

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672

1645 SCOMM 62: SENATE SPEC. COMM. ON OIL & GAS, 1989-1990

1213

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: 1907 278-3550

1 of operations in and of itself is not intended to regulate all aspects of
2 all activities on the lease. The lessee must comply with all applicable
3 state, federal and local laws prior to commencing drilling or construction
4 activities--for example, the U. S. Corps of Engineers Section 404 Permit for
5 Discharge of Dredge or Fill to Waters of the United States is required prior
6 to construction of gravel islands. The lessee must also comply with all
7 stipulations attached to the oil and gas lease--for example, the seasonal
8 drilling and surface entry restrictions. In addition, the lessee must also
9 satisfy the performance standards and comply with the restrictions contained
10 in the sale notice--for example, the mitigating measures pertaining to the
11 discharge of drilling muds and produced waters.

12 5. Prior to a decision by the division either to approve, modify
13 or deny the application, plans of operation are reviewed by the Division of
14 Land and Water Management (DNR), the Department of Environmental
15 Conservation (DEC), the Department of Fish and Game (ADF&G), and the North
16 Slope Borough (NSB). Comments and recommendations from the agencies are
17 submitted to the division for consideration. The application (project) also
18 undergoes a concurrent review by agencies listed above to assure that the
19 proposed action is consistent with the Alaska Coastal Management Act (AS
20 44.19 and 46.40), a District Coastal Management Plan if such a plan is in
21 place, and the Coastal Management Program regulations (6 AAC 50 and 80).

22 6. A plan of operations, at a minimum, must include (1) a
23 sequence and schedule of events proposed to occur on the lease including the
24 date the operations are to commence and the proposed duration of the
25 operations; (2) projected use requirements directly associated with the
26 proposed operation including the location, design, and intended use of well

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1 and facility sites, material sites, water supply sources, solid waste
2 disposal sites, staging areas, roads and airstrips; (3) plans for
3 rehabilitation of the affected lease area after completion of the
4 operations, and (4) a description of facility design and operating
5 procedures developed to prevent or minimize adverse effects on other natural
6 resources and other uses of the lease area. A copy of the oil and gas lease
7 contract, applicable regulations and application forms are attached as
8 Exhibit 1.

9 7. Each Plan of Operations is site specific and must be tailored
10 to the activity requiring the permit. Typical activities in the Sale 50
11 area would include (1) offshore exploratory drilling from a mobile
12 bottom-founded drilling rig, an artificial gravel island, or a thickened ice
13 drill site; (2) expansion of an existing gravel exploratory or development
14 well site; (3) development drilling from an existing or new multiwell gravel
15 well site; (4) installation of production facilities; (5) installation of
16 enhanced recovery facilities; (6) installation of support facilities such as
17 electric power generation facilities, water or sewage treatment plants,
18 living quarters, and operations centers; (7) ice airstrips; (8) gravel
19 source sites; and (9) marine docks. The Plan must be as detailed as
20 necessary and may contain several volumes of drawings, charts, tables,
21 graphs and text for a complex operation such as construction of development
22 and production facilities. When all affected agencies have responded to the
23 division's request for comments, the division renders its decision,
24 including inserting any necessary stipulations.

25 8. It is at the plan of operations review stage when specific
26 activities are proposed for specific times and locations, that the final

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1 fine tuning in the mitigation process is performed. The plan of operations
2 (and other accompanying state permits) translates the sale-wide performance
3 standards and mitigation objectives into terms and conditions applicable to
4 the activity under consideration. It is not practical in the lease sale
5 notice document to address in the detail necessary for permitting actions
6 all the terms and conditions that would apply to every possible activity at
7 every possible location especially considering all the state, federal and
8 local authorities that govern oil and gas operations. By allowing for the
9 fine tuning of the mitigating measures at the plan of operations stage,
10 vis-a-vis the lease sale stage, the division also acknowledges that
11 circumstances, technologies, and the understanding of the environment can
12 change. Some flexibility is built in to the system to allow for these
13 potential changes and advances.

14 9. Attached as Exhibit 2 is a partial listing of permitting and
15 oversight authorities and regulations that would apply to a major oil and
16 gas activity in the Sale 50 area. It is included to illustrate the extent
17 to which the state, federal and local government agencies retain broad
18 authority and control over proposed lease activities after a lease has been
19 issued. It should also be noted that the lease is subject, insofar as
20 constitutionally permissible, to all statutes and regulations placed in
21 effect after the effective date of the lease--see paragraph 26 of the lease.

22 10. In addition to the plan of operations review and approval
23 process, the lessee must also post a performance bond with the division
24 prior to entering on to the lease--see paragraph 23 of the lease and 11 AAC
25 §3.160. The bond amount varies between \$10,000 and \$100,000, depending upon
26 the type of activity. A statewide bond of \$500,000 is also acceptable.

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1 Under the lease, the division can also require a supplemental bond if it
2 believes that the nature of the surface and its uses or the degree of risk
3 involved justifies the increase. The Alaska Oil and Gas Conservation
4 Commission (AOGCC) also requires that the lessee post a separate bond
5 (\$100,000) prior to any drilling activity; and DEC, in conjunction with its
6 Oil Discharge Contingency Plan permitting process, requires proof of
7 financial assurance (\$35 million for any offshore wellsite or production
8 facility). The \$100,000/\$500,000 bond required by the division is not
9 intended to provide full coverage for cleanup and rehabilitation expenses
10 resulting from a catastrophic accident or very large volume oil spill since
11 that cost cannot be determined apriori. Regardless of the required bond
12 amount (and the bond amounts required by other state agencies), the lessee
13 is liable for the cleanup and rehabilitation of the lease area.

14 11. The bond required by the division is used as an indicator that
15 the lessee is solvent and in good corporate standing. The bond monies could
16 be used to provide a general cleanup or rehabilitation of the lease area,
17 but it would not be adequate, in itself, to cover cleanup costs from a
18 catastrophic accident. The probability of a catastrophic accident is very
19 low, and the lessee retains all liability for its and its contractor's
20 actions. Therefore, the risk to the state of irreparable environmental
21 damage is extremely low.

22 12. Upon expiration or termination of the lease, paragraph 21 of
23 the lease requires the lessee to rehabilitate the lease area to the
24 satisfaction of the state. The lessee is granted one year from the date of
25 expiration/termination to remove all equipment and improvements from the
26 lease area and deliver up the lease area in good condition. Should the

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1 lessee fail to act, the state may step in and act; and then require
2 compensation from the lessee.

3 13. Should a set of severe and unexpected environmental
4 circumstances develop, the state has the option of canceling the lease.
5 Paragraph 20(b) of the lease reads in part, "The state may cancel the lease
6 at any time if the state determines, after the lessee has been given notice
7 and a reasonable opportunity to be heard, that (1) continued operations
8 pursuant to this lease probably will cause serious harm or damage to
9 biological resources, to property, to mineral resources, or to the
10 environment including the human environment, (2) the threat of harm or
11 damage will not disappear or decrease to an acceptable extent within a
12 reasonable period of time, and (3) the advantages of cancellation outweigh
13 the advantages of continuing the lease in effect." While it is understood
14 that this cancellation clause would only be invoked in the most serious of
15 situations, it remains an option available to the state should unforeseen
16 events or circumstances develop.

17 14. The lease stipulations and the terms and conditions contained
18 in the plan of operations approval are binding on the lessee. Lease
19 activities are monitored by DNR, DEC, ADF&G and AOGCC agency personnel to
20 ensure compliance with the respective permits. The Department of
21 Environmental Conservation maintains an office at Prudhoe Bay that also is
22 used by ADF&G and DNR inspectors as a base of operations. Paragraph 16 of
23 the lease requires that the lessee keep the lease area open for inspection
24 by authorized state officials.

25 15. Off-lease activities such as geophysical (seismic)
26 exploration, gravel mining, construction within pipeline rights of way,

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1 construction of access roads and water appropriation are controlled by
2 separate permits. These permits undergo the same agency review and
3 consistency determination process as a plan of operations. Bonding is also
4 required for these activities, and the permitted activity is monitored by
5 agency personnel.

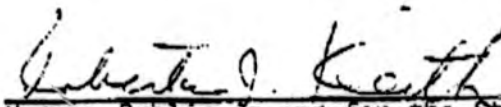
6 16. Prior to commencing an exploratory well, well site (geohazard)
7 surveys are required under 20 AAC 25.061 to identify potential shallow gas
8 sources. In addition, potential sea bed hazards must be evaluated prior to
9 the siting and use of a mobile bottom-founded type drilling unit.

10 Dated this 23rd day of June, 1987.

11
12
13 
14 William Van Dyke

15 STATE OF ALASKA)
16) ss.
17 THIRD JUDICIAL DISTRICT)

18 SUBSCRIBED AND SWORN TO before me this 23rd day of June,
19 1987.

20 
21 Notary Public in and for the State of
22 Alaska
23 My Commission expires: 10/1/88

24 0869F

FEDERAL LAWS AND REGULATIONS
WHICH GOVERN OIL AND GAS DEVELOPMENT IN ALASKA

CLEAN WATER ACT (CWA)

OIL SPILL AND HAZARDOUS SUBSTANCES CONTROL

EPA REGULATIONS - 40 CFR

- Part 109 - Criteria for Oil Removal Contingency Plans
- Part 110 - Discharge of Oil
- Part 112 - Oil Pollution Prevention
- Part 113 - Small Onshore Oil Storage Facilities
- Part 114 - Civil Penalties for Violation of Oil Pollution Regulations
- Part 116 - Designation of Hazardous Substances
- Part 117 - Reportable Quantities for Hazardous Substances
- Part 151 - Hazardous Substances Pollution Prevention

COAST GUARD REGULATIONS - 33 CFR

- Part 153-157 - Oil Spill Regulations
- Part 153 - Reporting Oil Spills to Coast Guard
- Part 155 and 156 - Vessels in Oil Transfer Operations

FEDERAL MARITIME COMMISSION REGULATIONS - 46 CFR

- Part 542 - Financial Responsibility for Water Pollution

WATER QUALITY

EPA REGULATIONS - 40 CFR

- Part 120 - Federal Water Quality Standards
- Part 121 - State Certification of Federal Permit
- Part 136 - Test Procedures for Analysis of Pollutants
- Part 140 - Performance Standards for Marine Sanitation Devices

COAST GUARD REGULATIONS - 33 CFR

- Part 159 - Regulations on Marine Sanitation Devices

FEDERAL LAWS & REGULATIONS

Page 2

NPDES PERMIT SYSTEMEPA REGULATIONS - 40 CFR

Part 122 - National Pollutant Discharge Elimination System
Permit Regulations

Part 123 - State NPDES Program Requirements

Part 125 - Criteria and Standards for NPDES Permits

Part 129 - Toxic Pollutant Effluent standards

Part 401 - General Provisions for Effluent Guidelines and
Standards

Part 435 - Effluent guidelines and Standards for Offshore Oil
and Gas Extraction

Part 436 - Effluent Guidelines and Standards for Mineral Mining
and Processing

OCEAN DUMPINGEPA REGULATIONS - 40 CFR

Parts 220-225, 227-229 - Ocean Dumping regulations and Criteria

SECTION 404 - DISCHARGE OF DREDGE AND FILLEPA REGULATIONS - 40 CFR

Part 230 - Discharge of Dredged or Fill Material into Navigable
Waters

Part 231 - Disposal Site Determination

Part 233 - State Dredge or Fill Permit Program Requirements

ARMY CORPS OF ENGINEERS (COE) REGULATIONS - 33 CFR

Part 209 - Navigable Waters

Part 320-330 - Permit Program Regulations

FEDERAL LAWS & REGULATIONS

Page 3

THE FISH AND WILDLIFE COORDINATION ACT

Allows comment on 404 by Fish and Wildlife, National Marine Fisheries and EPA.

COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT (CERCLA)EPA PLANS - 40 CFR

Part 300 - National Oil and Hazardous Substances Pollution Contingency Plan

SAFE DRINKING WATER ACTEPA REGULATIONS - 40 CFR

Part 141 - Interim Primary Drinking Water Regulations
Part 142 - Interim Primary Drinking Water Regulations Implementation
Part 143 - National Secondary Drinking Water Regulations
Part 144 - Permit Regulations for the Underground Injection Control Program
Part 145 - State Underground Injection Control Program Requirements
Part 146 - Criteria and Standards for Underground Injection Control Program
Part 149 - Review of Projects Affecting Sole Source Aquifers

COASTAL ZONE MANAGEMENT ACT (CZMA)NOAA REGULATIONS - 15 CFR

Part 921 - Guidelines on Estuarine Sanctuaries
Part 923 - CZM Program Approval
Part 926 - Allocation of Funds to States for CZM Development
Part 930 - Federal Consistency with Approved Coastal Management Programs

FEDERAL LAWS & REGULATIONS

Page 4

Part 931 - Coastal Energy Impact Program

Part 933 - CZM Research and Technical Assistance

RESOURCE CONSERVATION AND RECOVERY ACT (RCRA)SOLID WASTE MANAGEMENTEPA REGULATIONS - 40 CFR

Part 240 and 241 - Guidelines for Thermal Processing of Solid Wastes and Land Disposal of Solid Wastes

Part 243 - Guidelines for Solid Waste Storage and Collection

Part 245 - Guidelines for Resource Recovery Facilities

Part 255 - Guidelines for Identification of Regions and Agencies for Solid Waste Management

Part 256 - Guidelines for Classification of Solid Waste Disposal

Part 257 - Criteria for Classification of Solid Waste Disposal Facilities and Practices

HAZARDOUS WASTE MANAGEMENTEPA REGULATIONS - 40 CFR

Part 260 - General Regulations for Hazardous Waste Management

Part 261 - Identifying Hazardous Waste

Part 262 - Hazardous Waste Generators

Part 263 - Hazardous Waste Transporters

Part 264 - Owners and Operators of Permitted Hazardous Waste Facilities

Part 265 - Interim Status Standards for Owners and Operators of Hazardous Waste Facilities

Part 267 - Interim Standards for Owners and Operators of New Hazardous Waste Land Disposal Facilities

Part 270 - Federally Administered Hazardous Waste Permit Programs

Part 271 - Authorizations of State Hazardous Waste Programs

FEDERAL LAWS & REGULATIONS

Page 5

CLEAN AIR ACT (CAA) - 42 USC 7401EPA REGULATIONS - 40 CFR

Part 50 - National Primary and Secondary Ambient Air Quality Standards

Part 51 - Preparation of Implementation Plans

Part 52 - Approval and Promulgation of Implementation Plans
(Subpart C - Alaska)

Part 53 - Ambient Air Monitoring Methods

Part 55 - Energy-Related Authority

Part 56 - Regional Consistency Under the CAA

Part 58 - Ambient Air Quality Surveillance

Part 60 - New Source Performance Standards

Part 61 - National Emission Standards for Hazardous Air Pollutants

Part 62 - State Plans for Designated Facilities and Pollutants

Part 65 - Delayed Compliance Orders Under the CAA

Part 66 - Assessment and Collection of Noncompliance Penalties

Part 67 - Federal Approval of State Noncompliance Penalty Programs

Part 81 - Designating Areas for Air Quality Planning

TOXIC SUBSTANCES CONTROL ACTNATIONAL OCEAN POLLUTION PLANNING ACTNATIONAL ENVIRONMENTAL POLICY ACT (NEPA)COUNCIL ON ENVIRONMENTAL QUALITY (CEQ) REGULATIONS - 40 CFR

Parts 1500-1508 - Implementing NEPA Procedures

ENDANGERED SPECIES ACT (ESA) (16 USC 1531)FWS REGULATIONS - 50 CFR

Part 17 - Endangered and Threatened Species

Part 402 - Interagency Cooperation

2

EXHIBIT H
PAGE 38 of 39

FWS GUIDELINES

Endangered and Threatened Species Listing and Recovery Priority
Guidelines

FISH AND WILDLIFE COORDINATION ACT

MARINE PROTECTION, RESEARCH AND SANCTUARIES ACT

WILDERNESS ACT

MARINE MAMMAL PROTECTION ACT

MIGRATORY BIRD TREATY ACT

NATIONAL HISTORIC PRESERVATION ACT

OUTER CONTINENTAL SHELF LANDS ACT (OCSLA)

PORTS AND WATERWAYS SAFETY ACT

0851E

AFFIDAVIT OF JERRY L. DEES

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

JERRY L. DEES, being duly sworn, does state the following:

1. I am the Vice President of Exploration and Lands for ARCO Alaska, Inc. ("ARCO"), a position I have held for 2 years. Prior to this position with ARCO, I was employed in various positions associated with the exploration for and production of oil and gas for 25 years.

2. ARCO is Operator of an exploration well currently being drilled on State of Alaska Competitive Oil and Gas Lease ADL No. 371024 which was issued to Phillips Petroleum Company ("Phillips") on September 1, 1987. ARCO operates this well, known as the ARCO Stinson #1 Well, under a Joint Operating Agreement between ARCO and Phillips.

3. ARCO obtained all necessary federal, state, and local government authorizations for drilling the Stinson Well. In particular, these authorizations include a Conclusive Consistency Certification issued by the Division of Governmental Coordination on August 17, 1989, and an Oil Spill Contingency Plan approved by the Department of Environmental Conservation.

4. The Stinson Well is being drilled using the Glomar Concrete Island Drilling Structure ("CIDS"), which is a concrete structure frozen into place approximately 2½ miles offshore on the

west side of Camden Bay. The CIDS was moved into location and provisioned in September, 1989, prior to the subsistence whale hunt. Drilling commenced on October 11, 1989. Drilling and testing were originally estimated for 185 days. The North Slope Borough Development Permit for the Stinson Well provides in Stipulation No. 6 that all "below threshold" activities must be completed by April 30, 1990. (Below threshold activities in this context means activities at depths where significant hydrocarbon accumulations are projected to be encountered.)

5. The Stinson Well has stayed on its projected schedule and is literally "in the home stretch." The time between now and the current deadline of April 30, 1990, for cessation of down hole operations is critical to the realization of the value of the well, which is the evaluation of the strata in which the well is now drilling. Prior drilling operations are certainly important, but their value largely lies in getting to the target geologic horizons, which is where the well is now reaching.

6. ARCO, on behalf of itself and Phillips, has expended approximately \$49,100,000 on the Stinson Well to date. Current expenditures are in the range of \$100,000 per day. Total cost for the well is estimated at \$56,000,000.

7. Cessation of operations at this time would essentially deprive ARCO and Phillips of the primary benefit of drilling the Stinson Well, which is the evaluations which will occur between now and April 30, 1990.

8. If these operations are not conducted between now and April 30, 1990, their likelihood of ever being conducted is low. If ARCO is compelled to cease activity now before April 30, 1990, based on the concerns and restrictions permitting agencies expressed in granting authorizations for the Stinson Well, ARCO believes it likely that it would not be allowed to resume downhole activities below threshold depth until after November 1, 1990. In order to conduct operations from the CIDS after November 1, 1990, it would be necessary to freeze the structure in place in the fall and leave it there until the following open water season, a period of at least 10 months. ARCO and Phillips would be forced to pay for the CIDS for an additional 10 months to obtain a few weeks worth of data, at an estimated cost of \$30,000,000 to \$50,000,000. (This would be in addition to the \$49,100,000 already spent.) It is my opinion that ARCO management would not expend this amount of money to complete the operation. The ultimate benefit of the Stinson Well to ARCO and Phillips would have been lost.

9. ARCO's current operations do not entail any transportation of oil or gas that may be discovered in Camden Bay. If oil is discovered, it will take many years to delineate and develop such an oil reservoir. Only at that time in the future would transportation of oil be an issue. Numerous federal, state, and local government reviews, permits and authorizations will be required prior to any oil transportation from Camden Bay.

Further this Affiant Sayeth Naught.

DATED this 28th day of March, 1990.


JERRY L. DEES

SUBSCRIBED AND SWORN TO before me this 28th day of March, 1990.


NOTARY PUBLIC IN AND FOR ALASKA
My Commission Expires: 8-24-93

AFFIDAVIT OF JOSEPH P. GREEN

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

JOSEPH P. GREEN, being duly sworn, does state the following:

1. I am employed by ARCO Alaska, Inc. as a Permit Coordinator. Prior to my employment at ARCO, I was the Director of the Division of Minerals and Energy Management for the State of Alaska, and prior to that I was the Petroleum Administrator for Santa Barbara County, California. I am a registered geologist in the State of California, and a registered engineer in the State of Oklahoma.

2. As a part of my job responsibilities at ARCO, I either obtained or assisted/coordinated the obtaining of all of the permits, authorizations and approvals necessary to drill the ARCO Stinson No. 1 Well.

3. Attached is a chart listing the more significant permits, authorizations and approvals for the ARCO Stinson No. 1 Well. The chart also describes the agency(ies) responsible and gives a brief description of the purpose of the permit, authorization or approval.

4. These permits, authorizations and approvals do not give ARCO the authority to transport Camden Bay oil, if it is discovered. Numerous additional reviews by the federal, state and local governments will be required prior to any transportation of oil from Camden Bay.

5. In my opinion, there is very little flexibility in the drilling schedule for the ARCO Stinson No. 1 well. The primary constraint is the Beaufort Sea ice pack, which immobilizes the Concrete Island Drilling Structure ("CIDS") from approximately November to June every year. Also, the Bowhead whale migration and subsistence hunt during September and October of each year make this a controversial time period to conduct oil and gas exploration. Furthermore, oil exploration activity is restricted during unstable ice conditions in the spring (May-July) and fall (October-November) due to oil spill containment and cleanup capability concerns. There is thus very little flexibility in the time of drilling operations.

For these reasons, cessation of drilling operations on the ARCO Stinson No. 1 well would have grave implications. It would very likely require a second entire drilling season to complete the well, which would be extremely expensive.

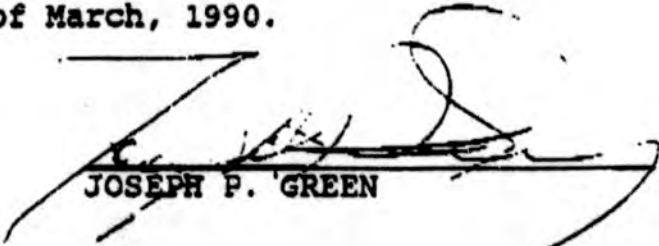
6. In the course of my work in the petroleum industry, and in particular in the course of obtaining approval of the oil spill contingency plan for the ARCO Stinson No. 1 Well, I have reviewed data concerning the risk of a blowout occurring (other potential oil spills should be nominal in size [maximum 200 gallons] and should be capable of containment on the CIDS). The Oil Spill Risk Analysis model (OSRA) utilized by the MMS in its Environmental Impact Statements (EIS) assigns zero as the probability that a significant oil spill will occur during exploration (none has ever occurred from exploratory drilling on

the U.S. Outer Continental Shelf). Dr. Frank B. Martin, Department of Applied Statistics, at the University of Minnesota analyzed MMS blowout statistics for U.S. O.C.S. areas in 1986. The data indicates that 31 blowouts (these were apparently gas blowouts and did not result in any significant oil spill) were reported for 4,824 exploratory wells drilled between 1971 and 1984. Dr. Martin concluded that, based on historical data, the probability of a blowout not occurring is 99.36 percent. The probability that a significant oil spill will not occur is 99.9996 percent. In any event, ARCO's oil spill contingency plan addresses the remote possibility that a blowout could occur.

7. If the Supreme Court were to order DNR to suspend all industrial activity in Camden Bay, several dire consequences would result. First, helicopter flights to the CIDS would have to continue, in order to evacuate the approximately 75 people on the CIDS. Second, safety concerns would require a skeleton crew to maintain the CIDS. Navigational lighting is necessary to protect passing aircraft and watercraft. Third, if the CIDS cannot be removed from Camden Bay during the limited open water season, it would be forced to stay where it is. This would have enormous economic impact on either ARCO or the owner of the CIDS (who would be denied the ability to use it elsewhere).

Further this Affiant Sayeth Naught.

DATED this 29 day of March, 1990.


JOSEPH P. GREEN

SUBSCRIBED AND SWORN TO before me this 20th day of
March, 1990.

Denise M. Berry
NOTARY PUBLIC IN AND FOR ALASKA
My Commission Expires: 6-30-90

STINSON PERMITS, AUTHORIZATIONS, PLANS, ETC.

<u>Permit/Authorization/Plan, Etc.</u>	<u>Agency</u>	<u>Comments</u>
Coastal Zone Consistency Determination	Alaska Division of Governmental Coordination	Coordinates the review by state (Depts. of Environmental Conservation, Fish and Game and Natural Resources), federal (Environmental Protection Agency, Corp. of Engineers, Fish and Wildlife Service) and local government (North Slope Borough), to minimize possible inconsistencies between the various agencies' permit requirements, to ensure all agencies' concerns have been addressed, and to implement the District Coastal Management Plan.
Oil Spill Contingency Plan	Alaska Dept. of Environmental Conservation	Requires advance planning for any potential oil spill that could happen. This includes an assessment of oil spill risks and advance response and notification planning. The plan also requires on-site oil spill containment and cleanup equipment and off-site backup equipment. In addition, it requires training of on-site cleanup crews; response teams from Deadhorse, Prudhoe Bay and Kuparuk, the villages of Kaktovik and Nuiqsut; and provides for scheduled and unscheduled inspections and spill cleanup drills.

**National Pollutant Discharge
Elimination System (NPDES)
Permit**

**Environmental
Protection
Agency**

**Regulates discharges from the Concrete
Island Drilling Structure (CIDS).**

Lease Operations Approval

**Alaska Dept.
of Natural
Resources
(Div. of Oil
& Gas)**

Requires:

- barge traffic must be at least one mile offshore
- environmental orientation program for CIDS occupants
- polar bear interaction plan
- coordination with whalers
- oil spill drill
- activities be limited to those contained in Plan of Operations

**Certificate of Reasonable
Assurance**

**Alaska Dept. of
Environmental
Conservation**

**Issued pursuant to Section 401 of the
Clean Water Act. Certifies reasonable
assurance that all drilling activity
will comply with the Clean Water Act.**

Development Permit

**North Slope
Borough**

**Assures activities are in compliance
with Borough ordinances.**

Drilling Permit

**Alaska Oil &
Gas Conserva-
tion Commission**

**Requires adherence to sound engineer-
ing principles and practices to
prevent resource waste, protect corre-
lative rights, and conduct safe
drilling operations.**

Spill Prevention Control and Countermeasure

Alaska Dept. of Environmental Conservation, Alaska Dept. of Natural Resources

A document detailing the procedures followed and special actions taken to prevent hydrocarbon spills; and if a spill occurs, to prevent the material from getting off the drilling structure.

