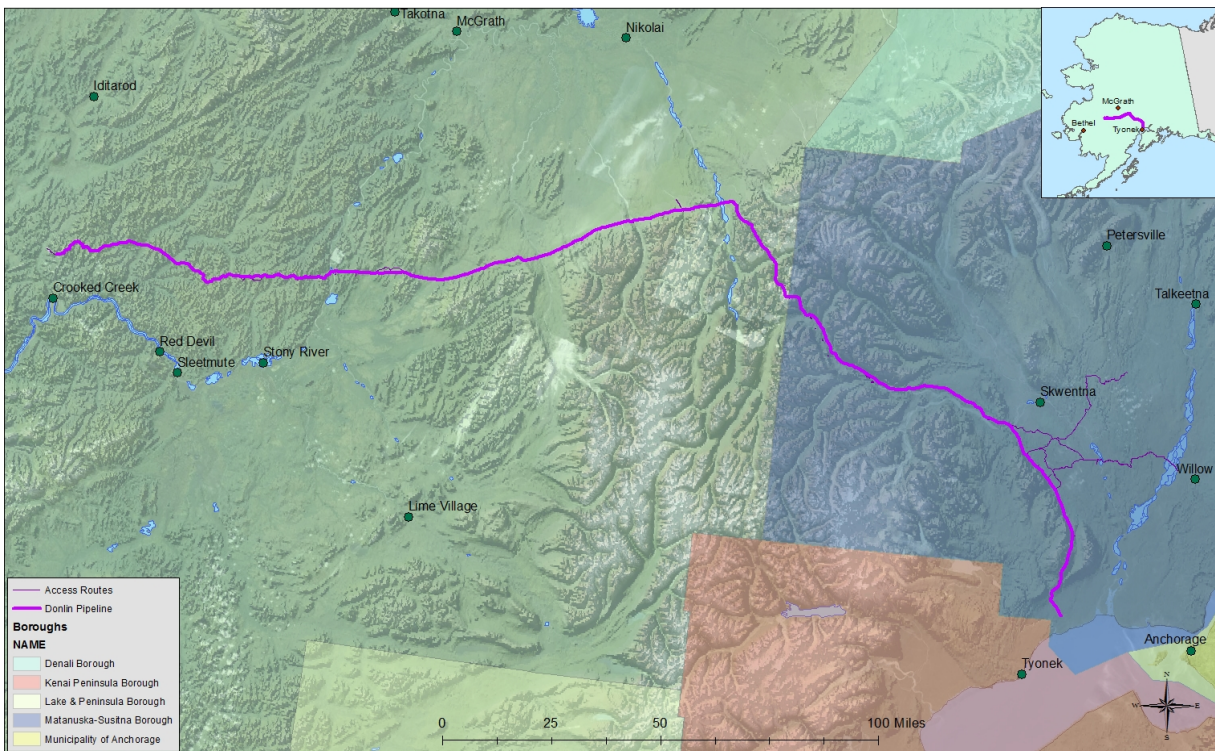


# **DONLIN PIPELINE**

## **RIGHT-OF-WAY LEASE, ADL 231908**

### **COMMISSIONER'S ANALYSIS AND PROPOSED DECISION**



DNR Division of Oil and Gas  
State Pipeline Coordinator's Section  
3651 Penland Parkway  
Anchorage, AK 99508

Publish date: January 28, 2019

### **Purpose of Analysis and Proposed Decision**

The Right-of-Way Leasing Act (Alaska Statute 38.35) sets forth the procedures governing an application for an oil or gas pipeline right-of-way across State lands. Under this Act, the Commissioner of the Department of Natural Resources (DNR) is granted all powers necessary to lease State land for pipeline right-of-way purposes. In leasing land for pipeline right-of-way purposes, the Commissioner must make a written finding that the applicant is fit, willing, and able to perform the transportation or other acts proposed in a manner that will be required by the present or future public interest. Additionally, prior to granting a right-of-way lease, the Commissioner is required to prepare an analysis of the application.

The following document is the Commissioner's Analysis and Proposed Decision for the amended application for a right-of-way lease for the Donlin Pipeline that was submitted by Donlin Gold LLC on April 9, 2014. The pipeline is proposed to start near Beluga and cross roughly 207 miles of State lands as it goes north and west to the Donlin mine site near Crooked Creek. The public comment period for this Analysis and Proposed Decision is January 28, 2019 through 5:00pm March 22, 2019. Written comments may be emailed to: [sppo.records@alaska.gov](mailto:sppo.records@alaska.gov) or faxed to (907) 269-6880 or submitted by U.S. Mail or in person to:

Alaska Department of Natural Resources  
Division of Oil and Gas  
State Pipeline Coordinator's Section  
3651 Penland Parkway  
Anchorage, AK 99508

Public hearings for the right-of-way lease application and the Commissioner's Analysis and Proposed Decision have been scheduled at the following locations. Comments will be accepted verbally and/or in writing at the hearings.

McGrath Community Center	February 27, 2019	4:00-6:00pm
Tyonek Tribal Center	February 28, 2019	1:00-2:00pm
Bethel Cultural Center	March 4, 2019	6:00-8:00pm
Aniak Community Center	March 6, 2019	7:00-9:00pm
Atwood Conference Center (Anchorage)	March 12, 2019	5:30-7:30pm
Skwentna Roadhouse	March 13, 2019	11:00am-1:00pm

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## **I. Introduction**

### **Nature of the Request**

On April 9, 2014, Donlin Gold LLC (Donlin) submitted an application for a non-exclusive Alaska Statute (AS) 38.35 right-of-way lease for the purpose of constructing and operating the Donlin Pipeline on State lands. The proposed 315-mile pipeline originates near Beluga on the west side of Cook Inlet and terminates at the proposed Donlin Gold mine site 10 miles north of Crooked Creek. Approximately 207-miles of the mostly-buried pipeline would be located on State of Alaska lands, with the remainder located on federal and native lands. Donlin requested a construction right-of-way that would be 150-feet wide, decreasing to an operations width of 50-feet.

The pipeline is proposed as a contract carrier pipeline. Contract carrier pipelines are open for use by other entities, but unlike common carrier lines, they contract for specific volumes at specific prices through an “open season” process. This pipeline will be subject to oversight by the Regulatory Commission of Alaska (RCA).

The Department of Natural Resources (DNR) Commissioner (Commissioner) is mandated, in accordance with AS 38.35.100, to determine whether Donlin is fit, willing, and able to perform the transportation or other acts proposed in a manner required by the present or future public interest. Per AS 38.35.080, the Commissioner must also analyze the proposed action and proposed lease on State land, including a review of the applicant's technical and financial capabilities related to construction and operation of an oil pipeline, as proposed in the project description and application.

### **Applicant**

Donlin Gold LLC initially incorporated as Donlin Creek LLC in Delaware on November 8, 2007 and registered in Alaska on December 14, 2007. Donlin Gold LLC is a limited liability company (LLC) with 50/50 ownership by Barrick Gold US Inc. and NovaGold Resources Alaska, Inc. As of December 17, 2018, Donlin Gold LLC is in good standing with State of Alaska Division of Corporations, Business & Professional Licensing. The pipeline would be wholly owned by Donlin Gold LLC.

### **Donlin Gold Project Overview**

The Donlin Gold Project consists of the mine site, various transportation infrastructure, and the Donlin Pipeline. Through the National Environmental Policy Act (NEPA) the project went through a federal permitting review that culminated in a Final Environmental Impact Statement (EIS) that was issued on April 27, 2018. The State of Alaska and several federal agencies participated as Cooperating Agencies throughout the EIS process. The U.S. Army Corps of

Engineers (USACE) and the Bureau of Land Management (BLM) issued a joint Record of Decision with combined approval for their respective authorizations on August 13, 2018. The same day, the USACE issued their Department of the Army permit for Section 10 of the Rivers and Harbors Act of 1899 (33 USC 403) and Section 404 of the Clean Water Act (33 USC 1344) authorizations, and BLM issued the Grant of Right-of-Way for the pipeline.

This Commissioner's Analysis and Proposed Decision relates solely to the Donlin Pipeline and the pipeline's related facilities located on State-owned lands.

### **Proposed Right-of-Way Location**

The pipeline originates at the proposed tie-in to the Beluga pipeline, and will receive additional pressure from one compressor station located at approximately pipeline milepost (PLMP) 0.4, inside the northwest boundary of the Susitna Flats State Game Refuge (SFSGR). Power would be generated on-site for the compressor station, and an approximately 0.4 mile buried electrical line would be installed for the metering station near the pipeline origin.

From the SFSGR, the route proceeds north, along the east flank of Little Mount Susitna to the Skwentna River (PLMP 50), then parallels the Skwentna River westerly to Puntilla Lake (PLMP 102). The route traverses the Alaska Range parallel to the Jones River and turn southwesterly at PLMP 145 towards Farewell (PLMP 157) continuing on until crossing the Kuskokwim River (PLMP 240). Beyond the Kuskokwim River, the route primarily follows ridgelines for more than 80 miles toward the west and crosses several major rivers including the East Fork George River at PLMP 283 and the George River at PLMP 290. The route continues west, crossing the North Fork George River at PLMP 297 to the proposed mine site (terminus) at approximately PLMP 315, which is roughly 10 miles north of the Village of Crooked Creek.

The pipeline route crosses five major physiographic divisions. The origin of the pipeline is located in the Cook Inlet/Susitna Lowland region from Beluga, MP 0, to the Skwentna River valley, at approximately MP 77. From there, it enters the Alaska Range region, which includes several passes and glacial valleys. The pipeline exits the mountains of the Alaska Range at approximately MP 143, and then it turns westerly and crosses the South Fork of the Kuskokwim River. From approximately MP 152, the pipeline route crosses through the Tanana-Kuskokwim Lowland region. Just east of the Big River, the route crosses into the Nushagak-Big River Hills region until it reaches the Kuskokwim River. From the Kuskokwim River west to the mine site, the pipeline is considered to be in the Kuskokwim Mountain region (SRK 2013; Wahrhaftig 1960).

Approximately 207 miles of the 315-mile pipeline are proposed on State-owned land; the remaining length crosses lands owned by the federal government and native corporations. The State right-of-way (ROW) lease would start at the Beluga tie-in within the SFSGR, and end at

federal lands in Seward Meridian, 23 North, 40 West, Section 15. The proposed pipeline route transects State-owned townships listed in Attachment C.

*North Route realignment*

In 2017 Donlin updated their application to reflect a realignment of the proposed pipeline route from approximately MP 84 to MP 112, to decrease impacts to the Iditarod National Historic Trail (INHT) system. This shift moved approximately 27 miles of pipeline a mile or less north and east from the originally proposed alignment. The “North Route” alignment eliminates crossings of the Happy River and reduces the number of INHT crossings to one in this stretch.

