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Public Workshop for Proposed
Changes to Oil and Gas Regulations
Exploration and Development by
Geographical Area,
and Oil and Gas Plans of Operations

Held at:
Atwood Building
550 West 7th Avenue, Suite 602
Anchorage, Alaska 99501

September 6, 2013
1:00 p.m.

1 MR. BARRON: All right. I'd like
2 to welcome everybody to the public workshop on
3 proposed regs of exploration and development by
4 geographical areas.

5 MS. WOOLF: There's a seat up
6 here.

7 MR. BARRON: And we typically try
8 and start activities in the Division of Oil and
9 Gas with a safety moment. And inasmuch as we
10 have numerous guests of the building, in the
11 event of a fire, we will take the -- we'll exit
12 the room, follow the stairs; and we will take
13 the sign-in sheet with us, and we will migrate
14 toward the parking lot back behind this
15 building; and we'll take roll at that time.

16 Anybody who is a member working
17 in the Atwood Building, you need to progress to
18 the -- the station of -- of your own building
19 or the area where you're supposed to muster so
20 that they can take logs there.

21 We don't know of any alarms
22 that -- or planned drills today; so if the
23 alarms do sound, you should take it as
24 always -- even if it's a drill -- take it
25 seriously and evacuate the building

1 appropriately. So I appreciate that.

2 By way of introduction, I'm Bill
3 Barron; and I'm the director of Oil and Gas for
4 the State of Alaska. At the table I have Wendy
5 Woolf, who is the regulations project manager.
6 I have Jennifer Owens to my right, your left,
7 who is the petroleum systems integrity officer
8 and is our timekeeper. Matt Snodgrass, part of
9 the commercial section, is sergeant of arms.
10 Bob Pawlowski in the back, my legislative
11 liaison, is the door monitor. And we have the
12 court reporter, Leslie Knisley?

13 MS. WOOLF: Nope, new name.

14 THE REPORTER: It's Brooklende
15 Leavitt.

16 MR. BARRON: My script says
17 something different.

18 THE REPORTER: We had a slight
19 change today.

20 MR. BARRON: With Northern Lights
21 Realtime & Reporting. So with that, I want to
22 again thank everybody. We do have some
23 prepared remarks, and then we can progress into
24 the proceedings. We're here to listen to your
25 questions and comments about the proposed

1 changes to the Department of National
2 Resources' regulations for oil and gas under
3 Title 11 of the Alaska Administrative Code,
4 Chapter 83.

5 This public workshop is being
6 recorded and will be transcribed. The
7 Department is proposing to adopt new
8 regulations to implement a new statute enacted
9 this past legislative season, House Bill 129;
10 codified as Alaska Statute 38.05.0350, and to
11 change an existing regulation dealing with oil
12 and gas plans of operations.

13 The proposed regulations
14 implement a statute intended to authorize
15 exploration and development that will apply
16 across a geographical area and sets forth the
17 types of activities that will be allowed.

18 When a lease -- when a lessee
19 submits a plan of operations that is consistent
20 with the exploration or development approval
21 decision, the plan of operations can be
22 approved, subject to measures that protect the
23 State's interests. These proposed regulations
24 do not change existing unit agreements, lease
25 or plans of operations nor do they change the

1 need to acquire any permits, plans of
2 operations or other approvals from DNR and
3 other State agencies.

4 This workshop is scheduled to end
5 at 3:00 p.m.; however, we will extend the time
6 for public testimony to accommodate those who
7 wish to speak that arrive before 2:00 p.m.
8 Please indicate on the sign-in sheet by the
9 door that you wish to speak before we collect
10 the sign-in sheets at 2:00 p.m.

11 Also, for those on the phone,
12 please be sure that the operator knows that you
13 wish to participate. When we open the floor
14 for public comments, each speaker will have
15 three minutes to speak or ask questions. If
16 there is a question, the time used by -- if
17 there's a question from us, the time used by
18 DNR to respond to your question or to ask a
19 follow-up question will not count towards your
20 three-minute limit. Does everybody understand
21 that? Thank you. On the phone, do you -- did
22 you understand that?

23 MS. WOOLF: They -- they can't
24 respond.

25 MR. BARRON: They can't respond.

1 So I assume that they do. However, your
2 response to that question by DNR will count
3 towards your three minutes. When it's your
4 turn to speak, please come up to the table --
5 the table's in front of us -- state your first
6 name and last name, spell your last name, and
7 state who you are representing.

8 The timekeeper will indicate when
9 you have one minute left, 30 seconds left, and
10 when your time is up. For those on the phone,
11 the operator will indicate when it's your turn
12 to speak.

13 Before we get started with public
14 testimony, we have some opening remarks to make
15 to address certain questions that have been
16 asked about our proposals. Wendy.

17 MS. WOOLF: Again, thank you all
18 for all coming. As you see, we have several
19 maps around the room that illustrate
20 hypothetical examples of exploration and
21 development areas within the North Slope
22 lease/sale area and within the Cook Inlet
23 lease/sale. There -- those maps are also
24 posted on our Web site, and on the public
25 notice Web site; and they are available upon

1 request.

2 We've displayed maps of the North
3 Slope and the Cook Inlet activity areas in the
4 back. Again, there's handouts for those on the
5 back table. And, again, all of that is posted
6 on our Web site and the Alaska Five Year Oil
7 and Gas Leasing Program. We just have that in
8 the handout on the back, that shows the
9 lease/sale area statewide -- the five
10 lease/sale areas on a statewide map. And,
11 again, those handouts are in the back.

12 Did everybody get a chance to
13 pick up the handouts on the table? If not, you
14 can go ahead and do that now if you want
15 those -- or, Matt, can you get them --

16 MR. SNODGRASS: I -- I can
17 distribute them.

18 MR. BARRON: Yeah.

19 MS. WOOLF: -- and distribute
20 them? I want to -- and if there are not enough
21 copies, we'll get some more copies and make
22 sure you all have them. And for those on the
23 phone, I believe I e-mailed all of the people I
24 knew who were going to be on the phone. If you
25 didn't get them, you may go out to our Web site

1 at -- what is our Web site?
2 Dog.dnr.alaska.gov, and go to the public notice
3 link; and on the bottom under other, they're
4 posted there. Okay.

5 So, Matt, do you have those to --
6 I also have in the back extra copies of the
7 supplemental public notice; the regulations
8 themselves; and our Dear Alaskan letter, if
9 anybody needs copies of those. And if there's
10 anything you need a copy of, please let us
11 know; and we'll get that before you leave.

12 Okay. So now to address some
13 common questions that have been posed. First
14 question: After an exploration or development
15 decision has approved certain oil and gas
16 activities in a geographical area, will an
17 operator be required to obtain any additional
18 approvals? Yes.

19 "If and when the Department
20 issues a geographical area decision, the
21 decision will specify what types of activities
22 are permissible and under what conditions.
23 Operators and lessees will be required to
24 obtain all permits and authorizations
25 associated with their particular project.

1 Oil and gas plans of operations
2 will still need to be approved by the Division
3 of Oil and Gas, as well as any other permit
4 currently required by the Department of Natural
5 Resources or other State agencies."

6 "What are the operational and
7 planning impacts to existing unit agreements,
8 unit plans of operations, leases and general
9 permits -- or general permitting practices?"
10 I'm sorry. The short answer is, there's no
11 direct impact on existing authorizations.

12 "The proposed regulations do not
13 change the requirement under existing unit
14 agreements, leases, or plans of operation; nor
15 do they change the need to acquire any permits,
16 plans of operations, or other approvals from
17 DNR and other State agencies."

18 Whether a particular lease or
19 unit is subject to House Bill 129 or the
20 regulations, depends on the lease, the unit,
21 and the activities that are already occurring
22 in that area. It's not a question that can be
23 answered abstract or in general.

24 So if you -- if there are
25 specific leases that you have questions on, put

1 them in your comments; and we can address them
2 when we deal with the comments. So, please,
3 we -- we look for all the comments during the
4 public comment period that you can provide.

5 Several questions arose
6 concerning the recent Red Oil Supreme Court
7 decision. Red Oil refers to an Alaska Supreme
8 Court decision from March 2013. The case
9 mostly dealt with the types of findings that
10 DNR makes for oil and gas lease/sales. But the
11 court also said in its decision that there is a
12 Constitutional duty to take a continuing hard
13 look and analyze cumulative impacts at later
14 phases of an oil and gas project.

15 The court noted that cumulative
16 impacts under Alaska Law are less formal -- a
17 less formal analysis than a Federal NEPA
18 analysis. DNR is reviewing its current
19 practices to ensure it is satisfying this
20 Constitutional duty. DNR intends to apply
21 these proposed regulations to meet its
22 Constitutional duty as well.

23 Several comments were received
24 asking how oil and gas plans of operations will
25 be approved in the future and when the public

1 will have an opportunity to review specific
2 plans of operation.

3 The Department is evaluating its
4 current procedures for noticing and approving
5 plans of operations and how best to make that
6 information available to the public. This
7 regulation package does not address how plans
8 of operation are approved.

