

# **Attachment B**

**Supplement to the 2008 North Slope Areawide Final Finding**

**July 14, 2011**

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

# Supplement to the 2008 North Slope Areawide Final Finding

July 14, 2011

The following information is added to Chapter 1: Introduction (added text is italicized and underlined):

## 1. Introduction

### B. North Slope Areawide Oil and Gas Lease Sale Process

#### 2. Best Interest Finding Process

As a result of 1996 amendments, AS 38.05.180(d) allows the commissioner to annually offer leases for oil and gas or leases for gas only of the acreage described in AS 38.05.035(e)(6)(F). Further, a written finding under AS 38.05.035(e)(6)(F) that the interests of the state will be best served is not required before the approval of an exempt oil and gas lease sale or gas only lease sale under AS 38.05.180(d) of acreage subject to a best interest finding issued within the previous 10 years or a reoffered oil and gas lease sale or gas only lease sale under AS 38.05.180(w) of acreage subject to a best interest finding issued within the previous 10 years, unless the commissioner determines that substantial new information has become available that justifies a supplement to the most recent best interest finding. This process is discussed in more detail below (Figure 1.2). *In 2010, REDOIL et. al. filed a superior court appeal against the State of Alaska, Department of Natural Resources, questioning whether or not a 2001 amendment to AS 38.05.035(e) authorizing the director to prepare a single written best interest finding violates the provisions of Article VIII of the Alaska Constitution. The court issued a Memorandum Decision and Order on this question on February 22, 2011. The State of Alaska, Department of Natural Resources, will comply with the court's decision in REDOIL, et. al. v. Sullivan unless modified by the Alaska Supreme Court.*

# Supplement to the 2008 North Slope Areawide Final Finding

July 14, 2011

The following new information is added to Chapter 6 as section C.1.d.:

## **6. Specific Issues Related to Oil and Gas Exploration, Development, Production, and Transportation**

### **C. Oil Spill Risk, Prevention and Response**

#### **1. Oil Spill History and Risk**

##### **d. Deepwater Horizon Incident**

The Oil Spill Commission (OSC) released its final report to the president on January 11, 2011 (OSC 2011). The report presents the history of offshore oil and gas development in the United States, discusses current regulatory oversight and corporate culture regarding human safety and risk management, and examines the causes and consequences associated with the Deepwater Horizon incident.

The report includes the following conclusions (OSC 2011):

- The explosive loss of the Macondo well could have been prevented.
- The immediate causes of the Macondo well blowout can be traced to a series of identifiable mistakes made by BP, Halliburton, and Transocean that reveal such systematic failures in risk management that they place in doubt the safety culture of the entire industry.
- Deepwater energy exploration and production, particularly at the frontiers of experience, involve risks for which neither industry nor government has been adequately prepared, but for which they can and must be prepared in the future.
- To ensure human safety and environmental protection, regulatory oversight of leasing, energy exploration, and production require reforms even beyond those significant reforms already initiated since the Deepwater Horizon disaster. Fundamental reform will be needed in both the structure of those in charge of regulatory oversight and their internal decisionmaking process to ensure their political autonomy, technical expertise, and their full consideration of environmental protection concerns.
- Because regulatory oversight alone will not be sufficient to ensure adequate safety, the oil and gas industry will need to take its own, unilateral steps to increase dramatically safety throughout the industry, including self-policing mechanisms that supplement governmental enforcement.
- The technology, laws and regulations, and practices for containing, responding to, and cleaning up spills lag behind the real risks associated with deepwater drilling into large, high-pressure reservoirs of oil and gas located far offshore and thousands of feet below the ocean's surface. Government must close the existing gap and industry must support rather than resist that effort.

## Supplement to the 2008 North Slope Areawide Final Finding

July 14, 2011

- Scientific understanding of environmental conditions in sensitive environments in deep Gulf waters, along the region's coastal habitats, and in areas proposed for more drilling, such as the Arctic, is inadequate. The same is true of the human and natural impacts of oil spills.

The report includes 31 specific recommendations divided into the following seven categories (OSC 2011):

- A) Improve the safety of offshore operations;
- B) Safeguard the environment;
- C) Strengthen oil spill response, planning and capacity;
- D) Advance well-containment capabilities;
- E) Overcome the impacts of the Deepwater Horizon spill and restoring the Gulf;
- F) Ensure financial responsibility; and,
- G) Promote congressional engagement to ensure responsible offshore drilling.

Most of the report and recommendations are specific to the Deepwater Horizon incident, federal government oversight (namely the former Minerals Management Service), and Congress. However, many discussions in the report regarding industry and government not keeping pace with the rapid changes in technology and the general structure of the oil and gas industry have some applicability to oil and gas operations in Alaska and State of Alaska oversight.

### References Cited

OSC (Oil Spill Commission). 2011. Deepwater: The Gulf oil disaster and the future of offshore drilling. Report to the President, National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling. January 11, 2011.  
[https://s3.amazonaws.com/pdf\\_final/DEEPWATER\\_ReporttothePresident\\_FINAL.pdf](https://s3.amazonaws.com/pdf_final/DEEPWATER_ReporttothePresident_FINAL.pdf)

## Supplement to the 2008 North Slope Areawide Final Finding

July 14, 2011

The following lessee advisories are added to Chapter 7: Mitigation Measures and Lessee Advisories (added text is italicized and underlined):

### 7. Mitigation Measures and Lessee Advisories

#### B. Lessee Advisories

##### 6. USFWS

Lessees are advised that the Endangered Species Act of 1973 (ESA), as amended (16 USC 1531et seq.) protects endangered and threatened species and candidate species for listing that may occur in the lease sale area. Lessees shall comply with the Recommended Protection Measures developed by the USFWS to ensure adequate protection for all endangered, threatened and candidate species. Lessees are also advised that on December 7, 2010, the USFWS designated critical habitat for polar bears in the Beaufort Sea and North Slope Areawide lease sale areas.

...

##### 9. DNR

- a. The State of Alaska is in the process of reviewing and evaluating information from the Deepwater Horizon investigations and the Alaska Risk Assessment reports, and is determining which of the information and recommendations are applicable to Alaska, which recommendations to implement, and the next steps for implementing them. As this process develops, new or modified mitigation measures, lessee advisories, or other statutory or regulatory requirements addressing issues such as safety, environmental safeguards, risk management, and reporting standards may be forthcoming.