Section 10 Anchoring Permit

Corp of Engineers

Allows CIDS to rest on ocean bottom

- stipulations require:
 - 1500' minimum flight altitude to avoid disturbing wildlife
 - plan approval by U.S. Fish & Wildlife Service covering wildlife disturbance, oil spill plans, etc.
 - polar bear monitoring plan

Air Quality (Flaring)

Alaska Dept. of Environmental Conservation

Provides strict air emissions standards which must be met, including:

- maximum opacity of smoke
- maximum pollutant discharges from combustion engines
- no test oil burning

Plan of Operations

All Agencies

A comprehensive review of the entire operations to be conducted at the Stinson location from move in through drilling/testing, to move out.

APR 10 '90 15:55 ATTY GEN OIL GAS MIN

P.16/22

Liquid Waste Disposal
- down hole

Alaska Dept. of
Environmental
Conservation

Stipulates rates and total volumes of liquid that can be pumped down the well's annuli. Includes review of pipe integrity and ensures that formation being pumped into has no value as a possible future fresh water source.

H₂S Contingency Plan

Alaska Oil &
Gas Conservation
Commission

A detailed plan outlining tests for the presence of H₂S, actions to be taken if present, and safety equipment, escape plans and emergency aid reviews.

Whale Monitoring Plan

Alaska Dept. of
Natural Resources

Determines the need for and degree of monitoring plan for areas within whale migration route.

Oil/Whalers Agreement

Whaling Village
Representatives

Agreement limiting activities to what is acceptable to the whalers during the whale migration. Also includes supplies and services furnished to the Native whalers.

Seasonal Drilling Restrictions

Alaska Dept. of
Natural Resources

Outlines the areas and degrees of restricted activities during the whale migrating season.

EXHIBIT

Water Use Permit (Seawater)	U.S. Fish & Wildlife Service	Provides standards for using seawater as a source of making freshwater (in this case, through reverse osmosis).
Water Use Permit (Freshwater)	Alaska Dept. of Natural Resources (Div. of Land & Water Management)	Allows use of fresh water for drilling purposes.
Notice of Financial Responsibility	Alaska Dept. of Environmental Conservation	An agency requirement that the company or individual conducting drilling operations have financial responsibility sufficient to perform properly.
Evacuation Plan (CIDS)	U. S. Coast Guard	For safe evacuation of the Concrete Island Drilling Structure (CIDS) in the event an emergency occurred.
Aids to Navigation Approval	U. S. Coast Guard	Requires fog horn and visual markings on CIDS.
Landing Permit	Federal Aviation Administration	Ensures helicopters and pilots are capable of safe landing on the CIDS.

Food and Drink Permit

**Alaska Dept. of
Environmental
Conservation**

**Requires strict adherence to health
and cleanliness regulations for
serving human consumables and for
handling associated waste.**

APR 10 '90 15:56 ATTY GEN OIL, GAS, MIN

EXHIBIT

Register 89, April 1984

NATURAL RESOURCES

11 AAC 83.153

11 AAC 83.158

11 AAC 83.153. CONFIDENTIAL REPORTS.

(a) If the commissioner finds that reports or information required under AS 31.05.035(a) contain significant information relating to the valuation of unleased land within a three-mile radius of the well from which these reports or information were obtained, the commissioner will, upon the written request of the owner of the well, keep the reports or information confidential for a reasonable time not to exceed 90 days after disposal of the unleased land, unless the owner of the well gives written permission to release the reports and information at an earlier date. The commissioner will, in his or her discretion, extend confidentiality to reports or information required under AS 31.05.035 from a well located more than three miles from any unleased land if the owner of the well from which these reports or information are derived makes a sufficient showing that the reports or information contain significant information relating to the valuation of unleased land beyond the three-mile radius.

(b) Reports or information for which extended confidentiality is requested or has been granted under AS 31.05.035 will not be eligible for extended confidentiality when

(1) the lease on which the well is drilled has expired; or

(2) the unleased land within a three-mile radius of the well from which the reports or information are obtained is offered in a competitive lease sale, but receives no bids greater than or equal to any minimum bid established for that sale.

(c) As used in this section, "mile" means a statute mile or 5,280 feet.

(d) As used in this section, "disposal" means the grant or issuance of an oil and gas lease. (Eff. 3/30/84, Reg. 89)

Authority: AS 31.05.035(c)
AS 38.05.020
AS 38.05.180

11 AAC 83.155. DAMAGES. Each lessee or permittee is required to pay any damage that becomes payable under AS 38.05.130 and shall indemnify Alaska and hold it harmless from and against any claims, demands, liabilities and

expenses arising from or in connection with the damage. (Eff. 9/5/74, Reg. 51)

Authority: AS 38.05.020
AS 38.05.130
AS 38.05.145(a)

11 AAC 83.158. PLAN OF OPERATIONS. (a)

Except as provided in (b) of this section, a plan of operations for all or part of the leased area must be approved by the commissioner before any operations may be undertaken on the leased area if

(1) the state owns all or part of the surface estate of the leased area;

(2) the lease reserves a net profit share to the state; or

(3) the state owns all or part of the mineral estate, but the entire surface estate is owned by a party other than the state, and a surface owner requests that a plan of operations be required by the commissioner for the portion of the leased area owned by that surface owner.

(b) A lease plan of operations is not required for

(1) activities that would not require a land use permit under this title; or

(2) operations undertaken under an approved unit plan of operations in accordance with this title.

(c) Before undertaking operations on the leased area, the lessee shall provide for full payment of all damages sustained by the owner of the surface estate as well as by the surface owner's lessees and permittees, by reason of entering the land. If the surface estate is owned by a party other than the state, the lessee shall also notify the surface owner of his opportunity to request that the commissioner require a plan of operations before allowing operations to be undertaken on the portion of the leased area owned by the requesting surface owner.

(d) An application for approval of a plan of operations must contain sufficient information, based on data reasonably available at the time

Register 89, April 1984

NATURAL RESOURCES

11 AAC 83.158

11 AAC 83.160

the plan is submitted for approval, for the commissioner to determine the surface use requirements and impacts directly associated with the proposed operations. An application must include statements and maps or drawings setting out the following:

(1) the sequence and schedule of the operations to be conducted on the leased area, including the date operations are proposed to begin and their proposed duration;

(2) projected use requirements directly associated with the proposed operations, including but not limited to the location and design of well sites, material sites, water supplies, solid waste sites, buildings, roads, utilities, airstrips, and all other facilities and equipment necessary to conduct the proposed operations;

(3) plans for rehabilitation of the affected leased area after completion of operations or phases of those operations; and

(4) a description of operating procedures designed to prevent or minimize adverse effects on other natural resources and other uses of the leased area and adjacent areas, including fish and wildlife habitats, historic and archeological sites, and public use areas.

(e) In approving a lease plan of operations or an amendment of a plan, the commissioner will require amendments he determines necessary to protect the state's interest. The commissioner will not require any amendment that would be inconsistent with the terms of sale under which the lease was obtained, or with the terms of the lease itself, or which would deprive the lessee of reasonable use of the leasehold interest.

(f) The lessee may, with approval of the commissioner, amend an approved plan of operations.

(g) Upon completion of operations, the lessee shall inspect the area of operations and submit a report indicating the completion date of operations and stating any noncompliance of which the lessee knows, or should reasonably know,

with requirements imposed as a condition of approval of the plan.

(h) In submitting a proposed plan of operations for approval, the lessee shall provide 10 copies of the plan if activities proposed are within the coastal zone, and five copies if activities proposed are not within the coastal zone. (Eff. 6/28/81, Reg. 78; am 8/15/82, Reg. 83; am 3/18/83, Reg. 85)

Authority: AS 38.05.020

AS 38.05.145

AS 38.05.130

AS 38.05.180

11 AAC 83.160. OIL AND GAS LEASE BOND. (a) Before operations commence on a state oil and gas lease, a bond in the amount of at least \$10,000 must be furnished to the department.

Register 85, April 1983

NATURAL RESOURCES

11 AAC 83.343

11 AAC 83.346

commissioner will, in his discretion, propose modifications which, if accepted by the unit operator, would qualify the plan for approval.

(c) The unit plan of development must be updated and submitted to the commissioner for approval at least 90 days before the expiration date of the previously approved plan, as set out in that plan. The update must describe the extent to which the requirements of the previously approved plan were achieved; if actual operations deviated from or did not comply with the previously approved plan, an explanation of the deviation or noncompliance must be included in the update. The commissioner will approve the updated unit plan of development if it complies with the provisions of 11 AAC 83.303. If the proposed update of a unit plan of development is disapproved, the commissioner will, in his discretion, propose modifications which, if accepted by the unit operator, would qualify the plan for approval. Within 10 days after receipt of an updated unit plan of development, the commissioner will inform the unit operator as to whether the proposed unit plan of development is complete. After the commissioner has determined that an updated unit plan of development is complete as submitted, or as modified by the unit operator following the commissioner's suggestions, the commissioner will have an additional 60 days in which to approve or disapprove the plan; if no action is taken by the commissioner, the update of the unit plan of development is approved.

(d) The unit operator shall submit an annual report to the commissioner describing the operations conducted under the unit plan of development during the preceding year.

(e) The unit operator may, with the approval of the commissioner, amend an approved plan of development. (Eff. 6/28/81. Reg. 78; am 3/18/83. Reg. 85)

Authority: AS 38.05.020
AS 38.05.145
AS 38.05.180

11 AAC 83.345. MODIFICATION OF UNIT AGREEMENTS. Repealed 6/28/81.

11 AAC 83.346. UNIT PLAN OF OPERATIONS. (a) Except as provided in (b) of this section, a unit plan of operations for all or part of the unit area must be approved by the commissioner before any operations may be undertaken on the unit area if

(1) the state owns all or part of the surface estate of the unit area;

(2) the unit includes a lease that reserves a net profit share to the state; or

(3) the state owns all or part of the mineral estate, but the entire surface estate of the unit area is owned by a party other than the state, and a surface owner requests that a unit plan of operations be required by the commissioner for the portion of the unit area owned by that surface owner.

(b) A unit plan of operations will not be required by the commissioner for activities that would not require a land use permit under this title.

(c) Before undertaking operations of the unit area, the unit operator shall provide for full payment of all damages sustained by the owner of the surface estate as well as by the surface owner's lessees and permittees, by reason of entering the land. If the surface estate is owned by a party other than the state, the unit operator shall also notify the surface owner of his opportunity to request that the commissioner require a plan of operations before allowing operations to be undertaken on the unit area owned by the requesting surface owner.

(d) An application for approval of a plan of operations must contain sufficient information, based on data reasonably available at the time the plan is submitted for approval, for the commissioner to determine the surface use requirements and impacts directly associated with the proposed operations. An application must include statements, and maps or drawings, setting out the following:

(1) the sequence and schedule of the operations to be conducted in the unit area, including the date operations are proposed to begin and their proposed duration;

Register 89, April 1984

NATURAL RESOURCES

11 AAC 83.346
11 AAC 83.356

(2) projected use requirements directly associated with the proposed operations, including but not limited to the location and design of well sites, material sites, water supplies, solid waste sites, buildings, roads, utilities, airstrips, and all other facilities and equipment necessary to conduct the proposed operations;

(3) plans for rehabilitation of the affected unit area after completion of operations or phases of those operations; and

(4) a description of operating procedures designed to prevent or minimize adverse effects on other natural resources and other uses of the unit area and adjacent areas, including fish and wildlife habitats, historic and archeological sites, and public use areas.

(e) In approving a unit plan of operations or an amendment of a plan, the commissioner will require amendments he determines necessary to protect the state's interest. The commissioner will not require any amendment that would be inconsistent with the terms of sale under which the lease was obtained, or with the terms of the lease itself, or which would deprive the lessee of reasonable use of the leasehold interest.

(f) The unit operator may, with the approval of the commissioner, amend an approved plan of operations.

(g) Upon completion of operations, the unit operator shall inspect the area of operations and submit a report indicating the completion date of operations and stating any noncompliance of which the unit operator knows, or should reasonably know, with requirements imposed as a condition of approval of the plan. (Eff. 6/28/81, Reg. 78; am 8/15/82, Reg. 83; am 3/18/83, Reg. 85)
Authority: AS 38.05.020 AS 38.05.145
AS 38.05.130 AS 38.05.180

11 AAC 83.350. APPROVAL OF FEDERAL UNITS. Repealed 6/28/81.

11 AAC 83.351. PARTICIPATING AREA. (a) At least 90 days before sustained unit production from a reservoir, the unit operator shall submit to the commissioner for approval a description, based on subdivisions of the public land or its aliquot parts, of the proposed participating area. The participating area may include only the land

reasonably known to be underlain by hydrocarbons and known or reasonably estimated through use of geological, geophysical, and engineering data to be capable of producing or contributing to production of hydrocarbons in paying quantities. Under 11 AAC 83.371(a), the unit operator also shall submit to the commissioner for approval a proposed division of interest or formula setting out the percentage of production and costs to be allocated to each lease and portion of lease within the participating area. Upon approval by the commissioner, the area of productivity constitutes a participating area.

(b) A separate participating area must be established as provided in (a) of this section for each reservoir delineated, except that with the consent of the commissioner and all working interest owners, any two or more reservoirs or participating areas within the unit may be combined into one participating area. Separate participating areas may be established to distinguish between an oil rim and a gas cap within the same reservoir.

