers to regulate the oil and gas industry are discussed in the "Governmental Powers to

Regulate Oil and Gas Exploration, Development, Production, and Transportation" in Chapter One of this finding. Additionally, some applicable federal and state statutes and regulations are presented in Appendix B.

The Licensee Advisory section contains important information to licensees and operators regarding the study area.

The following abbreviations are used in these mitigation measures:) Alaska Department of Environmental Conservation (ADEC), Alaska Department of Fish and Game (ADF&G), Nenana Basin Study Area NBSA), Minto Flats State Game Refuge (MFSGR), Alaska Department of Natural Resources (ADNR), Division of Mining, Land and Water (DMLW), Director of the Division of Oil and Gas (Director), Division of Parks and Outdoor Recreation (DPOR), National Pollutant Discharge Elimination System (NPDES), State Historic Preservation Officer (SHPO), and Spill Prevention Control and Countermeasure (SPCC).

Except as indicated, the restrictions listed below do not apply to geophysical exploration on state lands; geophysical exploration activities are governed by 11 AAC 96.

General

1. Oil and Hazardous Substance Pollution Control:

Pursuant to regulations 18 AAC 75 administered by ADEC, licensees are required to have an approved oil discharge prevention and contingency plan (c-Plan) prior to commencing operations. The plan must include a response action plan to describe how a spill response would occur, a prevention plan to describe the spill prevention measures taken at the facility, and supplemental information to provide background and verification information.

- 2 Detonation of explosives within, ~~beneath~~ or in close proximity to fish-bearing waters ~~must~~ should not produce instantaneous pressure changes that exceed 2.7 pounds per square inch in the swim bladder of a fish, or produce a unless the water body, including its substrate, is frozen solid. Peak particle velocity ~~greater than stemming from explosive detonation should not exceed~~ 0.5 inches per second in a fish spawning bed during the early stages of egg incubation. ~~Explosives must not be detonated~~

beneath the bed of fish-bearing waterbodies. Blasting criteria have been developed by ADF&G and are available on request.

3. a. Except for approved off-road travel, exploration activities ~~must~~ should be supported only by ice roads, winter trails, existing road systems or air or boat service. Wintertime off-road travel ~~must~~ should be approved only for areas where snow and ice depth are sufficient to protect the ground surface. Exceptions may be granted by the director of the DMLW, and the Director, if an emergency condition exists, or, if it is determined, after consulting with ADF&G, that travel can be accomplished without damaging vegetation or the ground surface. Summertime off-road travel ~~must~~ should be authorized only if it can be accomplished without damaging vegetation or the ground surface, including stream banks that may be crossed.
- b. Exploration facilities, including roads and pads, ~~must~~ should be temporary and constructed on ice pads. Exceptions, including the use of gravel, may also be granted by the Director on a site-specific basis, if it is determined, after consulting with ADF&G, that no feasible and prudent alternatives exist.
4. Winter ice bridge crossings of all anadromous and resident fish streams will require prior ADF&G permit authorization under AS 16.05.840 and AS 16.05.870. Summer ford crossings of anadromous fish streams will require prior ADF&G permit authorization under AS 16.05.870. All upland and in-water activities within the MFSGR will require authorization under AS 16.20 and 5 AAC 95 in addition to any authorizations required by ADNR.
5. Water withdrawal from fish-bearing waters ~~is~~ shall be subject to prior written approval by DMLW and —ADF&G, and ~~must~~ shall reserve adequate flow to support indigenous aquatic life and the watercourse must not be blocked to the passage of fish. Each water intake directly accessible by fish ~~must~~ shall be designed to prevent the intake, impingement, or entrapment of fish. Maximum screen mesh size and approach velocities for various fish species is available from ADF&G.
6. Within the MFSGR, all seismic exploration activities must be helicopter supported and must minimize surface disturbance. The clearing of seismic grid lines within the MFSGR is prohibited.

Facilities and Structures

6.7. Licensees ~~must~~ should minimize the impact of development on key wetlands. Key wetlands are those that are important to fish, waterfowl, shorebirds, and other wildlife species because of their high value or scarcity in the region. The DO&G ~~shall~~ should consult with the ADF&G to identify the least sensitive areas within the study area during the course of its review of the licensees' plan of operation.

Facilities and structures ~~must~~ should not be located within the MFSGR core area, depicted in Figure _____. This does not preclude developing oil and gas resources underlying the MFSGR core area through directional drilling from adjacent refuge or non-refuge lands that are open to surface occupancy within the exploration licensing area.

8. Pipelines ~~must~~ should be located so as to facilitate the containment and cleanup of spilled hydrocarbons. Where feasible and prudent, pipelines must be located on the upslope side of roadways and construction pads unless the director, DMLW, determines that an alternative site is environmentally acceptable. Wherever possible, pipelines must utilize existing transportation corridors. Consideration ~~may~~ should be given to burying pipelines where soil and geophysical conditions permit. Within the MFSGR, proposals to bury pipelines must include an engineering analysis and mitigation measures adequate to prevent alterations of surface hydrology, sub-surface drainage (French drain), and interception of groundwater upwelling. Licenses are advised that most of the exploration license area is underlain by discontinuous permafrost that is highly susceptible to thermal degradation.

All pipelines, including flow and gathering lines, ~~must~~ should be designed and constructed to provide adequate protection from water currents, storm and ice scouring, subfreezing conditions, and other hazards as determined on a case-by-case basis.

Pipelines must not be located within the MFSGR core area north of the Tanana River, depicted in Figure _____.

9. Elevated pipelines ~~must~~ shall be designed and constructed to avoid significant alteration of ~~caribou and moose and other wildlife~~ movement and migration patterns. Licensees ~~must~~ shall consider increased snow depth in the study area in relation to pipe elevation to ensure adequate clearance for wildlife.

ADF&G recommends a minimum height of ten feet from the ground to the bottom of the pipe, except at those points where the pipeline intersects a road, pad, or is constructed within 100 feet (30 m) of an existing pipeline, that is elevated less than ten feet.

10. Impermeable lining and diking, or equivalent measures such as double-walled tanks, will be required for oil storage facilities (with a total above ground capacity greater than 1,320 gallons, provided no single tank exceeds 660 gallons) and for sewage ponds. Additional site-specific measures may be required as determined by ADNRC, with the concurrence of ADEC, and will be addressed in the existing review of project permits or oil spill contingency plans (c-Plans).

Buffer zones of not less than 500 feet will be required to separate oil storage facilities and sewage ponds from freshwater supplies, streams, lakes, and key wetlands. Sumps and reserve pits must be impermeable and otherwise fully contained through diking or other means.

11. Upon abandonment of material sites, drilling sites, roads, buildings, airstrips or other facilities, such facilities must be removed and the site rehabilitated, unless the Director, after consultation with ADF&G, DEC, and the Department of Law, determines that such removal and rehabilitation is not in the state's best interest. In the MFSGR, this decision will be made jointly by the commissioners of ADF&G and DNR.