*Construction ROW:* The requested width of the temporary construction ROW on State lands is proposed at 150 feet. The construction ROW would be wider as needed in specific locations such as horizontal directional drilling (HDD) crossings, camp sites, and ancillary construction facilities. The construction ROW would occupy approximately 6,160 acres.

*Operation ROW:* The requested width of the permanent ROW on State lands is proposed to be nominally 50 feet, roughly 25 feet on each side of the centerline. The operation ROW would occupy approximately 1,250 acres.

Commissioner's Analysis and Proposed Decision  
Right-of-Way Lease for the Donlin Pipeline, ADL 231908

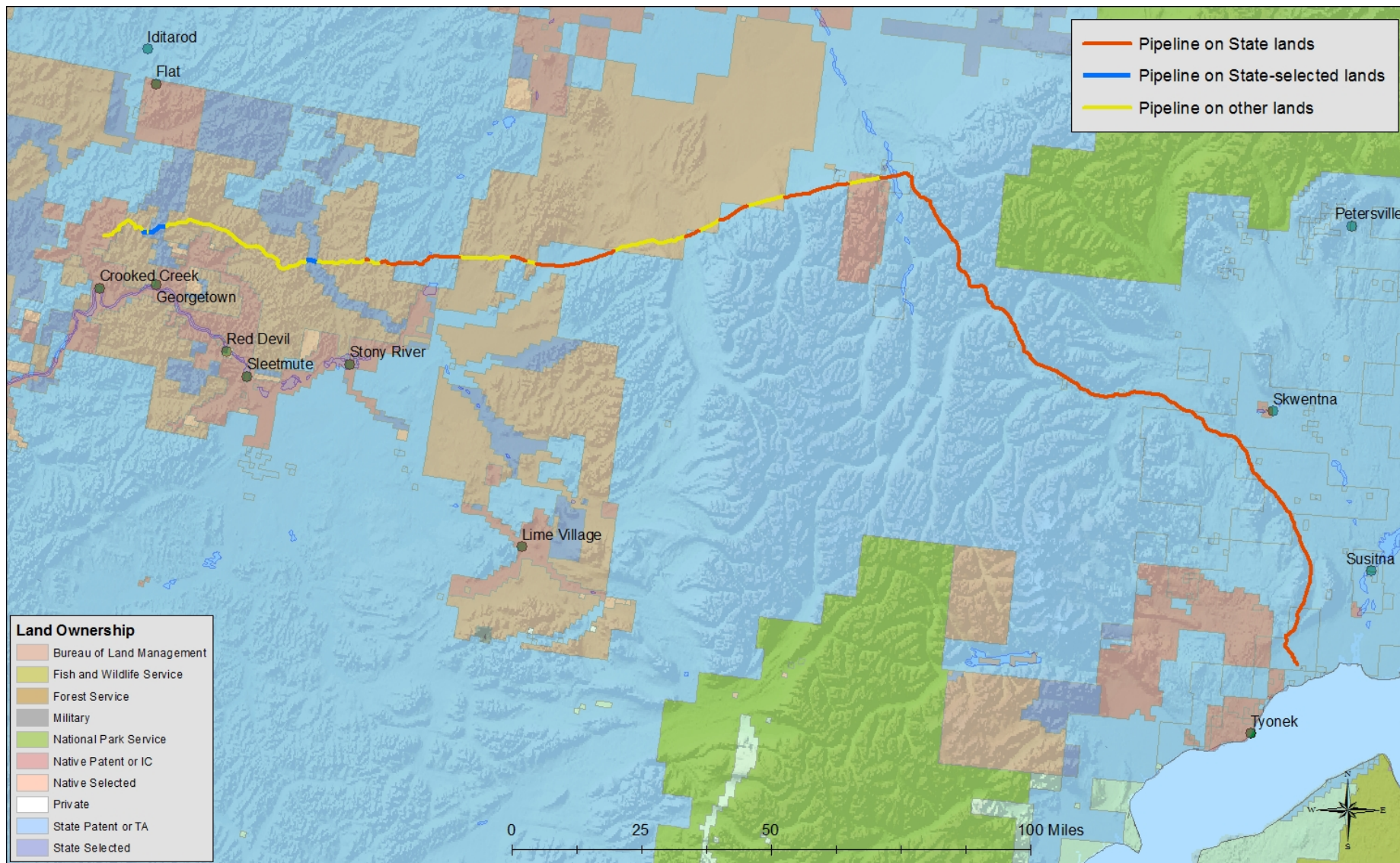


Figure 1: Land Ownership Overview

### **Donlin Pipeline Project Description**

In order to operate, the mine site needs power beyond what is locally available. To fuel on-site power generation, a roughly 315-mile small diameter (14 inch) natural gas pipeline would be constructed from a tie-in with the existing Beluga Pipeline on the west side of Cook Inlet, through the Alaska Range, and then west to the power plant at the mine site. The pipeline would be designed to transport approximately 73 million standard cubic feet per day (mmscfd) of natural gas.

### **Operations**

Once built, the Donlin Pipeline ROW operational corridor would occupy approximately 1,250 acres of State land. There are five permanent components to the project: the pipeline, one compressor station, one metering station, and two pig launching and receiving facilities. Additionally, a storage area would be needed in the Beluga area for storing compressor station materials, pipeline materials, truck(s), ATVs and snowmobiles for use during maintenance and operations (SRK 2013). Metering stations, pig launching and receiving facilities, and above-ground valve stations would remain in place through operations. Where these items are located on State lands, they will be included in the operations ROW. No new permanent roads are proposed with this project; access to the proposed project area will generally be via helicopter during the operations stage of the pipeline. Winter maintenance would occur by packing, watering, and grading the snow and ice surface (SRK 2013). An electrical transmission line would be installed along the pipeline ROW from the compressor station to the metering station, buried for the roughly 0.4-mile distance between the two.

Main line valve (MLV) aboveground components would be within fenced areas, approximately 25 x 25 feet in area; sites are proposed to have an 8-foot-high chain link fence around the perimeter of the graded site. Unless otherwise approved, these valves would be located no less frequently than every 20 miles, as required by 49 Code of Federal Regulations (CFR) 192. Two smaller, above grade blowdown valves would be installed upstream and downstream of each MLV, also within the fenced area.

A fiber optic cable with a repeater station will be located in the same ROW as the pipeline, which would serve the mine and the pipeline. The fiber optic cable would be installed underground from the metering station at MP 0, then would be installed in a trench parallel to the pipeline to its termination at the mine site. The fiber optic cable would be authorized under a separate permit from the DNR Division of Mining, Land and Water, serialized as casefile ADL 232368.

### Construction

Temporary facilities that would be authorized under the construction ROW include material sites, access roads, work pads, airfields, and construction camps (see Table 1 below). The 150-foot-wide pipeline ROW construction corridor would occupy approximately 3,750 acres of State land and the temporary facilities would occupy approximately 2,400 additional acres.

Ancillary Facility Type	Project total number	Number on State land	Acreage on State land (estimated)
Airstrips	Up to 15	Up to 12	Up to 820
Pipe delivery/major staging locations (including barge landings)	6	5	65
Pipe storage yards	60	42	61
HDD sites (proposed)	10	7	20
Construction camps	10	8	110
Material sites	70	47	693
Water extraction sites	112	92	6
Access roads, temporary	135	101	630

Table 1: Facility acreage estimates

*Proposed Air Strips:* Donlin is proposing the use of three existing airstrips on non-State lands, as well as the construction of up to twelve new airstrips on State lands. These airstrips are proposed to be 3,500 to 5,000 feet long and up to roughly 500 to 600 feet wide, depending on location, and would be improved gravel airstrips, rather than paved (SRK 2013). The existing Beluga, Donlin mine, and Farewell airstrips may need to be upgraded and maintained during construction as needed. Existing runways scheduled for use and upgrades may not be under current authorization by DNR. Some existing airstrips in the Skwentna area have been registered with the Federal Aviation Administration (FAA), including the public airport at Skwentna. Concurrence is required from USDOT and FAA near existing public airstrips, to ensure public safety. The proposed new airstrips on State land would be included in the ROW and used during construction, then reclaimed and made inoperable as soon as practicable after use, unless otherwise authorized by the State.

*Barge landings and pipe delivery staging:* During construction, the ROW will be accessed from several points, including airstrips, rivers, and off-road from the developed road system. Major pipe delivery locations and major staging areas include: barge landing at Beluga for PLMP 0-51; Oilwell Road/Willow Landing route for PLMP 51-127 (winter access corridor); barge landing on east side of the Kuskokwim River for PLMP 127-248; barge landing on west side of Kuskokwim River for PLMP 248-273; barge landing at Jungjuk Port for PLMP 273-315; and the port of

Bethel as a laydown yard. Barge landings would be removed following construction, and the sites would be stabilized, rehabilitated, and reclaimed (SRK 2013).

*Pipe storage yards:* Pipe storage yards and staging areas may need gravel pads if the natural soil is not suitable. If gravel is added it would be left in place when the sites are reclaimed after their uses. Storage yards would be stabilized, rehabilitated, and reclaimed (SRK 2013).

*HDD:* In its original application, Donlin proposed to utilize horizontal directional drilling (HDD) for 6 waterbody crossings. Under the "North Route" realignment, this number is now up to 10 proposed HDD crossings; up to 7 of these crossings are located on State land. Each HDD site requires an entry and an exit pad of approximately one acre each. After HDD is completed, the pads would be stabilized, rehabilitated, and reclaimed.

*Construction camps:* Donlin proposes ten 300-person construction camps along the pipeline alignment; eight of them are proposed on State lands. The acreages of each camp vary between 8 and 60 acres, with gravel pads ranging from approximately 4 to 10 acres for the crew facilities. Smaller 30-person fly camps would be used as needed to support activities farther from the main camps, such as at HDD drill sites. The main camps will serve as the base for crews in the nearby construction spread and will be developed and closed down as construction progresses along the route. Civil work to construct camps will begin the summer before nearby winter pipeline construction.

*Material Sites:* Approximately 70 potential material (gravel) sites have been identified along the proposed ROW. Currently, 47 of those material sites are expected to be located on State lands. Material sites locations are based on several variables such as construction season and availability of water sources for ice roads. Each site would be located and sized to avoid environmentally sensitive areas, and activities would be in accordance with the required permits and authorizations needed to develop gravel sources.

Donlin has proposed to remove all equipment and facilities from the site and reclaim and revegetate the temporary material sites after use is complete. Material site boundaries would be shaped to blend with surrounding natural land patterns. Regardless of the layout of material sites, primary emphasis would be placed on prevention of soil erosion and damage to any vegetation. All material sites would be reclaimed consistent with approved reclamation plans for each site.