9 "Will changing the approval from
10 commissioner to department change the approval
11 process for plans of operation?" The
12 commissioner had the authority to delegate
13 responsibilities to others. Many duties in the
14 current statutes and regulations are already
15 delegated to others in -- within DNR.

16 Changing the term commissioner to
17 department does not change the approval process
18 for a decision from a practical standpoint,
19 since the decision's already delegated to the
20 director of Division of Oil and Gas.

21 It will not affect how plans of
22 operations are approved, nor will it change the
23 person's appeal rights. When decisions are
24 made by the director, the decision will still
25 be eligible for appeal to the commission. When

1 decisions are made by the commissioner, the
2 decision will still be eligible for
3 reconsideration by the commissioner.

4 "Why is DNR deleting the
5 reference to Alaska Statute 38.05.133 as a
6 statutory authority for 11 AAC 83.158?"
7 Statute 38.05.133 deals with exploration
8 licensing procedures, not the subsequent
9 approval of exploration license plans of
10 operation. We will ask Department of Law to
11 review this change before taking action.

12 "Can a geographical area
13 encompass an oil and gas exploration license?"
14 No. The statute is limited to areas approved
15 for oil and gas leasing. The current oil and
16 gas lease/sale areas are depicted on the map
17 entitle Alaska Five-Year Oil and Gas Leasing
18 Program -- that's available on the back
19 table -- and so it doesn't affect the
20 exploration license areas, which are -- like in
21 the Denali Borough there's some, and there's
22 some up in the Mat-Su. So those areas are not
23 affected by this legislation.

24 Those are the prepared remarks,
25 and I turn it back over to Bill for the folks

1 who have signed up to ask questions. If you
2 put a no by your name and you want to change
3 it, let us know; and we will change that. And
4 then for the folks online, operator, if you
5 could let us know who has indicated they would
6 like to testify online so we have that. We're
7 going to open it up for Q and A -- but we're
8 going to start with the folks in the room --
9 but we would like to know who online can -- who
10 wants to ask questions.

11 THE OPERATOR: Okay. Just --
12 just let me know when you're ready for Q and A,
13 and I'll go ahead and open that up; and I'll
14 let you know.

15 MR. BARRON: Okay --

16 MS. WOOLF: Okay.

17 MR. BARRON: -- thank you very
18 much.

19 THE OPERATOR: Thank you.

20 MR. BARRON: The first on our
21 list that's been presented is, Kara Moriarty.
22 Kara?

23 MS. MORIARTY: Thank you. Thank
24 you for the opportunity to participate in the
25 workshop and for granting our request for an

1 extension on the comment deadline on these
2 regulations.

3 For the record, my name is Kara
4 Moriarty; and I'm the executive director at the
5 Alaska Oil and Gas Association, commonly
6 referred to as AOGA. As you know, I represent
7 various companies from both the North Slope and
8 Cook Inlet; and as we review these regulations,
9 we continue to have many questions and
10 concerns.

11 So to begin, we have questions
12 about the overall intent; such as, do you see
13 this as streamlining the permitting process;
14 and if so, how? And how will this proposed
15 process be different than the current leasing
16 process, and what will it provide industry that
17 is not already provided? Is this just for
18 exploration or for development as well?

19 Additionally, we have questions
20 and concerns about actual requirements in the
21 proposed new regulations; for example, the
22 proposal would require that a plan of operation
23 would need to be submitted 120 days before
24 those operations could begin; and this would be
25 problematic, at best, for many in the industry,

1 especially Cook Inlet.

2 Additionally, we wonder why
3 wastewater treatment and disposal sites have
4 been added to the plan of operation
5 application.

6 Other questions and concerns are
7 process related, such as what criteria will be
8 utilized to determine how geographic areas will
9 be designated; how will DNR determine if the
10 unit is different than a geographic area? And
11 you mentioned that existing units will be in
12 place, but we don't see where that designates
13 it in the regulations.

14 Finally we have concerns and
15 questions regarding implementation, such as,
16 will existing units and leases be able to opt
17 out of the new classification of a geographic
18 area; and if not, how will approval of a
19 geographical area affect existing unit
20 agreements and plans of development and
21 operation?

22 As you said, it won't; but we
23 don't see where that designates it in the
24 proposal at this point.

25 How will amendments be handled,

1 and will they also be subject to the proposed
2 120-day requirement?

3 So -- because the workshop does
4 limit our time to only three minutes, you can
5 expect very detailed comments from AOGA before
6 the comment period ends.

7 And we appropriate the maps that
8 you have provided, but it may also be helpful
9 if you could give us a hypothetical example of
10 how this process would work; and if you could
11 describe what would happen to a project that's
12 already in the process of development when the
13 geographical area is designated.

14 So, again, thank you for this
15 opportunity. I will submit our questions to
16 the Department and to the court reporter; and
17 it may also be helpful if we could get a copy
18 of the questions that you have already
19 addressed, Ms. Woolf, if --

20 MS. WOOLF: Uh-huh.

21 MS. MORIARTY: -- we could get
22 that in writing too, so that I'm not relying on
23 my scribbles as I was trying to write very
24 fast. But, again, thank you for the
25 opportunity.

1 MS. WOOLF: Okay.

2 MR. BARRON: Thank you very much.
3 Appreciate your time and your comments, and we
4 look forward to receiving your material in
5 writing.

6 MS. MORIARTY: Okay.

7 MR. BARRON: Next on the list we
8 have Tom Lohman. Tom, if you could join us.

9 MR. LOHMAN: Thank you. My name
10 is Tom Lohman, L-o-h-m-a-n. I'm with the North
11 Slope Borough, and it's always good to follow
12 up Kara. I think between Wendy and Kara, you
13 covered virtually all the questions I have; but
14 a couple of quick comments.

15 Human health impact assessment
16 has been a concern of the Borough for a number
17 of years. And each of the best interest
18 findings and the -- the final best interest
19 findings reach of the North Slope areawide --
20 the three, Beaufort Sea, North Slope, and
21 Foothills -- there was a placeholder saying
22 that the State was in the process of crafting
23 its human health impact policy; and that
24 through the annual request for new information,
25 we'd revisit and perhaps amend those BIFs when

1 that policy was final. It's been, I think,
2 over a year, year and a half since the State
3 health department published on its Web site a
4 toolkit for human health impact assessment.

5 So my question is, I'm wondering
6 how those relate to either the best interest
7 findings -- and since the best interest
8 findings are the underlying -- I guess we could
9 say analysis for these geographic area
10 designations, how does human health impact
11 assessment fit into this process, is question
12 number one?

13 Number two, on the issue of
14 cumulative impacts that Wendy already addressed
15 to some extent -- in our experience in dealing
16 with the BIF revisions, the once every
17 10 years, DNR was very explicit in responding
18 some of our concerns that the cumulative impact
19 analysis and you only Constitutional focus on
20 oil and gas activities within the area of the
21 best interest finding.

22 So for the North Slope areawide,
23 you only have to look at oil and gas activities
24 within the North Slope areawide.

25 A couple of our communities had

1 some real heartburn over that, recognizing that
2 migratory animals and subsistence activities
3 are not limited by arbitrary lines on a map.
4 There are things we can certainly envision
5 going on outside of any particular geographic
6 area that might impact activities cumulatively
7 within a particular geographic area.

8 So our -- our question is, again,
9 how does cumulative impacts fit into this
10 process? And specifically, with respect to oil
11 and gas activities occurring outside of any
12 particularly designated area; and also, non-oil
13 and gas activities occurring both within and
14 outside of any particularly designated area?
15 Thanks.

16 MR. BARRON: Thank you very much,
17 Tom; I appreciate that. Operator, let's go to
18 you for your first caller.

19 THE OPERATOR: Thank you. I'm
20 going to go ahead and put it in Q and A at this
21 time. If you would like to ask a question,
22 please press star one at this time. Jared, go
23 ahead.

24 MR. ZIMMERMAN: Yeah, thanks for
25 answering questions. I would also just like to

1 request a -- a written copy of the responses.

2 MS. WOOLF: Okay. Do you have
3 questions or comments for us?

4 MR. ZIMMERMAN: No. No more at
5 this time.

6 MS. WOOLF: Okay. Thank you.

7 THE OPERATOR: Thank you. Lisa,
8 go ahead.

9 MS. WEISSLER: Thank you. This
10 is Lisa Weissler, and I have quite a few
11 questions. But I want to focus just on the
12 criteria section, 11 ACC 83.670. Just as a
13 general comment, I kind of can't see the value
14 of this section. It doesn't seem to really add
15 anything to the process. It's a lot of things
16 that have already been done prior to the best
17 interest findings.

18 But as specific questions, what
19 happens if the exploration/development is
20 within a geographical area is found not to be
21 within the -- within the State's best
22 interests?

23 I don't think if you just decide
24 to approve through your current process --
25 because now you've got a finding out there that

1 says exploration and development -- it's not in
2 the State's best interest.

3 And the second question is, that
4 there doesn't seem to be any connection between
5 the criteria and the public comment. In other
6 words, the public might comment, but it doesn't
7 go back to any sort of decision-making by the
8 Department in terms of what's happening in
9 these areas or even the size of these areas.
10 Thank you.