Gravel Mining and Use

12. Gravel mining required for exploration, development and production activities ~~must~~ be restricted to the minimum necessary to develop the field efficiently and with minimal environmental damage. Gravel mine sites ~~must~~ not be located within the active floodplain of a watercourse unless the Division of Mining, Land, and Water, after consultation with ADF&G, determines that there is no feasible and prudent alternative, or that a floodplain mine site would enhance fish and/or wildlife habitat after mining operations are completed and the site is closed.

— Mine site development and rehabilitation within floodplains ~~must~~ follow the general procedures and guidelines outlined in McLean, R.F. 1993, *North Slope Gravel Pit Performance Guidelines*, ADF&G Habitat and Restoration Division Technical Report 93-9. These guidelines were developed for North Slope Alaska industrial and infrastructure development but are equally applicable in Interior Alaska.

Gravel mining is prohibited within the MFSGR core area identified in Figure _____.

Prehistoric, Historic, and Archeological Sites

4213. Prior to any ground disturbing activity resulting from exploration, development or production activities, the licensee must conduct an inventory of prehistoric, historic and archeological sites within the area affected by activity. The inventory must include consideration of literature provided by Doyon, Ltd., Toghottahle Village Corporation and local residents, documentation of oral history regarding historic and prehistoric uses of such sites, evidence of consultation with the Alaska Heritage Resources Survey and the National Register of Historic Places, and site surveys.

The inventory must also include a detailed analysis of the potential effects that might result from the activity. The inventory must be submitted to the Director for distribution to DPOR for review and comment. In the event that an archeological, prehistoric or historical site or area may be adversely affected by an activity, the Director, after consulting DPOR, will direct the licensee as to what course of action will be necessary to avoid or minimize the adverse effect.

Discovery of prehistoric, historic, or archaeological objects: In the event any site, structure, or object of prehistoric, historic, or archaeological significance is discovered during leasehold operations, the licensee must immediately report such findings to the Director and the licensee must make every reasonable effort to preserve and protect such site, structure, or object from damage until the Director, after consulting the SHPO, has given directions as to its preservation.

Local Hire

4214. To the extent they are available and qualified, the licensee is encouraged to employ local and Alaska residents and contractors for work performed on the license area. Licensees shall submit, as part of the plan of operations, a proposal detailing the means by which the licensee will comply with the measure. The proposal must include a description of the operator's plans for partnering with local communities to recruit and hire local and Alaska residents and contractors. The licensee is encouraged, in formulating this proposal, to coordinate with employment services offered by the state of Alaska and local communities and to recruit employees from local communities.

Training

1415. Licensee must include in any plan of exploration or plan of development, a training program for all personnel, including contractors and subcontractors, involved in any activity. The program must be designed to inform each person working on the project of environmental, social, and cultural concerns which relate to the individual's job.

The program must employ effective methods to ensure that personnel understand and use techniques necessary to preserve geological, archeological, and biological resources. In addition, the program must be designed to help personnel increase their sensitivity and understanding of community values, customs, and lifestyles in areas where they will be operating.

Subsistence Harvest Protection

1516. a. Exploration, ~~development~~ or production operations ~~must~~ be conducted in a manner that prevents unreasonable conflicts between lease-related activities and subsistence activities. In enforcing this mitigation measure the DO&G, during review of plans of operations, ~~shall~~ work with other agencies and the public to assure that potential conflicts are identified and avoided to the fullest extent possible. Available options include alternative site selection, requiring directional drilling, seismic and threshold depth restrictions, seasonal drilling restrictions, and the use of other technologies deemed appropriate by DO&G.

b. No restriction of public access to, or use of, the lease area ~~may~~ be permitted as a consequence of the licensee's activities except in the immediate vicinity of drill sites, buildings, and other related facilities.

Title 16 Streams

1617. Under Title 16 of the Alaska Statutes, the measures listed below will be imposed by ADF&G for all activities below the ordinary high water mark in designated anadromous fish streams and for activities in fish-bearing waters that could block fish passage. Exceptions to these requirements, including exceptions for the use of spill containment and recovery equipment, may be allowed on a case-by-case basis. Specific information on the locations of anadromous waters in and near the area may be obtained from ADF&G.

- a. Alteration of river, stream or lake banks or beds, except for approved permanent crossings, will be prohibited.
- b. The operation of equipment, excluding boats, in open water areas of rivers and streams will be prohibited. (Note: Certain exceptions may be authorized by ADF&G as noted under Measures 21 and 22).
- c. Bridges are the preferred watercourse crossings in fish spawning and important rearing habitats. In areas where culverts are used, they must be designed, installed, and maintained to provide efficient passage of fish.

Waste Disposal

1718. Solid Waste Disposal:

- a. _Garbage and domestic combustible refuse must be incinerated. Nonburnable wastes must be disposed of at an approved upland site.
- b. _The preferred method for disposal of muds and cuttings from oil and gas activities is by underground injection. Injection of non-hazardous oil field wastes generated during development is regulated by AOGCC through its Underground Injection Control (UIC) Program for oil and gas wells. Annular disposal of muds and cuttings associated with drilling an exploratory well is permitted by AOGCC. Surface discharge of drilling muds and cuttings into lakes, streams, rivers, and high value wetlands is prohibited. Surface discharge of drilling muds and cuttings into reserve pits shall be allowed only when the Director, in consultation with ADEC, determines that alternative disposal methods are not feasible and prudent. If use of a reserve pit is proposed, the operator must demonstrate the advantages of a reserve pit over other disposal methods, and describe methods to be employed to reduce the disposed volume. Onpad temporary cuttings storage will be allowed as necessary to facilitate annular injection and/or backhaul operations.
- c. Proper disposal of garbage and putrescible waste is essential to minimize attraction to wildlife. The licensee must use the most appropriate and efficient method to achieve this goal. The primary method of garbage and putrescible waste disposal is prompt, on-site incineration in compliance with state of Alaska air quality regulations in 18 AAC 50. The secondary method of disposal is on-site frozen storage in animal-proof containers with backhaul to an approved waste disposal facility. The tertiary

method of disposal is on-site non-frozen storage in animal proof containers with backhaul to an approved waste disposal facility. Daily backhauling of non-frozen waste only must be achieved unless safety considerations prevent this.

1819. Wastewater Disposal:

- a. Unless authorized by NPDES or state permit, disposal of wastewater into freshwater bodies, including Class III, IV, VI, and VIII wetlands, is prohibited.
- b. Surface discharge of reserve pit fluids will be prohibited unless authorized by ADEC permit and approved by DMLW.
- c. Disposal of produced waters in upland areas, including wetlands, will be by subsurface disposal techniques. ADEC may permit alternate disposal methods if the licensee demonstrates that subsurface disposal is not feasible or prudent.