*Water Extraction Sites:* These small sites are needed for extracting water for a variety of construction activities such as fire suppression at camps, ice road construction, dust control, reclamation, pipeline hydrostatic testing, and HDD operations. Water for human consumption would be supplied from wells on site, or other clean water sources, and piped or trucked to a water treatment facility. These water uses require additional permits from DNR DMLW.

*Access roads, temporary:* “Shoofly” access roads along certain sections of pipeline create access to areas with extreme slopes or other geographic challenge. Some other short access roads are needed to connect the pipeline corridor to other facilities, such as camps and material sites. Some of these roads may need gravel fill and will be required to be reclaimed to the satisfaction of the Commissioner after construction.

Winter access routes to support construction of the eastern portion of the pipeline are proposed from the Parks Highway via Petersville Road or the Willow Creek Parkway. Land use authorizations for these activities will be reviewed and permitted by DNR.

### **Proposed Project Construction Schedule**

Initial construction work is expected to start within five years of lease issuance. This postponement allows for the initial development of the mine site, and provides additional time to finalize pipeline design, and procure pipeline components. Once begun, the overall construction schedule is expected to take three to four years, with the first year including civil work and mobilization of material and equipment. Construction is planned for both winter and summer seasons, as appropriate for the soil conditions and construction activities, though most pipeline construction would occur primarily during winter under frozen soil conditions.

Pipeline construction will be divided into two spreads, starting from each end of the pipeline and working generally towards the center. A construction sequence and schedule has been developed by construction spread, which will be updated as needed during final design (Plan of Development Appendix F).

## **II. Administrative Actions**

### **AS 38.35 Right-of-Way Leases and the Adjudication Process**

AS 38.35 ROW leases are legal agreements that grant a revocable interest in State land for the construction and operation of common carrier or contract carrier hydrocarbon pipelines. As part of the adjudication process, the DNR Division of Oil and Gas (Division) works closely with multiple agencies from different levels of government to ensure that the lease facilitates safe development of State resources and protects the land for future generations.

AS 38.35 and Alaska Administrative Code (AAC) 11 AAC 80 govern how ROW leases will be managed and creates rigorous standards that all applicants must meet before a lease may be offered.

Once a complete application for an AS 38.35 ROW lease has been submitted, it is noticed to the public in accordance with AS 38.35.070, generally for 60 days. As the notice is running, the Division coordinates with other governmental agencies, writes the Analysis and Proposed Decision, and drafts the proposed lease. The analysis and decision will consider four standards and clearly state a proposed action (Section VII of this document). To determine if an applicant

satisfies these standards, the Division examines the land status of the proposed ROW (Section III), what natural resources could be affected (Section IV), the technical capability of the applicant (Section V), and their financial capability to construct, operate, maintain, and terminate the proposed project (Section VI).

Once the Analysis and Proposed Decision has been issued, it is noticed to the public in accordance with AS 38.35.080, generally for 30 days. As the second notice is running, the division drafts the Commissioner's Final Decision. If the Commissioner's Final Decision is to offer the applicant a ROW lease, the potential lessee has 30 days to return the signed lease to DNR for final execution along with the annual fee, insurance, bonding, and other project specific documents (AS 38.35.100(c)). Judicial review procedures concerning the decision are outlined in AS 38.35.200.

If a lease is issued, the Lessee must obtain a Notice to Proceed (NTP) to initiate construction of the pipeline. To obtain the NTP, they must submit a variety of documents for approval, including construction plans, final engineering designs, and a Quality Management Plan. See Attachment A for the draft lease, which contains further details about proposed NTP requirements.

### **Administrative Record**

Case file ADL 231908 constitutes the administrative record used in this decision, including documents, maps, figures, and other information gathered to address issues. The federal Environmental Impact Statement provided some background information relevant to the pipeline ROW.

### **Public Notice of Application (AS 38.35.070)**

The Donlin Pipeline application was submitted on April 9, 2014. Coordinate State agencies, as defined in AS 38.35.230, were furnished copies of the Donlin Pipeline Project Right-of-Way Lease Application. DNR posted the application on its website, made hard copies publicly available, and sent notices of application to local post offices and libraries. DNR also sent public notice letters to interested parties, State and local government agencies, cities, towns, and Alaska Native Claims Settlement Act (ANCSA) Regional and Village Corporations within the vicinity of the proposed pipeline. Public notices were published in the Anchorage Daily News (May 14 and 20, 2014), Fairbanks Daily News-Miner (May 14 and 20, 2014), Tundra Drums (May 15, 2014), and Delta Discovery (May 14, 2014).

DNR received six written requests for hearings on the application. Additionally, DNR received several comments containing concerns about the pipeline or impacts to natural resources, during the public notice period for the application.

### **Public Hearings on Right-of-Way Lease Application**

Public notice of the application hearings was published on September 10, 2014, and the hearings were held in Bethel (October 13, 2014), McGrath (October 14, 2014), Anchorage (October 15, 2014), Tyonek (October 16, 2014), and Skwentna (January 21, 2015). Pertinent issues raised during the application comment and hearing process have been incorporated into this analysis.

### **Public Hearings on Commissioner's Analysis and Proposed Decision**

Concurrent with issuing the Commissioner's Analysis and Proposed Decision, DNR has provided public notice that public hearings will be held regarding this analysis in the communities of McGrath, Tyonek, Bethel, Aniak, Anchorage, and Skwentna, (hearing dates and locations are listed on page ii, Purpose of Analysis and Proposed Decision). The Commissioner will consider written comments received within the comment period, January 28, 2019 to March 22, 2019, and oral and written comments from the public hearings.

## **III. Land Status of Proposed Leasehold**

### **Title**

The Department of Natural Resources completed title reports on the proposed pipeline ROW and ancillary facilities, including the north realignment proposed in December 2017. Fee title or management rights to the project area resides with the State of Alaska.

### **Third Party Interests**

The Donlin pipeline is proposed to cross or is adjacent to known third party interests previously granted by the State of Alaska. Third party interests on lands within or adjacent to the proposed ROW include commercial recreation permits and leases, mining claims, oil and gas leases, personal use cabins, remote cabin site staking areas, trails, utility easements (pipeline and electric), and a water right reservation. The Donlin pipeline is within 2 miles of several commercial guiding lodges, grazing leases, personal use cabins, and subdivision parcels.

### **Residential, Recreation and Tourism**

There are scattered homesites and homesteads near the proposed pipeline, particularly in the area between MP 55 and MP 94, but the pipeline is not expected to cross any of these privately-owned parcels.

The Donlin ROW crosses the Johnson Creek Remote Recreational Cabin Site (RRCS) Staking Area, the proposed Shell Hills II RRCS project area, and the closed Happy River RRCS project area. These areas are not currently open for staking, and parcels previously staked in these areas have been conveyed.

The pipeline also transects the Shell Hills State land sale subdivision. The pipeline would be near, but does not cross, conveyed parcels in this subdivision, and the subdivision has been suspended from offering. The pipeline crosses two unsold parcels in the Shell Hills subdivision.

There are also State and federally authorized temporary base and spike camps operated by guide-outfitter camps located in the vicinity of the pipeline route. Commercial lodges are located as close as one mile from the ROW, and provide scenic and hunting opportunities for visitors from within and outside Alaska.

#### *DNR Easements*

In the proposed project area, there are active easements for Chugach Electric, ENSTAR, and public access easements to the Farewell airstrip and other remote sites. Additionally, several easements for portions of the Iditarod National Historic Trail system have been established.

The pipeline and its ancillary construction facilities will cross many undeveloped section line easements. Section line easements are public rights-of-way for the construction of highways over public lands that run along section lines of the rectangular survey system. Lands acquired by the State after March 26, 1951, including some lands in the project area, are subject to a 100-foot section line easement (50 feet measured on either side of the section line) that remains in existence unless vacated by the proper authority.

#### *Access to Navigable and Public Waters*

Alaska Statute 38.05.127 requires that, before the State may lease land adjacent to or inclusive of a waterbody or waterway, DNR shall determine if that waterbody or waterway is navigable or public waters and, if so, establish specific easements to and along them. These easements are generally 50 feet wide, though they can be narrower under specific circumstances. The purpose of these easements is to guarantee free public access to waterbodies and waterways for transportation, recreation, fishing, and a variety of other purposes.

#### *Public Trust Doctrine*

All authorizations for this project will be subject to the principals of the Public Trust Doctrine; specifically, the right of the public to use navigable waterways and the land beneath them for navigation, commerce, fishing, hunting, protection of areas for ecological studies, and other purposes. These rights will be protected.

#### *Area Plans and Classifications*

At statehood, the Alaska Legislature charged DNR with the job of managing State-owned general domain lands for the “maximum public benefit.” DNR, through the Resource Assessment and Development Section (RADS), completes a thorough resource assessment for

specific areas of land, and classifies the land based on the resources present and their most beneficial use. DNR sets and follows guidelines for use of public lands according to these classifications.

Lands crossed by the proposed pipeline ROW are subject to the Southeast Susitna Area Plan (*Land Classification Order SC-08-001*), the Susitna Matanuska Area Plan (*Land Classification Order SC-09-002*), and the Kuskokwim Area Plan (*Land Classification Orders SC 88-001 and the proposed SC-88-001A21*). The land use classifications within this project area include Agriculture Land, Forest Land, Mineral Land, Public Recreation Land, Resource Management Land, Settlement Land, Water Resource Land, and Wildlife Habitat Land. A classification table broken down by sections is included as Attachment C.

In general, the proposed land use is consistent with the land use classifications and management intent provided by the above plans. Furthermore, nothing in these plans prohibits the installation of a pipeline. Specifically, the Southeast Susitna Area Plan states, "When it is necessary for power lines, pipelines or roads to cross trails, crossings should be at a 90-degree angle. Vegetative screening should be preserved at trail crossings." (ADNR RADS 2008). The Susitna-Matanuska Area Plan states, "Pipelines may need to be constructed in this region. While there are no pipeline corridors designated in this Plan (this is a function of more detailed studies), there is nothing in this Plan that affects the placement of such facilities directly" (ADNR RADS 2011).

There are some finite sections of land crossed by the proposed alignment that were not addressed in the Kuskokwim Area Plan. RADS has proposed an amendment (SC-88-001A21) to the Kuskokwim Area Plan to classify previously unclassified state-owned and state-selected lands crossed by the ROW. A public comment period for this Amendment is being conducted separate from, but concurrent with this Preliminary Decision.

The pipeline is also proposed to cross the Susitna Flats State Game Refuge (SFSGR), designated by AS 16.20.036. The refuge is co-managed by the Alaska Department of Fish & Game (ADF&G) and DNR under the Susitna Flats State Game Refuge Management Plan. The refuge was established to protect fish and wildlife populations, and the use of those resources. Entry into the refuge for exploration and development of oil and gas resources is permissible when the uses are compatible. In order to ensure compatibility, Donlin will be required to submit an ADF&G Special Area Permit application for construction work within the refuge. Furthermore, whenever possible, Donlin is utilizing and co-locating project infrastructure with existing infrastructure in the refuge, including roads and former material sites.

