



May 1, 2018

**Decision of Supplement for the 2018 Beaufort Sea Areawide Lease Sale
And
No Substantial New Information
2018 Beaufort Sea and North Slope Foothills Areawide Lease Sales**

Introduction

Under 38.05.035(e), the director of the Alaska Department of Natural Resources (DNR), Division of Oil and Gas (DO&G) may hold an oil and gas areawide lease sale after a written finding that the interests of the state will be best served is issued. A written best interest finding for areawide lease sales expires ten years after issuance. Under AS 30.05.035(e)(6)(F), a most recent areawide final best interest finding is subject to annual public Calls for New Information (CFNI) to facilitate that year's lease sale and, if the director determined that substantial new information had become available, the final best interest finding would be supplemented with new information. The following tables show the decision history for the Beaufort Sea (BS) and North Slope Foothills (NSFH) areawide final best interest findings:

| Beaufort Sea Areawide Oil and Gas Lease Sale Decision Documents | |
|--|--|
| <i>Date</i> | <i>Decision Document</i> |
| November 9, 2009 | Final Finding of the Director |
| July 8, 2010 | Decision of Substantial New Information and Supplement to the 2009 Beaufort Sea Areawide Final Finding of the Director |
| July 14, 2011 | Decision of Substantial New Information and Supplement to the 2009 Beaufort Sea Areawide Final Finding of the Director |
| July 13, 2012 | Decision of No Substantial New Information |
| July 1, 2013 | Decision of No Substantial New Information |
| June 26, 2014 | Decision of No Substantial New Information |
| June 12, 2015 | Decision of No Substantial New Information |
| June 24, 2016 | Decision of No Substantial New Information |
| June 15, 2017 | Decision of No Substantial New Information |

| North Slope Foothills Areawide Oil and Gas Lease Sale Decision Documents | |
|---|--|
| <i>Date</i> | <i>Decision Document</i> |
| May 26, 2011 | Final Finding of the Director |
| July 13, 2012 | Decision of No Substantial New Information |
| July 1, 2013 | Decision of No Substantial New Information |
| June 26, 2014 | Decision of No Substantial New Information |
| June 12, 2015 | Decision of No Substantial New Information |
| June 24, 2016 | Decision of No Substantial New Information |
| June 15, 2017 | Decision of No Substantial New Information |

On March 8, 2018, the DO&G issued a CFNI regarding the 2018 Beaufort Sea and North Slope Foothills areawide oil and gas lease sales. The CFNI requested interested parties to submit to the DO&G substantial new information that has become available over the past year to supplement the most recent final findings for the area. The submission period ended on April 9, 2018.

As stated in the CFNI, the DO&G generally considers substantial new information to include published research, studies, or data that are directly relevant to the matters listed in AS 38.05.035(g) with respect to the lands covered in the final findings and 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;
- the bidding method or methods adopted by the commissioner under AS 38.05.180.

In response to the CFNI, the DO&G received two comments that were timely. The comments referenced and included documents. The director has reviewed and considered the comments and documents referenced or included with the comments.

Decision

The director finds that a supplement for the revision to the description and boundary for the Beaufort Sea Areawide lease sale area is justified. The boundary revisions have no effect on the North Slope Foothills Areawide lease sale area. In addition, no substantial new information was received in response to the CFNI to justify a supplement to the Beaufort Sea Areawide Final Best Interest Finding or the North Slope Foothills Areawide Final Best Interest Finding.

2018 Beaufort Sea Areawide Lease Sale Supplement

Tracts that are jointly owned by the State of Alaska and ASRC within the 2009 Beaufort Sea Areawide Final Best Interest Finding boundary have been included in the 2018 North Slope Areawide lease sale area. This revision to both of the areawide boundaries allows the Division to offer all State of Alaska and ASRC jointly owned tracts within a single areawide sale boundary. The revision involves twenty-one, 640 acre tracts for a total area of approximately 13,440 acres as shown in Figure 1.