Wildlife/Human Interaction

20. Surface entry will be prohibited within one-quarter mile of trumpeter swan nesting sites from April 1 through August 31. Permanent facilities, including roads, material sites, storage areas, powerlines, and above-ground pipelines will be prohibited within one-quarter mile of known nesting sites. ADF&G will identify trumpeter swan nesting sites at the request of the licensee. The licensee is advised to contact the U.S. Fish and Wildlife Service for information on locations of, and recommended measures to accommodate, bald eagle and peregrine falcon nest sites.

~~1921.~~ Proper disposal of garbage and putrescible waste is essential to minimize attraction to wildlife. The licensee ~~must~~ should use the most appropriate and efficient method to achieve this goal. The primary method of garbage and putrescible waste disposal is prompt, on-site incineration in compliance with State of Alaska air quality regulations in 18 AAC 50. The secondary method of disposal is on-site frozen storage in animal-proof containers with backhaul to an approved waste disposal facility. The tertiary method of disposal is on-site non-frozen storage in animal -proof containers with backhaul to an approved waste disposal facility. Daily backhauling of non-frozen waste only ~~must~~ should be achieved unless safety considerations prevent this.

~~20-22.~~ Exploration and production activities ~~must~~ should not be conducted within one-half mile of occupied grizzly and black bear dens, unless alternative mitigation measures are approved by ADF&G. Known den sites ~~must~~ should be obtained from ADF&G's Division of Wildlife Conservation, phone 459-7313, prior to commencement of any

activities. Occupied dens encountered in the field ~~must~~ should be reported to the above, and subsequently avoided by one-half mile.

~~21-23.~~ For projects in close proximity to areas frequented by bears, licensees ~~must~~ should prepare and implement bear interaction plans to minimize conflicts between bears and humans. These plans ~~must~~ should include measures to: (a) minimize attraction of bears to the drill sites; (b) organize layout of buildings and work areas to minimize human/bear interactions; (c) warn personnel of bears near or on drill sites and the proper procedures to take; (d) if authorized, deter bears from the drill site; (e) provide contingencies in the event bears do not leave the site or cannot be deterred by authorized personnel; (f) discuss proper storage and disposal of materials that may be toxic to bears; and (g) provide a systematic record of bears on the site and in the immediate area. The ADF&G offers to assist licensees in developing educational programs and camp layout and management plans as licensees prepare their operations plans.

Waterbody Buffers

~~22~~24. To the extent feasible and prudent, facilities other than docks, or road and pipeline crossings, ~~must~~ should not be sited within 500 feet of fish-bearing water bodies streams. Essential facility siting may be allowed in buffer areas in those instances where no other suitable sites are available. Facilities ~~must~~ should not be sited within buffers unless the DO&G, after consultation with ADF&G, determines that such facility restrictions are not feasible or prudent. Road and pipeline crossings ~~must~~ should be aligned perpendicular or near perpendicular to watercourses.

~~23~~25. No surface occupancy ~~may~~ should be allowed within one-quarter mile of anadromous fish ~~salmon~~ spawning areas, such as those located on the Nenana River, Tetlanika River, Chatanika River, Tolovana River, Kantishna River, Toklat River, Swannock Slough, Lost Slough, Glacier Creek, Julius Creek, Clear Creek (Clear/Anderson Area), and Seventeen Mile Slough. Additional spring upwelling water bodies within these areas that support anadromous fish species may be included in this restriction as they are identified through ongoing field evaluation. Additional restrictions may be required by the Director, after consultation with ADF&G, for high value resident fish spawning habitat.

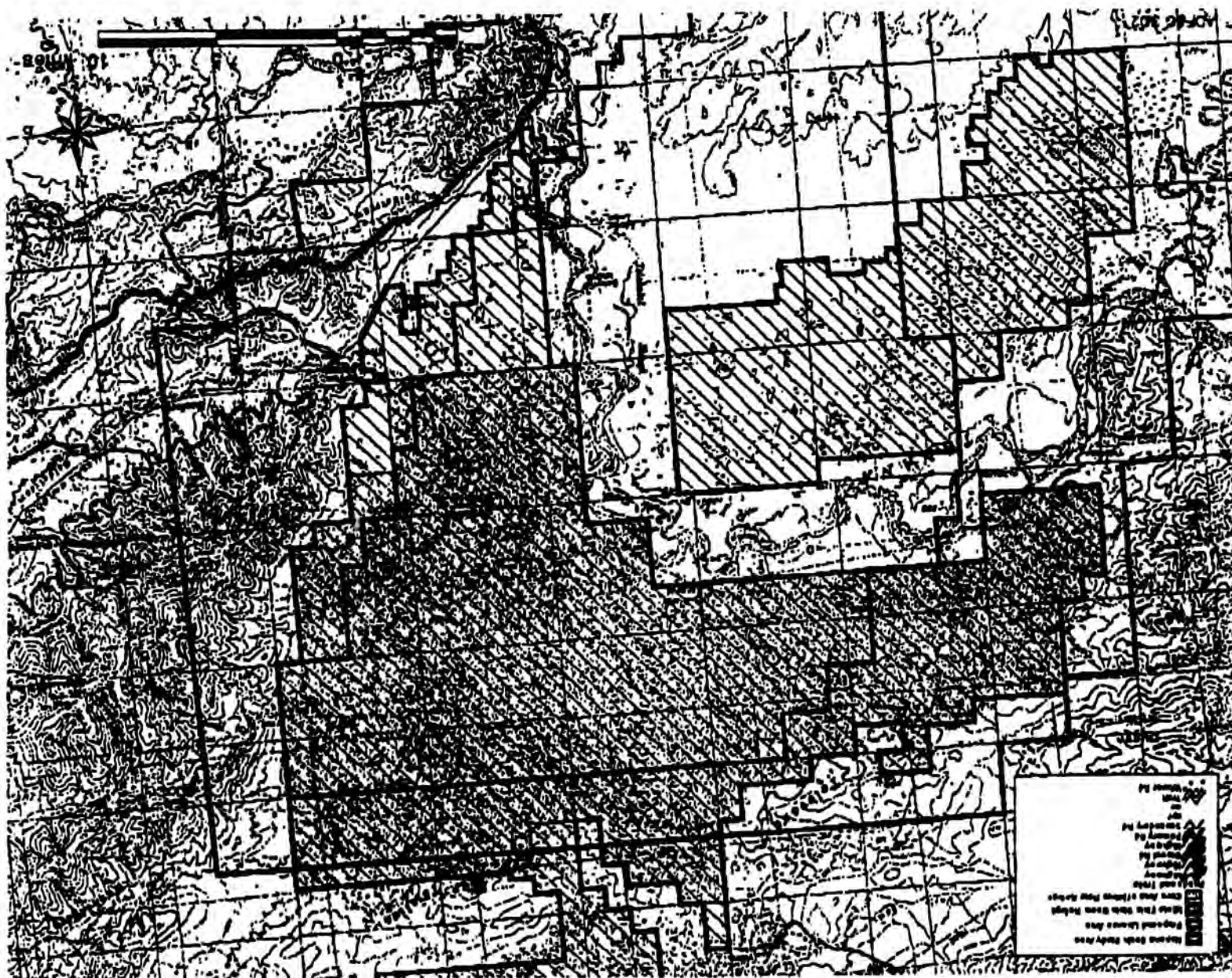
NOTR: All setback distances ~~must~~ should be developed in such a manner that (1) water use from streams to support drilling and (2) ADF&G-approved floodplain material sites that benefit fish and wildlife are not outright prohibited.