### **Proposed Mineral Order (Closing)**

Most State-owned and State-selected lands within the proposed project area are open to mineral entry. Pursuant to AS 38.05.185(a) and AS 38.05.300(a), the Commissioner may close lands to mineral entry in excess of 640 acres if the closure is related to infrastructure or transportation

corridors, or projects in which mineral entry is an incompatible use that would adversely affect the proposed surface use. Proposed Mineral Order (MO) 1212 would close the ROW corridor, plus 100 feet on either side, to mineral entry and development. The MO is being noticed concurrently with this Commissioner's Analysis and Proposed Decision. Please see Attachment D for the draft MO and Commissioner's Administrative Finding, which includes a complete description of the MO.

#### **IV. Natural Resources Within the Proposed Right-of-Way**

##### **Introduction**

The Commissioner's Analysis and Proposed Decision must consider existing resources within the ROW area (AS 38.35.100). Below are summaries of those resources found within or adjacent to the project area.

##### **Cultural Resources**

Cultural resources include paleontological resources (fossils), and pre-historic and historic sites and districts. These resources are protected by a variety of legislation at the federal and State level. At the federal level this includes the Paleontological Resources Preservation Act (PRPA), the Archaeological Resources Protection Act (ARPA) of 1979, the Federal Cave Resources Act of 1988, the Antiquities Act of 1906, the Federal Land Policy and Management Act of 1976 (FLPMA), and the National Historic Preservation Act (NHPA) of 1966. The Alaska Historic Preservation Act (AHPA), AS 41.35.010, protects archaeological resources in Alaska.

The NHPA of 1966 established the position of State Historic Preservation Officer and the State's involvement with the Section 106 Review Process for the purpose of preserving archaeological sites. The Alaska Office of History and Archaeology carries out the responsibilities of the State Historic Preservation Officer. As the lead federal agency managing the Donlin Section 106 Review, the USACE is responsible for ensuring compliance with NHPA requirements.

##### **Iditarod Trail System**

The Iditarod National Historic Trail (INHT), designated as a historic route in 1978, consists of a main trail approximately 938 miles in length, and numerous connecting trails (BLM 2015). For purposes of the Section 106 review, the INHT is considered eligible for listing on the National Register of Historic Places (NRHP). The NRHP was authorized by the NHPA of 1966, and is the Nation's official list of historic places worthy of preservation. Donlin's initial application to DNR proposed to overlap the INHT for four miles, and to be within 1,000 feet of the INHT for an additional 10.5 miles. This proximity was roughly between pipeline mileposts 50 and 105, with an additional crossing of the trail near pipeline milepost 148. The proposal would have resulted in the pipeline crossing the INHT 13 times. In response to a wide range of public and

agency comments, Donlin reviewed the pipeline alignment, and made proposed changes to their routing in 2017. The "North Route" shifted the pipeline alignment north of the Happy River from roughly MP 84 to MP 112. This realignment reduced the project's impact to the INHT so that less than 0.1 miles of the pipeline would fall within the INHT 400-foot easement and the number of crossings was reduced to one in this area. Additionally, the proposed pipeline would not cross or coincide with the INHT on federal, Native Corporation-owned or other private land.

### **Fish, Wildlife, and Biotic Resources**

For support in this Analysis the ADF&G has provided information on significant species that can be found within, adjacent to, or passing through the project area. The contribution provided by ADF&G has been included in its entirety as Attachment E. Section VII (the analysis) addresses these resources in more detail in relation to the proposed Donlin Pipeline.

The pipeline ROW crosses the Cook Inlet, Skwentna, Yentna, and Kuskokwim drainages, and traverses hundreds of streams and rivers. Many of these waterbodies provide seasonal or year-round fish habitat for a wide range of fish species. The ROW crosses Game Management Units (GMUs) 16B, 19C, 19D, and 19A. Notable wildlife species in these areas include moose, caribou, Dall sheep, bison, brown and black bear, wolf, and other furbearers. Over a hundred species of birds are known to occur within or in proximity to the project area including multiple species of waterfowl, seabirds, loons, shorebirds, raptors, ptarmigan, and passerines.

### **Susitna Flats State Game Refuge**

The first five miles of the project area fall within the boundaries of the Susitna Flats State Game Refuge (SFSGR), which is a Legislatively Designated Area. It was established in 1976 (AS 16.20.036) with the designated intent of ensuring the protection of fish and wildlife populations, and for public use of those resources and their habitat (ADF&G 2016). It is managed jointly by the Alaska Department of Fish and Game and the Alaska Department of Natural Resources and management guidelines for the refuge can be found in the SFSGR Management Plan. The refuge hosts numerous species of migrating waterfowl and shorebirds such as cranes, swans, sandpipers, ducks, and geese, a variety of mammals such as moose, brown and black bears, beaver, mink, otter, muskrat, coyote, and wolf, and a range of salmon and other fish. The SFSGR also encompasses oil and gas infrastructure, private use cabins, commercial guide leases, shore fishery leases, easements for trails and utilities, and is adjacent to the Point MacKenzie agricultural developments.

### **Sport Fishing and Hunting**

The project area transects three ADF&G sport fishing management areas: the West Cook Inlet Unit, the Westside Susitna Management Unit, and the Upper Kuskokwim Management Area. Rivers within these areas where sport fishing is likely to occur include Alexander Creek, Lewis

River, Pretty Creek, Skwentna River and its tributaries, Happy River, and tributaries of the Kuskokwim River. Most waterbodies along the pipeline route are remote and accessible only by airplane or boat, and there is limited infrastructure to support sport fishing along most of the proposed corridor.

Hunting is known to occur in the vicinity of the proposed pipeline route including guided hunting, however specific hunting use data along the proposed pipeline corridor is limited. Harvest data for GMUs 16B, 19C, 19D, and 19A are summarized in Attachment E; species hunted include moose, caribou, wolf, black bear, brown bear, bison, and Dall sheep.

#### Commercial Fishery

There are no commercial fisheries in the immediate vicinity of the proposed pipeline corridor; however, the corridor crosses multiple fish streams that contribute to commercial fisheries downstream (ADF&G 2018).

#### Subsistence Use

There is the potential for subsistence harvest activities to occur anywhere within the project area. Studies undertaken by ADF&G from 2010-2014 indicate that three regions along the route have recently been used for traditional subsistence harvest: the eastern side of the Alaska Range, the Upper Kuskokwim area, and the Central Kuskokwim area. These regions correlate approximately to the communities of:

- Beluga, Tyonek, and Skwentna;
- McGrath, Nikolai, and Takotna; and
- Crooked Creek, Sleetmute, and Stony River.

Harvested resources include anadromous and resident fish, birds, bird eggs, mammals, plants, and berries. Specific breakdowns among these regions can be found in the ADF&G contribution (Attachment E).

#### Cover Types and Vegetation (Biotic)

The proposed pipeline route traverses three distinct vegetation types.

- The southern portion of the pipeline route (approximately 100 miles) consists of boreal forests containing mostly alder, birch, aspen, cottonwood, and black and white spruce interspersed with areas of marshes and bogs.
- The mid-section of the pipeline route (approximately 50 miles), as it enters the northern face of the Alaska Range, transverses a narrow area of transitional habitat which is important to a wide variety of wildlife. The transitional habitat is found at an elevation near the tree line where the ecosystem transitions into an area dominated by lichens,

moss, and shrubs, as well as grasses and sedges. These areas typically have less snow and offer better foraging for large mammals. Alaska's long winters and short summers are difficult for many species of wildlife and these habitats become snow free earlier in the spring. Every wildlife species using this area benefits from the effect. During certain times of the year, animals are known to concentrate in these habitats (ADF&G 2018).

- The north-western portion (approximately 150 miles) consists of arctic and alpine tundra areas that are distinguished by cold climates, short growing seasons, and low vegetation dominated by grasses, sedges, mosses, and lichens (SRK 2013).

### **Material Resources**

To date, no developed material (sand, gravel, and rock) extraction sites have been developed along the ROW, as the area is remote. As discussed in the project description, Donlin proposes to develop 47 material sites on State lands for use during pipeline construction and reclaim those sites after construction. Those locations could be made available to the public in the future, if designated as general material sites by DNR.

### **Mining Resources**

Mining has been a historic activity within the region near the Donlin Gold mine site and proposed pipeline. The historic Red Devil Mine, an abandoned mercury mine located on the Kuskokwim River, is approximately 33 miles southeast of the Donlin Gold mine. The gold rushes of the late 1800s and early 1900's were the impetus behind the development of the Iditarod trail system. Mineral resources and possible extraction sites exist in many regions of the state, including the Alaska Range and western Alaska near the proposed pipeline route. Adjacent to the pipeline alignment near PLMP 98, BRI Alaska, Inc has exploration claims, and a private individual holds a mining claim crossed by the pipeline in the Susitna Flats State Game Refuge. Other mining exploration companies and individuals have claims within 30 miles from the pipeline ROW, in several parts of the Alaska Range.

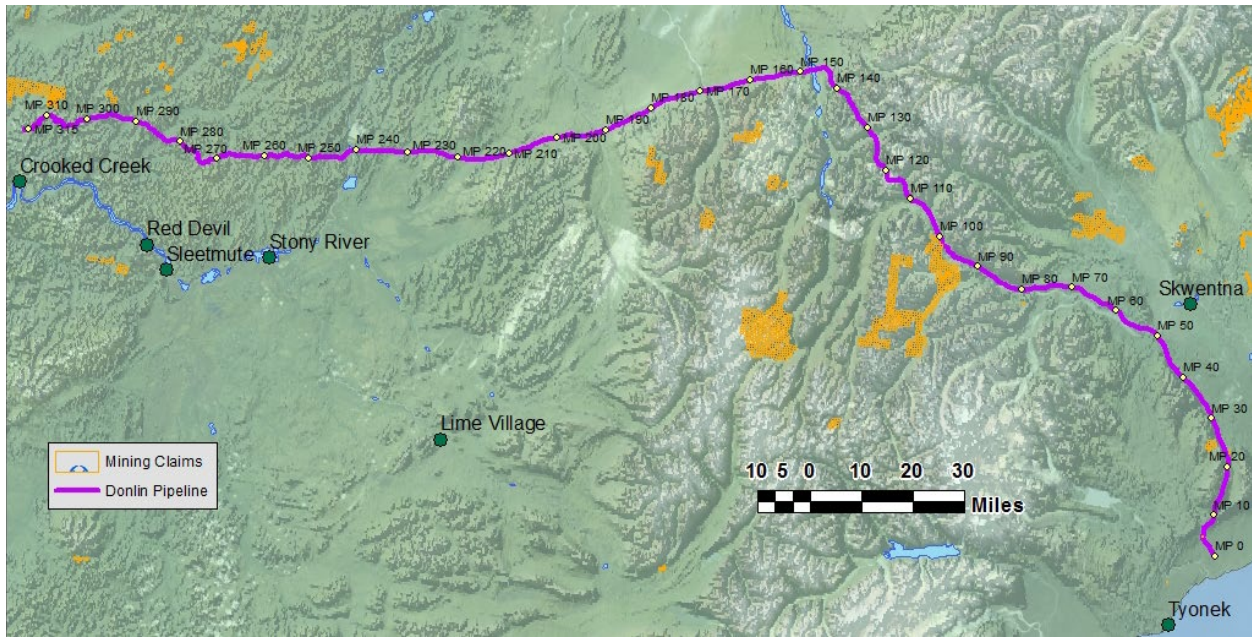


Figure 2: Mining Claims Near Pipeline

### **Oil and Gas Resources**

The pipeline ROW crosses thirteen lease sale tracts, four active Oil and Gas leases including one oil and gas storage lease, and the Pretty Creek Unit. All the affected lease sale tracts and leases are in the Cook Inlet sale area, near the origin of the pipeline. No proposed lease tracts or units are located along the remainder of the ROW.

