

SENATE FINANCE COMMITTEE
January 17, 2019
9:02 a.m.

[9:02:03 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Lyman Hoffman
Senator Peter Micciche
Senator Donny Olson
Senator Mike Shower
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Corri Feige, Commissioner, Department of Natural Resources; Senator Cathy Giessel; Senator Shelley Hughes; Senator Chris Birch; Chantal Walsh, Director, Division of Oil and Gas, Department of Natural Resources; Pascal Umekwe, Commercial Analyst, Division of Oil and Gas, Department of Natural Resources; Sara Longan, Deputy Commissioner, Department of Natural Resources.

SUMMARY

DEPARTMENT OF NATURAL RESOURCES: PRODUCTION HIGHLIGHTS, PERMITTING ISSUES, and STATUS of DEVELOPMENT ON NORTH SLOPE

DEPARTMENT OF NATURAL RESOURCES: PRODUCTION FORECAST

^DEPARTMENT OF NATURAL RESOURCES: PRODUCTION FORECAST

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CORRI FEIGE, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, introduced herself. She stated that she would present the Fall 2018 Production Forecast; and an activity update on the North Slope and permitting processes related to that. She noted that it was extremely important to the Department of Natural Resources (DNR) that the committee was provided with the most accurate and concise information possible. She understood the gravity of the committee's work. She noted the testifiers who would be discussing various aspects of the presentation.

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CHANTAL WALSH, DIRECTOR, DIVISION OF OIL AND GAS, DEPARTMENT OF NATURAL RESOURCES, introduced herself.

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PASCAL UMEKWE, COMMERCIAL ANALYST, DIVISION OF OIL AND GAS, DEPARTMENT OF NATURAL RESOURCES, introduced himself.

Mr. Umekwe discussed the presentation, "Fall 2018 Production Forecast: Senate Finance Committee" (copy on file). He looked at slide 2, "Outline":

- Overview and Highlights on Production
 - Fall 2018 forecast: Comparing recent actuals vs forecast
 - North Slope Projects Highlights
 - Fall 2018 forecast: The State's Overall Production Outlook
- 2018 Production Forecast
 - Objectives
 - Overview of Methodology
 - Current Production, Under Development, Under Evaluation
 - Near-term and longer-term results

Mr. Umekwe addressed slide 3, "Fall 2018 Production Forecast: FY 2019 Outlook." The slide showed a comparison with the forecast and the actual production. He noted that the actual production was approximately 501,569. He remarked that it only addressed the first five months of the current fiscal year.

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Mr. Umekwe highlighted slide 4, "Overall Perspective: North Slope":

- Production is relatively flat:
 - FY15 to FY17 increase in production (2-3 percent per year)
 - FY17 to FY18 decrease in production (1.5 percent)
- Recent Major Changes in Production
 - Prudhoe Bay Unit
 - Non-rig workovers □increase active well count
 - Reservoir modeling □identifying targets
 - Facilities modeling □planning maintenance
 - Doing more with less □operational efficiency
 - Kuparuk Unit
 - DS-2S (Sharks Tooth)
 - 1H-NEWS
 - Colville River Unit
 - CD5
 - GMT1:
 - First oil Oct 2018
- Future Projects coming in:
 - Near future:
 - Milne Point Moose Pad, CD5 Expansion, GMT2
 - Farther out:
 - Exciting discoveries moving forward (Pikka, Willow)
 - Old discoveries now moving forward (Liberty)

Mr. Umekwe looked at slide 5, "20-Year Production Outlook: Production Categories":

- Currently producing (CP) fields remain backbone of state oil production in near and medium term. Near term projects under development (UD), often within existing fields, impact 12-month outlook.
- Future fields (UE), which are currently being evaluated by operators, begin to play a more significant role in production in the next 5-6 years

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Mr. Umekwe discussed slide 7, "Fall 2018 Forecast Objectives":

- Provide a 10-year official production forecast for the State's Revenue Sources Book
- Maintain focus on near-term accuracy
 - More emphasis on most recent history in projections for the near future
 - Include seasonal changes in production to improve near-term view
- Increase focus on longer-term accuracy
 - Ensure product is valid for longer-term projections, based on individual field characteristics and operator plans
 - Apply engineering constraints to ensure realistic projection of near-term production characteristics into the out years

Mr. Umekwe looked at slide 8, "Production Categories - Definitions":

Forecast duration: 10-year official forecast

- Currently Producing (CP): online by 6/18
 - Oil from existing wells in currently producing pools
 - Under Development (UD): < 12months
 - Oil from projects that will add incremental oil to existing fields, or fields with first oil within one year
 - Projects in Plan of Development document, often scheduled and part of operator's annual budget
- Under Evaluation (UE): >12 months
 - Oil from projects likely to occur in the future, but which have not met the requirements of the previous category