2426. Plans of operation submitted for review and approval must describe the licensee's efforts to communicate with local communities, and interested local community groups, if any, in the development of such plans.

LICENSEE ADVISORY

1. Licensees are advised that ADNR and ADF&G have joint management authority of the Minto Flats State Game Refuge (MSFGR), ~~and that ADF&G has stated that there is a "...high probability that surface occupancy for development within the northern unit MSFGR likely would not be authorized by ADF&G."~~ A refuge management plan was adopted by ADF&G under 5 AAC 95 in April 1993. The management plan presents the management goals for the refuge and identifies policies to be used by ADF&G in determining whether proposed activities within the refuge are compatible with the protection of fish and wildlife, their habitats, and public use of the refuge. Habitat and public use values in the MSFGR are high, particularly in the core habitat area within the refuge unit north of the Tanana River (Figure ____). Licensees are advised that ADF&G may require additional mitigation measures for activities within the refuge and may, in some instances, not find all oil and gas development compatible with the refuge's purposes and management plan. Licensees must~~should~~coordinate closely with the ADF&G early in the exploration and development process to ensure that proposed activities are consistent with the refuge management plan and can be developed in a manner that protects core refuge habitats and public use values.

Attachment 2



Attachments 3

Comparison of Proposed ADF&G Mitigation Measures for the NBSA, MFSGR, and MFSGR Core Area
Bold cells indicate major ADF&G-proposed edits.

Mitigation Measure	<u>Nenana Basin Study Area</u>	<u>Portion of NBSA Within Minto Flats State Game Refuge</u>	<u>Portions of NBSA Within Core Area of Minto Flats SGR</u>
1	ADEC-approved oil discharge prevention and contingency plan	Same as for NBSA	Same as for NBSA
2	Limits on explosives near fish-bearing waterbodies	Same as for NBSA	Same as for NBSA
3	Winter exploration using ice roads	Same as for NBSA	Same as for NBSA
4	ADF&G authorizations for fish stream crossings	Same as for NBSA, plus Special Area Permit for upland activities	Same as for MFSGR
5	Water withdrawal approvals and methods	Same as for NBSA	Same as for NBSA
6	None	Helicopter-based seismic only, with no clearing of lines	Same as for MFSGR
7	Minimize impact on key wetlands with high fish and wildlife habitat value	Same as for NBSA	No facilities or structures
8	Pipelines located to facilitate cleanup, use existing transportation corridors, and protect from hazards; consider burying pipelines	Same as for NBSA, plus additional engineering analysis before burying pipelines	No pipelines
9	Pipelines constructed to avoid wildlife interference and consider snow depth; minimum of 10 ft height from ground	Same as for NBSA	No pipelines

Comparison of Proposed ADF&G Mitigation Measures for the NBSA, MFSGR, and MFSGR Core Area
Bold cells indicate major ADF&G-proposed edits.

Mitigation Measure	<u>Nenana Basin Study Area</u>	<u>Portion of NBSA Within Minto Flats State Game Refuge</u>	<u>Portions of NBSA Within Core Area of Minto Flats SGR</u>
10	Oil storage and sewage requirements; 500 ft separation from waterbodies, wetlands, and water sources	Same as for NBSA	Same as for NBSA
11	Rehabilitation of abandoned facilities	Same as for NBSA, plus joint decision by DNR and ADF&G	Same as for MFSGR
12	Gravel mining to be minimized and use ADF&G gravel guidelines	Same as for NBSA	Gravel mining prohibited
13	Cultural resources inventory prior to any ground disturbance	Same as for NBSA	Same as for NBSA
14	Local hire encouraged	Same as for NBSA	Same as for NBSA
15	Worker training for environmental, social, and cultural concerns	Same as for NBSA	Same as for NBSA
16	Conflicts with subsistence uses to be minimized, including few public access restrictions	Same as for NBSA	Same as for NBSA
17	Activities requiring a Title 16 (Fish Habitat) Permit from ADF&G	Same as for NBSA	Same as for NBSA
18	Solid waste disposal guidelines	Same as for NBSA	Same as for NBSA
19	Wastewater disposal guidelines	Same as for NBSA	Same as for NBSA
20	Bird nesting area restrictions	Same as for NBSA	Same as for NBSA
21	Garbage disposal methods to minimize wildlife attraction	Same as for NBSA	Same as for NBSA
22	Occupied bear dens to be avoided	Same as for NBSA	Same as for NBSA

Comparison of Proposed ADF&G Mitigation Measures for the NBSA, MFSGR, and MFSGR Core Area
Bold cells indicate major ADF&G-proposed edits.

Mitigation Measure	<u>Nenana Basin Study Area</u>	<u>Portion of NBSA Within Minto Flats State Game Refuge</u>	<u>Portions of NBSA Within Core Area of Minto Flats SGR</u>
23	Bear interaction plans to be developed	Same as for NBSA	Same as for NBSA
24	Facilities set back from fish-bearing waterbodies	Same as for NBSA	Same as for NBSA
25	Surface occupancy setbacks from salmon spawning areas	Same as for NBSA	Same as for NBSA
26	Plans of operation to describe communication with local communities and groups	Same as for NBSA	Same as for NBSA

MEMORANDUM

State of Alaska
Department of Fish and Game

To: James J. Hansen, Lease Sales Manager
Division of Oil and Gas
Department of Natural Resources
Anchorage

Date: September 13, 2001

File No:

Telephone: 459-7289

Fax: 456-3091

RECEIVED

SEP 20 2001

DIV. OF OIL & GAS
DIRECTOR'S OFFICE

From:  Alvin G. Ott, Regional Supervisor
Habitat and Restoration Division
Department of Fish and Game
Fairbanks

Subject: Agency Information Request
Nenana Basin Oil & Gas
Exploration License

The Alaska Department of Fish and Game (ADF&G) has received the Alaska Department of Natural Resources' May 17, 2001 Notice of Intent to evaluate a proposal for an oil and gas exploration license in the Nenana Basin Study Area and the July 3, 2001 Request for Agency Information for the study area. The Nenana Basin Study Area (NBSA) encompasses about 1.4 million acres located west and southwest of Fairbanks. The following comments were prepared in consultation with ADF&G's divisions of Commercial Fisheries, Sport Fish, Subsistence, and Wildlife Conservation to assist the ADNDR Division of Oil and Gas (DO&G) in developing a preliminary best interest finding.