11 MR. BARRON: Thank you, Lisa.

12 MS. WOOLF: Thank you, Lisa.

13 THE OPERATOR: There are no
14 further online questions at this time.

15 MS. WOOLF: Okay.

16 MR. BARRON: Thank you, operator.

17 MS. WOOLF: Go ahead and put it
18 back --

19 THE OPERATOR: Thank you.

20 MS. WOOLF: -- in lecture mode.

21 THE OPERATOR: Thank you. Go
22 ahead.

23 MR. BARRON: According to the
24 sign-in sheet, that is all of those that care
25 to make comments. I will open it back up to

1 the audience. If you want to make a comment or
2 ask a question for the record, we've got ample
3 time; so please come forward, present your name
4 and who you represent; and we will listen to
5 the comments or questions.

6 And no one's stepping forward, so
7 I guess we get to stare at each other for
8 another couple of hours.

9 MR. LOHMAN: Cool.

10 MS. WOOLF: We do have to stay
11 online at least until 2:00.

12 MR. BARRON: Yep, we have to stay
13 online till 2:00; but other than that -- it's
14 going to be like watching paint dry.

15 MR. BOYD: All right, Bill.

16 MR. BARRON: I've -- I -- I've
17 got one.

18 MR. BOYD: Let's not do that.

19 MR. LOHMAN: Yes, let's not do
20 that.

21 MR. BOYD: My name is Ken Boyd;
22 and for this purpose, I'm here representing
23 myself. I'd like to have a discussion if we
24 could, since we have lots of time. Let's --
25 let's -- I could create a hypothetical. Let's

1 say we -- I'm company A, and I buy 10 leases
2 between Kuparuk and Colville River, for
3 example; I bought them in the lease/sale; I'm
4 the responsible operator, and my intention is
5 to drill a well; it's nothing special; it's a
6 conventional well.

7 I guess the question is, so I'm
8 going to have to get my permits; I know that.
9 I guess my question is, with this exploration
10 area, I bought it under lease/sale in a big
11 exploration area; and now there's going to be a
12 smaller one; do I ask you to form the
13 exploration area, or do you tell me you're
14 going to form one? Because I presume it hasn't
15 been formed before the sale.

16 MR. BARRON: Do you want to --

17 MS. WOOLF: Do you want me to
18 answer?

19 MR. BARRON: Yeah, go ahead.

20 MS. WOOLF: So in the lease/sale
21 best interest finding, what we say is that
22 there's going to be a subsequent decision
23 before the next phase of the project begins,
24 which is exploration, development, or
25 transportation; those are the three phases of

1 the projects that's defined by statute as being
2 able to phase.

3 And in our best interest
4 decision, we've decided we're going to do that.
5 Currently what we do is when somebody comes
6 in -- in your example, company A comes in with
7 a plan of operation; and they're beginning
8 exploration; that's when we do that decision,
9 which is the beginning of the next phase, for
10 that particular operator, for that particular
11 project.

12 What the geographical area
13 approval allows us to do is to take a larger
14 area and have it be applicable to more than
15 just party A.

16 So in your example, if party A
17 came in and we don't have a geographical area
18 already defined -- that defines activities in
19 that area -- then you would come in like you
20 would today; and -- and here's our application;
21 this is what we're going to do; and we would do
22 the decision for the next phase that we're
23 required to and -- and -- and meet our
24 Constitutional duties, as well as approve your
25 plan of operation.

1 It's -- we kind of right now do a
2 two-step thing. This allows us to -- if you
3 took that area that you talked about between
4 Kuparuk, maybe you came in with your
5 application, maybe we decide that you're not
6 the only company that's working out there right
7 now; and maybe we -- it behooves us to go ahead
8 and do a larger area so that company A, B, and
9 C, who are all exploring in an area, when they
10 each come in with their plan of operation, we
11 have done our next phasing decision for that --
12 for that area, our -- that exploration is
13 allowed in this area.

14 These are the kinds of activities
15 that are allowed, provided the operators come
16 in with a plan of operation that complies with
17 that and is subject to the conditions and the
18 mitigation measures from the lease/sale and any
19 other stipulations we -- we then can approve
20 the plan of operation, subject to all those
21 conditions without going out for an additional
22 public notice if we've created the geographic
23 area for exploration.

24 If we have not done that, then
25 when you come in with your plan of operation,

1 we will go out for public notice, solicit
2 comments, do a cumulative impact assessment
3 related just to your project.

4 So it's basically taking project
5 specific; and instead of doing project
6 specific, we can do an area.

7 MR. BOYD: So if the area were
8 not defined as an exploration area, when I made
9 my application to drill the well, you would --
10 it would just be business as usual --

11 MS. WOOLF: Correct.

12 MR. BOYD: -- I'll call it? But
13 it would have to have been previously defined
14 as an exploration area for it to apply, but you
15 say you can't apply it to existing leases?

16 MS. WOOLF: We -- we haven't done
17 an exploration area for existing leases, but if
18 you are already in development --

19 MR. BOYD: Well, I don't want to
20 go there. I want --

21 MS. WOOLF: No, no, no, if you --
22 if -- if an existing lease --

23 MR. BOYD: Okay.

24 MS. WOOLF: -- that's already --

25 MR. BOYD: Was leased two

1 lease/sales ago? It's in its third year of its
2 lease --

3 MS. WOOLF: But hasn't done any
4 activity on the lease yet?

5 MR. BOYD: Let's say it has not.

6 MS. WOOLF: Okay. Then it --
7 then if it's not done any activity on it yet,
8 all leases are subject to having plans of
9 operation approved --

10 MR. BOYD: Uh-huh.

11 MS. WOOLF: -- all of our
12 lease/sales -- and I would have to get the
13 exact number of lease/sales we've done it in --
14 but in the recent past, our lease/sales in the
15 best interest finding have said -- and they're
16 following statute -- Alaska Statute 38.05.035
17 (e)(1)(c) -- if they phase the best interest
18 finding -- which we've been doing now for many
19 years -- I don't know how many years, but --

20 MR. BOYD: It goes back to --

21 MS. WOOLF: -- it goes back
22 awhile --

23 MR. BOYD: -- early '90s.

24 MS. WOOLF: Yes. So if we -- if
25 it's -- if it's done that way, then we have to

1 do a decision before we can approve the plan of
2 operation.

3 MR. BOYD: I must be the slowest
4 kid in the classroom.

5 MR. LOHMAN: No, I'm with him.

6 MS. WOOLF: You're not getting
7 it. Okay. Right now all of the leases that
8 have sold in recent history are subject to
9 having a decision done that ex -- before
10 exploration begins, that exploration is in the
11 best interest of the State for this area.

12 In the past it's been done
13 project by project. Every time you come in for
14 your well we do it; the next person comes in
15 for their well; the next person comes in for
16 the well --

17 MR. BOYD: Uh-huh.

18 MS. WOOLF: -- this allows us to
19 look at the area and say, we're going to allow
20 exploration in this area; there's going to be
21 wells; there's going to be ice roads; they're
22 going to be all of these activities; public,
23 this is what we're doing, this is the area
24 we've defined --

25 MR. BOYD: Uh-huh.

1 MS. WOOLF: -- we're proposing to
2 define. Is there -- are there areas of concern
3 here? Are there things that we should know
4 about? North Slope Borough, is there migratory
5 animals going across that we should know about?
6 Is there hunting in this area? What about this
7 area should we know about before we authorize
8 exploration or -- in this area?

9 MR. BOYD: But you've issued the
10 lease --

11 MS. WOOLF: We've issued the
12 lease, but the --

13 MR. BOYD: -- under a best
14 interest finding, where presumably you already
15 know those things. And, again, where I'm
16 missing, I think, is it seems like you have to
17 do -- you have to do a separate -- a separate
18 finding to determine this exploration area, I
19 believe; is that correct?

20 MS. WOOLF: Yeah, it's not a best
21 interest finding under 38.05.035(g) --

22 MR. BOYD: Okay.

23 MS. WOOLF: -- but it is -- it is
24 a best interest finding that the State is
25 doing. We're doing a finding, we're doing a

1 decision that exploration in this area is in
2 the State's interest to use the surface for
3 these activities.

4 MR. BOYD: But -- but exploration
5 was in the State's interest when you issued the
6 best interest finding, I believe.

7 MS. WOOLF: It's because of the
8 way we write our best interest findings. Our
9 best interest findings say they're for the
10 leasing phase --

11 MR. BOYD: Uh-huh.

12 MS. WOOLF: -- and they say a
13 subsequent decision will be made for the
14 exploration, development, and transportation.
15 We have taken our best interest finding and
16 made it into four pieces --

17 MR. BOYD: Okay. So there is --

18 MS. WOOLF: -- the first step is
19 the disposal --

20 MR. BOYD: Uh-huh.

21 MS. WOOLF: -- and you get the
22 lease --

23 MR. BOYD: Uh-huh.

24 MS. WOOLF: -- the second -- and
25 you can have the lease as long as you come back

1 and get your subsequent approvals --

2 MR. BOYD: Uh-huh.

3 MS. WOOLF: -- your subsequent
4 approval is your plan of operation or your plan
5 of development or maybe you -- I mean, there's
6 all kind of things that you have to get
7 approvals for.