(c) A participating area must be expanded to include acreage reasonably estimated through use of geological, geophysical, and engineering data to be capable of producing or contributing to the production of hydrocarbons in paying quantities, and must be contracted to exclude acreage reasonably proven through use of geological, geophysical, or engineering data to be incapable of producing hydrocarbons in paying quantities, subject to approval by the commissioner. A revised division of interest or formula allocating production and costs must be submitted for approval under 11 AAC 83.371 at the time of expansion or contraction of a participating area. (Eff. 6/28/81, Reg. 78; am 3/18/83, Reg. 85; am 3/30/84, Reg. 89)

Authority: AS 38.05.020
AS 38.05.145
AS 38.05.180

11 AAC 83.355. APPLICATIONS. Repealed 6/28/81.

11 AAC 83.356. UNIT AREA; CONTRACTION AND EXPANSION. (a) A unit must encompass the minimum area required to include all or part of one or more oil or gas reservoirs, or all or part of one or more potential hydrocarbon accumulations.

DO&G 18-84
 LO/Form
 (Revised 10-86)
 DNR 10-1172

LEASE OPERATIONS APPLICATION FORM

RETURN TO: Division Oil & Gas
 P.O. Box 7034
 Anchorage, AK 99510
 Attn: Bill Van Dyke
 Petroleum Manager

DATE _____
 Applicant _____ ADL # _____ (mandatory)
 Project _____ Bond _____

Date permit fee paid _____
 (effective 1-1-86 application for plan of operations on leased land requires \$50.00 fee; payable to State of Alaska, Dept of Revenue) and mail check only to Division of Management, P.O. Box 7034, Anchorage, AK 99510

1) Plan of Operations (Include necessary diagrams) _____

(Attach extra sheets if necessary)

2) Location: T _____, R _____, S _____ (Include necessary maps) _____

3) Access: _____

4) Proposed operation start-up date _____

5) Expected completion of permit activity/gravel placement _____

6) Project Material:

A) Amount (pad) _____ cy (road) _____ cy (other) _____ cy

B) Acreage covered (pad) _____ (road) _____ (other) _____

C) Material source _____

7) Snow Removal Plan: _____

8) Is off road travel required? yes _____ no _____

A) Period of travel _____

B) Equipment _____

9) Is a Temporary Water Use Permit required? yes _____ no _____

A) Purpose _____

B) Sources _____

C) Access _____

D) Maximum withdrawal _____

10) Is fuel or any other hazardous material stored on site? yes _____ no _____

A) Type _____

B) Amount _____

C) Handling proposal _____

11) Pipeline Construction:

A) Location/route _____

B) Number/size _____

C) Type _____

D) Construction access _____

E) Construction period _____

12) Rehabilitation plan: _____

13) Is any part of this permit confidential? yes _____ no _____

Authorized Contact _____

(907)

Telephone Number _____

Signature _____

Date _____

EXHIBIT _____

PAGE 20 of 39

5/30/86

COASTAL PROJECT QUESTIONNAIRE

The State of Alaska has a system for reviewing and processing all the resource-related permits, leases, and approvals which are required for proposed projects in coastal areas of Alaska. As a project applicant you are required to complete this questionnaire. The questionnaire will help you identify if approvals are required for your project (or a specific phase of your project) from the Departments of Fish and Game, Natural Resources, and Environmental Conservation.

Attached is a list of regional agency contacts and a map of the coastal area with the regions delineated. We urge you to contact the appropriate agency staff when you are answering that agency's questions.

Once you have completed the questionnaire and attached the required applications you must submit this packet to the appropriate state agency in the region where the proposed project is to occur. YOUR PROJECT CANNOT BE REVIEWED UNTIL ALL APPLICATIONS ARE RECEIVED. Please use the following instructions for submittal.

All packets must be submitted to the Division of Governmental Coordination, with the following exceptions:

1. If a fee is required, submit the entire packet to the state resource agency with the fee requirement.
2. If confidential information is contained, submit the entire packet to the state resource agency with that requirement.
3. If it is a placer mining activity, submit the Annual Placer Mining Application, instead of the questionnaire, to the Department of Natural Resources.
4. If you only need permits from one state resource agency and no federal agencies, submit the entire packet to the state resource agency requiring the permits.

If one or more federal permits are required, submit the original federal permit application(s) to the federal agency and send a copy of those federal applications to the appropriate state agency along with your packet of other applications.

If you have any questions concerning the process, please contact the Office of Management and Budget, Division of Governmental Coordination. If you have general questions about local, State or federal permits, both in and outside the coastal area, you may wish to contact the Department of Environmental Conservation Permit Information Centers in Fairbanks (452-2340), Anchorage (279-0254) or Juneau (465-2615). Collect calls are accepted.

IF YOUR ANSWERS TO THE FOLLOWING QUESTIONS ARE NOT CORRECT OR COMPLETE AND AN AGENCY DETERMINES THAT YOU DO NEED ONE OF THEIR APPROVALS, THEY WILL NOTIFY YOU AND YOU WILL BE RESPONSIBLE FOR OBTAINING THAT APPROVAL. HOWEVER, THIS IS LIKELY TO CAUSE A DELAY IN THE REVIEW OF YOUR PROJECT. TO AVOID THIS DELAY, WE ENCOURAGE YOU TO SEEK ASSISTANCE FROM AGENCY STAFF IN COMPLETING THE QUESTIONNAIRE.

EXHIBIT H
PAGE 21 of 39

PLEASE ANSWER ALL QUESTIONS. PLEASE INCLUDE MAPS OR PLAN DRAWINGS WITH YOUR PACKET. AN INCOMPLETE QUESTIONNAIRE MAY BE RETURNED AND WILL DELAY THE REVIEW OF YOUR PROJECT.

PART A

Applicant: _____ Contact Person: _____

Address: _____ Address: _____

Phone (day): _____ Phone (day): _____

Brief description of project or activity, including associated facilities _____

Starting date for project _____ Ending date for project _____

Location of Project (include nearest community or identifiable land or water body): _____

Meridian _____ Township _____ Range _____ Section _____ Aliquot Parts _____ USGS Map _____

Is the project on: private land _____ state land _____ federal land _____
municipal land _____ ownership not known _____

Identify which region of the State the project is in (see attached map):

northern _____ southcentral _____ southeast _____

PART B

1. Do you currently have any State or federal approvals/permits for this project? If yes, please list below.

Yes _____ No _____

<u>Permit/Approval Type</u>	<u>Permit/Approval #</u>	<u>Expiration Date</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

2. Will you be placing structures, or placing fills in any of the following: tidal waters, streams, lakes, wetlands? _____

* If you are uncertain whether your proposed project area is in a wetland, contact the Corps of Engineers, Regulatory Branch at (907) 753-2720 for a wetlands determination. If you are outside the Anchorage area call toll free 1-800-478-2712.

APR 09 '90 18:19 ATTY GEN OIL,GAS,MIN

P.24/40

If yes, have you applied for or do you intend to apply for a U.S. Army Corps of Engineers (COE) permit? (The COE has jurisdiction over activities described above.) Please indicate in Question No. 3 below, when you applied to the COE or when you intend to apply.

Yes No

3. Have you applied or do you intend to apply for other permits from any federal agency? If yes, list below.

Agency	Permit/Approval Type	Date you submitted or plan to submit application

* * * * *

PART C DEPARTMENT OF NATURAL RESOURCES

1. Is the proposed project on State-owned land or will you need to cross State lands for access? (Note: In addition to State owned uplands, the State has jurisdiction over most lands below the ordinary high water line of streams, rivers, lakes, and line of mean high tide of the tidelands seaward for three miles.)

2. Is any portion of your project placed below the ordinary high water line of a stream, river, lake or other water body?

3. Will you be dredging?
If yes, location of dredging:

Meridian (M) _____ Township (T) _____ Range (R) _____ Section (Sec) _____

Location of disposal site for dredged material:

M _____ T _____ R _____ Sec _____

4. Will you be filling with rock, sand or gravel?
If yes, amount? _____

Location of source: M _____ T _____ R _____ Sec _____

Location of area to be filled: M _____ T _____ R _____ Sec _____

5. Do you plan to use any of the following state-owned resources?

Timber

If yes, amount? _____

Location of source: M _____ T _____ R _____ Sec _____

EXHIBIT H
PAGE 23 of 39

Yes No

Other Materials

If yes, what material? _____
(peat, building stone, silt, overburden, etc.)

Location of source: M _____ T _____ R _____ Sec _____

6. Are you planning to use any water? _____

If yes, amount? _____

Source? _____

7. Will you be building or altering a dam? _____

8. Do you plan to drill a geothermal well? _____

9. Will you be exploring for or extracting coal? _____

10. Will you be exploring for or extracting minerals on state-owned land? _____

11. Will you be exploring for or extracting oil and gas on state-owned land? _____

12. Will you be harvesting timber from 10 or more acres? _____

13. Will you be investigating or removing historic or archeological resources on State-owned lands? _____

14. Will the project be located in a unit of the State Park System (including the Kenai River Special Management Area, State Recreation Areas, State Historic Sites, State Preserves, etc.)? _____

IF YOU CORRECTLY ANSWERED NO TO ALL THESE QUESTIONS, YOU DO NOT NEED APPROVAL FROM THE ALASKA DEPARTMENT OF NATURAL RESOURCES (DNR). GO TO PART D.

IF YOU ANSWERED YES TO ANY OF THESE QUESTIONS, CONTACT DNR TO IDENTIFY AND OBTAIN ANY NECESSARY APPLICATION FORMS.

If you have already contacted DNR, are you now submitting application(s) for permits or approvals? If yes, list DNR approvals for which you are now applying: _____

Have you paid the filing fees required for the DNR permits? _____

If you are not applying for permits, indicate the reason below:

a. _____ (DNR contact) told me on _____ (date) that no DNR approvals or permits were required for this project.

b. Other. _____

PART D DEPARTMENT OF FISH AND GAME

Yes No

1. Will you be working in a stream, river, or lake (this includes running water or on ice, within the active floodplain, on islands, the face of the banks, or the stream tideflats down to mean low tide)?

Name of stream or river _____ Name of lake _____

If no, go to question number 3.

2. If yes, will you be doing any of the following:

a) Building of a dam, river training structure or instream impoundment?

b) Using the water?

c) Diverting or altering the natural channel stream?

d) Blocking or damming the stream (temporarily or permanently)?

e) Changing the flow of the water or changing the bed?

f) Pumping water out of the stream or lake?

g) Introducing silt, gravel, rock, petroleum products, debris, chemicals, or wastes of any type into the water?

h) Using the stream as a road (even when frozen), or crossing the stream with tracked or wheeled vehicles, log-dragging or excavation equipment (backhoes, bulldozers, etc.)?

i) Altering or stabilizing the banks?

j) Mining or digging in the beds or banks?

k) Using explosives?

l) Building a bridge (including an ice bridge)?

m) Installing a culvert or other drainage structure?

n) Constructing a weir?

3. Is your project located in a State Game Refuge, Critical Habitat Area, or State Game Sanctuary?

4. Does your project include the construction and operation of a salmon hatchery?

5. Does your project affect or is it related to a previously permitted salmon hatchery?

IF YOU CORRECTLY ANSWERED NO TO ALL THESE QUESTIONS, YOU DO NOT NEED A PERMIT FROM THE ALASKA DEPARTMENT OF FISH AND GAME (DFG). GO TO PART E.

IF YOU ANSWERED YES TO QUESTIONS 1-3, CONTACT THE REGIONAL HABITAT DIVISION OFFICE TO IDENTIFY AND OBTAIN ANY NECESSARY APPLICATION FORMS.

IF YOU ANSWERED YES TO QUESTIONS 4-5, CONTACT THE PRIVATE NONPROFIT HATCHERY OFFICE AT F.R.E.D. DIVISION HEADQUARTERS TO OBTAIN INFORMATION AND ANY NECESSARY APPLICATION FORMS.

If you have already contacted DFG, are you now submitting an application for permit(s)? If yes, list DFG approvals for which you are now applying:

Yes _____ No _____

If you are not applying for permits, indicate the reason below:

- a. _____ (DFG contact) told me on _____ (date) that no DFG approvals or permits were required for this project.
- b. Other. _____

PART E DEPARTMENT OF ENVIRONMENTAL CONSERVATION

- | | | |
|---|-------|-------|
| 1. Will a discharge of wastewater from industrial or commercial operations occur? | _____ | _____ |
| 2. Will your project generate air emissions from the following: | | |
| a) Diesel generators totaling more than 10,000 hp? | _____ | _____ |
| b) Other fossil fuel-fired electric generator, furnace, or boiler totaling greater than 10,000 hp, or 9,000kw, or 100,000,000 btu/hr? | _____ | _____ |
| c) Asphalt plant? | _____ | _____ |
| d) Incinerator burning more than 1000 lbs. per hour? | _____ | _____ |
| e) Industrial process? | _____ | _____ |
| 3. Will a drinking water supply be developed that serves more than a single-family residence? | _____ | _____ |
| 4. Will you be processing seafood? | _____ | _____ |
| 5. Will food service be provided to the public or workers? | _____ | _____ |
| 6. Will the project result in dredging or disposal of fill in wetlands or placement of a structure in waterways? (Note: If you are applying to the Corps of Engineers for a permit for this activity, the Corps will automatically request certification from DEC.) | _____ | _____ |
| 7. Is on-lot sewage or greywater disposal involved or necessary? | _____ | _____ |
| 8. Will your project result in the development of a currently unpermitted facility for the disposal of domestic or industrial solid waste? | _____ | _____ |
| 9. Will your project require offshore drilling or vessel transport of oil, or other petroleum products as cargo, or include onshore facilities with an effective storage capacity of greater than 10,000 barrels of such products? | _____ | _____ |

10. Will your project require the application of oil or pesticides to the surface of the land? Yes No

IF YOU CORRECTLY ANSWERED NO TO ALL THESE QUESTIONS, YOU DO NOT NEED A PERMIT OR OTHER APPROVAL FROM THE ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC). GO TO PART F.