RESOURCE CONCERNS

Several areas of high value fish and wildlife habitat occur in the NBSA, and the area is used for subsistence, personal use, recreational, and commercial purposes. Water bodies (rivers, streams, and lakes) within the study area provide extensive spawning, rearing, and migration habitat for anadromous and resident fish populations. The Minto Flats area is one of the highest quality waterfowl habitats in Alaska, supporting high density duck and trumpeter swan nesting as well as spring and fall staging. Fish, furbearer, and big game populations are also important. Minto Flats provides hunting, fishing, and trapping, and is one of the most popular waterfowl hunting areas in the state. In conjunction with the flats in the southern portion of the NBSA, the Minto Flats area is heavily used by urban and rural residents of the Interior for recreational activities and harvesting renewable resources. Extensive areas of open water and aulais are present in the winter.

Minto Flats State Game Refuge

The Nenana Basin Study Area encompasses all but the northernmost portion of the Minto Flats State Game Refuge (MFSGR). The MFSGR was established by the Alaska Legislature to (1) ensure the protection and enhancement of habitat; (2) ensure the conservation of fish and wildlife; and (3) guarantee the continuation of hunting, fishing,

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trapping, and other uses by the public compatible with the protection and enhancement of habitat and the conservation of fish and wildlife (AS 16.20.037(b)).

Management goals and policies for the MFSGR area are outlined in the March 1992 Minto Flats State Game Refuge Management Plan which has been adopted by reference under 5 AAC 95.530. In its Policies section, the Plan provides the following guidance for Oil and Gas Exploration and Development:

Oil and gas leasing for exploration and development may be allowed in the refuge on a case-by-case basis if it is determined by the department to be compatible with the purposes for which the refuge was established. Specifically, AS 16.20.037(b)(3) guarantees the continuation of hunting, fishing, trapping, and other uses by the public compatible with the protection and enhancement of habitat and the conservation of fish and wildlife. Authorized activities shall be subject to permit terms and conditions necessary to maintain the purposes for which the refuge was established, shall require minimal surface use and may be seasonally restricted.

A Special Area Permit (5 AAC 95.410--.440) from ADF&G is required for any activity that alters or potentially alters fish or wildlife habitat within the MFSGR. A list of typical activities requiring a Special Area Permit can be found at 5 AAC 95.420(a).

Fish

The NBSA is ringed and crossed by rivers and streams that provide habitat for anadromous fish species. All or part of the Tanana River, Nenana River, Seventeenmile Slough, Lost Slough, Teklanika River, Swanneck Slough, Tolovana River, Chatanika River, Kantishna River, and Toklat River have been specified as anadromous fish water bodies. These waters provide habitat for coho salmon, chinook salmon, summer chum salmon, and fall chum salmon.

The southeastern portion of the NBSA contains a stream complex that contains important chinook, coho, and chum salmon spawning areas. The numerous shifting channels and clear-water upwelling areas in the Nenana River, Teklanika River, Seventeenmile Slough, Julius Creek, and Lost Slough area are routinely surveyed in the fall as index streams for spawning salmon.

In the southwest portion of the NBSA, the Toklat River and its tributaries provide important chinook, chum, and coho salmon spawning habitat. The Toklat Springs spawning area, upstream of the proposed southern boundary of the license proposal, is an extremely productive fall chum salmon spawning area that is very important to the subsistence and commercial fisheries along the Tanana and Yukon rivers. The area is also heavily used by grizzly bears, furbearers, raptors, overwintering mallards, and other wildlife. The Toklat Springs area has been designated under the Tanana Basin Area Plan (TBAP) as a candidate for legislative designation as a Critical Habitat Area under AS 16.20. Clear Creek, southwest of the Toklat River and just outside the NBSA boundary, also provides important chinook and coho salmon habitat.

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Consult current editions of ADF&G's Atlas and Catalog of Waters Important for Spawning, Rearing or Migration of Anadromous Fishes for more complete water body information.

High value resident fish species (including Arctic grayling, burbot, northern pike, round whitefish, and sheefish) are also important for sport and subsistence users. All water bodies that provide anadromous fish habitat also provide resident fish habitat. In addition, several areas within the NBSA provide high quality habitat for resident fish only. The Nenana River/Seventeenmile Slough/Lost Slough area is important for Arctic grayling and round whitefish spawning and rearing, burbot, northern pike, and likely humpback whitefish. The Kantishna River is an important migratory route for whitefish and sheefish, and is a major producer of burbot and northern pike. Rock Creek, at the lower end of the Kantishna, is the site of an important spring and summer northern pike fishery.

The Tolovana River and lower Minto Flats provide spawning, rearing, and limited overwintering habitat for northern pike, while the Chatanika River, upper Minto Flats, and lower Goldstream Creek are important for pike spawning, rearing, and overwintering. Upper Goldstream Creek within the NBSA provides seasonal habitat for Arctic grayling and round whitefish. The Minto Lakes are important seasonally for northern pike and round whitefish. Longnose suckers and lake chub are present in varying numbers in most water bodies connected at least seasonally to rivers or streams. Alaska blackfish are present in many smaller, landlocked lakes throughout the study area.

Two lakes within the NBSA have been stocked with rainbow trout by ADF&G's Division of Sport Fish. Dune Lake (T6W, R12W) supports an active sport fishery, and "Oblique" or "Tschute" Lake (T2S, R13W) lies within the Tanana Valley State Forest's Oblique Lake Research Natural Area.

Subsistence

Several rural communities and the areas they have long used to harvest fish, wildlife, and plant resources for subsistence purposes are located within or near the study area. The primary sources of documentation of subsistence use patterns for these communities are listed in Attachment 1. Although much of the existing subsistence documentation is dated, we have no reason to believe that uses of the Nenana Basin Study Area for subsistence purposes has declined. The ADF&G strongly recommends that consultation with the affected communities and special interest groups be initiated as soon as possible. Because the subsistence use documentation in the sources cited above is dated, local residents and the local Fish and Game Advisory Committees (FGACs) representing the Minto-Nenana, Middle Nenana River, and Fairbanks areas must be afforded the opportunity to update and revise it—and to provide additional input for consideration in the decision making process.

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Wildlife

The complicated pattern of vegetation types in Minto Flats provides a variety of habitats for fish and wildlife populations using the area. The proximity to one another of complimentary vegetation types tends to make for rich values for a number of species. The mosaic of ponds, oxbows, stream channels, and various wetland and upland vegetation types provides excellent habitat for waterfowl, big game and furbearers.

The MFSGR Management Plan notes that Minto Flats constitutes one of the highest quality waterfowl nesting and staging habitats in Alaska, and possibly in North America. The Minto Flats region is considered to be one of the best migratory waterfowl habitats in Alaska, especially along its eastern edge around Big Minto Lakes. Minto Flats has long been a popular destination for waterfowl hunters in the fall.

