



June 25, 2014

**Decision of No Substantial New Information
2014 Beaufort Sea, North Slope, and North Slope Foothills
Areawide Oil and Gas Lease Sales**

Introduction

Under 38.05.035(e), a written finding that an oil and gas lease sale will best serve the interests of the state is required before the director of the Alaska Department of Natural Resources (DNR), Division of Oil and Gas (DO&G) may hold an oil and gas lease sale. The final written finding for the 2009-2019 Beaufort Sea Areawide oil and gas lease sales (Beaufort Sea Final Finding) was issued on November 9, 2009. The final written finding for the 2008-2018 North Slope Areawide oil and gas lease sales (North Slope Final Finding) was issued on July 15, 2008, and the final written finding for the 2011-2021 North Slope Foothills Areawide oil and gas lease sales (North Slope Foothills Final Finding) was issued on May 26, 2011.

Beaufort Sea, North Slope and North Slope Foothills Areawide oil and gas lease sales have been held annually under these final findings since 2009, 2008, and 2011, respectively. Under AS 38.05.035(e)(6)(F), the most recent written final finding would be supplemented if the commissioner determined that substantial new information had become available to justify a supplement. To gather this information, public calls for new information have been issued each year since the final findings were issued. Supplements to the Beaufort Sea and North Slope Final Findings were issued on July 8, 2010, and July 14, 2011.

On March 21, 2014, DO&G issued a Call for New Information regarding the 2014 Beaufort Sea, North Slope, and North Slope Foothills Areawide oil and gas lease sales. The call requested interested parties to submit to DO&G substantial new information to supplement the most recent final findings for the area. The submission period ended on April 21, 2014.

As stated in the Call for New Information, DO&G generally considers "substantial new" information to be published research studies, or data directly relevant to the matters listed in AS 38.05.035(g) and to the lands covered in the final findings that have become publicly available over the past year. Matters listed in AS 38.05.035(g) include:

- property descriptions and locations;
- petroleum potential of the sale area, in general terms;
- fish and wildlife species and their habitats in the area;
- current and projected uses in the area, including uses and value of fish and wildlife;
- governmental powers to regulate the exploration, development, production, and transportation of oil and gas or of gas only;
- reasonably foreseeable cumulative effects of exploration, development, production, and transportation for oil and gas or for gas only on the sale area, including effects on subsistence uses, fish and wildlife habitat and populations and their uses, and historic and cultural resources;

- lease stipulations and mitigation measures, including any measures to prevent and mitigate releases of oil and hazardous substances, to be included in the leases, and the protections offered by these measures;
- method or methods most likely to be used to transport oil or gas from the lease sale area, and the advantages, disadvantages, and relative risks of each;
- reasonably foreseeable fiscal effects of the lease sale and the subsequent activity on the state and affected municipalities and communities, including the explicit and implicit subsidies associated with the lease sale, if any;
- reasonably foreseeable effects of exploration, development, production, and transportation involving oil and gas or gas only on municipalities and communities within or adjacent to the lease sale area; and
- bidding method or methods adopted by the commissioner under AS 38.05.180.

In response to the Call for New Information, DO&G received timely comments from ConocoPhillips Alaska, Inc. The commissioner has reviewed and considered those comments.

Decision

The commissioner finds that no substantial new information was received in response to the Call for New Information, dated March 21, 2014, to justify a supplement to the Beaufort Sea Final Finding, North Slope Final Finding, or the North Slope Foothills Final Finding.

Responses to Timely Public Comments

Each timely comment is summarized below, along with the commissioner's response to each.

1. ConocoPhillips Alaska, Inc. (CPAI)

- a.** *Comment Summary:* CPAI's comment recommends the DO&G offer either 9-section, 5,760 acre tracts or 4-section, 2,560 acre tracts as traditionally offered instead of 640 subdivisions. They state that this results in a greater administrative burden and potential legal description errors for the lessees and DO&G as the lessor.

Commissioner's Response: CPAI's comment relates to the state's administrative lease sale process, not substantial new information directly relevant to the matters listed in AS 38.05.035(g). Therefore, CPAI's comment does not contain or reference substantial new information that justifies a supplement to the current findings. DO&G will consider CPAI's comment when preparing the specific terms and conditions for the lease sales.

- b.** *Comment Summary:* CPAI comments that state lands within the sale areas continue to provide robust opportunities for oil and gas exploration and development. CPAI recommends that DO&G continue to offer maximum lands in its annual areawide lease sales.

Commissioner's Response: The commissioner acknowledges the comment.

- c.** *Comment Summary:* CPAI recommends that mitigation measures in the leases that are already adequately addressed under the jurisdiction and enforcement of the federal and state regulations be stricken or alternatively be made consistent with such federal and state regulations.

Commissioner's Response: CPAI did not refer to any instances in which it has been found non-compliant, cited, or fined based on the mitigation measures described in the comment since the issuance of the Beaufort Sea, North Slope, or North Slope Foothills Final Findings were issued in 2009, 2008, and 2011 respectively. Nor did the comment refer to any new studies or data demonstrating CPAI has been negatively affected by the mitigation measures. Therefore, CPAI's comment does not contain or reference substantial new information that justifies a supplement to the current findings. The commissioner may revisit the mitigation measures during the next 10-year rewrite of the Beaufort Sea, North Slope, and North Slope Foothills best interest findings.

Conclusion

The commissioner has considered the comments submitted in response to the Call for New Information for the 2014 Beaufort Sea, North Slope, and North Slope Foothills Areawide lease sales. The comments received do not provide substantial new information to justify supplements to the Beaufort Sea, North Slope, or North Slope Foothills final findings.

An eligible person affected by this decision may request its reconsideration, in accordance with 11 AAC 02. Any request for reconsideration must be received within 20 calendar days after the date of issuance of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Joe Balash, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to (907) 269-8918; or sent by electronic mail to dnr.appeals@alaska.gov.

An eligible person must first request reconsideration of this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. If the commissioner does not act on a request for reconsideration within 30 days after issuance of this decision, the request for reconsideration is considered denied and this decision becomes a final administrative order and decision on the 31st day after issuance for the purposes of an appeal to Superior Court. A copy of 11 AAC 02 is available from any regional information office of the Department of Natural Resources.


Joe Balash, Commissioner

6/25/14
Date:

cc: Dora I. Soria
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