8 MR. BOYD: Okay. I'm partly
9 there. I came forward up here to ask another
10 question, I think.

11 So these exploration areas, you
12 have made a decision; then you have made a
13 decision to create one, say, like that one.
14 Are they durable? I mean, is this something
15 then that exists for all time? When you do
16 your next lease/sale, does that then have
17 specific characteristics in the best interest
18 finding of the subsequent lease/sales on the
19 North Slope that have those characteristics?

20 If I go to bid in that area, am I
21 going to know that I have perhaps -- I'm going
22 to call it an easier time; I may be wrong about
23 that -- but you sort of said, well, we've
24 already decided that drilling a well is in the
25 best interest; whereas in the finding for the

1 lease/sale itself, you have not.

2 MS. WOOLF: Uh-huh.

3 MR. BOYD: So is there something
4 different than -- well, I'm asking too many
5 questions, I'm sorry. First question, one
6 thing, are they durable? Is that -- we'll use
7 that one as an example. Does that one carry
8 into the next lease/sale; and when you do the
9 best interest finding for the lease/sale, does
10 that have different characteristics than the
11 rest of the Slope?

12 (Bell rings.)

13 MS. WOOLF: I think you've -- oh.

14 MR. BARRON: Perfect timing.

15 MR. LOHMAN: I yield my time.

16 MS. WOOLF: You don't get to talk
17 more, but I can talk. Think of the lease/sale
18 as doing the disposal part of it --

19 MR. BOYD: Right.

20 MS. WOOLF: -- think of the
21 geographic area as doing phase two exploration
22 in this case. The decision for the exploration
23 will say it has a duration of X; this decision
24 is good until 2018, if that's what we say. We
25 have up to 10 years; that's what the statute

1 tells us, that we can make these decisions good
2 for up to 10 years.

3 MR. BOYD: For the best interest
4 finding?

5 MS. WOOLF: For the geographic
6 area.

7 MR. BARRON: The geographic area.

8 MS. WOOLF: The geographical
9 areas, it's a 10-year limit. So when we make
10 that decision, we have the option of saying:
11 This is for one year; this is for five years;
12 this is for up to 10 years.

13 So to answer your question, it
14 would depend on what the decision said --

15 MR. BOYD: Uh-huh.

16 MS. WOOLF: -- so, for example,
17 if we said the decision is good for eight
18 years, it's going to expire in 2020 --

19 MR. BOYD: Okay.

20 MS. WOOLF: -- and then you'll
21 know when you buy your lease, where you are,
22 whether you're going to get done to where you
23 want to be by 2020 or not. It would say what
24 it is, you will -- that would be a public
25 document; and you'll know what the conditions

1 are.

2 And as long as you comply with
3 those conditions, the approval should be smooth
4 going --

5 MR. BOYD: Uh-huh.

6 MS. WOOLF: -- and they should --
7 and we do not need to go out for additional
8 public notice. However, if you deviate from
9 that, if we feel there's an -- an anomaly and
10 we want to go for an additional public notice,
11 we always have the right to take an application
12 and put it out to public notice. If we have
13 any concerns about a particular plan of
14 operation that an operator is submitting, we
15 can put it out to public notice and solicit
16 input.

17 MR. BOYD: So let me see if I --

18 MS. WOOLF: No --

19 MR. BARRON: You -- you've run
20 out of time.

21 MR. BOYD: Oh, okay.

22 MS. PARKER: I'll -- I'll ask
23 more questions, Ken.

24 MR. BARRON: Thank you, Ken.

25 MR. BOYD: Sure.

1 MS. PARKER: Thank you,
2 Mr. Director. Lisa Parker with Apache
3 Corporation. And I will switch to Cook Inlet.
4 I see that you have defined potentially a
5 couple of geographic areas; and one -- I
6 guess -- well, first question is, how are you
7 going to end up defining what a geographic area
8 is? And then secondly, once you've defined it
9 and determined that it is a geographic area, my
10 understanding, based upon what you said, if I
11 have lease holdings in that area, then all I
12 have to do is submit my plan of operations to
13 you; and there is no further public comment
14 period associated with my plan of operations,
15 because you've approved a geographic area.

16 MS. WOOLF: Okay. So the -- how
17 we define it is -- the characteristics are in
18 the regulations, that's what we're soliciting
19 comments on. Those are the kinds of criteria
20 that we'll use to define a geographic area. So
21 we're hoping that folks will comment on what
22 we've laid out as the criteria.

23 When we go out with our public
24 notice, we will have used that criteria to draw
25 a box on the map -- for lack of a better way of

1 describing it -- and we say, this is the area
2 we're proposing to define as a geographic area;
3 these are the kinds of activities we propose to
4 authorize in this geographic area, and we will
5 solicit public comments; and a decision will be
6 made.

7 And when the decision comes out,
8 the public has the opportunity to appeal the
9 decision and object to whatever it is that
10 we've decided. And it'll go through its normal
11 process that any other decision goes through
12 for the Department.

13 But let's assume we've gone past
14 that, and we have an area defined; and you come
15 in with your plan of operation. Provided you
16 meet all the terms and conditions of that -- of
17 your lease/sale area, of your lease, of the
18 geographical area decision, it should be a
19 matter of just reviewing your plan of
20 operation, ensuring it complies; we will more
21 than likely work -- do an agency review --
22 because DNR isn't always the expert on
23 everything -- so we'll need to bring our sister
24 agencies in to look at it.

25 As long as it meets all of those

1 conditions, we won't need to go out for an
2 additional public notice. However, if there's
3 concerns -- if an agency brings up a concern --
4 we may go out to a public notice and just add
5 in -- and the -- the decisions that we make on
6 a geographical area will specify that if -- if
7 you can't meet all the criteria, DNR reserves
8 the right to go out for a public notice.

9 That's really what the
10 geographical area is doing, is trying to give
11 everybody upfront what kinds of activities are
12 going to be allowed.

13 MS. PARKER: A clarification, the
14 agency review is on my plan of operations that
15 I've submitted after you've approved the
16 geographic area?

17 MS. WOOLF: Correct.

18 MR. BARRON: Yes.

19 MS. PARKER: The other -- the
20 other follow-up question I have in reading
21 through the proposed regulations is, you
22 reference private property and inclusion of
23 private property; so if I have private property
24 within a geographic area --

25 MS. WOOLF: Uh-huh.

1 MS. PARKER: -- I am going to be,
2 as a private property owner, subject to
3 everything within that? I guess the -- the --
4 the reference to private property contained in
5 the regulations isn't clear how you -- what
6 your intent is.

7 MS. WOOLF: The intent is -- I'm
8 not sure exactly -- I didn't --

9 MR. BARRON: We'll -- we'll --

10 MS. WOOLF: We'll look at that.

11 MR. BARRON: -- we'll look into
12 that, and we'll --

13 MS. PARKER: Okay.

14 MR. BARRON: -- we'll take that
15 under consideration.

16 MS. PARKER: Okay. Thank you,
17 sir.

18 MR. BARRON: Thank you for your
19 input.

20 MR. LOHMAN: Can I go again?

21 MR. BARRON: Actually, you can.

22 We can start back from the top. Kara, would --

23 MS. WOOLF: Do we want to ask if
24 there's anybody else on the line?

25 MR. BARRON: Yeah, let's -- let's

1 go back to the phone lines and see if there's
2 somebody else, since we've had a couple here.
3 Operator?

4 THE OPERATOR: Thank you, one
5 moment. All lines are open for Q and A at this
6 time. If you have a question, please press
7 star one. Lisa, go ahead.

8 MS. WEISSLER: Thank you. Again,
9 it's Weissler. Maybe I wasn't clear that I
10 actually have a question here that I was
11 looking for an answer -- actually two
12 questions.

13 One being, what the criteria says
14 and what the section says that the Department
15 may authorize exploration or development within
16 the geographical area upon the written finding
17 that the exploration development, well
18 unbalance -- of the State's interests.

19 So my question is, what happens
20 if the Department finds that it's not in the
21 State's best interest? Then how do you
22 authorize exploration or development?

23 And the other question is, how do
24 public comments get dealt with in that there's
25 no connection between the notice section and

1 the criteria section, that there isn't any way
2 to -- there doesn't seem to be any decision
3 point dealing with the public comment? So how
4 do the public comments get dealt with? Thanks.

5 MS. WOOLF: I just want to ask a
6 clarification on what kind of connection
7 between the public comments and the decision --
8 I'm not understanding what you're getting at.

9 MS. WEISLER: Well, you've got
10 the public notice -- you decide that there's a
11 geographical area first -- that's the first
12 step; second step is you're going to figure out
13 whether exploration and developments within the
14 geographical area is in the State's best
15 interest; and you go to the criteria there,
16 the impose -- so, okay, there's that.