The Nenana Basin Study Area is within Game Management Unit 20, Fairbanks-Central Tanana. Portions of the study area north of the Tanana River are in Subunit 20B, and portions south of the Tanana are in 20A (east of the Nenana River) or 20C (west of the Nenana River). Much of the available wildlife population information is compiled and available at the unit and subunit level. Harvest data are tabulated at the universal coding unit (UCU) level, with several UCUs comprising each subunit. Because boundaries of these management areas generally follow watershed boundaries, the NBSA encloses portions of many different UCUs.

That portion of the NBSA north of the Tanana River is approximately the same area as ADF&G Division of Wildlife Conservation's approximately 900 mi² Minto Flats Management Area (MFMA). Data below for the MFMA include Uniform Coding Units (UCUs) 0201, 0205, 0210, and are of necessity preliminary. Although the boundaries of the MFMA and UCUs do not precisely coincide, the "fit" between the two areas is reasonably good and the results reliable.

Big game animals hunted in Minto Flats include moose, black bear, wolf, and brown bear, although most hunting is for moose and black bear. The Minto Flats provides exceptional year round habitat for moose. It is an important calving area and typically has higher calf:cow ratios than the adjacent Tanana Flats. In addition, the areas numerous lakes, ponds and wetlands vegetation provides excellent summer forage. Because of the preponderance of willow-dominated shrub fields, the Minto Flats are an important wintering area for moose and other wildlife species dependant on early seral stage vegetation. Surveys conducted in late October, 2000 resulted in an estimated 2200 moose or 2.4 moose/mi² in the MFMA.

Because of the large number of moose and relatively high bull:cow ratios, the MFMA is a popular moose hunting area. In regulatory year (RY) 2000 (same period as Fiscal Year 2000), 169 hunters reported harvesting 47 bull moose during the general hunt period (September 11-20). In addition, 100 Tier II subsistence permits for bull or cow moose were issued and 28 bulls and 25 cows were reported taken during the September 1-20 and January 10-February 28 seasons.

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Black bear are common and widely distributed in the Minto Flats, taking advantage of the varied vegetation types and the abundance of other wildlife species, especially in riparian and wetland areas. Black bear hunting on rivers and lakes of Minto Flats is popular with urban hunters during the spring and summer, while fall hunting is more productive in upland areas surrounding the flats. During RY 1999, 26 black bears were reported taken in the MFMA.

The mix of aquatic, wetland, and upland landcover types in the Minto Flats supports a full compliment of furbearer species, including wolf, coyote, red fox, lynx, wolverine, river otter, marten, weasels, mink, beaver, and muskrat. Trappers from urban areas use Minto Flats, accessing their sets largely via snowmachine and aircraft. In RY 1999, 29 beaver, 52 lynx, 13 wolves, and 1 wolverine were reported taken in the MFMA.

The southwest corner of the NBSA contains important habitat for moose, furbearers, and grizzly bears in conjunction with the area's substantial fish resources. This area includes the Toklat River, Clear Creek, and a major unnamed tributary to the Toklat River.

RECOMMENDATIONS

In terms of biological resources, human use, and their compatibility with oil and gas exploration and potential development, ADF&G believes the NBSA can be broken into three sub-areas. The southern portion of the NBSA, south of the MFSGR, is predominantly a large upland flats and has some history of oil and gas exploration activity. Areas with significant hydrologic and fish resource concerns exist on the western, southern, and eastern edges. The ADF&G conceptually believes oil and gas exploration and subsequent development could be accomplished in this portion of the NBSA with adequate and appropriate conditions and stipulations.

The middle portion of the NBSA, located south of the Tanana River and within the southern portion of the MFSGR, has high resources values. Some seismic exploration and other activities associated with land clearing have occurred to date, but the character of the area remains essentially wild. Any exploration or development activities in the middle portion generally would require stricter stipulations than in the southern portion, and significantly greater restrictions on surface disturbance and the location/extent of utility and transportation corridors. Dependent upon the actual location of a discovery, clustered development from a limited number of drill sites with limited surface disturbance (e.g. the Alpine model) conceivably could be found compatible with the management objectives for this portion of the MFSGR.

North of the Tanana River, the northern portion of the NBSA includes most of the northern unit of the MFSGR and is an area with very high resource values and well-established patterns of human use of those resources. Because it is unlikely that ADF&G could find oil and gas development within this portion of the MFSGR compatible with the refuge's legislative purposes, we recommend that the northern portion of the NBSA within the northern unit of the MFSGR either be withdrawn from

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further consideration or lessees notified of the high probability that surface occupancy for development within the northern unit MFSGR likely would not be authorized by ADF&G. This recommendation does not preclude the possibility of developing infrastructure outside the boundaries of the northern unit MFSGR and tapping subsurface resources underlying the MFSGR via directional drilling.

Additional general recommendations include:

The NBSA contains land with varied and significant fish and wildlife resource values. These lands are currently managed under management plans including the MFSGR Management Plan, the Tanana Valley State Forest Management Plan, and the Tanana Basin Area Plan. Besides direct effects on resource values noted in the previous sections, the ADF&G is concerned by potential issues of water use, spill response, and land clearing and access.

Water is plentiful throughout much of the NBSA, although both summer and winter water withdrawals have the potential to affect a variety of fish resources. Availability of water, presence or absence of fish, and type of intake screening will all bear on ADF&G's position regarding any specific water withdrawal proposal.

The ability of a lessee to contain and clean up any spills that might occur is a concern to the ADF&G. With high resource values present, little to no infrastructure in place for much of the area, seasonal flooding common in many places, and seasonal variations, adequate contingency planning would be an important component of any final lease determination.

Much of the NBSA currently has little or no established access other than watercraft and air in summer months and snow and ice travel in the winter. Clearing to facilitate exploration activities such as seismic lines or travel routes have the potential to significantly increase habitat fragmentation and human use of some resources, and to permanently alter the character of the landscape. ADF&G recommends that all exploration activities off the existing road system be limited to the winter period when frozen waterbodies and adequate snow cover can minimize negative effects from such activities. Extensive clearing as might be needed for an intensive seismic program would be inappropriate in much of the NBSA, particularly within the MFSGR.

If the decision is made to proceed with issuance of an oil and gas exploration license for a portion or all of the NBSA, the ADF&G recommends the following mitigation measures be included in general lease terms and conditions. Essentially the same measures were adopted in the final findings for Shallow Natural Gas Lease Applications (November 6, 2000) and the North Slope Foothills Areawide 2001 Oil and Gas Lease Sale (February 7, 2001).

General Measures

1. Detonation of explosives within, beneath or in close proximity to fish-bearing waters should not exceed 2.7 pounds per square inch unless the water body, including its

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substrate, is frozen solid. Peak particle velocity stemming from explosive detonation should not exceed 0.5 inches per second during the early stages of egg incubation. Blasting criteria have been developed by ADF&G and are available on request.