IF YOU ANSWERED YES TO ANY OF THESE QUESTIONS (SEE CLARIFYING NOTE IN NO. 6, ABOVE) CONTACT THE DEC REGIONAL OFFICE TO IDENTIFY AND OBTAIN ANY NECESSARY APPLICATION FORMS.

If you have already contacted the Alaska Department of Environmental Conservation, are you now submitting an application for permit(s)? _____
If yes, list the permits for which you are now applying: _____

If you are not applying for permits, indicate the reason below:

a. _____ (DEC contact) told me on _____ (date) that no DEC approvals or permits were required for this project.

b. Other. _____

* * * * *

PART F

To the best of my knowledge, this information is accurate and complete.

Signed _____

Date _____

TO COMPLETE YOUR PACKET, PLEASE ATTACH YOUR STATE PERMIT APPLICATIONS AND COPIES OF YOUR FEDERAL APPLICATIONS TO THIS QUESTIONNAIRE. PLEASE SUBMIT YOUR PACKET AS INDICATED ON PAGE ONE.

cp questionnaire/PERMIT

1. The boundaries of the coastal zone are shown on this map.
 2. The boundaries of the coastal zone are shown on this map.
 3. The boundaries of the coastal zone are shown on this map.

INTERIM COASTAL ZONE BOUNDARIES OF ALASKA

WHEN ON STATE AND PRIVATE LAND NOT SUBJECT
 TO AN ADOPTED LOCAL COASTAL PLAN

— LANDWARD BOUNDARY
 - - - SEAWARD BOUNDARY (usually 3 nmi limit)
 ... COASTAL ZONE

SCALE
 0 25 50 Miles
 OFFICE OF COASTAL MANAGEMENT
 APRIL 1970

NORTHERN REGION

SOUTHCENTRAL REGION

SOUTHEAST REGION



APR 09 '90 18:23 ATTY GEN OIL, GAS, MIN

P.30/40

SOUTHEAST REGIONAL CONTACTS

5/86

DEPARTMENT OF NATURAL RESOURCESOil & Gas Activities

DNR/Oil and Gas
400 Willoughby Ave.
Juneau, AK 99801
(907) 465-2400
CONTACT: Bob Butts

Mining Activities

DNR/Mining
Box 7016
Anchorage, AK 99510
(907) 762-4232
CONTACT: Jerry Callagher

Forestry Activities

DNR/Forestry
400 Willoughby Avenue
Juneau, AK 99801
(907) 762-4500
CONTACT: Jim McAllister

Agriculture Activities

DNR/Agriculture
915 S. Bailey
P.O. Box 949
Palmer, AK 99645
(907) 745-7200
CONTACT: Dean Brown

Activities on State Park Lands

DNR/Parks
400 Willoughby Avenue, Suite 500
Juneau, AK 99801
(907) 465-4563
CONTACT: Linda Kruger

All Other Activities

Southeast District Office
DNR/Land and Water Management
400 Willoughby Avenue, Suite 400
Juneau, AK 99801
(907) 465-3400
CONTACT: Bob Merry

*Street Address:

3601 "C" Street
Frontier Building

DEPARTMENT OF FISH AND GAMEDFG/Habitat Division

P.O. Box 20
Douglas, AK 99824
(907) 465-4290, 465-4391
CONTACTS: Rick Reed or
Janet Hall

Area Offices

Department of Fish and Game
P.O. Box 667
Petersburg, AK 99833
(907) 772-3801
CONTACT: Don Cornelius

Department of Fish and Game
425 Main Street, Room 208
Ketchikan, AK 99901
(907) 225-2027
CONTACT: Jack Gustafson

Department of Fish and Game
State Office Building
P.O. Box 510
Sicks, AK 99835
(907) 747-5828
CONTACT: Dave Hardy

Hatchery Permits

DFG/FRED Division
1255 West Eighth Street
P.O. Box 3-2000
Juneau, AK 99802
(907) 465-4160
CONTACT: Jerry Madden or
Kevin Duffy

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEC/Southeast Office
P.O. Box 2420
9000 Old Glacier Highway
Juneau, AK 99803
(907) 789-3151
CONTACT: Dick Stokes

OFFICE OF MANAGEMENT AND BUDGET

Division of Governmental Coordination
Pouch AW
431 N. Franklin Street
Juneau, AK 99811-0165
(907) 465-3562
CONTACT: Diane Mayer
Lorraine Marshall

po/permit

EXHIBIT H
PAGE 29 of 39

5/86

SOUTHCENTRAL REGIONAL CONTACTSDEPARTMENT OF NATURAL RESOURCESOil & Gas Activities

DNR/Oil and Gas
Box 7034
Anchorage, AK 99510
(907) 561-2020
CONTACT: Bill Van Dyke

Mining Activities

DNR/Mining*
Box 7016
Anchorage, AK 99510
(907) 762-4222
CONTACT: Jerry Callagher

Forestry Activities

DNR/Forestry*
Box 7005
Anchorage, AK 99510
(907) 762-2123
CONTACT: Don Ketchum

Agriculture Activities

DNR/Agriculture
915 S. Bailey
P.O. Box 949
Palmer, AK 99645
(907) 743-7200
CONTACT: Dean Brown

Activities on State Park Lands

DNR/Parks*
Box 7001
Anchorage, AK 99510
(907) 762-4365
CONTACT: Michel D. Lee

All Other Activities

Public Information*
Southcentral District Office
DNR/Land and Water Management
Box 7005
Anchorage, AK 99510
(907) 762-2207
CONTACT: Elaine Nelson

*Street Address:

3601 "C" Street
Frontier Building

DEPARTMENT OF FISH AND GAME

DFG/Habitat Division
333 Raspberry Road
Anchorage, AK 99518-1599
CONTACT: (Southcentral):
Phil Brna
Gary Liepitz
Karen Oakley
(907) 267-2284
(Southwest and Western):
Denby Lloyd
Kim Sundberg
(907) 267-2346

Hatchery Permits

DFG/FRED Division
1255 West Eighth Street
P.O. Box 3-2000
Juneau, AK 99802
(907) 463-4160
CONTACT: Jerry Madden or
Kevin Duffy

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEC/Southcentral Office
437 E Street, Second Floor
Anchorage, AK 99501
274-2533
CONTACT: Bob Flint
Tim Rumpfelt

OFFICE OF MANAGEMENT AND BUDGET

Division of Governmental Coordination
2600 Denali Street, Suite 700
Anchorage, AK 99503-2798
(907) 274-1581
CONTACT: Patty Stelawski
Louise Rand

5/86

NORTHERN REGIONAL CONTACTSDEPARTMENT OF NATURAL RESOURCESOil & Gas Activities

DNR/Oil and Gas
794 University Way
Fairbanks, AK 99701
(907) 474-6085
CONTACT: Ted Bond

Mining Activities

DNR/Mining*
Box 7016
Anchorage, AK 99510
(907) 762-4222
CONTACT: Jerry Gallagher

Forestry Activities

DNR/Forestry*
Box 7003
Anchorage, AK 99510
(907) 762-4500
CONTACT: Craig Olson

Agriculture Activities

DNR/Agriculture
915 S. Bailey
P.O. Box 949
Palmer, AK 99645
(907) 745-7200
CONTACT: Dean Brown

Activities on State Park Lands

DNR/Parks
4418 Airport Way
Fairbanks, AK 99701
(907) 479-4136
CONTACT: Al Weiners or Dave Snarski

All Other Activities

North Central District Office
DNR/Land and Water Management
4420 Airport Way
Fairbanks, AK 99709
(907) 479-2243
CONTACT: Coyle Berger

*Street Address:

3601 "C" Street
Frontier Building

DEPARTMENT OF FISH AND GAME

DFG/Habitat Division
1300 College Road
Fairbanks, AK 99701
CONTACT:
(Arctic) Carl Hemming
(907) 479-0882
(Interior) Al Townsend
(907) 479-0883

Hatchery Permits

DFG/FRED Division
1255 West Eighth Street
P.O. Box 3-2000
Juneau, AK 99802
(907) 465-4160
CONTACT: Jerry Madden or
Kevin Duffy

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEC/Northern Office
675 Seventh Avenue, Pouch 1601
Fairbanks, AK 99707
(907) 452-1716
CONTACT: Paul Bateman (Arctic)
Joyce Beelman (Interior)

OFFICE OF MANAGEMENT AND BUDGET

Division of Governmental Coordination
675 Seventh Avenue, Station H
Fairbanks, AK 99701-4596
(907) 456-3084
CONTACT: Jan Sorice
Patti Wightman

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ALASKA LAWS, REGULATIONS AND LOCAL ORDINANCES
GOVERNING OIL AND GAS OPERATIONS IN ALASKA

1. ALASKA ENVIRONMENTAL CONSERVATION LAW - AS TITLE 46, CHAPTERS 2 AND 3

ADEC REGULATIONS - TITLE 18 AAC

Chapter 18 - Coastal Protection Fund
Chapter 50 - Air Quality Control
Chapter 60 - Solid Waste Management
Chapter 70 - Water Quality Standards
Chapter 72 - Wastewater Disposal
Chapter 74 - Water and Wastewater Certification
Chapter 75 - Oil and Hazardous Substances Pollution Control
Chapter 80 - Drinking Water
Chapter 90 - Pesticide Control
Chapter 95 - Administrative Enforcement

ADEC CERTIFICATES - TITLE 15 AAC

Certificate of Reasonable Assurance issued under Section 401 of the Clean Water Act in conjunction with the Corps of Engineers Section 404 Clean Water Act permit (40 CFR).

NPDES certificate issued in conjunction with EPA's NPDES Clean Water Act permit (40 CFR).

ADEC ALASKA OIL POLLUTION CONTROL LAW - AS TITLE 46

Chapter 4 - Oil Discharge Contingency Plans

2. ALASKA COASTAL MANAGEMENT ACT - AS TITLE 46, CHAPTER 40
- AS TITLE 44, CHAPTER 19

ALASKA COASTAL POLICY COUNCIL REGULATIONS - TITLE 6 AAC

Chapter 80 - Standards of the Alaska Coastal Management Program
Chapter 85 - Guidelines for District Coastal Management Programs
Chapter 50 - Project Consistency with the Alaska Coastal Management Act

ALASKA LAWS, REGULATIONS AND LOCAL ORDINANCES

Page 2

3. ALASKA FISH AND GAME LAW - AS TITLE 16

Chapter 5 - Waters Important to Anadromous Fish

4. ALASKA OIL AND GAS CONSERVATION ACT - AS TITLE 31, CHAPTER 5

ALASKA OIL AND GAS CONSERVATION COMMISSION REGULATIONS - TITLE 20
AAC, CHAPTER 25

5. PUBLIC LANDS - AS TITLE 38, CHAPTERS 5 and 35

ADNR REGULATIONS - TITLE 11 AAC

Chapter 53 - Records, Surveys and Platting

Chapter 58 - Leasing of Land

Chapter 62 - Tide and Submerged Lands

Chapter 67 - Disposal of Land

Chapter 71 - Timber and Material Sale

Chapter 80 - Pipeline Right-of-Way Leasing

Chapter 82 - Mineral Leasing Procedure

Chapter 83 - Oil and Gas Leasing

Chapter 88 - Practice and Procedure

Chapter 93 - Water Management

Chapter 96 - Miscellaneous Land Use

6. NORTH SLOPE BOROUGH LAND MANAGEMENT REGULATIONS

Chapter 60 - Development Permits for Oil and Gas Activities

0852E

APR 09 '90 18:07 ATTY GEN OIL, GAS, MIN

P. 9/40

COMPETITIVE OIL AND GAS LEASE
JANUARY 1988
OIL 10-407STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES

Competitive Oil and Gas Lease

ADL No.

THIS LEASE is entered into

10 between the State of Alaska, "the state," and

the lessee, whether one or more, whose sole address for purposes of notification under Paragraph 25 is

In consideration of the cash payment made by the lessee to the state, which payment includes the first year's rental and any required cash bonus, and subject to the provisions of this lease, including applicable stipulations and mitigating measures attached to the lease and by this reference incorporated in this lease, the state and the lessee agree as follows:

1. GRANT (a) Subject to the provisions in this lease, the state grants and leases to the lessee, without warranty, the exclusive right to drill for, extract, remove, clean, process, and dispose of oil, gas, and associated substances in or under the following described tract of land:

SAMPLE

containing approximately _____ acres, more or less (referred to in this lease as the "leased area"); the nonexclusive right to conduct within the leased area geological and geophysical exploration for oil, gas, and associated substances; and the nonexclusive right to install pipelines and build structures on the leased area to find, produce, save, store, use, process, transport, take care of, and market oil, gas, and associated substances and its lease and board employees in its operations on the leased area. The rights granted by this lease are to be exercised in a manner which will not unreasonably interfere with the rights of any permitted lessee or grantee of the state consistent with the principle of reasonable consumers uses as set out in article VII, section 8 of the Alaska Constitution.

(b) For the purposes of this lease, the leased area contains the legal subdivisions as shown on the attached plat marked Exhibit A.

(c) If the leased area is described by protracted legal subdivisions and, after the effective date of this lease, the leased area is surveyed under the public land rectangular system, the boundaries of the leased area are those established by that survey, when approved, subject, however, to the provisions of applicable regulations relating to those surveys. If for any reason the leased area includes more acreage than the maximum permitted under applicable law (including the "rule of apportionment" authorized in AS 38.05.146 and defined in AS 38.05.985 (17)), this lease is not void and the acreage included in the leased area must be reduced to the permitted maximum. If the state determines that the leased area exceeds the permitted acreage and notifies the lessee in writing of the amount of acreage that must be eliminated, the lessee must have 60 days after that notice to surrender one or more legal subdivisions included in the leased area commencing at least the amount of acreage that must be eliminated. Any subdivision surrendered must be located on the perimeter of the leased area as originally described. If a surrender is not filed within 60 days, the state may terminate this lease as to the acreage that must be eliminated by making notice of the termination to the lessee describing the subdivision eliminated.