17 Now, you have the public notice;
18 and the public's going to comment on something,
19 I guess the areal extent and the activities;
20 but -- okay, for example, let's say a community
21 were to identify an area that they do not want
22 development in; how -- who's making the
23 decision to say, okay, that area is going -- is
24 not going to be developed? Who makes that
25 decision in DNR; how does that decision get --

1 is it a written decision; is it something that
2 will go out again to the public that can be
3 appealed? I mean, there just doesn't -- you
4 know, the public makes comments; but then what
5 happens?

6 MS. WOOLF: Okay. Thank you,
7 Lisa. Okay. So the -- the -- when we put out
8 our proposal, the decision hasn't been made
9 yet. We're putting out what we would propose
10 for a geographical area. So then we take all
11 of the comments into consideration.

12 So in your example, if a
13 community says there's an area that we really
14 don't want to see surface development occur
15 in -- remember that all of these areas have
16 already been approved for disposal -- so if the
17 area -- if a community does not want any oil
18 and gas activity at all in an area, that is
19 done during the best interest finding to
20 dispose of the oil and gas lease, not during
21 the subsequent geographical area approval.

22 So when -- at the point that
23 we're dealing with, these are all lands that
24 have been approved for oil and gas exploration
25 and development for disposal; they're all in

1 the lease/sale area. So that's -- that
2 decision's been done.

3 Now, it's a matter of what part
4 of the area can they do exploration on. Where
5 can the wells go, where shouldn't they go? So
6 in that situation, if the community says, we
7 have our sacred grounds here and we want this
8 area excluded from surface impacts; we don't
9 want to see ice roads going across here; we
10 don't want to see gravel roads put in or drill
11 pads; if they need to access the oil and gas
12 underneath this area, we want to see it
13 accessed by directional drilling.

14 Then when the Department is --
15 who makes the decision after they coalesce all
16 the comments, what they want to do; and they
17 will decide whether or not they want to do a
18 geographical area, included in the geographical
19 area; how they'll include it if they do; what
20 the criteria are. In this case, if the
21 Department says, yes, we concur, that's a
22 problem; we're going to carve out that corner;
23 it's not going to be in the geographical area.

24 The Department may say, you know
25 what, there's so much controversy in this area,

1 there's a lot of different activity; we want to
2 wait until an individual plan comes in; we're
3 not going to do a carte blanche geographic area
4 here; we're going to look at individual plans
5 as they come in and do them one at a time.

6 That's also -- think of this as
7 just one tool in our toolkit. This is not
8 required; it's an -- it's an optional way of
9 approaching how we best manage the lands. We
10 want to -- what we're trying to do is make it
11 so when there's a larger area, that we can
12 streamline the activities. There's a lot of
13 the same kinds of activities occurring. We can
14 do a larger decision. People know going in
15 what kinds of activities are going to happen,
16 both the public and the operators; and then
17 they can proceed forward.

18 You know, we can talk about a lot
19 of different hypotheticals; but that's really
20 what we're trying to do.

21 And so to answer your second
22 question, you know, who makes the decision?
23 It's DNR. Will the public have the opportunity
24 to appeal the decision? Yes, all of DNR's
25 decisions are appealable. The folks who

1 provided comments, of course, would receive
2 notice of the decision itself.

3 We're working on how best to make
4 all of these things available. We're working
5 on our procedures; that's not out there yet, so
6 that these decisions are readily available when
7 they're made for folks. That's -- we're just
8 working on the mechanics of how best to do
9 that.

10 So I'm hoping that answers your
11 question, Lisa --

12 MS. WEISSLER: If I may?

13 MS. WOOLF: Okay. You got
14 another minute.

15 MS. WEISSLER: You are answering
16 the questions here; they're not answered in the
17 regulations. And what concerns me is that, you
18 know, once you've moved on your predecessor's
19 [sic] going to be picking this up; and, you
20 know, are they going to go listen to this
21 teleconference; are they going to look back at
22 the notes?

23 Also, just in terms of
24 consistency and how things get applied, it
25 seems like you'd really want to have things

1 clear in your regulations; and because -- I
2 mean, I have all these questions; I assume
3 other people have questions; so even though
4 what you're saying can make some sense, it's
5 not reflected in the regulations. And I would
6 really urge you to make that clearer.

7 MS. WOOLF: Okay. Well, I
8 appreciate your comments. Thank you. And if
9 you want to follow up at all with some written
10 comments for us on how -- suggestions for the
11 regulations and how that might be written into
12 the regulations, please feel free to provide us
13 those comments.

14 MS. WEISSLER: I -- I have.
15 Thank you.

16 MS. WOOLF: Okay.

17 MR. BARRON: Thank you.

18 Operator, is anyone else on the phone?

19 THE OPERATOR: There are no
20 further online questions.

21 MS. WOOLF: Okay. Thank you, you
22 can put us back in lecture mode.

23 MR. BARRON: Thank you.

24 THE OPERATOR: Thank you. Thank
25 you.

1 MR. BARRON: So we can start back
2 on our list here. Kara, do you have any other
3 comments or --

4 MS. MORIARTY: Well, I'll -- I'll
5 try. So, again, for the record, I'm Kara
6 Moriarty. I -- because I just write -- because
7 I thought I was only going to have three
8 minutes total, I kind of rambled through the --
9 the list of questions. So maybe I'll take as
10 much time as I can -- or have here to maybe ask
11 more individual -- so I guess I'm still -- I'm
12 feeling like Tom, maybe I'm not -- or -- or
13 when Ken said, I -- I'm still not getting it.
14 I'll just be honest. Because I don't see how
15 this is streamlining the process.

16 I -- I very much appreciate that
17 that's the intent. But if a company's not
18 going to know if public comment may or may not
19 be allowed, if a concern comes up after the --
20 I think I heard you say after the geographical
21 area is determined -- if a concern comes up you
22 may open it up for public comment again; is --
23 how is this not adding another step in the
24 process that isn't already provided for in the
25 leasing process?

1 MR. BARRON: In the leasing
2 process, again, that is the disposal phase.

3 MS. MORIARTY: Sure.

4 MR. BARRON: So what -- what we
5 are -- what we're doing in this -- in this
6 process is -- and to -- to one of the previous
7 questioners, company A has a project right now
8 that follows a process in terms of the plan of
9 operation --

10 MS. MORIARTY: Uh-huh.

11 MR. BARRON: -- which includes a
12 public comment period --

13 MS. MORIARTY: Uh-huh.

14 MR. BARRON: -- specifically for
15 that project --

16 MS. MORIARTY: Uh-huh.

17 MR. BARRON: -- company A may or
18 may not know that there's a company B, C, and D
19 in the same general area that is going to also
20 conduct work. Right now company A through D go
21 through the same process, each one of them
22 individually for their projects --

23 MS. MORIARTY: Uh-huh.

24 MR. BARRON: -- this program
25 allows the division to say, interesting, we

1 have companies A through D that are going to do
2 similar activities in terms of exploration in
3 the same general area; so we can establish a
4 geographic area that will encompass all of that
5 work and go for public comment and discussion
6 once, rather than four different times; so
7 that -- so that all the companies know what
8 the -- what the stipulations and concerns are
9 of the geographic area in total, rather than in
10 insolation by project by project, company by
11 company.

12 MS. MORIARTY: And how is that
13 different than the unit?

14 MR. BARRON: The unit is in the
15 development phase; and that would be -- that
16 would be the third phase of the decision
17 process that we would have to go through, is to
18 establish that unit and the decision criteria
19 associated with it.

20 MS. MORIARTY: So this really is
21 just designed for exploration?

22 MR. BARRON: It -- it is designed
23 for exploration as one phase and then can be
24 done for -- for development as a subsequent
25 geographic area for development.

1 MS. MORIARTY: Okay.

2 MR. BARRON: Because the
3 activities associated with exploration,
4 typically in the North Slope, are uniquely
5 different than the permanent-fixed facilities
6 associated with development. So the concerns
7 and the stipulations and the mitigations for
8 exploration will be different than some of the
9 stipulations and mitigation efforts associated
10 with development as part of the unit --

11 MS. MORIARTY: So --

12 MR. BARRON: -- and the public
13 needs to have that extra time to think about
14 what is going to happen during both of those
15 two unique phases.

16 MS. MORIARTY: Okay. So then on
17 the -- how -- how do -- how are you going to
18 establish criteria that designates what a
19 geographic area is? Because I don't -- I see
20 that the regulations are still pretty vague in
21 some parts, just like the legislation was. And
22 that, you know, we were told that was done by
23 design; so how will you determine the criteria
24 for establishing these areas?

25 MS. WOOLF: The criteria was

1 listed out there, and we are soliciting
2 comments on whether that's the appropriate
3 criteria to use; and so we -- so that was the
4 purpose of the -- of the criteria section in
5 the regulations was to say, these are -- for an
6 exploration, these are the criteria we'll use;
7 for development, these are the criteria that
8 we'll use.