2. Except for approved off-road travel, exploration activities should be supported only by ice roads, winter trails, existing road systems or air or boat service. Wintertime off-road travel should be approved only for areas where snow and ice depth are sufficient to protect the ground surface. Summertime off-road travel should be authorized only if it can be accomplished without damaging vegetation or the ground surface, including stream banks that may be crossed.
3. Winter ice bridge crossings of all anadromous and resident fish streams will require prior ADF&G permit authorization under AS 16.05.840 and AS 16.05.870. Summer ford crossings of anadromous fish streams will require prior ADF&G permit authorization under AS 16.05.870. All upland and in-water activities within the MFSGR will require authorization under AS 16.20 and 5 AAC 95 in addition to any authorizations required by ADNR.
4. Water withdrawal from fish-bearing waters shall be subject to prior written approval by DMLW and ADF&G, and shall reserve adequate flow to support indigenous aquatic life and the watercourse must not be blocked to the passage of fish. Each water intake directly accessible by fish shall be designed to prevent the intake, impingement, or entrapment of fish. Maximum screen mesh size and approach velocities for various fish species is available from ADF&G.

Facilities and Structures

5. Lessees should minimize the impact of development on key wetlands. Key wetlands are those that are important to fish, waterfowl, shorebirds, and other wildlife species because of their high value or scarcity in the region. The DO&G should consult with the ADF&G to identify the least sensitive areas within the NBSA during the course of its review of the lessees' plan of operation.
6. Exploration facilities should be temporary and constructed on ice pads unless the DO&G determines that no feasible and prudent alternative exists.
7. Pipelines should be located to facilitate the containment and cleanup of hydrocarbons. All pipelines should be designed and constructed to provide adequate protection from water currents, storm and ice scouring, subfreezing conditions, and other hazards as determined on a case-by-case basis.
8. Pipelines should be designed and constructed to avoid significant alteration of moose and other wildlife movement and migration patterns. At a minimum, above ground pipelines shall be elevated a minimum of ten feet, as measured from the ground to the bottom of the pipe, except where the pipeline intercepts a road, pad, or ramp installed to facilitate wildlife passage. Increased snow depth in the area should be considered in relation to pipe elevation to ensure adequate clearance for wildlife.

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Gravel Mining and Use

9. Gravel mining required for exploration, development and production activities should be restricted to the minimum necessary to develop the field efficiently and with minimal environmental damage. Gravel mine sites should not be located within the active floodplain of a watercourse unless the Division of Mining, Land, and Water, after consultation with ADF&G, determines that there is no feasible and prudent alternative, or that a floodplain mine site would enhance fish and/or wildlife habitat after mining operations are completed and the site is closed.

Mine site development and rehabilitation within floodplains should follow the general procedures and guidelines outlined in McLean, R.F. 1993, *North Slope Gravel Pit Performance Guidelines*, ADF&G Habitat and Restoration Division Technical Report 93-9. These guidelines were developed for North Slope Alaska industrial and infrastructure development but are equally applicable in Interior Alaska.

Subsistence Harvest Protection

10. Exploration, development or production operations should be conducted in a manner that prevents unreasonable conflicts between lease-related activities and subsistence activities. In enforcing this mitigation measure the DO&G, during review of plans of operations, should work with other agencies and the public to assure that potential conflicts are identified and avoided to the fullest extent possible. Available options include alternative site selection, requiring directional drilling, seismic and threshold depth restrictions, seasonal drilling restrictions, and the use of other technologies deemed appropriate by DO&G.
11. No restriction of public access to, or use of, the lease area should be permitted as a consequence of the lessee's activities except in the immediate vicinity of drill sites, buildings, and other related facilities.

Title 16 Streams

12. Under Title 16 of the Alaska Statutes, the measures listed below will be imposed by ADF&G for all activities below the ordinary high water mark in designated anadromous fish streams and for activities in fish-bearing waters that could block fish passage. Exceptions to these requirements, including exceptions for the use of spill containment and recovery equipment, may be allowed on a case-by-case basis. Specific information on the locations of anadromous waters in and near the area may be obtained from ADF&G.
- A. Alteration of river, stream or lake banks or beds, except for approved permanent crossings, will be prohibited.
 - B. The operation of equipment, excluding boats, in open water areas of rivers and streams will be prohibited. (Note: Certain exceptions may be authorized by ADF&G as noted under Measures 16 and 17).

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- C. Bridges are the preferred watercourse crossings in fish spawning and important rearing habitats. In areas where culverts are used, they must be designed, installed, and maintained to provide efficient passage of fish.

Bear/Human Interaction

13. Proper disposal of garbage and putrescible waste is essential to minimize attraction to wildlife. The lessee should use the most appropriate and efficient method to achieve this goal. The primary method of garbage and putrescible waste disposal is prompt, on-site incineration in compliance with State of Alaska air quality regulations in 18 AAC 50. The secondary method of disposal is on-site frozen storage in animal-proof containers with backhaul to an approved waste disposal facility. The tertiary method of disposal is on-site non-frozen storage in animal-proof containers with backhaul to an approved waste disposal facility. Daily backhauling of non-frozen waste only should be achieved unless safety considerations prevent this.
14. Exploration and production activities should not be conducted within one-half mile of occupied grizzly and black bear dens, unless alternative mitigation measures are approved by ADF&G. Known den sites should be obtained from ADF&G's Division of Wildlife Conservation, phone 459-7313, prior to commencement of any activities. Occupied dens encountered in the field should be reported to the above, and subsequently avoided by one-half mile.
15. For projects in close proximity to areas frequented by bears, lessees should be required to prepare and implement bear interaction plans to minimize conflicts between bears and humans. These plans should include measures to: (a) minimize attraction of bears to the drill sites; (b) organize layout of buildings and work areas to minimize human/bear interactions; (c) warn personnel of bears near or on drill sites and the proper procedures to take; (d) if authorized, deter bears from the drill site; (e) provide contingencies in the event bears do not leave the site or cannot be deterred by authorized personnel; (f) discuss proper storage and disposal of materials that may be toxic to bears; and (g) provide a systematic record of bears on the site and in the immediate area. The ADF&G offers to assist lessees in developing educational programs and camp layout and management plans as lessees prepare their lease operations plans.

Waterbody Buffers

16. To the extent feasible and prudent, facilities other than docks, or road and pipeline crossings, should not be sited within 500 feet of fish-bearing streams. Essential facility siting may be allowed in buffer areas in those instances where no other suitable sites are available. Facilities should not be sited within buffers unless the DO&G, after consultation with ADF&G, determines that such facility restrictions are not feasible or prudent. Road and pipeline crossings should be aligned perpendicular or near perpendicular to watercourses.
17. No surface occupancy should be allowed within one-quarter mile of salmon spawning areas located on the Nenana River, Tetlanika River, Chatanika River, Kantishna River, Toklat River, Swanneck Slough, Lost Slough, Glacier Creek, Julius Creek, Clear Creek (Clear/Anderson Area), and Seventeen Mile Slough.