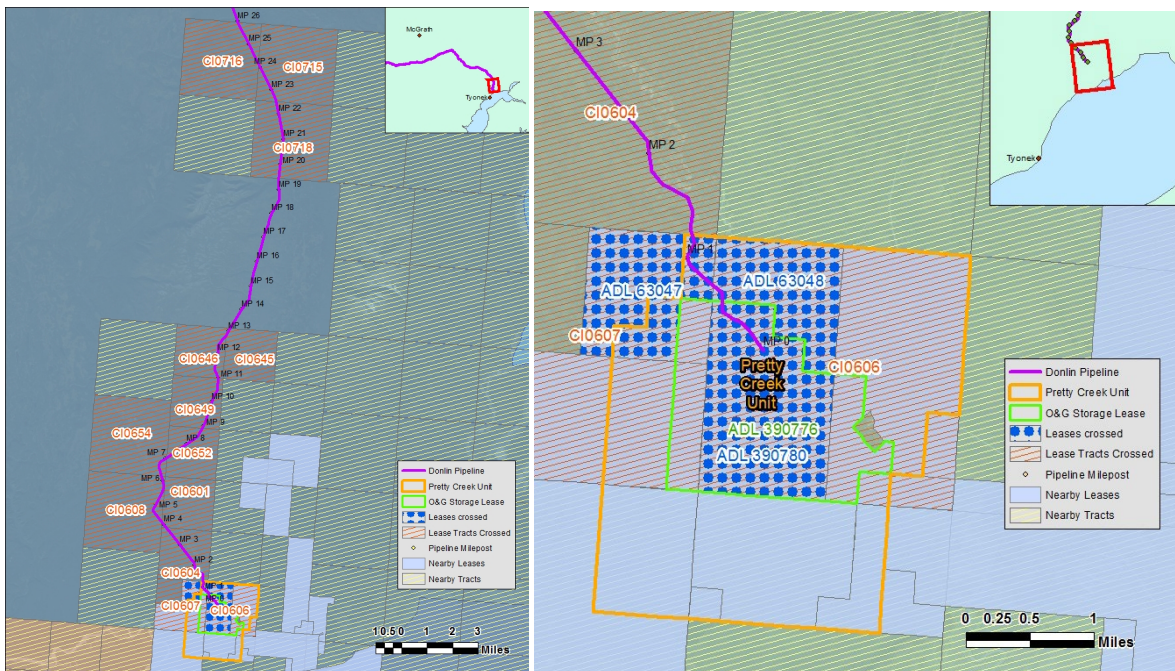


Figure 3: Oil and Gas Lease Interests

### **Timber Resources**

The pipeline ROW crosses through several forested areas which could include merchantable timber, however, no timber sales are scheduled within or near the project area.

### **Water Resources**

The pipeline intersects one water reservation at the Skwentna River which is held by ADF&G. The certificate of water reservation is for stream flows within the Skwentna River and its tributaries from the Yentna to the Talachulitna.

## **V. Technical Capability of the Applicant**

A review by DNR engineers is included with this document as Attachment F. For information about the reviewed documents, relevant codes, and other engineering issues, please see the attachment.

### **Proposed Pipeline Design**

The design of the pipeline would be in accordance with U.S. Department of Transportation (USDOT) regulations in the Code of Federal Regulations (CFR), title 49, section 192. The pipeline is proposed as a predominantly buried 14" diameter pipeline, with above-ground sections at the compressor station, pigging facilities, fault crossings, and as required by geotechnical design considerations in portions of the alignment through the Alaska Range. The system would also include main-line valves, cathodic protection, leak detection, and supervisory control.

The cleared area within the construction ROW would involve a working side and a spoil side, on either side of the pipeline. The trench will be backfilled after pipe installation, and stabilization, rehabilitation, and reclamation activities would be performed concurrently with installation work or as soon as conditions allow.

The proposed pipeline would tie into the Beluga Pipeline at MP 0 and would consist of a concrete valve vault around the Beluga Pipeline that would house the hot tap and tie-in valve. The terminus, at the mine plant site, would include a pig receiver, a meter building, and connections to the communications center at the mine site. The second pigging facility would be located at a pad on land owned by Cook Inlet Region, Inc. (CIRI) near Farewell (near PLMP 157).

The pipeline would be designed with a maximum rate of approximately 73 mmscfd, with a minimum pressure of 550 pounds per square inch gauge (psig) and a maximum allowable operating pressure of 1,480 psig. The pipeline has capacity for additional gas supply if needed in

the future. A compressor station is proposed at MP 0.4, within an unmanned facility on approximately 1.5 acres. The compressor facility would include fully automated equipment operated by a remote-control system, and would be enclosed within a 10-foot high chain link fence for site security. An existing permanent road (within SFSGR) would provide access to the compressor station site.

### **Waterbody Crossings**

The proposed pipeline is expected to cross approximately 300 streams and rivers. The pipeline would be buried a minimum of four feet below the bed; in some cases the burial is expected to be at least 10 feet below the bed. The depth of burial is chosen to protect the pipeline from damage in the case of scour or waterbody movement, as well as to minimize exposure and impediments to spawning and fish passage. Burial methods for the pipeline would depend on the timing and location of the installation. Crossing method alternatives include horizontal directional drilling (HDD), open-cut dry flume, open-cut dam and pump, flowing water open-cut, non-flowing water open-cut, or small creek crossing. The preferred method for crossing each waterbody is determined by reviewing several criteria, such as the size of the waterbody, flow rate at time of construction, the technical feasibility of the crossing method, environmental or engineering concerns, and presence or absence of fish species in the waterbody. Crossing techniques may be updated for specific locations closer to construction. Please see section nine of the Design Basis and Criteria for additional information concerning techniques for crossings. Drawings of typical waterbody crossing techniques are included in the Donlin Plan of Development, Appendix E.

### **Geophysical Factors**

The proposed Donlin pipeline may be impacted by geophysical factors such as earthquakes and geological faults. Planning for geophysical stress is a large component of the engineering challenge for this pipeline.

#### **Earthquakes**

There are two active faults that the pipeline route crosses that have been identified: the Denali-Farewell Fault near MP 148-149 and the Castle Mountain Fault near MP 7-8. Displacement at these faults is expected to be horizontal rather than vertical. The engineering design for crossing these two faults proposes to place the pipeline above-ground on low supports, in a similar fashion to the Trans-Alaska Pipeline System (TAPS) crossing of the Denali Fault between Glennallen and Delta Junction. Each of the two crossing sections would be approximately 1,400 feet in length.

Earthquakes are a common occurrence in Alaska. According to the Alaska Earthquake Information Center, there were 37,762 seismic events in 2016; the largest quake that year was a magnitude 7.1 on January 24, 2016 in Cook Inlet (Dickson 2017). Earthquakes such as the 2014

6.3-magnitude earthquake epicentered roughly 20 miles west of Skwentna, close to the proposed pipeline location, could be expected. The frequency and magnitude of earthquakes in proximity to the pipeline will continue to be considered in pipeline design and safety planning.

### Geology and Soils

In addition to seismic concerns, geologic hazards include issues such as slope instability, frost heave, thaw settlement, avalanches, icing (aufeis), riverbank erosion or channel scour, landslides, and erosion. Soil along the proposed pipeline route consists primarily of glacial till, glacial outwash, alluvial sands and gravels, colluvial slope deposits, lacustrine/bog silt and clay, and weathered residual bedrock (SRK 2013). Donlin's preliminary pipeline design considers soil conditions, and refinement of the design will continue to include appropriate measures.

### Permafrost

Permafrost conditions, particularly north of the Alaska Range, are a major consideration for the pipeline design. Analysis of permafrost risks to pipelines, particularly in discontinuous permafrost in this area led to a number of engineering and alignment choices, including the use of strain-based pipeline design. The U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) has approved this proposed strain based design method through a special permit, PHMSA-2016-0149.

## **VI. Financial Capability of the Applicant**

The Commissioner's Analysis and Proposed Decision must consider whether an applicant has the financial capability to transport oil, natural gas, or other products in Alaska consistent with the present and future public interest (AS 38.35.100). Donlin submitted their audited financial records for the years 2012-2017. DNR examined these financial statements, as well as other available information, to assess the applicant's financial capability to construct, operate, and maintain the pipeline, and restore, rehabilitate, and revegetate the ROW to the satisfaction of the Commissioner.

### **Background**

Donlin Gold LLC is a limited liability company with 50/50 ownership by Barrick Gold U.S. (Barrick) and NovaGold Resources Alaska, Inc. (NovaGold), as shown in Figure 4. The LLC was formed in 2007 as Donlin Creek LLC, and changed its name to Donlin Gold LLC in 2011. The project would be owner financed, and would be wholly owned by Donlin.

Donlin estimates the total materials and construction cost for the natural gas pipeline to be \$783.4 million. Annual operation costs are estimated to be less than \$3.2 million (SRK 2013).



Figure 4: Donlin Gold Ownership Structure

### **Financial Review**

Donlin Gold LLC has submitted financial statements for themselves, Barrick Gold Corporation, and NovaGold Resources Inc. for 2015, 2016, and 2017. An independent auditor's statement confirmed these statements were prepared in accordance with generally accepted accounting principles in the US.

DNR reviewed the financial statements and associated documents which were used to calculate several financial metrics to evaluate Donlin's overall financial capability. The following financial metrics were considered:

- Current Ratio (Current assets/current liabilities): measures a company's ability to convert assets into cash in the near term.
- Cash Flow/Debt: measures a company's capability to meet financial obligations in the short term.
- Debt/EBITDA and Debt/Equity: measures a company's capability to meet financial obligations in the coming years. (EBITDA stands for earnings before interest, taxes, depreciation, and amortization)
- Altman Z-Score: combines several financial ratios and scores into single score to assess a company's financial condition.