EXHIBIT 1
PAGE 8 of 39

[illegible]

[illegible]

12 DIRECTIONAL DRILLING

13 DILIGENCE AND PREVENTION OF WASTE

(12) Upon discovery of oil or gas on the L-250

(c) The holder shall perform all operations in

(c) The issuer shall securely file in an appropriate

(c) The issuer shall securely file in an appropriate

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13 UTILIZATION (4) The western gull tends to

(2) The license agreement, when its contents are

(c) With the consent of the witness, and if the

(4) Except as otherwise provided in this subpart

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INSPECTION The house will help cover a

7 SUSTENSON The state may not turn to

7 SUGENSON The same may now time to

19. **SURRENDER.** The lessee at any time may file with the state a written surrender of all rights under this lease or any portion of the leased area comprising one or more legal subdivisions or with the consent of the state, any separate and distinct zone or geological horizon underlying the leased area or one or more legal subdivisions of the leased area. This surrender will be effective as of the date of filing, subject to the continuous obligations of the lessee and as surety to make payment of all accrued royalties and to place all wells and surface facilities on the surrendered land or in the surrendered zones or horizons in condition satisfactory to the state for suspension or abandonment. After that, the lessee will be released from all obligations under the lease with respect to the surrendered lands, zones, or horizons.

20. **DEFAULT AND TERMINATION: CANCELLATION.** (a) The failure of the lessee to perform timely its obligations under this lease, or the failure of the lessee otherwise to abide by all express and implied provisions of this lease, is a default of the lessee's obligations under this lease. Whenever the lessee fails to comply with any of the provisions of this lease (other than a provision which, by its terms, provides for automatic termination), and fails within 90 days after written notice of that default to begin and diligently prosecute operations to remedy that default, the state may terminate the lease if at the time of termination there is no well on the leased area capable of producing oil or gas in paying quantities. If there is a well on the leased area capable of producing oil or gas in paying quantities, the lessee may be terminated by an appropriate judicial proceeding. In the event of any termination under this subparagraph, the lessee shall have the right to retain under the lease any and all drilling or producing wells for which no default exists, together with a portion of land surrounding each well or wells and right-of-way through the leased area that are reasonably necessary to enable the lessee to drill, operate, and transport oil or gas from the retained well or wells.

(b) The state may cancel this lease at any time if the state determines, after the lessee has been given notice and a reasonable opportunity to be heard, that (1) continued operations pursuant to this lease probably will cause serious harm or damage to biological resources, to property, to mineral resources, or to the environment including the human environment, (2) the threat of harm or damage will not disappear or decrease to an acceptable extent within a reasonable period of time, and (3) the advantages of cancellation outweigh the advantages of continuing the lease in effect. Any cancellation under this subparagraph will not occur unless and until operations under this lease have been under suspension or temporary prohibition by the state, with due abatement of the term of this lease, continuously for a period of five years or for a lesser period upon request of the lessee. Any cancellation under this subparagraph will entitle the lessee to receive compensation as the lessee demonstrates to the state is equal to the lesser of (1) the value of the cancelled rights as of the date of cancellation, with due consideration being given to both anticipated revenues from this lease and anticipated costs, including costs of compliance with all applicable regulations and stipulations, liability for clean-up costs or damages, or both, in the case of an oil spill, and all other costs reasonably anticipated under this lease, or (2) the excess, if any, over the lessee's revenues from this lease (plus interest on the excess from the date of receipt to date of reimbursement) of all consideration paid for this lease and all direct expenditures made by the lessee after the effective date of this lease and in connection with exploration or development, or both, under this lease, plus interest on that consideration and those expenditures from the date of payment to the date of reimbursement.

21. **RIGHTS UPON TERMINATION.** Upon the expiration or earlier termination of this lease as to all or any portion of the leased area, the lessee will be directed in writing by the state and will have the right at any time within a period of one year after the termination, or any extension of that period as may be granted by the state, to remove from the leased area or portion of the leased area all machinery, equipment, tools, and materials. Upon the expiration of that period or extension of that period and at the option of the state, any machinery, equipment, tools, and materials that the lessee has not removed from the leased area or portion of the leased area become the property of the state or may be removed by the state at the lessee's expense. At the option of the state, all improvements such as roads, pads, and wells must either be abandoned and the site rehabilitated by the lessee to the satisfaction of the state, or be left intact and the lessee absolved of all further responsibility as to their maintenance, repair and eventual abandonment and rehabilitation. Subject to the above conditions, the lessee shall deliver up the leased area or those portions of the leased area in good condition.

22. **DAMAGES AND INDEMNIFICATION.** (a) No rights under the AS 38.05.125 reservation may be exercised by the lessee until the lessee has provided to pay the owner of the land, his lessees and permittees, upon which the AS 38.05.125 reserved rights are sought to be exercised, full payment for all damages sustained by the owner by reason of entering the land. If the owner for any reason does not settle the damages, the lessee may enter the land after posting a surety bond determined by the state after notice and an opportunity to be heard, to be sufficient as to form, amount, and security to secure to the owner, his lessees and permittees, payment for damages, and may institute legal proceedings in a court of competent jurisdiction where the land is located to determine the damages which the owner of the land may suffer. The lessee agrees to pay for any damages that may become payable under AS 38.05.130 and to indemnify the state and hold it harmless from and against any claims, demands, liabilities, and expenses arising from or in connection with such damages. The furnishing of a bond in compliance with this paragraph will be regarded by the state as sufficient provision for the payment of all damages that may become payable under AS 38.05.130 by virtue of this lease.

(b) The lessee shall indemnify the state for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to any person caused by or resulting from any act or omission committed under this lease by or on behalf of the lessee. The lessee is not responsible to the state under this subparagraph for any loss, damage, or injury caused by or resulting from the sole negligence of the state.

(c) The lessee expressly waives any defense in an action for breach of a provision of the lease or for damages resulting from an oil spill or other harm to the environment that is based on an act or omission committed by an independent contractor in the lessee's employ. The lessee expressly agrees to assume responsibility for all actions of its independent contractors.

23. **BONDS.** (a) If required by the state, the lessee shall furnish a bond prior to the issuance of this lease in an amount equal to at least \$5 per acre or fraction of an acre contained in the leased area, but no less than \$10,000, and must maintain that bond as long as required by the state.

(b) The lessee may, in lieu of the bond required under (a) above, furnish and maintain a statewide bond in accordance with applicable regulations.

(c) The state may, after notice to the lessee and a reasonable opportunity to be heard, require a bond in a reasonable amount greater than the amount specified in (a) above where a greater amount is justified by the nature of the surface and its uses and the degree of risk involved in the types of operations being or to be carried out under the lease. A statewide bond will not satisfy any requirement of a bond imposed under this subparagraph, but will be considered by the state in determining the need for and the amount of any additional bond under this subparagraph.

(d) If the leased area is committed in whole or in part to a cooperative or unit agreement approved or prescribed by the state and the unit operator furnishes a statewide bond, the lessee need not maintain any bond with respect to the portion of the leased area committed to the cooperative or unit agreement.

APR 09 06:12:18 ATTN GEN OIL GAS, MIN

(6) "paying quantities" means quantities sufficient to yield a return in excess of operating costs, even if drilling and equipment costs may never be repaid and the undertaking considered as a whole may ultimately result in a loss. Quantities are insufficient to yield a return in excess of operating costs unless those quantities, not considering the costs of transportation and marketing, will produce sufficient revenue to induce a prudent operator to produce those quantities. and

(7) "force majeure" means war, riots, acts of God, unusually severe weather, or any other cause beyond the lessee's reasonable ability to foresee or control and includes operational failure of existing transportation facilities and delays caused by judicial decisions or lack of them.

35 **ROYALTY ON PRODUCTION** Except for oil, gas, and associated substances used on the leased area for development and production or unavoidably used, the lessee shall pay to the state as a royalty _____ percent in amount or value of the oil, gas, and associated substances saved, removed, or sold from the leased area and of the gas from the leased area used on the leased area for extraction of natural gasoline or other products.

36 **VALUE** (a) For the purposes of computing royalties due under this lease, the value of royalty oil, gas, or associated substances shall not be less than the highest of

(1) the best price received by the lessee for the oil, gas, or associated substances,

(2) the volume-weighted average of the three highest best prices received by other producers in the same field or area for oil of like grade and gravity, gas of like kind and quality or associated substances of like kind and quality at the time the oil, gas, or associated substances are sold or removed from the leased or unit area or the gas is delivered to an extraction plant if that plant is located on the leased or unit area, if there are less than three prices reported by other producers, the volume-weighted average will be calculated using the lesser number of prices received by other producers in the field or area;

(3) the lessee's posted price in the field or area for the oil, gas, or associated substances; or

(4) the volume-weighted average of the three highest posted prices in the same field or area of the other producers in the same field or area for oil of like grade and gravity, gas of like kind and quality or associated substances of like kind and quality at the time the oil, gas, or associated substances are sold or removed from the leased or unit area or the gas is delivered to an extraction plant if that plant is located on the leased or unit area, if there are less than three prices posted by other producers, the volume-weighted average will be calculated using the lesser number of prices posted by other producers in the field or area.

(b) If oil, gas, or associated substances are sold away from the leased or unit area, the term "best price" in subparagraph (a) above will be the cash value of all consideration received by the lessee or other producer from the purchaser of the oil, gas, or associated substances, less the reasonable costs of transportation away from the leased or unit area to the point of sale. The "reasonable costs of transportation" are as defined in 11 AAC 63.226-11 AAC 63.229 as those regulations exist on the effective date of this lease.

(c) In the event the lessee does not sell in an arm's-length transaction the oil, gas, or associated substances after removal from the leased or unit area, the term "best price" in subparagraphs (a) and (b) above will mean the price, on the leased or unit area, the lessee would expect to receive for the oil, gas, or associated substances if the lessee did sell the oil, gas, or associated substances in an arm's-length transaction. The lessee shall determine this price in a consistent and logical manner using information available to the lessee and report that price to the state.

(d) The state may establish minimum values for the purposes of computing royalties on oil, gas, or associated substances obtained from this lease, with consideration being given to the price actually received by the lessee, to the price or prices paid in the same field or area for production of like quality, to posted prices, to prices received by the lessee and other producers from sales occurring away from the leased area, and to other relevant matters. In establishing minimum values, the state may use, but is not limited to, the methodology for determining "prevailing value" as defined in 11 AAC 63.227 in circumstances where terms of a contract set a single price for oil, gas, or associated substances for periods of longer than six years without adjustments tied to market conditions, or where the terms of a contract set prices which do not reasonably reflect market conditions for production from that field or area prevailing at the time the contract is executed or renegotiated, or where fraud or an intent to evade payment is demonstrated. Each minimum value determination will be made only after the lessee has been given notice and a reasonable opportunity to be heard. Under this provision, it is expressly agreed that the minimum value of royalty oil, gas, or associated substances under this lease may not necessarily equal the price of the oil, gas, or associated substances.

37 **ROYALTY IN VALUE.** Unless the state elects to receive all or a portion of its royalty in kind as provided in Paragraph 38 below, the lessee shall pay to the state the value of all royalty oil, gas, and associated substances as determined under Paragraph 36 above. Royalty paid in value will be free and clear of all lease expenses (and any portion of those expenses not incurred away from the leased area), including, but not limited to, expenses for separating, cleaning, dehydration, gathering, saltwater disposal, and preparing the oil, gas, or associated substances for transportation off the leased area. All royalty that may become payable in money to the State of Alaska must be paid on or before the last day of the calendar month following the month in which the oil, gas, or associated substances are produced. The amount of all royalty in value payments which are not paid when due under this lease or which are subsequently determined to be due as the result of a redetermination will bear interest from the date the obligation accrued, until it is paid in full, at a variable annual rate equal to 1.25 percent plus the prime rate as announced from time to time by the Bank of America, San Francisco, California. Royalty payments must be accompanied by copies of run sheets or other information relating to valuation of royalty as the state may require which may include, but is not limited to, evidence of sales, shipments, and amounts of gross oil, gas, and associated substances produced.

38 **ROYALTY IN KIND.** (a) At the state's option, which may be exercised from time to time upon not less than 90 days' notice to the lessee, the lessee shall deliver all or a portion of the state's royalty oil, gas, or associated substances produced from the leased area in kind. Delivery will be on the leased area or at a place mutually agreed to by the state and the lessee, and must be delivered to the State of Alaska or to any individual, firm, or corporation designated by the state.

(b) Royalty oil, gas, or associated substances delivered in kind must be delivered in good and merchantable condition and be of pipeline quality, and must be free and clear of all lease expenses (and any portion of those expenses incurred away from the leased area), including, but not limited to, expenses for separating, cleaning, dehydration, gathering, saltwater disposal, and preparing the oil, gas, or associated substances for transportation off the leased area.

(c) After having given notice of its intention to take, or after having taken as royalty oil, gas, or associated substances in kind, the state, at its option and upon 90 days' notice to the lessee, may elect to receive a different portion or none of its royalty in kind. If, under federal regulations, the taking of royalty oil, gas, or associated substances in value by the state creates a supplier-purchaser relationship, the lessee hereby waives its right to continue to receive royalty oil, gas, or associated substances under that relationship, and further agrees that it will require any purchasers of the royalty oil, gas, or associated substances likewise to waive any supplier-purchaser rights.

