

SCOMM

133:22

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

☐ 400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400
FAX: (907) 465-3886

☐ 550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

March 4, 2004

The Honorable Beth Kerttula
Alaska State Legislature
State Capital, Room 430
Juneau, Alaska 99801-1182

Dear Representative Kerttula:

You asked for clarification regarding the administration's intent relative to onshore or offshore drilling in Bristol Bay on state lands. If the State deems that an Alaska Peninsula Oil and Gas Lease Sale is in the State's best interest and a sale occurs, it is this Administration's intent that companies only be allowed to access offshore prospects from onshore drill sites, utilizing directional drilling technology.

The Department of Natural Resources (DNR) has expressed the Administration's intent related to onshore drilling to each of the three boroughs (Bristol Bay, Lake and Peninsula, and Aleutians East), the Bristol Bay Native Association, and local residents.

I have signed memorandums of understanding with the Bristol Bay Native Corporation and the Aleut Corporation, in which we pledged to work cooperatively to ensure all development projects are pursued in an environmentally responsible manner to minimize impacts to fishery resources. Additionally, the northern portion of the sale area lies within the Bristol Bay Fisheries Reserve. In accordance with AS 38.05.140(f), the State cannot permit any offshore facilities within the Reserve until the Legislature specifically finds that the entry will not constitute a danger to the fishery. Please feel free to call me with any questions.

Sincerely,



Thomas L. Irwin
Commissioner

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 266
 (S) Publish Date: 1/14/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title Mineral Closing Order for Bristol Bay RDU Resource Development
Oil and Gas Competitive Sale Area Component Oil and Gas Development
 Sponsor Rules
 Requester Governor Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
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						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation ensures that land remains available for the competitive sale program under AS 38.05.180. The bill approves an interim classification by the commissioner of natural resources closing land in the proposed Bristol Bay (Alaska Peninsula) competitive oil and gas areawide lease sale to oil and gas exploration licensing under AS 38.05.131-38.05.134 and shallow natural gas leasing under AS 38.05.177.

No fiscal impact.

Prepared by: Mark D. Myers Phone 269-8800
 Division Oil and Gas Date/Time 12/2/03
 Approved by: Thomas Irwin, Commissioner Date 12/2/03
 Agency Natural Resources

HB 383/SB 266
Limited Mineral Order for Bristol Bay Area
February 19, 2004

Summary:

- HB 383/SB 266 ensure that land remains available for a proposed competitive oil and gas sale in the Bristol Bay area by precluding oil and gas exploration licensing and shallow natural gas leasing in the competitive lease sale area.
- HB 383/SB 266 will:
 - Avoid potential conflicts in land use for these areas later, if the proposed competitive oil and gas lease sale occurs.
 - Ensure that the state receives the maximum economic benefit from its higher potential oil and gas areas through bonus bids, royalties, and lease terms.
 - Help facilitate needed economic development and job creation in Alaska's Bristol Bay region as well as produce property tax revenue for municipalities.

Background:

- Upon the request of local governments and Native organizations, the Governor has requested that the Department of Natural Resources consider a competitive areawide oil and gas lease sale in the Bristol Bay (Alaska Peninsula) region. Geologists believe that outside of the North Slope and Cook Inlet, the Alaska Peninsula offers the greatest potential in the state for commercial oil and gas development.
- In order to avoid conflicts between the proposed competitive sale and either exploration licensing under AS 38.05.131-AS 38.05.134 or shallow natural gas leasing under AS 38.05.177, the Commissioner of Natural Resources signed a mineral closing order on July 11, 2003. The mineral order only precludes exploration licensing and shallow natural gas leasing in the competitive lease sale area. This order does not affect locatable minerals or leaseable minerals other than shallow natural gas leasing or oil and gas exploration licensing.
- Under AS 38.05.300(c), a mineral closing order is an interim classification which does not become permanent unless approved by the legislature by the 90th day of the next regular session, or adjournment.
- HB 383/SB 266 would:
 - Prevent speculators from top filing shallow natural gas applications (\$5,000 application fee) in an area of richer oil and gas potential which should be competitively leased.
 - Avoid potential land use and program conflicts if an oil and gas exploration license or shallow natural gas lease is top filed in the proposed competitive sale area.
 - Help maximize economic benefit from the State's higher potential oil and gas areas through royalties, lease terms, and competitive bonus bids.

State of Alaska
Department of Natural Resources
Division of Oil and Gas

Mineral Order No. 791

Closing land to oil and gas licensing and leasing under AS 38.05.131-134 and AS 38.05.177

I. **Name:** Proposed Bristol Bay Competitive Oil and Gas Areawide Lease Sale Area

II. **Finding:** I consider it necessary and proper to issue an interim classification order to preclude shallow natural gas leasing and oil and gas exploration licensing due to the State of Alaska's announced intent to plan, schedule and hold a competitive oil and gas areawide lease sale in the area described in Section III. This order has no effect on locatable minerals or leaseable minerals other than shallow natural gas leasing or oil and gas exploration licensing. I will transmit this interim classification order to the legislature for their consideration within 10 days of the convening of the next regular legislative session.

III. **Legal Description:**

Seward Meridian, Alaska

<u>Township</u>	<u>Range(s)</u>	<u>Township</u>	<u>Range(s)</u>
17 S	44 - 58 W	36 S	51 - 52 & 55 - 60 W
18 S	44 - 58 W	37 S	57 - 62 W
19 S	44 - 58 W	38 S	58 - 63 W
20 S	45 - 61 W	39 S	59 - 64 W
21 S	46 - 54 & 57 - 61 W	40 S	59 - 65 W
22 S	47 - 53 & 58 - 61 W	41 S	63 - 68 W
23 S	47 - 52 W	42 S	63 - 69 W
24 S	47 - 52 W	43 S	65 - 70 W
25 S	47 - 52 W	44 S	65 - 71 W
26 S	47 - 53 W	45 S	67 - 72 W
27 S	47 - 53 W	46 S	68 - 73 W
28 S	48 - 53 W	47 S	69 - 78 W
29 S	48 - 54 W	48 S	70 - 81 W
30 S	48 - 55 W	49 S	70 - 83 W
31 S	49 - 56 W	50 S	71 - 84 W
32 S	51 - 57 W	51 S	71 - 85 W
33 S	52 - 58 W	52 S	74 - 75 & 79 - 86 W
34 S	53 - 59 W	53 S	85 - 87 W
35 S	51 - 59 W	54 S	85 - 87 W

IV. **Decision:** This order, issued pursuant to AS 38.05.300(c), is subject to valid existing rights. The above-described lands are hereby closed to Oil and Gas Exploration Licensing under AS 38.05.131-134 and Shallow Natural Gas Leasing under AS 38.05.177.

Ordered and Effective this 11 day of July, 2003.

Original signed by Thomas E. Irwin
Thomas E. Irwin, Commissioner
Department of Natural Resources