This review also considered other factors, including but not limited to, infrastructure, location, resource to be transported, estimated cost for Dismantlement, Removal, and Restoration

(DR&R), and the company's ability to secure financial assurances (i.e. bonding or other form) for the proposed project.

## **VII. Analysis of Application and Proposed Right-of-Way**

### **Fit, Willing and Able Standards**

In accordance with AS 38.35.100, the Commissioner is required to determine whether an applicant is fit, willing, and able to construct and operate a pipeline in the State of Alaska. If the Commissioner makes a favorable determination, then a ROW lease may be offered to an applicant. To make that determination, there are four standards the Commissioner must measure an application against; existing uses of the land, technical capability of the applicant, financial capability of the applicant, and the hiring of Alaskan residents. Below is the analysis of these standards regarding the Donlin application.

#### **Standard 1: Existing Uses**

The Right of Way Leasing Act requires that the Commissioner consider the existing uses in relation to the proposed pipeline project. This portion of the document identifies potential conflicts and, where necessary, discusses measures to mitigate these conflicts. The ROW lease incorporates required mitigation measures as stipulations that are effective during construction, operation, maintenance, and termination of the pipeline.

**Evaluation:** Existing uses of State-owned lands within and adjacent to (up to 2 miles) the project area include: commercial recreation authorizations, remote cabin staking areas and subdivision parcels, personal use cabins, easements, public access, grazing leases, mining claims, oil and gas leases, and use of other natural resources. General information about the natural resources, community use and other existing conditions in and near the proposed project area can be found in "III. Land Status of Proposed Leasehold" on page 10, and in "IV. Natural Resources within the Proposed Right-of-Way" on page 13.

#### **Commercial Recreation Authorizations**

The project area does not cross any State-issued authorizations for commercial lodges or guide sites. However, lodges a few miles out from the proposed ROW may be indirectly affected by construction and operation activities. Indirect impacts to lodges and commercial operations could include increased air traffic, possible construction noise or dust, impacts to scenic views, and alterations in animal movement patterns to avoid construction. Once constructed, the buried pipeline should need minimal maintenance and only cause minor disturbances. As these guide sites are not co-located within the proposed ROW lease, there are no specific stipulations that offer mitigation. However, coordination with adjacent stakeholders will be addressed in the Third Party Interests plan required by lease stipulation 2.2, which must be approved prior to NTP.

Remote Cabin Site Staking Areas and State Subdivisions

The Donlin ROW crosses the Johnson Creek Remote Recreational Cabin Site (RRCS) Staking Area, the proposed Shell Hills II RRCS project area, and the closed Happy River RRCS project area. These areas are not currently open for staking, and no conveyed parcels are transected by the project area. The pipeline also crosses through the Shell Hills State land sale subdivision, and eight conveyed parcels are located within 300 feet of the proposed pipeline. These parcels may be indirectly affected by the construction of the pipeline. Two unsold parcels within the Shell Hills subdivision are transected by the project area and will be subject to the ROW lease should they be offered at some point in the future. As long term impacts to these areas are considered minimal, no specific mitigation is proposed.

Personal Use Cabins

No personal use cabins are crossed by the pipeline ROW, but some are located within one mile of the pipeline ROW. These cabins may be indirectly affected by construction activities similar to the impacts to lodges and commercial operations addressed above. Coordination with personal use cabins in the area will be addressed in the Third Party Interests plan required by lease stipulation 2.2, which must be approved prior to NTP.

Access

*Trail Easements:* Easements are in place in some areas for the INHT, which are issued to ADOT&PF or the Division of Mining, Land and Water (DMLW) Southcentral Regional Land Office (SCRO). A wide range of unofficial public trails exist along the ROW, and are permissible under Generally Allowed Uses of State land. Donlin will coordinate with ADOT&PF and SCRO about these easements as part of the Third Party Interests plan (lease stipulation 2.2).

*Utility Easements:* The Donlin ROW crosses the Beluga gas pipeline near the origin of the pipeline, and is very close to Chugach Electric power lines in the same area. Lease stipulation 2.8 requires that Donlin must protect existing infrastructure and utilities. Any damages caused by Donlin to improvements must be promptly repaired by them to a condition that is reasonably satisfactory to the Commissioner.

*Section Line Easements:* Numerous section line easements exist within the project area. These easements do not prohibit the development of a pipeline ROW. As pipelines and section line easements can reasonably be co-located, no specific mitigation is proposed; however, if Donlin is concerned that a specific aspect of their project (such as a check valve) is not compatible with the development of a section line easement, Donlin has the option to apply for vacating the easement.

### Grazing Resources and Authorizations

The pipeline ROW does not cross any current State-authorized grazing leases. However, temporary access roads to the ROW cross a proposed grazing lease roughly 11 miles south of Skwentna.

Coordination with the grazing lessee will be addressed under the Third Party Interests plan required by lease stipulation 2.2, which must be approved prior to NTP. Additionally, lease stipulation 2.8 (Exhibit A of the ROW Lease) requires that Donlin must protect existing infrastructure and utilities. Any damages caused by Donlin to improvements on the grazing lease must be promptly repaired to a condition that is reasonably satisfactory to the Commissioner.

### Cultural Resources

Field surveys commissioned by Donlin identified 13 Alaska Heritage Resources Survey sites near or along the proposed pipeline alignment. Ground disturbing activities could damage or destroy these or undiscovered archaeological and paleontological resources within the leasehold.

Donlin and affected parties, including the State Historic Preservation Office (SHPO), USACE, affected tribes, and cooperating agencies, participated in the Section 106 consultations to determine the potential for adverse effects, and mitigations. The Section 106 consultation process led to a collaborative development of a Programmatic Agreement (PA) to address expected effects to cultural and historic resources (36 CFR 800.5). The PA is a plan to preserve and protect historic, prehistoric, and archaeological resources that may be discovered as a result of the project. The PA establishes guidelines to avoid, minimize, and mitigate damage to known and unanticipated resources, in compliance with federal and State rules such as the AHPA. The PA was completed, effective June 28, 2018, and includes the Donlin Cultural Resources Management Plan. DNR requires compliance with the PA under stipulation 2.12 of the ROW lease.

*Iditarod Trail:* The proposed pipeline will cross or be in close proximity to the Iditarod National Historic Trail (INHT), a recognized historic resource and important access corridor. The trail is used commercially by the Iditarod Trail Sled Dog Race, the Iron Dog Race, and the Iditarod Trail Invitational. It is also used as local access for residents in the region, and for hunting and fishing access for residents and visitors to Alaska. The trail has historical and cultural sites along its roughly 2,300-mile length, some of which are near the proposed pipeline route.

The INHT would be impacted by the pipeline where it crosses or is near the trail, particularly during pipeline construction. The pipeline is proposed to be buried along the affected sections of the Iditarod Trail, so the pipe itself would not be visible to trail users. Check valves and pipeline markers will be located so they will not impede safe use of the trail. Trail access during phases

of construction could be blocked or impacted by construction activities, but alternative access must be established by Donlin in those circumstances, as required by lease stipulation 2.7.

The cleared ROW would be a visual change from the historical setting, and any above ground components, such as trail markers and check valves, would also be visual. The INHT is currently cleared by the Iditarod Trail Committee and others, and was historically graded and cleared through the efforts of the Alaska Road Commission as a means to improve access to mines and communities developed during the Gold Rush era. Continued improvements to the trail are in keeping with its historic role as an access route to mineral resources in Alaska.

To minimize overall impacts to the INHT, Donlin re-located their pipeline alignment from approximately MP 84 to MP 112, north and east away from the trail. Further mitigation and compensatory measures for impacts to the INHT were negotiated as part of the Section 106 process and are outlined in the PA. The compensatory actions include photographic and video documentation of the trail, construction of shelter cabins, visual impact minimization, and creative mitigation projects that include INHT brush clearing, sponsorship of iTREC training, providing interpretive kiosks, maintaining new shelter cabins, or other projects as proposed during annual consultation meetings, as outlined in the PA. The mitigation measures and restrictions should ensure that the proposed pipeline, if approved, shall not unreasonably conflict or interfere with this important Alaskan landmark. Compliance with the PA is required by lease stipulation 2.12.

#### *Fish, Wildlife, Bird, and Biotic Resources*

*Susitna Flats State Game Refuge:* The Susitna Flats State Game Refuge is a legislatively designated area with a stated purpose of protection of fish, game, and habitat, and the enhancement of public enjoyment of those resources. The proposed pipeline would begin at a tie-in with the existing pipeline in the Susitna Flats State Game Refuge, and run north through the refuge following the existing gravel, 100-foot-wide, all-seasons Pretty Creek Road. The pipeline crosses approximately 5 miles of refuge lands, and some forest and shrub lands would need to be cleared for pipeline installation and maintenance. The compressor station for the pipeline is proposed within the boundaries of the Susitna Flats State Game Refuge, on an existing gravel pad.

The pipeline ROW within the SFSGR is proposed predominantly along an existing, partially-cleared road corridor to minimize the disturbance to lands of the refuge. Likewise, the compressor station is proposed on a previously-disturbed site near the origin of the pipeline to minimize disturbance of new lands, and to minimize maintenance traffic through the refuge. After consultation with ADF&G, Donlin has proposed a minimal (roughly 1.5 acre) footprint for the compressor station layout. The compressor station will be located within an insulated building to minimize noise disturbance from the machinery, and will be surrounded by a gated

fence to protect wildlife, refuge users, and facility infrastructure. Lastly, after consultation with ADF&G, Donlin reconsidered power generation for the compressor station and now plans to power the station on-site using natural gas rather than installing an almost 9-mile electric transmission line from Beluga to power the facility.

A roughly 0.4-mile electric transmission line would be buried from the compressor station to the metering station at the tie-in with an existing natural gas pipeline. Utilizing existing infrastructure corridors such as the existing Chugach Electric lines and the Pretty Creek Road is consistent with the SFSGR goals to minimize expanding footprints. Activities within the SFSGR must be approved by DNR and ADF&G, who jointly manage the lands.

*Fish:* The greatest potential for impacts to fish occurs during construction. Many of the rivers and streams along the route provide seasonal or year-round fish habitat for spawning, foraging, rearing, refuge, and/or migratory use. Most of the proposed stream crossings will be done using an open cut trench in the stream bed. This can impact fish and fish habitat by causing stream sedimentation, bank erosion, disruption to migration, mortality to fish eggs in the gravel, loss of riparian vegetation, and changes to overwintering areas. At HDD crossings, temporary excess stream sedimentation and turbidity from pressurized drilling muds entering the watercourse could occur in the unlikely event of a frac-out. To help reduce risks associated with HDD crossings, lease stipulation 2.2 requires Donlin to create and enact an HDD Practices, Contingency, and Resource Protection plan. Additional impacts may be caused by water withdrawals and discharges into water bodies, blasting activities near streams, insertion and removal of temporary culverts, and impacts from ice bridges such as damming or ponding during breakup. Post-construction, impacts will largely relate to stream sedimentation and erosion as the pipeline ditch stabilizes, and bank restoration efforts become established. Other potential impacts include sedimentation and erosion from vehicle crossings for inspections and restoration, or increased public access.