(d) The lessee shall furnish storage for royalty oil and natural gas liquids produced from the leased or unit area to the same extent that the lessee provides storage for the lessee's share of oil and natural gas liquids. The lessee shall not be liable for the loss or destruction of stored royalty oil and natural gas liquids from causes beyond the lessee's reasonable control.

(e) If a state royalty purchaser refuses or for any reason fails to take delivery of oil, gas, or associated substances, or in an emergency, and with as much notice to the lessee as is practical or reasonable under the circumstances, the state may elect without penalty to underlift for up to six months all or a portion of the state's royalty on oil, gas, or associated substances produced from the leased or unit area and taken in kind. The state's right to underlift is limited to the portion of royalty oil, gas, or associated substances that the royalty purchaser refused or failed to take delivery of, or the portion necessary to meet the emergency condition. Underlifted oil, gas, or associated substances may be recovered by the state at a daily rate not to exceed 10 percent of its royalty interest share of daily production at the time of the underlift recovery.

EXHIBIT 14
PAGE 14 of 39

36. REDUCTION OF ROYALTY. After first production for two years from the field in which the leased or unit area is located has occurred, the state, in its discretion, may reduce the lessee's obligation to pay royalty on oil or gas produced from the field in which the leased or unit area is located, if the lessee, at the time of the reduction, has not made a substantial investment in the field, and (b) a clear showing by the lessee that a reduction in royalty will increase total production from the field.

40. EFFECTIVE DATE. This lease shall be effective on _____.

BY SIGNING THIS LEASE, the state as lessor and the lessee agree to be bound by its provisions.

LESSOR
STATE OF ALASKA
By _____
Title _____
By _____
Title _____

STATE OF ALASKA
) ss.
(Third Judicial District)

This is to certify that on _____, 19____, before me appeared _____ of the State of Alaska as lessee, and was executed this lease and acknowledged voluntarily signing it on behalf of the State of Alaska as lessor.

Notary public in and for Alaska.
My commission expires _____.

INWIT NOTARY ACKNOWLEDGMENT OF LESSEE'S SIGNATURE HERE.

SCOMM

62:21

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: SB 540
PUBLISH DATE: 3/30/90

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Natural Resources
Title: Issuance of State Consistency BRU: Petroleum Management
Determinations
Sponsor: Rules Committee Components: Petroleum Management
Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
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						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Larry Ostrovsky Phone: 465-2400
Division: Commissioner's Office Date: March 29, 1990
Approved by Commissioner:  Lennie Gorsuch Date: March 29, 1990
Agency: Department of Natural Resources

Distribution (by preparer) :
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465-3800

MEMORANDUM

April 11, 1990

SUBJECT: Title Problem in CSSB 540 (O&G)

TO: Senator Arliss Sturgulewski
Chair, Senate Rules Committee

FROM: Pamela Finley *Pam*
Assistant Revisor of Statutes

We sent CSSB 540(O&G) to the Senate this morning because it had already been read across. However, the title of CSSB 540 (Oil& Gas) does not reflect the contents of the bill. The first part of the title (page 1, line 6 through the middle of line 11) is intended to describe the current requirement for consistency determinations, which requirement is being removed. The next part of the title (page 1, from the middle of line 11 to the beginning of line 17) is intended to describe the requirement as amended by the bill.

Current law requires the OMB to render the state consistency determination when the project requires two or more state or federal permits, leases, or authorizations. The part of the title describing current law, however, covers only permits, leases, or authorizations of a single state resource agency (page 1, lines 10-11). The title describing the existing requirement omits that part of existing law that requires OMB to render the state consistency determination when a federal permit and a state permit are needed.

In addition, that part of the title describing the requirement as amended by the bill is wrong. It states that the OMB will render the state consistency determination if the project requires a federal permit, lease, or authorization (page 1, lines 16-17). However, the bill deletes any reference to federal permits as to state consistency determinations (page 3, lines 1-2).

Senator Arliss Sturgulewski
Page 2
April 11, 1990

The title should be amended as follows:

Page 1, line 10: Insert "state or federal" before "permits"

Page 1, lines 10-11: Delete "from a single state resource agency"

Page 1, lines 16-17: Delete ", or a federal permit, lease, or authorization".

If you have any questions about this, please call me or John Gaguine.

TBC:lmb
L10/065

CC: David Rogers

OFFICE OF THE GOVERNOR

DIVISION OF GOVERNMENTAL COORDINATION

CENTRAL OFFICE

P.O. BOX AW
JUNEAU, ALASKA 99811-0165
PHONE (907) 465-3562

SOUTHEAST REGIONAL OFFICE

431 NORTH FRANKLIN
P.O. BOX AW, SUITE 101
JUNEAU, ALASKA 99811-0165
PHONE: (907) 465-3562

SOUTHCENTRAL REGIONAL OFFICE

2600 DENALI STREET
SUITE 700
ANCHORAGE, ALASKA 99503-2798
PHONE: (907) 274-1581

NORTHERN REGIONAL OFFICE

675 SEVENTH AVENUE
STATION H
FAIRBANKS, ALASKA 99701-4596
PHONE: (907) 456-3084

April 6, 1990

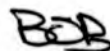
The Honorable Drue Pearce
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Pearce:

Per your request, I have attached chronologies which list the steps in the state's previous reviews of the Endicott and Niakuk Offshore Development Projects. These reviews were to determine consistency with the state's coastal management program as defined by the state's resource agencies and applicable provisions of the North Slope Borough District Coastal Management Plan. The lists do not include prior state lease or exploration reviews or similar information for the Federal Environmental Impact Statement Review or any details pertaining to the process followed by the applicant to secure individual federal agency permit(s).

Please call if you have questions.

Sincerely,



Robert L. Grogan
Director

cc: Commissioner Collinsworth, DFG
Commissioner Kelso, DEC
Commissioner Gorsuch
Denby Lloyd, Office of the Governor

The following is a summary of the review schedules for issuing the conclusive consistency determinations for the Endicott and Niakuk oil and gas development projects.

Endicott

July 20, 1984	Review startup
August 14, 1984	Comment deadline extended to coincide with the Department of Natural Resources' Right-of-Way Lease review schedule.
September 14, 1984	Coastal consistency comment deadline.
September 25, 1984	Consistency review elevated to resource agency directors. Applicant notified that state agency consensus on project consistency can not be reached.
October 9, 1984	Conclusive Consistency Determination issued.

Niakuk

July 26, 1988	Coastal Consistency Review begins.
August 19, 1988	Comment deadline extended for new information on water quality impacts requested from the Department of Environmental Conservation.
March 2, 1990	Review comment deadline based on new information received from applicant.
March 12, 1990	Consistency review elevated to the resource agency directors. Applicant notified that state agency consensus on the project consistency can not be reached at the regional level.
April 2, 1990	Conclusive consistency determination issued.

Adams

Amend the title of SB 540 to read:

An Act relating to the duties of the Office of Management and Budget with regard to coastal zone consistency determinations on projects requiring permits, leases or authorizations from two or more state resource agencies; defining "render" and "resource agency" for purposes of coastal zone consistency determinations; and providing for an effective date.

A M E N D M E N T

OFFERED IN THE SENATE

BY THE SENATE SPECIAL COMMITTEE
ON OIL & GAS

TO: SB 540

Page 1, line 6:

Delete "relating to issuance of state"

Insert "removing the requirement that the office of management and budget in the Office of the Governor render a conclusive state coastal zone consistency determination for a project that requires two or more state or federal permits, leases, or authorizations; requiring the office of management and budget in the Office of the Governor to render a conclusive state coastal zone consistency determination for a project that requires a permit, lease, or authorization from more than one state resource agency; defining "render" and "resource agency" for purposes of coastal zone"

Original sponsor(s): Rules/Governor

1 IN THE SENATE

BY THE SENATE SPECIAL COMMITTEE ON OIL & GAS

2 CS FOR SENATE BILL NO. 540 (Oil & Gas)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act removing the requirement that the office of
7 management and budget in the Office of the Governor
8 render a conclusive state coastal zone consistency
9 determination for a project that requires two or more
10 permits, leases, or authorizations from a single
11 state resource agency; requiring the office of man-
12 agement and budget in the Office of the Governor to
13 render a conclusive state coastal zone consistency
14 determination for a project that requires a permit,
15 lease, or authorization from more than one state
16 resource agency, or a federal permit, lease, or
17 authorization; defining "render" and "resource
18 agency" for purposes of coastal zone consistency
19 decerminations; and providing for an effective date."

20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

21 * Section 1. AS 44.19.145(a) is amended to read:

22 (a) The office shall

23 (1) provide technical assistance to the governor and the
24 legislature in identifying long range goals and objectives for the
25 state and its political subdivisions;

26 (2) prepare and maintain a state comprehensive development
27 plan;

28 (3) provide information and assistance to state agencies to
29 aid in governmental coordination and unity in the preparation of

1 agency plans and programs;

2 (4) review planning within state government as may be
3 necessary for receipt of federal, state, or other funds;

4 (5) participate with other countries, provinces, states, or
5 subdivisions of them in international or interstate planning, and
6 assist the state's local governments, governmental conferences, and
7 councils in planning and coordinating their activities;

8 (6) encourage educational and research programs that fur-
9 ther state planning and development, and provide administrative and
10 technical services for them;

11 (7) publish such statistical information or other documen-
12 tary material as will further the provisions and intent of AS 44.19.-
13 141 - 44.19.152;

14 (8) assist the governor and the Department of Community and
15 Regional Affairs in coordinating state agency [THE] activities that
16 [OF STATE AGENCIES WHICH] have an effect on the solution of local and
17 regional development problems;

18 (9) serve as a clearinghouse for information, data, and
19 other materials that may be helpful or necessary to federal, state, or
20 local governmental agencies in discharging their respective respon-
21 sibilities or in obtaining federal or state financial or technical
22 assistance;

23 (10) review all proposals for the location of capital im-
24 provements by any state agency and advise and make recommendations
25 concerning location of these capital improvements;

26 (11) render, on behalf of the state, all federal consistency
27 determinations and certifications authorized by 16 U.S.C. 1456 (Sec.
28 307, Coastal Zone Management Act of 1972), and each [A] conclusive
29 state consistency determination when a project requires a permit,

1 lease, or authorization from two or more state resource agencies [OR
2 FEDERAL PERMITS, LEASES, OR AUTHORIZATIONS].

3 * Sec. 2. AS 44.19.152 is amended by adding new paragraphs to read:

4 (3) "render" means to coordinate and issue;

5 (4) "resource agency" means

6 (A) the Department of Environmental Conservation;

7 (B) the Department of Fish and Game; or

8 (C) the Department of Natural Resources.

9 * Sec. 3. This Act is retroactive to March 11, 1984.

10 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

Original sponsor(s): Rules/Governor

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BY THE SENATE SPECIAL COMMITTEE ON OIL & GAS

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Original sponsor(s): Rules/Governor

IN THE SENATE

BY THE SENATE SPECIAL COMMITTEE ON OIL & GAS

CS FOR SENATE BILL NO. 540 (Oil & Gas)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act removing the requirement that the office of management and budget in the Office of the Governor render a conclusive state coastal zone consistency determination for a project that requires two or more permits, leases, or authorizations from a single state resource agency; requiring the office of management and budget in the Office of the Governor to render a conclusive state coastal zone consistency determination for a project that requires a permit, lease, or authorization from more than one state resource agency, or a federal permit, lease, or authorization; defining "render" and "resource agency" for purposes of coastal zone consistency determinations; and providing for an effective date."

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SCOMM

62:22

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: A Resolution urging coordinated
research and development of technology and programs for prevention and cleanup
of oil discharge
Sponsor: Rodey and Szymanski

Agency Affected: Environmental Conservation
BRU: Environmental Quality
Components: Environmental Quality

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME		-0-	-0-	-0-	-0-	-0-
TEMPORARY		-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Dan Easton Phone: 465-2640
Division: Environmental Quality Date: April 11, 1989

Approved by Commissioner: AD/gh Date: 4/12/89
Agency: Alaska Department of Environmental Conservation

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE _____
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

RES

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE _____

4/5/89

Mr. President:

OIL AND GAS

Committee considered SCR 30

Urging coordinated research and development of technology and programs
for prevention and cleanup of oil discharges

and recommended:

- ☐ replace with CS _____ ☐ same title
☐ attached amendment(s) and ☐ new title
☐ _____ letter of intent adopted
☒ do pass
☐ do not pass
☐ no recommendation
☐ individual recommendations
☐ further referral to _____

*Fiscal note
coming*

FISCAL NOTE(S) attached ☐ zero
☐ appropriation no FN attached

☐ fiscal impact
☐ Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Rick Halford
Paul Fritz
Tim Kelly
Al Adams

Lawrence - 10/2/89
Chair signature and recommendation

☐ Committee backup attached



**Alaska
Pacific
Consultants**

3111 C Street, Suite 200 Anchorage, Alaska 99503 (907) 562-3427

April 2, 1989

Honorable Pat Rodey, Senator
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Rodey:

The Alaska State Senate has passed a bill appropriating \$20 million to aid in the Prince William Sound oil spill disaster. If the House has not also passed, I trust it will do so shortly.