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Additional spring upwelling water bodies within these areas that support anadromous fish species may be included in this restriction as they are identified thorough ongoing field evaluation.

NOTE: All setback distances should be developed in such a manner that (1) water use from streams to support drilling and (2) ADF&G-approved floodplain material sites that benefit fish and wildlife are not outright prohibited, subject to the mitigation measures outlined under #4 and #11.

One issue/concern not addressed by our recommended lease terms and mitigation measures relates to the as-yet poorly understood surface- and ground-water interactions in the vicinity of upwelling areas located in the Nenana River and Toklat springs areas. These upwellings provide critically important spawning, rearing, and over-wintering habitat for coho and fall chum salmon as well as Arctic grayling and other resident fish species. While some research has been done to better define the origin of these ground water upwellings, in large part they remain poorly understood. Until more is known about the surface water/groundwater interface and the controlling mechanisms for the upwelling areas, we urge a conservative approach to any development in near proximity to these critically important areas. Similar spawning habitats for coho and fall chum salmon are extremely limited in the Yukon River watershed.

It is our understanding that detailed stipulations/mitigation measures would be developed during a later-phase review of this exploration lease sale. We look forward to working with you in the development of specific stipulations to protect fish and wildlife resources and their use by subsistence, personal use, sport, and commercial users.

If you have questions, please contact Jim Durst (459-7254) or me.

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AGO/jdd

Chapter Eight: Conclusion and Request for Comments

DO&G is required by AS 38.05.133, and AS 38.05.035(e) and (g), to determine whether an exploration license serves the state's best interests. As the director of DO&G, my responsibility is to make that determination for the proposed Nenana Basin Exploration License. In making this decision for the final finding, I will balance the reasonably foreseeable positive and negative effects to determine whether the potential benefits exceed the potential negative effects and whether issuing the proposed Nenana Basin Exploration License is in the best interests of the state.

In this preliminary finding analysis, DO&G considered the reasonably foreseeable potential effects, both negative and positive, that this license could have on fish, wildlife, and human users of these resources, on the local economy and well being, and on state revenue. DO&G analyzed the available socioeconomic, and environmental data submitted by ADF&G and other government agencies. The division has also considered the cumulative effects of development in the area.

A. Reasonably Foreseeable Effects of Exploration Licensing and their Mitigation

The discussion throughout this finding and the record reflect the analysis of the issues. Below is a summary of this analysis.

1. Statewide Fiscal Effects

The primary source of state revenues is North Slope oil production. In FY 2001 oil and revenues comprised approximately 82 percent of the state's general fund unrestricted revenue. North Slope fields hold 98 percent of the state's known oil reserves and 90 percent of the state's known gas reserves. The remaining state oil and gas reserves are found in Cook Inlet fields. However, oil and gas reserves are finite resources and North Slope and Cook Inlet production is declining. Regardless of the price of crude oil, general fund receipts will continue to decline (see Chapter Five). The discovery and development of smaller, but still significant, oil and gas fields may temper the anticipated decline in revenues to the state treasury. Additionally, new discoveries, particularly natural gas, are needed to meet growing local energy demand.

Most revenues generated from oil and gas activities go into the state's general fund, while some are set aside for the state Permanent Fund. Many funds, including oil and gas property taxes, are passed directly through to borough and municipal governments. Statewide, Alaskans receive direct and indirect benefits derived from General Fund spending. General Fund receipts are allocated to local governments and all state agencies, including the University of Alaska. Funds can be passed directly to local governments through programs, while others are authorized specifically by the state legislature.

If the exploration license is issued, there will be a one-time increase in state income from the \$1 per acre licensing fee. The potential for additional revenue from rentals, royalties and taxes is unpredictable, because at the time the license is issued no one knows what reserves may be found in the area. The overall petroleum potential for the area is estimated to be low to moderate. As exploration takes place, the license would add jobs to the state and regional economy. These jobs would not be limited to the petroleum industry

but would be spread throughout the trade, transportation, service, and construction industries. The number of jobs produced would depend on whether commercial quantities of oil or gas are discovered, and whether projects to develop those resources go forward. Discovery and development of commercial quantities of petroleum or natural gas as a result of an exploration license in the study area would bring economic benefits to the region in the form of additional employment opportunities and lower energy costs. Additionally, industry investment in environmental studies, planning and design activities, materials acquisition, facility construction, seismic surveys, drilling, transportation, and logistics contribute to the well being of both the state and local economy.

2. Effects on Municipalities and Communities

Oil and gas activities may include project development in already developed areas and in areas that do not have an existing infrastructure, roads or utility right-of-ways. There would be no direct (non-fiscal) impact to Fairbanks North Star Borough or the Denali Borough or community operating expenses, aside from normal planning and zoning responsibilities. Development projects would provide revenue to the boroughs and improve infrastructure. There may be additional employment opportunities during the exploration phase and more during development and production phases. The long-term employment benefits to boroughs and local communities would depend on the subsequent production of commercial quantities of petroleum, the hiring of local residents, and use of local service providers. Residents may have access to natural gas, a lower cost alternative to fuel oil and electricity for heating. Local utilities may be able to generate electricity from natural gas, which is more efficient, less expensive, and less polluting than coal.

Local residents' use of the area requires access to it, and any activity, facility or structure that restricts access can have an adverse impact on local residents. Other effects include disturbance due to increased air traffic, drilling and construction machinery noise and loss of privacy due to the presence of project workers and construction camps. The extent of these effects depends on the size of development projects and the proximity of facilities, and utility, pipeline, and transportation corridors to the potentially affected community. Most disturbance effects would be temporary during development and construction. Other financial and infrastructure impacts would be more long term. Employment effects could be both short and long-term.

B. Cumulative Effects and their Mitigation

1. Effects on Fish and Wildlife Habitats, Populations, and Uses

Fish: Potential impacts in the exploration phase include degradation of streambanks and overwintering areas due to erosion and sedimentation. Potential impacts in future phases include habitat loss due to gravel displacement and facilities siting; interference with migration and movement from onshore structures and impoundments; and fish kills due to industrial water use, oil spills, unregulated discharge, and seismic activities. Long term impacts may include habitat improvement due to restoration and rehabilitation of impacted sites.

Title 16 of Alaska Statutes regulates all activities that may affect anadromous fish streams or that may result in blockage of fish passage. Mitigation measures specify that alteration of river banks and use of in-stream equipment is prohibited. Bridges or non-bottom-founded structures will be required for crossing fish spawning and important rearing habitats. Discharge of drilling muds and cuttings into lakes, streams, rivers, and high value wetlands is prohibited. Disposal of produced waters will be by subsurface disposal techniques. Unless authorized by a state permit, disposal of wastewater into freshwater bodies is prohibited. Gravel mining