9 And so we're soliciting comments;
10 does this criteria that we're using make
11 sense --

12 MS. MORIARTY: Okay.

13 MS. WOOLF: -- for defining the
14 box? That's how -- it's not exact. We don't
15 want to go in regulation and have the boxes
16 will be this size exactly everywhere, because
17 it's not -- it's -- it's -- will depend on the
18 particular area. And it may be in Cook
19 Inlet -- there's a lot of activity in Cook
20 Inlet; and we may find that the areas -- if we
21 do a geographic area, need to be very small; or
22 we do have to do them -- we won't do a
23 geographic area in the Cook Inlet, because
24 there are so many competing interests in an
25 area that is more homogenous.

1 On the North Slope we might be
2 able to more readily do a geographic area
3 that's larger, because there are not as many
4 competing interests; or they're different
5 competing interests --

6 MS. MORIARTY: Okay.

7 MS. WOOLF: -- so those are --
8 it --

9 MS. MORIARTY: Okay.

10 MS. WOOLF: -- does that help?
11 But we do want comments on the criteria, and we
12 have received some --

13 MS. MORIARTY: Okay.

14 MS. WOOLF: -- of, you know, is
15 it too big; is it too small; is it too vague
16 where you need the specificity? But in terms
17 of when the notice comes out on a decision --
18 a -- a proposal, we'll say, this is the box
19 we've defined based on this criteria; public --
20 every -- and companies or other public,
21 everybody can weigh in on what we've defined as
22 an area as to, does it make sense for -- for
23 the particular real area --

24 MS. MORIARTY: Uh-huh.

25 MS. WOOLF: -- not an abstract

1 area?

2 MS. MORIARTY: So before I lose
3 my -- my time, I want to switch to the -- the
4 first part of the regulations that deal --
5 changes to the plan of operations --

6 MS. WOOLF: Uh-huh.

7 MS. MORIARTY: -- why -- why are
8 these changes being proposed, and -- and how
9 does that relate to the bill -- House Bill 129?
10 I mean, it's clear that it's article seven as
11 the new section --

12 MS. WOOLF: Uh-huh.

13 MS. MORIARTY: -- exploration and
14 development by geographical area --

15 MS. WOOLF: Right.

16 MS. MORIARTY: -- but when the
17 reg package came out, there was also three
18 pages on changes --

19 MS. WOOLF: Uh-huh. Right.

20 MS. MORIARTY: -- to the plan of
21 operation, like the 120-day concern that we've
22 had --

23 MS. WOOLF: Yep, yeah.

24 MS. MORIARTY: -- the wastewater.
25 So can you help me understand --

1 MS. WOOLF: Why we did them at
2 the same time?

3 MS. MORIARTY: Yeah.

4 MS. WOOLF: Because it was --
5 these are changes that we've been thinking
6 about --

7 MS. MORIARTY: Okay.

8 MS. WOOLF: -- and so we went
9 ahead -- it was a -- it was a finite change.
10 And because plans of exploration -- if we do a
11 geographical area approval and somebody comes
12 in with their plan of -- of operation, we want
13 to clean up that regulation at the same time.

14 So is it directly related to the
15 House bill? No. And these -- these
16 regulations -- it clearly said in the -- in the
17 brief that it -- we were doing two things. One
18 is regulations, the new article; and the second
19 is cleaning up the plan of operation to just
20 clarify the kinds of information that we would
21 like to get that we really already do get. So
22 it's clarifying what we're doing today.

23 MS. MORIARTY: But what about the
24 120 days?

25 MS. WOOLF: What we did with the

1 120 days is just -- it -- what it basically
2 says is, this is when we would like to see
3 them. We want to try to get plans of operation
4 in advance so we can really get them approved
5 timely; it's about -- it's planning and doing
6 our scheduling.

7 If an operator gets it in later
8 than that -- or sooner -- less than that --
9 less time than that, we may not be able to get
10 everything done. It's putting the operators on
11 notice that we do need time to actually approve
12 plans of operation.

13 If you don't get it in within the
14 120 days, we're -- we can't guarantee you're
15 going to get anything out in -- within your
16 time. So it's a -- it's a timing thing; it's
17 not a, we won't accept it; it's just a timing.

18 MS. MORIARTY: That could be very
19 difficult for some of my member companies,
20 so -- so I just --

21 MS. WOOLF: Yeah.

22 MS. MORIARTY: -- that is
23 something we'll expand on in our --

24 MS. WOOLF: That'd be good --

25 MR. BARRON: Yeah, please. And

1 that's -- that's --

2 MS. WOOLF: -- we'd appreciate
3 that.

4 MR. BARRON: -- that's the kind
5 of input that we'd like to see there.

6 MS. WOOLF: Yeah.

7 MR. BARRON: But -- but clearly
8 the 120 days is -- is -- we have seen within
9 the division that we -- we end up having a lot
10 of plans of operations coming in with very
11 short fuses. And -- and that is difficult for
12 the State to manage its business when -- when
13 we have short-fused projects coming in that
14 either rigs are dependent upon or people are
15 dependent upon, contracts are dependent upon;
16 and they haven't given the State adequate time
17 to go through its process to approve the
18 plan -- through as -- as we currently process
19 those plans.

20 MS. MORIARTY: Okay. Okay.
21 I'll -- I'll be done for now.

22 MR. BARRON: Thank -- thank
23 you -- thank you very much. Tom, would you
24 like to come back to the table?

25 MR. LOHMAN: Like is such a fluid

1 word. Tom Lohman, again. I think, Wendy, I
2 heard an answer to a question; but I'm going to
3 ask it anyway.

4 The triggering event for the
5 State seeking to define a geographic area --
6 Ken talked about company A coming in and
7 proposing to do something --

8 MS. WOOLF: Uh-huh.

9 MR. LOHMAN: -- I guess, you
10 know, you're -- you're looking at multiple
11 companies coming in within a relatively short
12 time frame --

13 MS. WOOLF: Uh-huh.

14 MR. LOHMAN: -- you have annual
15 lease/sales in each of these areawide areas.
16 I'm -- I'm having a hard time kind of wrapping
17 my head around the hypothetical that multiple
18 companies will all kind of buy at the same
19 time; express interest, as you said at the same
20 time; and then as Ken said, if these things are
21 durable and -- and perhaps can last 10 years,
22 you know, you've got a best interest finding
23 that's once-every-10-year process, maybe you're
24 in year seven, eight, nine of that process --

25 MS. WOOLF: Uh-huh.

1 MR. LOHMAN: -- so you're relying
2 on -- I know you hate to call it analysis --
3 but you're taking a hard look at, you know, the
4 environmental issues and subsistence and other
5 issues -- you're in year seven, eight, or nine,
6 multiple companies buy leases in a particular
7 area; they somehow express interest or submit
8 plans of operations; does that not then --
9 if -- if you go ahead and designate that area
10 for exploration for 10 years and -- and define
11 the area fairly largely, does that provide an
12 incentive for other companies or the same
13 companies in subsequent years, annual
14 lease/sales, to concentrate their focus on that
15 area?

16 And whatever the criteria on --
17 and this circles back to the cumulative impact
18 issue, maybe nine years ago you did a
19 cumulative impact analysis that, you know,
20 we've expressed our concerns about; but you did
21 it eight or nine years ago; now, you got some
22 vague criteria where you're looking at a
23 defined number of companies that have expressed
24 interest that trigger your -- your Department's
25 interest in defining an area; then maybe you

1 have a bunch of other companies that say, hey,
2 the road is a little smoother here; let's focus
3 our energy there.

4 So maybe now you have more than
5 three operations in that area. How do you
6 circle back and -- and capture -- you know,
7 does the last guy in have a harder time than
8 the first three in, I guess is my question?
9 How do you deal with that issue of focus on an
10 area once you designate it, if, in fact, you're
11 doing it to make it easier for folks?

12 MS. WOOLF: Uh-huh.

13 MR. LOHMAN: And maybe I'll just
14 leave that. I'm not looking for a response
15 right now, but --

16 MR. BARRON: Yeah, let -- let us
17 take that under consideration, Tom. I
18 appreciate you --

19 MR. LOHMAN: Okay. And, again,
20 recognizing that the areas you can define can
21 be enormous, you know, what, for exploration
22 it's 35 percent, I think, of the --

23 MS. WOOLF: Uh-huh.

24 MR. LOHMAN: -- the geographic
25 area, which for some areas of the North Slope

1 can be, you know, 1. -- what was it, 875
2 million acres? You can define a -- you're not
3 going to do that, but --

4 MS. WOOLF: Uh-huh.

5 MR. LOHMAN: -- you could define
6 an enormous area --

7 MS. WOOLF: Uh-huh.

8 MR. LOHMAN: -- which you then --
9 or a small area, within which then you
10 concentrate industry interests --

11 MS. WOOLF: Uh-huh. Okay.

12 MR. LOHMAN: -- that's --

13 MS. WOOLF: One thing I did want
14 to clarify though is, the best interest
15 findings -- annually the Department before has
16 the -- annually they go out for requests for
17 new information. So every year we are looking
18 at our best interest findings; and if we have
19 new information, we may put out a supplemental.
20 So it's not like it's stale --

21 MR. LOHMAN: Right.

22 MS. WOOLF: -- for 10 years.

23 Every year our best interest findings are
24 reviewed, and we ask for supplemental
25 information. And there may be a supplemental

1 notice; or there may not be, in which case,
2 then it carries forward. It -- so it's
3 important to note that it's not stale for 10
4 years.