I suggest that the State of Alaska can do more. Over one year ago (March 31, 1988, Northern Lights Inn, Anchorage. See attached article), Mr. Henry Cole, Science Advisor to Governor Cowper, addressed the Resource Development Council of Alaska, Inc., stating that the Alaska Science and Technology Foundation would be funded with a \$100 million endowment. Unfortunately, that amount of money was not forthcoming. Now is the time to move aggressively forward to fund this Foundation for the purpose of researching, and developing recovery programs surrounding the Prince William Sound oil spill.

The Science and Technology Foundation might well address the following:

- **Oil Spill Research:** Recovery, appropriate disperants, skimmers, cleanup technology, wildlife protection and cleaning, plus a myriad of other appropriate technologies.
- **Social Science Research:** Study and development, in conjunction with existing local, state and federal agencies, programs to assist individuals, families and companies through the difficult economic and stressfull days ahead. As people face mortgages, unpaid bills, increased family conflict, mental anguish, and other problems faced with the "fallout" from this disaster, assistance will be needed.

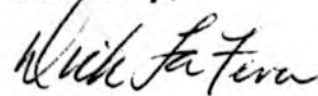
- **Economic Renewal Research:** Study how the recovery of the Prince William Sound's economic/social system will need a total systems approach. All of Alaska will be affected by this disaster, and we Alaskans are capable of designing our collective future, **IF** we choose to work collaboratively in collective best interests. To do this however, will, in my opinion, need the leadership the Foundation could provide.
- **Psychological Leverage:** Provide immediate attention and focus on Alaska's efforts to build toward the future. Not only is this good business, but it will provide Alaskans and potential visitors and investors the "psychological edge" proving that we are indeed in control of our destiny.

Mr. Ed Clinton, Chairman of the Alaska Science and Technology Foundation, will address the Alaska State Chamber of Commerce on Friday April 7, in Anchorage, at the NBA Main Branch, 3rd Floor Conference Room. It may be possible to get Mr. Clinton's attention on this before April 7, and to seek his input.

Further, I am asking that Mr. Clinton, and the other Science and Technology Foundation Board Members, Governor Cowper, appropriate State Department and Agency Heads, Alaska State Legislators, and appropriate private citizens be called to a "summit" on Alaska's Economic and Social Future to address this proposal. If appropriate, legislation addressing this concept might be the best method for moving forward. I, however, leave that to you, Senator Rodey.

Thank you for your kind and timely attention to these ideas.

Sincerely,



Dick La Fever, Director



3111 C Street, Suite 200 Anchorage, Alaska 99503 (907) 562-3427

August 16, 1988

Boards and Commissions
Office of the Governor
P.O. Box A
Juneau, AK 99811

Attn: Honorable Steve Cowper, Governor, State of Alaska
Re: **Alaska Science and Technology Foundation**

Two years ago we started Alaska Pacific Consultants. We are still in business and we are growing. No one in Alaska is more confident and "bullish" on Alaska than I.

Dr. Glen Olds, former President of Alaska Pacific University, once said, "Alaska is a State of Mind"! I agree. Our potential is great, our capacity for renewal, redirection and rededication to our collective Alaskan goals and aspirations is also great.

The **Alaska Science and Technology Foundation** can provide the structure for the application of our knowledge to achieve the practical results that will benefit all Alaskans.

I want to be a member of the first Board of Directors of the **Alaska Science and Technology Foundation**, and to serve the people of Alaska. Attached you will find my resume, including the current activities I'm involved with, plus references.

Thank you for your consideration.

Sincerely,

Dick La Fever, Director

attachments

Advisor urges cooperation in shaping economy

By Ray Tyson
Times Business Editor

Science and technology may not solve all of the state's problems, but they are necessary tools in rebuilding Alaska's shattered economy, according to the governor's science advisor.

"People have said we cannot afford this. I say we can't afford not to do this," Henry Cole said.

Cole brought that message to Thursday's Resource Development Council, saying a \$100 million endowment program being considered by the legislature is a "seed" for "a bold, innovative plan to bring economic development through applied use of science and technology to all of Alaska."

The program would be administered by the Alaska Science and Technology Foundation. The money would be used to develop projects initiated by Alaskans.

"A technological breakthrough, at a minimum investment, can be leveraged to create a whole new industry and many more jobs," Cole said.

State government in Alaska is only one of a handful in the country that doesn't directly support science and technology, he said.

Some 43 states invest \$700 million a year in that field, he said.

Seven of those states spend about \$350 million between them, including Pennsylvania, Massachusetts, Illinois, Minnesota, Michigan and Ohio.

"These are states that were in serious economic trouble," Cole said.

Only Alaska, West Virginia, Wyoming, North Dakota, Idaho, New Hampshire and Vermont don't invest in science and technology research, he said.

"These are states with small populations . . . that have no definite infrastruc-

ture," Cole said.

He said Alaska has an opportunity to break trail in applied science and technology.

Among them is construction. For example, Cole said, buildings in rural Alaska are often so poorly insulated they lose a third of their heat in winter.

"The Canadians are much further ahead of us. They allocated \$50 million (for research) to reduce their dependence on foreign oil," Cole said.

"We can be more competitive through arctic construction," he said.

Cole said his office has received a number of other proposals from Alaskans looking for state support.

"They represent real efforts by some Alaskans to solve some of these problems," he said. "There's a tremendous amount of inventiveness that exists in the state."

However, Cole described many of the proposals as "orphan Alaska projects," or proposals that don't quite fit the norm.

"They represent projects that fall between the cracks of existing funding agencies. They do not fall into the federal (model)," he said.

"They are too risky for private enterprise. There are no homes for them."

A state endowment program would help generate projects initiated by Alaskans, Cole said.

"Government spreads the risk around. There's a need for government to attend to some of these problems," he said.

"The Alaska Science and Technology Foundation can fund the research and development portion of projects in Alaska which help solve problems relating to Alaska and the arctic . . . A small investment can create a technological breakthrough."



Henry Cole
... can't afford not to

March 89

Arch Times

Scientists debate whether pride has a place in discovery

Some say national prestige serves as an impetus for advances

By Tom Siegfried

In science, there's a lot of prejudice against pride.

In particular, "national pride" comes in for a lot of criticism. There are those who argue against spending huge sums on such projects as the Superconducting supercollider, sequencing the human genome or going to Mars on the grounds that such activities are undertaken merely as exercises of nationalistic ego.

After all, Europeans are building impressive particle accelerators that may tell physicists what they need to know. The Japanese are speeding along in their efforts to sequence the genome. Why should we waste money on such things when the only stakes are scientific pride?

"These are the kind of things that one has started to hear at the National Science Foundation," said Margaret Geller, an astronomer at the Harvard-Smithsonian Center for Astrophysics. "There's this attitude that we can't be good in everything — if somebody else is doing it, we shouldn't."

Molecular biologist David Baltimore, a Nobel Prize winner, expressed such a sentiment in Boston recently at the annual meeting of the American Associa-

tion for the Advancement of Science. Cataloging the 3 billion units of the complete human genetic code is not a race between nations, he said.

"I hope that we can tone down this whole concept that there's something we're racing for and that there's a winner and a loser," he said. "I think that the efforts in Japan and the efforts in Europe and the efforts in the United States will become coordinated so that the information will become available, no matter where it's gotten, to everybody in the scientific community."

But not all biologists believe that pride is an unworthy motivation for such an endeavor.

"I think it would be a good thing if it were national pride," said James D. Watson, also a Nobel laureate. "We have so little of it in our country."

Watson, who with Francis Crick discovered the structure of DNA, says there are worse things to be proud of than trying to understand the building blocks of human life.

"I really can't think of a better thing to do than to find out what we are . . ." he said at the Boston meeting. "I think this would be a good thing to have pride in."

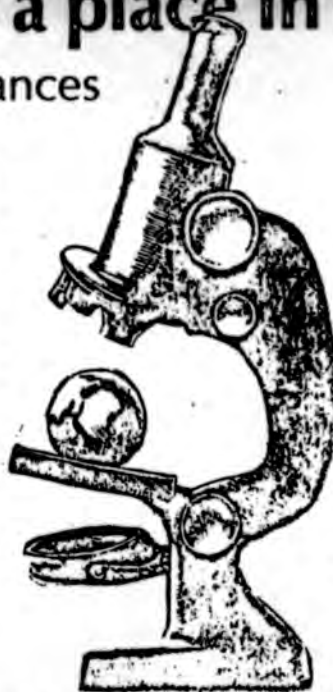
Similarly, Geller invokes national prestige in arguing for more public support for basic scientific research. She cites ground-based astronomy (studying the stars with telescopes) as an example of a field in which the United States is in danger of losing its superiority.

"Ground-based astronomy is something where we lead," she said in a recent interview. "But the European nations have decided to make a major investment in a ground-based telescope. The U.S. . . has not. I think we're in danger of being in the same position in ground-based astronomy that we've gotten to be in particle physics, where the Europeans really took the lead. It seems to me that's a dangerous trend."

In the United States, she notes, the only major new ground-based telescope project is the Keck Observatory in Hawaii, being built with private funds. "And it's not of the same level as the European endeavor," she said.

"It's an issue of national prestige. It seems to me it's crazy to throw away fields in which we really do have the lead."

But is prestige really important? Geller argues that it is. The motivation of



pride, she suggests, helps to promote excellence.

"The best people are attracted into

fields where they can really be at the cutting edge," she said. If the United States lags behind the cutting edge of basic research, scientific research will no longer attract the people capable of providing the knowledge needed for technological advance.

"I think people have forgotten the connection between basic research and leadership in technology," Geller said. "The transistor and the laser and the maser, all those things came out of basic research, not out of technology-directed research. But you really have to be attracting the bright, creative people into basic research in order to have the technological spinoff. If you don't attract bright people into these fields, it's going to be bad for the technology as well as for leadership in basic research."

Pride should not, of course, be allowed to warp research priorities. But pride as an impetus to excellence is not such a terrible sin.

"It's true that one can't lead in everything," Geller said. "But if you don't have the attitude that you're going to lead, you're really doomed to second-rate status — or worse."

Tom Siegfried writes for the Dallas Morning News.

City/State

B

eigners visit oil spill; observe, advise



Oppeneau, Head of Research, Ministry of the Environment, left, Lalonde, French Minister of the Environment

By BOB ORTEGA
Times Writer

When the supertanker Exxon Valdez disemboweled itself on Bligh Reef nine days ago, crude oil gushed out so furiously that it billowed eight or 10 feet in the air before pancaking out in a vast flat slick.

As fast as the oil spread through the pristine waters of Prince William Sound, word of the disaster leapt by wire around the world — drawing oil spill experts and wannabes from every oil-producing country imaginable.

"We are here to see, and hopefully to learn more about the effects of the oil on the wildlife," said Reidar Hindrum, a nature management director from Oslo who arrived in Anchorage Saturday, along with four other Norwegian oil spill management technicians. The five men were to leave this morning for Valdez, at the south end of the trans-Alaska pipeline, and for the nearby fishing village of Cordova.

Several Canadian researchers ar-

rived early last week, Exxon spokesman Gene Sands said. Technicians and scientists from many other countries are also expected to show up.

"We've heard from literally every oil spill consultant and expert in North America and Europe," Sands said.

Saturday, France's Minister of the Environment, Brice Lalonde, and his head of research, Jean Claude Oppeneau, jetted in. They were to be joined today by another French spill expert bearing a gift — 10 tons of Inipol 90, a chemical dispersant that has been used frequently to break down oil slicks in European waters.

There's been some question as to whether the Inipol 90 will do any good. Early last week, special planes made a few low-altitude runs over the sound, spraying an American-made dispersant on the crude with some success. Then, five days ago, those directing the cleanup effort said that the slick had weathered too much for dispersants to be effective.

But Saturday, at Anchorage International Airport, a senior Exxon environmental scientist waiting with the Frenchmen for their luggage said the Inipol 90 might still prove useful.

The tall, bespectacled Dr. Al Maki agreed that the dispersant could be applied to the fresh oil that the Exxon Valdez continues to burp into the sound. And he said that the chemical might still work on the older, emulsified oil known as "chocolate mousse" for its color and consistency.

"There are long streamers of oil that are coated with mousse on the outside, but inside are relatively unweathered oil," he said.

"As the sea breaks apart the mousse, that fresh oil is exposed to water. That's why you still see that blue-green sheen on the water. The dispersants might work on that oil," he said.

Lalonde is hopeful that dispersants aside, he and his aides can offer sug-

See Spill, page B-8

Spill: World learns

Continued from page B-1

gestions to make the cleanup more effective.

Eleven years ago, when the tanker Amoco Cadiz broke up off the northwest coast of France, it spilled more than 1.5 million barrels of oil, about six times as much as the Exxon Valdez. Huge stretches of the coast of Brittany were slimed with a thick goo that wiped out the wildlife; the local fisheries were destroyed.

At the time, Lalonde was the director of France's chapter of Friends of the Earth. He was involved heavily in the massive cleanup effort. He was involved in setting up new agencies to study the effects of the spill, how to prevent another one, and how to develop new and more effec-

tive cleanup techniques.

"We know how it feels," he said, "the anger and the hopelessness . . . but cleaning up the coast is something we've learned to do. We'll see if the same techniques can be of use here."

Lalonde said he believes the rocky shores of Prince William Sound are similar to those of the Brittany coast.

Oyvind Schreiner, assistant director of Norway's State Pollution Control Authority, said the similarity of the sound's geography to Norway's fiords should make his experts' knowledge of shoreline cleanup relevant as well.

The Norwegians nearly didn't come. Wednesday, the U.S. Coast Guard declined their offer.

But Alaska officials quickly extended their own invitation.



Times photo by MICHAEL DINEEN

Jan Nerland, Norway State Pollution Control Authority arrives in Anchorage.