ADF&G and DNR worked together on the development of lease stipulations 3.7.1 and 3.7.2 to ensure specific protections for fish. Both agencies will review applicable construction plans for compliance with these stipulations before DNR issues an NTP for construction. Additionally, lease condition 17 requires Donlin to obtain all necessary authorizations from other agencies, including Title 16 ADF&G permits. Between the two agencies, mitigation for impacts to fish are proposed to include:

- All pipeline and vehicle crossings of fish streams, water withdrawals from fish-bearing water bodies, bank restoration/stabilization in fish streams, and placement of culverts and bridges in fish streams require a Title 16 Fish Habitat Permit from ADF&G. Blasting near fish streams may also require a Title 16 permit from ADF&G, and must be approved in writing as required by lease stipulation 3.8.

- In consultation with ADF&G, additional HDD sites may be identified during final project design.
- Construction techniques should minimize in-water work that increases sedimentation, and any significant damage to streambanks should be repaired and revegetated as soon as practicable, in consultation with ADF&G and following the approved construction plans, per lease stipulation 4.6.2.
- Disturbance to fish spawning beds, fish rearing areas, and overwintering areas shall be avoided, unless otherwise approved (lease stipulation 3.7.2)
- Water should be discharged in a manner that minimizes erosion and sedimentation in waterbodies that contain fish (lease stipulation 3.7.1), and ice crossings should be breached or weakened following completion of use (lease stipulation 3.4.4) to reduce potential impacts to stream banks and to minimize disruption of movements of fish.
- Vehicle crossings are preferable during frozen conditions; summer crossings should be made during low flows at areas with gently sloping banks.

*Wildlife and Birds:* During construction, multiple activities have the potential to adversely impact birds and wildlife, through noise, vibration, lighting, disruption of movements, attraction to artificial food sources, and human presence or interaction. These can disrupt animal movements, force animals to abandon habitat, disturb hibernation, or make animals more susceptible to predation. Pipeline trenches can become a barrier to movement as well as a hazard for entrapment. Camps could adversely affect birds and wildlife through attraction to food or waste, noise, and human interactions. Over the life of the pipeline, impacts to birds and wildlife from brush clearing, maintenance, and inspections include increase noise, as well as potential increases in human and wildlife interaction. In addition, the ROW may provide increased hunting access. This could result in long-term changes in patterns of hunting use and increased user conflict.

ADF&G and DNR worked together on the development of lease stipulations 3.7.3 and 3.7.4 to ensure specific protections for wildlife. Both agencies will review applicable construction plans for compliance with these stipulations before DNR issues an NTP for construction.

Additionally, lease condition 17 requires Donlin to obtain all necessary authorizations from other agencies, including Title 16 ADF&G permits. Between the two agencies, mitigation for impacts to wildlife and birds are proposed to include:

- Reducing or minimizing unnecessary noise during construction, including avoiding blasting during sensitive life stages of wildlife (lease stipulations 3.2.4 and 3.8).

- Providing cross-ROW access during pipe stringing during migration seasons and for resident animals during non-migratory periods (lease stipulation 3.7.3).
- Following a Wildlife Avoidance and Human Encounter/Interaction plan at construction camps and worksites (lease stipulation 2.2).

*Biotic- Transitional Habitat:* As the proposed pipeline route enters the northern face of the Alaska Range (PLMP 150-194) it transverses a narrow area of transitional habitat which is important to a wide variety of wildlife. Potential project impacts include short term displacement of animals during construction as well as long term changes in hunting patterns due to a cleared ROW through this habitat (ADF&G 2018).

To address the sensitive nature of the impacted transitional habitat, additional attention will be focused on the review of the construction plans for this spread, as well as oversight of the restoration and revegetation in the area during and after construction. Important mitigation measures include, but are not limited to, consideration of migratory patterns of wildlife, developing strategies to prevent or minimize entrapment (lease stipulation 3.7.3); revegetating disturbed areas as soon as practicable, using best management practices, and considering thermal and soil density conditions in restoring areas of permafrost (lease stipulation 3.6). Once constructed and revegetated, the buried pipeline should present minimal change to the wildlife in the area.

*Invasive species:* The proposed pipeline route crosses mostly undeveloped tracts of Alaska with few documented invasive species. Construction projects can be vectors for the introduction and spread of invasive species, which can sometimes explode in numbers and disrupt natural communities and ecological processes.

As part of the NEPA process, Donlin has committed to developing an Invasive Species Prevention and Management Plan to reduce or eliminate the spread of invasive species. Seed mixes, if used on cleared areas, will be carefully formulated and controlled to reduce the potential for invasive species from these sources. The plan will address control and prevention through inspection, cleaning, site preparation, and monitoring, and will be used in conjunction with the Stabilization, Rehabilitation, and Reclamation Plan which is required by lease stipulation 2.2.

#### Materials Resources and Authorizations

There are no issued authorizations for material extraction within or adjacent to the project area, and no economically marketable materials are known to be in the area. Should there be public interest in any of the material sites utilized by Donlin during construction, a separate designation under AS 38.05.550(b) from the DNR DMLW SCRO would be required. Material will be sold in accordance with current State regulations, as required by stipulation 2.15.

### *Mining Resources and Authorizations*

There are two existing mining claims adjacent to or within the proposed leasehold. Additional mining claims are close to the construction ROW, particularly in the Puntilla Lake area. Should Mineral Order 1212 be issued, no further mining claims may be established within the leasehold and its surrounding buffer so long as the ROW lease is active. The southwestern and interior regions of Alaska have historic mineral exploration, and exploratory ventures are ongoing in areas from 6 to 30 miles away from the ROW; activity in the Donlin corridor should not impact the mineral development potential of these ventures. Coordination with existing claim holders will be addressed under the Third Party Interests plan required by lease stipulation 2.2, which must be approved prior to NTP.

### *Oil and Gas Resources and Authorizations*

Oil and gas leases issued to Hilcorp are active in the Beluga area, near the pipeline origin. During construction, traffic across these leases could impact oil and gas activities. During operations, traffic along Pretty Creek Road to maintain the compressor station could impact oil and gas lease activities.

Lease stipulation 2.8 requires that Donlin must protect existing infrastructure and utilities. Any damages caused by Donlin to improvements must be promptly repaired by them to a condition that is reasonably satisfactory to the Commissioner. Construction impacts will be addressed in the Third Party Interest plan required by lease stipulation 2.2.

### *Timber Resources and Authorizations*

Timber cut within the project area would be available for public use, used by Donlin for construction and reclamation, or destroyed as authorized by the appropriate authorities and outlined in the Timber Clearing and Utilization Plan (lease stipulation 3.10). Use or disposal of merchantable timber would follow the policies of the DNR Division of Forestry.

### *Water Resources and Authorizations*

The pipeline would cross one water right reservation near MP 50, at the Skwentna River; the crossing should not impact the water right. One potential water extraction site for construction has been identified in the area of this reservation. Any water withdrawals from the Skwentna River by Donlin will be reviewed to ensure they do not conflict with the existing reservation. Two additional extraction sites along proposed supply roads also coincide with existing water right authorizations.

Donlin water uses are anticipated for construction only. Each water withdrawal location requires permits from DNR, ADEC, and, if fish are present, from ADF&G. A DNR Temporary Water

Use Authorization is required for each of these sites, which will contain stipulations relating to protection of the existing water authorizations. Lease section 1(b) requires that Donlin follow all applicable laws and regulations.

During construction, Donlin will provide protection of water resources by utilizing a variety of winter construction techniques, minimizing the number of stream crossings, using HDD where appropriate, adhering to any water discharge permit requirements, maintaining surface hydrology where possible, and implementing dewatering practices that prevent adverse impacts on vegetation and surface waters. These protections will be detailed within the Construction Plan required by lease stipulation 2.2. Additionally, lease stipulation 4.6.2 requires that methods of stream crossings shall be approved by the Commissioner prior to initiation of construction.

**Summary:** The Donlin Pipeline crosses multiple existing third party interests authorized by the State. The Donlin project does not create an unreasonable conflict with existing uses as impacts are expected to be temporary and/or non-restrictive.

The draft lease and stipulations (Attachment A), in addition to other State and Federal requirements, contain substantial mitigation measures to protect existing uses of the land and to mitigate possible conflicts with existing and future uses. Before issuing an NTP, which is necessary for construction under the terms of the lease, the State will review and accept detailed plans outlining how specific measures to protect third party interests, cultural resources, and natural resources will be implemented. A full list of plans can be found in lease stipulation 2.2.

If issues arise after the lease has been issued, DNR retains the authority to implement specific mitigations that may alleviate conflicts, such as but not limited to lease section 20 "Right of the State to Perform", lease section 22 "Temporary Suspension", and lease stipulations 2.16 "Written Authorization", stipulation 2.5 "Changes in Condition", and stipulation 2.10 "Health and Safety".

The Commissioner is satisfied that the proposed Donlin Pipeline will not result in an unreasonable conflict with existing uses of the land involving a superior public interest.

### **Standard 2: Technical Capability**

The Right-of-Way Leasing Act requires that the Commissioner consider whether or not the applicant has the technical capability to protect State and private property interests. From a pipeline management perspective, important protection factors include the development of comprehensive design, construction, and operation requirements and plans, with an emphasis on safety, quality, and efficient operation.

**Evaluation:** The draft lease (Attachment A) has multiple required plans, programs, and documents intended to mitigate problems or issues that may arise from the proposed project.

Most of these plans, programs, and documents must be approved prior to the issuance of the Notice to Proceed (NTP) for construction.

The engineering documents include:

- Design Basis and Criteria (lease stipulation 4.4)
- Final Design of the Pipeline (lease stipulation 4.10)
- Quality Management Program (lease stipulation 2.4)
- Construction Plans (lease stipulation 2.2)
- Surveillance and Monitoring Program (lease stipulation 2.17) (prior to operations)

### Design Basis & Criteria

The Design Basis includes, but is not limited to, the design criteria, functional and technical requirements, reports, maps, sketches, and drawings, including the basis for project siting. The project may impact the physical environment through erosion, sedimentation, ice formation, mass wasting, thawing of permafrost areas, and the disruption of surface and ground water flow; a thorough Design Basis considers the pipeline's interactions with these conditions and must include the means to protect pipeline integrity via appropriate design. The DNR engineers have accepted the draft design basis submitted with the Donlin application.