5 MR. LOHMAN: Right, right.
6 Thanks, Wendy, I appropriate it.

7 MS. WOOLF: Okay.

8 MR. BARRON: Thank you, Tom.
9 Please.

10 MS. BRYANT DUNCAN: Hi, Karen
11 Bryant Duncan; I'm here on behalf of Great
12 Bear. I'm sensing a lot of confusion in the
13 room, and I'm confused too; and why I found it
14 very important to be here today, I'm trying to
15 understand in order to give comments that I
16 think would be of any benefit to understand
17 what a clear intent, an objective of this bill
18 and the regulations in order to properly
19 evaluate whether or not they're serving that
20 intent and objective.

21 Because the only real -- and the
22 only real difference that I see that this is
23 bringing is that in a certain area, the DNR may
24 not have to go out for public comment; but you
25 still don't know whether or not they will.

1 And, again, it is adding more lead time, which
2 I understand the State needs more time to --
3 to -- to go through these plan of ops.

4 But that type of lead time really
5 makes it difficult for companies to contract
6 with the suppliers that they need and, you
7 know, the funding issues that we face on a
8 daily basis as well.

9 MS. WOOLF: Uh-huh. Actually on
10 the lead time, these are two separate issues;
11 because the -- the plan of op approvals you
12 have to do irrespective.

13 MS. BRYANT DUNCAN: Right.

14 MS. WOOLF: What the 120 days
15 does is it allows you -- and what we're hoping
16 it'll do -- is that before you go out and you
17 contract with your suppliers and all of that,
18 you know you have an approved plan of
19 operation.

20 If we can get the plan of
21 operation soon enough that we know these are
22 the kinds of things you're -- this is what you
23 want to get approval for, you're not having to
24 change contracts because something that was
25 proposed couldn't be approved the way you

1 wanted it to be approved. We're trying to get
2 ahead of the game in that regard, so --

3 MS. BRYANT DUNCAN: Right. But
4 that really doesn't work commercially for us --
5 or in my experience anyway; because contracting
6 takes time, and there's a lot of competition in
7 this state for various vendors. So it's very
8 hard for us to get into a contract and to do
9 the logistics of --

10 MS. WOOLF: Uh-huh.

11 MS. BRYANT DUNCAN: -- okay, when
12 are we going to get this plan of ops in
13 every -- all -- you know, everything that we
14 need in order so that we can enter into the
15 contract so that we have the rig, the camp
16 facility, all the different facilities.

17 MS. WOOLF: So when -- when can
18 operators provide plans of operation? When do
19 the plan of operation --

20 UNIDENTIFIED SPEAKER: 60.

21 MS. WOOLF: -- so that -- that
22 kind of information we would appreciate in
23 comments.

24 MS. BRYANT DUNCAN: Okay.

25 MS. WOOLF: What makes sense from

1 the operator's perspective? If it's the day
2 before you need the approval, that isn't going
3 to work from the State's perspective.

4 MS. BRYANT DUNCAN: Well, no, no.

5 MS. WOOLF: But that's what we're
6 getting at --

7 MR. BARRON: That --

8 MS. WOOLF: -- it's what is --

9 MR. BARRON: -- but that's some
10 of the times what we're getting.

11 MS. WOOLF: So -- so that's
12 what -- that's what the purpose of this time
13 frame is, is to -- to let everybody know that
14 if you put in a plan of operation today, the
15 approval isn't tomorrow; even if it's in a
16 geographical area that has all of these
17 pre-approvals and you're following all the
18 bells and whistles --

19 MS. BRYANT DUNCAN: Right. Well,
20 that's what -- I just don't see the value --

21 MS. WOOLF: -- we need -- we need
22 a time --

23 MS. BRYANT DUNCAN: -- I don't
24 see value add of these regulations --

25 MS. WOOLF: Okay.

1 MS. BRYANT DUNCAN: -- or the
2 process. And I -- I'm trying to understand it.

3 MR. BARRON: Well -- and, again,
4 let's just -- as we have tried to express, the
5 value add is not necessarily for any single
6 individual company; it is for an area where
7 you've got multiple companies doing multiple
8 similar activities.

9 So rather than go through
10 multiple, repetitive public comment periods; we
11 can do all of the comments up front. We can
12 allow the public to assess and understand in
13 a -- in a greater picture, all the activities
14 associated with an area and -- and have that
15 public discourse first up front with a broader
16 knowledge basis --

17 MS. BRYANT DUNCAN: Right.

18 MR. BARRON: -- for an individual
19 company, if -- if -- if there's an area that
20 they're going to do exploration in, every one
21 of those projects doesn't necessarily have to
22 go through the plan of operation, the public
23 comment period, right; it still goes through
24 the -- the plan, but it can be done in a longer
25 time frame; so that more area is established,

1 more people understand -- again, it's -- even
2 for a single company, the -- the go back every
3 30 days for a public comment is done up front.
4 For so every one of those projects, it's --
5 that has been done once.

6 MS. BRYANT DUNCAN: I still --

7 MR. BARRON: Not multiple times.

8 MS. BRYANT DUNCAN: -- the --
9 yeah, and this goes back to Tom's question too,
10 I think, about when do you get that group of
11 companies to determine that area?

12 MR. BARRON: It could be a single
13 company. It could be a single company coming
14 to the division saying, this is the area that
15 I'm going to do exploration work in. And a --
16 and the company could come to us and say, this
17 is the area that we would like to discuss.

18 And with -- then with the
19 knowledge that we have of other companies
20 coming in, we can say, that -- that would be
21 sufficient; or we need to expand it and have it
22 a broader area, or it could be just the one
23 area.

24 And, again, this is -- this is,
25 as -- as Wendy has described, this is another

1 tool in our toolbox to try and -- and have the
2 public discourse; but at the same time,
3 accelerate exploration and development
4 projects.

5 MS. BRYANT DUNCAN: Thank you.

6 MR. BARRON: Now, it's 2:00
7 o'clock --

8 MS. WOOLF: Okay.

9 MR. BARRON: -- do we have any
10 other sign-in sheets?

11 MS. OWENS: None with people that
12 wanted to talk.

13 MR. BARRON: Okay.

14 MS. WOOLF: Operator, is there
15 anybody else online who wants to testify?

16 THE OPERATOR: Thank you. One
17 moment. All lines are open for Q and A. If
18 you have a question at this time, please press
19 star one.

20 MR. BOYD: Just one more.

21 THE OPERATOR: I don't see any
22 questions at this time.

23 MS. WOOLF: Okay. Great. Thank
24 you, operator. Put us back in lecture mode.

25 THE OPERATOR: Thank you. I'll

1 go ahead and put you in lecture mode. Thank
2 you.

3 MR. BARRON: So continuing back
4 to Anchorage. Mr. Boyd?

5 MR. BOYD: Again, Ken Boyd; I'm
6 here testifying on behalf of myself. We've --
7 we have thrashed around the exploration with
8 some resolution, I hope. And I think we're all
9 hopeful that the regulations become -- to use
10 legislative-speak, more robust, have more meat
11 in them.

12 But let's -- let me just for a
13 minute just talk about geographical area for
14 development. When is a unit not a unit? Does
15 this somehow replace a unit? Do you -- or is
16 this just the area for development and you put
17 units inside areas for development? Does the
18 unit process as it exists and has existed for
19 many years remain the same within this area?

20 MS. WOOLF: Let me get that.

21 MR. BARRON: Okay.

22 MS. WOOLF: Okay. More than
23 likely for the development the -- the box will
24 more than likely be defined as the unit itself.
25 So when an operator comes in and they have a

1 unit -- and a lot of times they may start in
2 one corner of their unit -- and so we do that
3 the development phase is starting in this
4 corner of the unit --

5 MR. BOYD: Uh-huh.

6 MS. WOOLF: -- and then they come
7 in and they're going to put a -- a satellite
8 pad in. We've already approved the larger unit
9 boundary, and that's gone through a public
10 process and a decision. And so we've defined
11 that the entire area of the unit is --
12 qualifies to be a unit, let's say.

13 But their -- in terms of their
14 actual development on the ground, they're going
15 to start in one corner; and then maybe they're
16 going to put a satellite pad in another corner.

17 Well, the way it would stand now,
18 is that we would do development phase in the
19 first corner; and then when they came in for
20 their development with their plan of op for the
21 second corner, we would go out with another
22 public notice.

23 What we would -- what this would
24 allow us to do -- should we choose to do it
25 this way -- is we say, here's a unit and it's

1 going to be developed; and these are the kinds
2 of things that are going to happen to it;
3 there's going to be gravel pads; there's going
4 to be -- whatever there's -- there's going to
5 be gravel roads; there's going to be pipelines
6 connecting it, and it may happen anywhere
7 within this exterior unit boundary.

8 And so we deal with the decision
9 that's required in our Constitutional duty,
10 because of the way we did the best interest
11 finding in one decision. You still have to
12 come in with your plans of op, and they get
13 approved. But for units, that's more than
14 likely how we could use this tool.