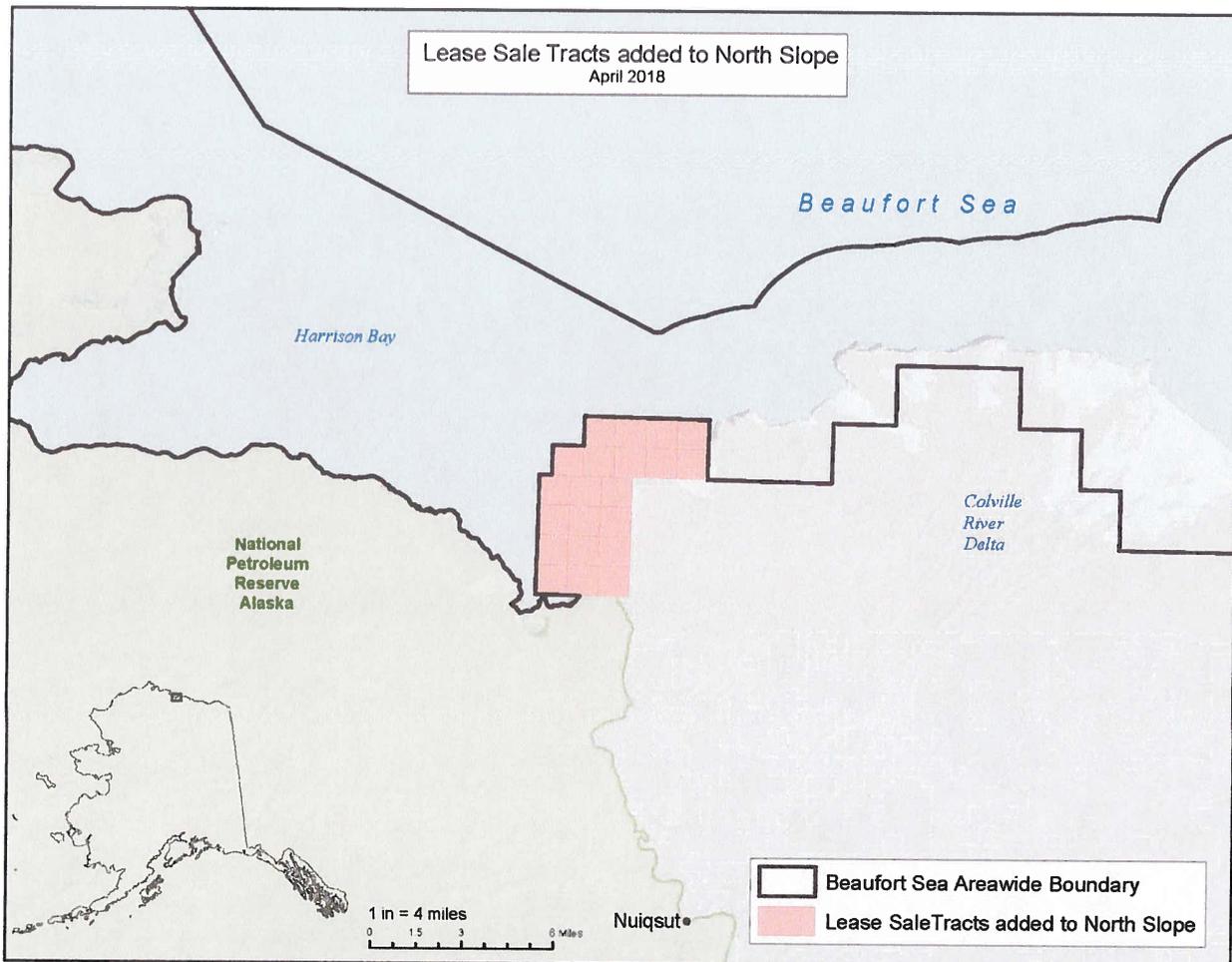


Figure 1.— New areawide boundary excluding jointly owned tracts

Responses to Timely Public Comments

Jack Winters, Alaska Department of Fish and Game (ADF&G)

Comment Summary: The ADF&G provided the DO&G with comments and recommendations specific to the Beaufort Sea Areawide lease sale area regarding new and updated fish and wildlife resource information, specifically regarding marine mammals for Chapter Four, Fish, Wildlife, and Habitat.

Director's Response: The new information provided by ADF&G on marine mammals will be considered for incorporation into the Beaufort Sea Areawide Preliminary Best Interest Finding. Although this new information is pertinent to the Beaufort Sea Areawide Best Interest Finding, it does not rise to the level of substantial new information that would justify supplementing the existing Final Best Interest Findings. This information will be retained and reviewed for inclusion as the Division drafts the new best interest findings for the Beaufort Sea.

Daniel K. Donkel

Comment Summary: Mr. Donkel provided comments stating that current oil and gas lease sale terms and conditions are unreasonable. He stated that the increased costs and reduced term have resulted in reduced activity by pricing competitors out of the oil and gas leasing process. Mr. Donkel requested that the Division offer all tracts with different terms which should be permanent, such as \$1.00 per acre minimum bid, \$1.00 per acre annual rent, 10-year term, and 12.5% royalty.

In support of these comments Mr. Donkel provided a link to the Fraser Institute’s 2017 Global Petroleum Survey.

Director’s Response: Mr. Donkel’s comments relate to the state’s processes for lease sales after disposal. The lease sale terms and conditions are outside the scope of the Best Interest Findings and this Call for New Information. Mr. Donkel’s suggestions have been forwarded to the DNR commissioner and the Division director for consideration when setting terms and conditions for lease sales in accordance with AS 38.05.180(f).

Conclusion

The director finds that a supplement for the revision to the Beaufort Sea Areawide lease sale area boundary is justified and a description of the revised boundary is provided. The director has considered the comments submitted in response to the CFNI for the 2018 Beaufort Sea and North Slope Foothills areawide lease sales, and finds that the comments do not provide substantial new information that justifies a supplement to the Beaufort Sea Areawide Final Best Interest Finding or the North Slope Foothills Areawide Final Best Interest Finding. However, information received will be reviewed while DO&G is drafting new best interest findings for the Beaufort Sea and North Slope Foothills areawide lease sale areas.

An eligible person affected by this decision may appeal in accordance with 11 AAC 02. Any appeal 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 Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.



Chantal Walsh
Director, Division of Oil and Gas



Date