### Final Design

A final design of the pipeline has not been completed at this time. Prior to issuing an NTP for construction, Donlin must submit a final design to DNR for review and approval, as required by lease stipulations 2.1 and 4.10. As with the Design Basis, the Final Design must include sound pipeline design, to mitigate likely hazards to the pipeline or environmental safety.

### Construction Plans

As part of the NTP process, lease stipulation 2.2 requires Donlin to submit construction plans for approval to address other issues as relevant to a construction spread, such as:

- Erosion and Sedimentation Control
- Groundwater Control
- Fish and Wildlife Protection
- Hazardous Materials and Substances Management
- Health, Safety, and Emergency Preparedness
- Restoration and Revegetation of Disturbed Areas
- Fire Prevention, Suppression, and Management
- Invasive Species Management

Plans will be reviewed and approved prior to issuance of an NTP.

### Quality Management Program

Donlin will develop a comprehensive Quality Management Program (QMP), required by lease stipulation 2.4, to document how Donlin will ensure the safety and integrity of the pipeline, and how they will keep track of their compliance with the lease and stipulations. Donlin is required to develop and implement a maintenance program to detect, prevent, and abate situations that endanger health, safety, the environment, or the integrity of the pipeline. The QMP requirement may be satisfied by the PHMSA-required Operation and Maintenance Plan (49 CFR 192). The QMP must be submitted to DNR for approval before DNR would issue an NTP.

### Surveillance and Monitoring Program

Donlin will develop a Surveillance and Monitoring Program, as required by lease stipulation 2.17, for operations, maintenance, and termination of the pipeline to identify and address procedures to make sure all operations are performed in a safe manner and that all applicable health and safety laws and regulations are followed to minimize or eliminate hazards to the safety of workers. Furthermore, baseline data regarding pipeline location shall be collected prior to startup, as required by lease stipulation 4.5.2, for use in monitoring any pipeline movement during operations. The program must be approved before start-up will be authorized.

**Summary:** The review of the applicant's technical documents concluded that the preliminary design of the Donlin Gold Pipeline has been designed using acceptable practices, standards, and norms of design for a natural gas pipeline. The proposed preliminary design meets the technical requirements of the lease application.

The Commissioner is therefore satisfied that Donlin has the technical capabilities to protect State and private property interests if the above listed documents, plans, and programs are finalized in compliance with lease stipulations.

### Standard 3: Financial Capability

The Right-of-Way Leasing Act requires that the Commissioner consider whether or not the applicant has the financial capability to protect State and private property interests, prevent significant environmental impacts, undertake restoration and revegetation actions, protect subsistence activities, and pay reasonably foreseeable damages arising from the project.

**Evaluation:** Donlin and its parent companies, have been determined to be financially fit, willing, and able to perform the pipeline construction, operation, and maintenance, and to restore, rehabilitate, and revegetate the ROW. The financial requirements listed below are required by the Commissioner to protect the State's interests. These requirements will be

required to be in place before Donlin can begin the construction of the pipeline. After construction, DNR will reevaluate the level of financial assurances provided for operations before Donlin can commence startup of the pipeline. To ensure continuing compliance, DNR will monitor Donlin, Barrick, and NovaGold's financial capability during the life of the project and may adjust these conditions if necessary, as provided by lease section 11.

**Summary:** The Commissioner has found that Donlin, through Barrick and NovaGold, has the financial capability to comply with the financial standards of AS 38.35.100(a)(2) – (4) if the following conditions are met:

- *Financial assurances during construction:* Bonding, calculated using the Standardized Cost Reclamation Estimator (SRCE), or another acceptable form of financial assurance will be put in place during construction activities to cover the cost to reclaim disturbed State lands to the satisfaction of the Commissioner (may be approved by construction segments, if appropriate).
- *Financial assurances during pipeline operations:* Bonding, calculated using SRCE, or another acceptable form of financial assurance will be put in place prior to startup to ensure that any pipeline obligations, including Dismantlement, Removal, and Restoration (DR&R), can be fulfilled by the State of Alaska if Donlin defaults on its lease obligations.
- *Insurance:* Donlin will be required to obtain and furnish liability and property damage insurance from a company licensed to do business in the state, with the State of Alaska listed as an additionally insured, for the life of the project.
- *Corporate Guaranty:* Donlin will provide DNR with a guaranty wherein Donlin irrevocably and unconditionally guarantees to the State the full performance, fulfillment, and satisfaction of all duties, obligations, and liabilities of Donlin arising under or pursuant to the ROW lease, for the life of the project.

**Standard 4: Hiring of Residents**

38.35.100(a)(5) requires the applicant and their subcontractors to comply with all applicable laws regarding the hiring of Alaskan residents.

**Evaluation:** Section 34 of the lease requires the lessee to comply with all applicable laws and regulations regarding hiring State residents. Section 10 of the lease requires the Lessee's subcontractors to abide by all terms of the lease. By signing the lease, Donlin will agree to this standard and the conditions established.

**Summary:** The Commissioner is satisfied that Donlin will comply with the standards of AS 38.35.100(a)(5).

### **Fit, Willing, and Able Determination**

The Commissioner must consider a variety of factors within the scope of AS 38.35 before determining if an applicant is fit, willing, and able to construct, operate, maintain, and terminate an AS 38.35 pipeline in Alaska.

**Evaluation:** Transportation of hydrocarbons results in significant contributions to the general welfare of the people of Alaska. It is the State's policy that the development, use, and control of a pipeline transportation system be directed to make the maximum contribution to the development of the human resources of the state, increase the standard of living for all its residents, advance existing and potential sectors of its economy, strengthen free competition in its private enterprise system, and protect its incomparable natural environment.

The purpose of the Donlin Pipeline is to transport gas to a region of the state otherwise lacking in affordable bulk power generation. In order to develop their proposed mine, Donlin must provide a source of energy for their operations. Western Alaska has been limited in economic opportunity and access to fuel-supply infrastructure. Natural gas is a cleaner-burning fuel source, chosen by Donlin to minimize impacts to the environment to the extent possible while also providing the heat and energy generation needed for the development of Alaska's mineral resources in a remote region of the State.

Comments received from the public during the public notice of application period, and at the hearings held by DNR, indicated that there is interest in potential take-offs from the line by smaller communities in Interior and Western Alaska. Those proposals are not a part of this project review, but the project would bring natural gas much closer to communities such as McGrath and Crooked Creek.

The construction of the Donlin pipeline would involve approximately 650 jobs during the peak of construction, and approximately 4 full-time jobs during operations. The cost to construct the pipeline is estimated at \$783.4 million dollars, and estimated annual cost of operations is \$3.2 million per year. Donlin has been encouraging local training programs to ensure that Alaskans have the skills needed, should approvals be granted and the project be built, and shall comply with applicable laws and regulations regarding the hiring of residents of the State.

The draft Donlin Pipeline ROW Lease includes covenants, stipulations, and other requirements as described in AS 38.35 or determined necessary to protect the interests of the residents of the State of Alaska. Design and routing considerations have been made to protect natural resources, and mitigate impacts where unavoidable. Stipulations to ensure protection of the public, fish, wildlife, and the environment are incorporated into the Lease.

The ROW does not unreasonably conflict with existing uses of the land involving a superior public interest. The ROW does not create an exclusive right of surface use for Donlin, and

access after construction would not be prohibited except as established by the applicable landowner. Impacts to existing trails, section line easements, and any other authorized access routes should be minimal during operations, and accommodations would be made during construction of the pipeline. The ROW will affect subsistence resources during construction, largely through wildlife disturbance, but should have minimal long-term impacts on subsistence harvests or access to subsistence areas.

Donlin has been determined to have the technical capability to protect State and private property interests. Their designs to date have considered a wide range of issues relating to pipeline integrity, such as construction in discontinuous permafrost. Design and construction techniques such as HDD have been considered and will be applied as appropriate. Final pipeline designs will be submitted for review and acceptance by DNR prior to issuance of an NTP. Designs must comply with conditions in the lease. Additional plans, including the Quality Management Program and Surveillance and Monitoring Program, will be required during the construction and operations phases of the pipeline.

Donlin, through its parent companies Barrick and NovaGold, has been determined to have the financial capability to protect State and private property interests. Donlin will furnish a financial assurance package that includes guaranties, liability insurance, and other measures such as bonds to cover performance issues or DR&R. The precise form of the financial assurances that may be required will be finalized as the construction plans and NTP submittals are developed and reviewed. The Commissioner shall require that financial assurances are in place prior to issuance of the NTP.

**Conclusion:** The Commissioner has reviewed and considered the applicant's proposal as described in their application and supporting documentation. This right-of-way lease is a benefit to the people of Alaska. All standards have been or will be met upon issuance of the lease. Continued compliance will be monitored by the Division throughout the life of the lease. The Commissioner has determined the applicant meets or exceeds the requirements of AS 38.35 and other applicable standards and is fit, willing and able to perform the transportation of natural gas to the Donlin Gold Mine.

### **COMMISSIONER'S PROPOSED DECISION AND ACTION**

Based on the foregoing, the Commissioner reaches the preliminary conclusion that the applicant is fit, willing and able to construct, operate, maintain, and terminate the proposed Donlin Pipeline under an AS 38.35 ROW lease as presented and described in their application and supplemental information. This preliminary conclusion is subject to further consideration of all comments submitted during the course of the public comment period for this decision. As such, the Commissioner directs that the following actions be taken:

1. DNR shall make copies of this Commissioner's Analysis and Proposed Decision available at cost to any member of the public requesting copies.
2. DNR shall solicit written comments and provide for public hearings regarding the leasing of State land for the Donlin Pipeline (ADL 231908). To solicit public comments, DNR will place public notices on the State's public notice web site, the Division's web site, in newspapers of general circulation, and will request that post offices in Anchorage, Bethel, Aniak, McGrath, Skwentna, and Tyonek publicly post it, along with public libraries in the near vicinity of the project. The Matanuska Susitna Borough, local governments, local ANCSA corporations, and Native Tribal governments will also be notified. Public hearings will be held at the locations listed on page ii. Written comments must be received by DNR on or before 5:00 p.m. on March 22, 2019.
3. Following completion of the public comment period, and consideration of all comments received, the Commissioner will make a final determination on the ROW lease application under AS 38.35.100.
4. Should the ROW lease be issued, the Commissioner shall close to new mineral entry those State lands adjacent to and included within the ROW lease to mineral entry under MO 1212. In accordance with AS 38.05.250, the Commissioner finds that the best interests of the State of Alaska and its residents are served by issuing the mineral order. At the same time the lease is issued to Donlin Gold LLC, the Commissioner shall issue Mineral Order 1212.
5. Should the ROW lease be issued, Donlin will be required to obtain Notices to Proceed from DNR before initiating any construction of the Donlin Pipeline or its related facilities.



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Corri A. Feige, Commissioner  
Alaska Department of Natural Resources

January 24, 2019  
Date