Mr. Umekwe highlighted slide 9, "Production Categories: Addressing Uncertainty":

- Currently Producing (CP) fields:
 - Relatively small uncertainty range due to established behavior of producing pools
 - Probabilistic Decline Curve Analysis projections
 - Projects Under Development (UD):
 - More uncertainty than CP

- o Uncertainties include financial and reservoir performance risks
- o Probabilistic type wells
- Projects Under Evaluation (UE):
 - o More uncertain than CP and UD
 - o Financial risk: using project breakeven price and State official price forecast
 - o Other uncertainties include
 - Chance of occurrence in the 10-year forecast window
 - Timing; start of sustained production
 - Production profile/reservoir performance (probabilistic type wells)

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Senator Wielechowski queried the aspects that were considered when examining the projects that were under evaluation. He wondered whether there was an examination of net present value or internal rates of return. He asked specifically the types of internal rates of return and net present values to determine whether a project should move forward. He wondered whether there were disputes between DNR and the industry.

Mr. Umekwe replied that there was consideration of those factors. He shared that for some of the projects, there were discussions of the break-even price. The break-even price included a "full-blown cash-flow model", which included the expected rate of return and expected spend to get the production online. He stated that ultimately, when a breakeven price was derived, the model would allow consideration of the future of the project.

Mr. Umekwe looked at slide 10, "Continued Focus on Both Short- and Long-Term Forecast Accuracy":

- DOG Forecast maintains balanced focus on near and long term accuracy, and continues to evaluate underlying assumptions for its short and long term outlook on each field
- This approach is important for the forecast to continue to serve multiple purposes
 - Near-term accuracy required to support the State's near-term budgeting goals

- Long-term accuracy required to support State's long term revenue projections and decisions around long-term fiscal picture
- Field level accuracy required for realistic assessment of impact of near-and long-term development plans on non-state land (NPRA development, etc.)

Mr. Umekwe highlighted slide 11, "Near-Term Focus":

- Ensuring clearest possible outlook in the near term
 - Near term guidance is based on the most recent pool information, operational practices and performance
- Emphasis is placed on near-term production to capture impacts of scheduled maintenance/turn-around events
- Probabilistic Decline Curve Analysis weighted toward recent production history
- Full credit to planned UD production
 - Makes for more accurate near-term production forecast and helps account for rate additions due to field efficiency improvements

Mr. Umekwe addressed slide 12, "Near-Term Focus: North Slope":

- Ensuring accurate forecasts in the near term to support revenue planning in the next fiscal year
- Also, tracking observed monthly production variations

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Mr. Umekwe highlighted slide 13, "Realistic Long-Term Projection":

- Attention to realistic long-range outlook for the fields reflecting field development plans
- Decline Curve Analysis on current production emphasizes recent history but also considers previous history of the fields
- Engineering judgement is applied to honor field development and reservoir engineering constraints
- Future projects that add to production in out years are based on current project definition, project characteristics and uncertainty analysis

Mr. Umekwe looked at slide 14, "Comparing Long-Term Projections":

- Fall 2018 Forecast: Producers' outlook/forecast falls within DOG production forecast range

Mr. Umekwe discussed slide 15, "Increasing Uncertainty as New Fields/Projects Come Online." He noted that there was uncertainty in the out years. He remarked that the out years had many projects. He stated that the discussion would be related to range, and the high/low sides.

Co-Chair Stedman surmised that there should not be an expectation of a million barrels per year, but there should be an expectation of 500,000 barrels per year for the foreseeable future.

Mr. Umekwe replied that it was a fair statement. He looked at slide 15, and noted that the best estimate was somewhere around 500,000 barrels of oil per day. He noted that there was a chance that there could be several hundred thousand barrels per day, but stressed that it was often not the case. He stated that some projects were delayed, or may not be as strong as expectations. He remarked that future production could only be in the terms of the bounds of the possible outcomes going forward.

Mr. Umekwe addressed slide 16, "Projects Under Evaluation, Medium to Long Term." He noted the slide showed a map of the different land ownerships across the North Slope, and the different projects that were considered in the Fall 2018 Forecast. He remarked that the projects in the yellow section were in federal land; the pink section was the Artic Slope Regional Corporation (ASRC) mineral interest; and the blue section was state-owned land. He stated that most of the projects were within the state section of the central North Slope. He remarked that there were some projects that were as far flung to the west as Smith Bay, which were within state waters; but that area was very far away from available infrastructure, resulting in substantial cost in effort to bring production.