15 But there's also leases, and
16 there may be groups of leases that want to be
17 developed that aren't a unit. It's an
18 operator's coming in and they're saying: I've
19 got 10 leases here; and it -- for whatever
20 reason, it doesn't meet the criteria for a
21 unit. But they want to do development across
22 these 10 leases, and they're going to be roads
23 and pads and -- and things like that.

24 And so it allows us to group
25 those 10 leases and say, within this -- bounds

1 of these 10 leases, this is the development
2 that's going to occur; these are the -- this is
3 the -- the types of activities that'll occur.
4 So it's a non -- non-unit box.

5 But in terms of getting back to,
6 well, when we make a development area that
7 isn't tied to a specific development, probably
8 not; it's really more about taking a unit that
9 starts with a development in one corner but
10 doing the decision so that when they come in
11 with their expansion pads and things like that,
12 we don't have to go out for subsequent public
13 notices for those types of activities.

14 MR. BOYD: Okay. Sort of. So if
15 I -- understanding you right, Wendy, this
16 geographical area for development is for a
17 precursor -- a potential precursor to a unit;
18 is that right? I mean --

19 MS. WOOLF: It would probably be
20 after a unit's been created and they're coming
21 in with their development plan.

22 MR. BOYD: So they've already
23 formed the unit?

24 MS. WOOLF: Yes.

25 MR. BARRON: Yes.

1 MR. BOYD: Now, I don't
2 understand. I thought I was there. Damn it,
3 and I'm not.

4 MS. WOOLF: Well, it depends on
5 when the --

6 MR. BOYD: -- you ran away from
7 me.

8 MS. WOOLF: -- it depends on when
9 the unit's formed, let's put it that way.

10 MR. BOYD: Yeah.

11 MS. WOOLF: We do have some areas
12 that are units that are not developed yet; they
13 haven't started producing; they're
14 non-developing units. So when a unit that's in
15 that configuration comes in, we might want to
16 do a development area for that unit, if they
17 have not started that phase of their
18 operations. A lot of our units have already
19 gone past that phase.

20 MR. BARRON: Let me -- let me --
21 let me try and lean in. Following a successful
22 exploration phase of a project, seismic has
23 been done, exploration well's drilled,
24 discovery's made, delineation wells --

25 MR. BOYD: Uh-huh.

1 MR. BARRON: -- and a company
2 comes to the division and says: This is --
3 this is an area that -- that I would like to
4 unitize, and here's the -- the justification
5 for that unitization; and the -- and the State
6 grants a unit --

7 MR. BOYD: Right.

8 MR. BARRON: -- no plan of
9 development has been filed; no plan of
10 operation has been filed for that area. It
11 is -- it is a unit. It's the establishment and
12 creation of a unit. That's one process; that's
13 one decision.

14 MR. BOYD: Now, can I stop you
15 just for a second, Bill? That's an exploratory
16 unit?

17 MR. BARRON: No.

18 MR. BOYD: You're already
19 producing?

20 MR. BARRON: No. This is -- this
21 is before production but after successful
22 exploration.

23 MR. BOYD: So it is still
24 not producing?

25 MR. BARRON: That's correct.

1 MR. BOYD: So it is not -- it is
2 still an exploratory unit until it produces,
3 when it becomes a real production unit, yes?

4 MR. BARRON: Well, if you want to
5 define it as a production unit. What I'm
6 saying is --

7 MR. BOYD: I do.

8 MR. BARRON: Well, that's fine.

9 MR. BOYD: Okay.

10 MR. BARRON: What I'm saying is,
11 exploration during the primary term of the
12 leases is what -- is what we're talking about
13 in terms of exploration in my example.

14 MR. BOYD: Okay.

15 MR. BARRON: During the
16 exploration phase, during the primary term of
17 the lease, that work is done; and then an area
18 is defined that has the geologic merits of
19 discovery, proven hydrocarbons, a four-way
20 closure, ad nauseam in terms of -- of geologic
21 and engineering assessment of the -- of the
22 area that is affected by that -- that could be
23 used for unitization. And we go through our
24 unitize decision process, and that area is then
25 identified as unit A --

1 MR. BOYD: Uh-huh.

2 MR. BARRON: -- right? Leases
3 outside of that are not part of that unit.

4 MR. BOYD: Right.

5 MR. BARRON: Okay. That is a --
6 this is a separate and distinct decision in
7 terms of land management and lease management,
8 right? And that has nothing to do with
9 establishment of a geographic area for plans of
10 operation.

11 Once that unit is established,
12 you know, we could -- and some of this is
13 the -- the vagueness of the -- the -- of the
14 reg -- we can look at that unit -- and there
15 may be an adjacent unit that has also recently
16 been formed -- or we think might be formed --
17 and we can establish a -- the geographic area
18 to encompass that entire area or just the area
19 of the unit.

20 MR. BOYD: Okay. You have this
21 geographical area for development; it is a
22 unit --

23 MS. WOOLF: That's the example.
24 Okay.

25 MR. BOYD: For this one, yeah. I

1 understand there's another example. But do
2 the -- do the normal rules of unitization -- as
3 you move into development, do the normal rules
4 of unitization then apply? I mean, are we back
5 in -- I don't know. Are we back in unit
6 world --

7 MS. WOOLF: Uh-huh.

8 MR. BOYD: -- as we've known it
9 for --

10 MS. WOOLF: Uh-huh.

11 MR. BOYD: -- 50 years?

12 MS. WOOLF: Uh-huh. Uh-huh.

13 MR. BOYD: We are. However --
14 now, let's go to your second example, Wendy,
15 where you say you could take -- we'll use my 10
16 unit -- my 10 leases again -- you have a
17 10-lease unit -- but whatever reason you've
18 applied for a unit and it has -- has failed the
19 unit test; is that --

20 MS. WOOLF: No, I'm taking an
21 area that is not going to be unitized that --

22 MR. BARRON: Right.

23 MS. WOOLF: -- 10 leases.

24 MR. BOYD: Okay. Don't -- don't
25 even apply for unit?

1 MS. WOOLF: Right. There's --

2 MR. BARRON: Right.

3 MS. WOOLF: -- yes.

4 MR. BOYD: Why wouldn't you --
5 okay. I won't go there. That -- never mind.

6 No, I think I'm done with this. I -- I -- I'm
7 going to dig a deeper -- deeper hole than --

8 MR. BARRON: Thank you, Ken.

9 MR. BOYD: Thank you.

10 MR. BARRON: Do we have any other
11 questions, comments, or input from the public?

12 MS. WOOLF: Okay. Operator, one
13 more time online.

14 THE OPERATOR: Thank you. One
15 moment. All lines are open for Q and A at this
16 time. If you have a question, please press
17 star one. I don't see any line -- questions at
18 this time.

19 MS. WOOLF: Okay. Great, thank
20 you.

21 THE OPERATOR: Thank you. I'll
22 put you back in lecture mode.

23 MR. BARRON: Very good. Seeing
24 none from the audience and none on the phone, I
25 want to thank everybody for coming and all the

1 input that we have received to date and look
2 forward to input during the public comment
3 period. The public comment period closes
4 September 20th of this year at 5:00 p.m. After
5 this workshop, the Department will only accept
6 written comments.

7 Thank you for your time and
8 effort and participation. Have a safe day and
9 a great weekend.

10 (Break.)

11 MS. WOOLF: Okay. Operator, I
12 need to ask you again, has anybody else joined
13 us on the line?

14 THE OPERATOR: There are no
15 further participants online at this time.

16 MS. WOOLF: Okay. Great. Thank
17 you.

18 THE OPERATOR: Thank you.

19 MR. BARRON: This is Bill Barron,
20 it is now 3:00 o'clock. We have remained at
21 the conference center. No one has come into
22 the room since roughly 2:15. No one has called
23 in on the phone lines. So as of 3:00 o'clock,
24 this public hearing -- or public meeting and
25 workshop on proposed regs is adjourned.

1 MS. WOOLF: Thank you all for
2 coming.

3 (End of workshop.)
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CERTIFICATE

I, BROOKLENDE D. LEAVITT, notary public
for the State of Alaska, and Certified
Shorthand Reporter, do hereby certify that the
foregoing proceedings were taken before me at
the time and place herein set forth; that the
proceedings were reported stenographically by
me and later transcribed by computer
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record of the proceedings taken at that time;
and that I am not a party to, nor do I have any
interest in, the outcome of the action herein
contained.

IN WITNESS WHEREOF, I have hereunto set my
hand and affixed my seal this 9th day of
September, 2013.

Brooklende D. Leavitt

Notary Public, State of Alaska

My commission expires: 1/30/2016

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I, BROOKLENDE D. LEAVITT, notary public for the State of Alaska, and Certified Shorthand Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place herein set forth; that the proceedings were reported stenographically by me and later transcribed by computer transcription; that the foregoing is a true record of the proceedings taken at that time; and that I am not a party to, nor do I have any interest in, the outcome of the action herein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal this 9th day of September, 2013.

Brooklende Leavitt

Brooklende D. Leavitt

Notary Public, State of Alaska

My commission expires: 1/30/2016