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Mr. Umekwe looked at slide 17, "Risked Under Development/Evaluation Projects." He noted that, even at

the peak, production was somewhere close to 200,000 barrels of oil per day, which was additional to the production. He noted that it was additional to the declining base production level. He remarked that it could not be easily seen as an addition to today's 500,000 barrels of oil per day; rather whatever production would be like at the point of the peak. He noted that, overall, it was an exciting time when seeing all the projects to sustain production. He felt that there should be a strong emphasis on current projects; and those that could bring projects online as quickly as possible. He thanked the members of the team who conducted the work within the resource evaluation section of the division, and the commissioner.

Senator Wielechowski queried the range of internal rates of return that DNR considered a project to be profitable.

Mr. Umekwe responded that the cost of capital was an important component that companies examined before project investment. He acknowledged that it could change in time, because money may be given. He stressed that there was not a tight range, rather there was a wide range. He furthered that it was probably somewhere around 10 to 15 percent rate of return, depending on the company.

^DEPARTMENT OF NATURAL RESOURCES: PRODUCTION HIGHLIGHTS, PERMITTING ISSUES, and STATUS of DEVELOPMENT ON NORTH SLOPE

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Commissioner Feige stated that there would be an update on permitting and activity in DNR.

Ms. Walsh discussed the presentation "Alaska Department of Natural Resources: Oil and Gas Outlook, and Permitting" (copy on file). She addressed slide 2, "Department of Natural Resources, Land Base and Ownership":

Land Base

- 586,412 sq. miles—more than twice the size of Texas
- Larger than all but 18 sovereign nations
- More coastline than all other 49 states combined
- More than 3 million lakes; half of world's glaciers
- Approximately 40 percent of the nation's freshwater supply

Land Ownership

- Federal Land: more than 200 million acres

- State Land: Approx. 100 million acres of uplands, 60 million acres of tidelands, shore lands, and submerged lands, and 40,000 miles of coastline
- Native Corporation Land: 44 million acres

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Senator Hoffman noted that the Native Corporation lands were considered private property. He asked how much additional land was considered private property in the state.

Ms. Walsh replied that it was approximately 1 percent.

Senator Hoffman queried the number of acres.

Ms. Walsh agreed to provide that information.

Senator Hoffman announced that the total acreage in Alaska was 365 million.

Ms. Walsh agreed to provide that information.

Senator Hoffman pointed out that the vast majority of private property in Alaska was native property.

Ms. Walsh looked at slide 3, "Department of Natural Resources, Land Life Cycle":

Secure lands and access from Federal Government.

Identify minerals and oil and gas prospectivity via Best Interest Findings.

Lease lands for exploration and development.

Permit programs to ensure conservation of resources and protection of state's lands and interests.

Manage production units and mines to protect state's royalty interests.

Approve and monitor reclamation and closure operation.

Ms. Walsh highlighted slide 4, "Department of Natural Resources, Oil and Gas Resource Potential":

North Slope

- More undiscovered, potentially recoverable oil than any other Arctic nation
 - OIL: Est. 40 billion barrels of conventional oil
 - GAS: Est. over 200 trillion cubic feet of conventional natural gas
- Untapped unconventional resource potential, including tens of billions of barrels of heavy oil, shale oil, and viscous oil, and hundreds of trillions of cubic feet of shale gas, tight gas, and gas hydrates

Cook Inlet

- Significant undiscovered resources remain
 - 19 trillion cubic feet of natural gas
 - 600 million barrels of oil
 - 46 million barrels of natural gas liquids

Senator Hoffman queried the number of undiscovered potential offshore of Alaska.

Commissioner Feige replied the numbers were "rolled up" figures that were provided by the United States Geological Survey (USGS) and the Bureau of Ocean Energy Management (BOEM). She agreed to provide the offshore number information.

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Ms. Walsh addressed slide 5, "Department of Natural Resources, Oil and Gas Outlook." She shared that the blue section showed the current leases in the North Slope. She announced that the white section represented available land. She stated that the green section showed the leases that were picked up during the lease sale. She shared that it was the third-highest revenue generating lease sale. She noted that there was not much land available for lease. She shared that it was the highest bid per acre, at nearly \$550 an acre. The total acres leased were 244,000 acres. She felt that the lease sale was a positive statement about oil and gas exploration in Alaska.

Ms. Walsh discussed slide 6, "Alaska Department of Natural Resources: Production Highlights." She shared two questions:

1. Why don't we see the big bumps of production from the projects that were forecasted in our future, when we look at our production forecast?

2. How is it that revenue for the state differs for where production is occurring, and by what companies.

Ms. Walsh highlighted slide 7, "State of Alaska, Royalty Rate." She stressed that revenue for the state is generated through two different sources: royalties and taxes. Royalties, which were administered through the Division of Oil and Gas were brought into the state, and 25 percent of that collection went to the Permanent Fund with the remaining 75 percent in the General Fund. Looking at the North Slope, there were four areas of difference for royalty. She noted the top of the slide, which was the offshore area. The offshore royalty rate was 16 and two-thirds. The state of Alaska, within the first three miles offshore, received 100 percent of that 16 and two-thirds; three to six miles out, the state received 27 percent of the 16 and two-thirds; and greater than six miles out, the federal government took the entire 16 and two-thirds. She looked at the state lands, which had royalty rates between 12.5 percent and 16 and two-thirds percent.

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Senator Wielechowski recalled that when the royalty rate exceeds 12.5 percent, there was a decrease in the tax rate.

Mr. Walsh was not aware of that. She was not an expert on tax. She stated that taxes varied by the actual companies and the price of oil

Co-Chair Stedman assumed that Senator Wielechowski was referring to the gross value of reduction mechanism embedded in the newer fields and areas, which did not directly target the royalties, but targeted a severance. In effect, if reduced the impacts of the newer fields.

Senator Olson wondered whether the ASRC contract with the state would change.

Ms. Walsh responded that 50 percent of the royalty rate at Natural Petroleum Reserve-Alaska (NPRA) went to the federal government, and 50 percent went to the mitigation fund.

Senator Olson wondered whether the five communities in the mitigation fund were within the North Slope Borough.

Ms. Walsh replied in the affirmative.

Senator Olson wondered whether there was discussion about that percentage changing.

Ms. Walsh stated that she was not aware of any discussions about changing that percentage.

Commissioner Feige furthered that there were a number of settlement agreements that governed the jointly managed lands. There were no discussions to change the percentage distributions.

Ms. Walsh looked at slide 8, "State of Alaska, 20-Year Production Outlook":

- Risked profiles (Includes risks of occurrence, start time and performance applied to success case profile)
- Legacy fields remain backbone of state oil production in near and medium term
- Future fields which are currently being evaluated by operators, begin to play a more significant role in production in the next 5-6 years

Ms. Walsh addressed slide 9, "State of Alaska, Analysis of Willow vs. Pikka." She stated that the Willow development resided on NPRA lands. The Pikka development was on joint state and ASRC lands. The model used for the analysis was built and supported by divisions, and the data was publicly available.

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Ms. Walsh looked at slide 10, "State of Alaska, Willow Development (Success Case)":

2019 WIO:
100 percent ConocoPhillips

Land Ownership:
Federal

Project Milestones (operator):

- 2019 Further Appraisal
- 2024 or 2025 First Oil

Project Scale (operator):

- Resource size (500 - 1100 mmboe)
 - Likely plateau (over 100 mbbls/day)
- Scenarios
- Graph 1: CPAI is a minimum taxpayer
 - Graph 2: CPAI is a net taxpayer

Tax Impacts:

- Expenditure
- Price

Potential to generate over \$8B - \$13B to SOA through 2040 (undiscounted)

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Co-Chair Stedman queried the year that it would be net cashflow positive to the state.

Ms. Walsh replied that it would be 2026

Co-Chair Stedman surmised that there should not be an expectation of helpful revenue in two years.

Ms. Walsh agreed.

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Co-Chair Stedman stressed that there was an immediate issue. He felt that the project would not assist in a current positive cashflow.

Ms. Walsh agreed.

Senator Wielechowski queried the cost to the treasury in the upcoming decade.

Ms. Walsh replied that there was a document submitted to the legislature that was the cause of why there was a collaboration with DOR. The biggest negative impact to that analysis, which looked at the \$75 per barrel, was Willow. Willow projected a build of a new facility.

Ms. Walsh looked at slide 11, "State of Alaska, Pikka Development (Success Case)":

2019 WIO:

51 percent Oil Search, 49 percent Repsol

Land Ownership:

83 percent State, 17 percent ASRC

Project Milestones (operator)

2018 Winter Appraisal (2 wells)

2019 - 2020 FEED

2021 - 2023 Development

2023 or 2024 First Oil

Co-Chair Stedman asked for a definition of "FEED."

Ms. Walsh replied with a definition of FEED: front end engineering design.

Ms. Walsh continued with slide 11:

Project Scale (operator):

Resource size (400 - 720 mmbbls)

Likely plateau (120 mbbls/day)

Co-Chair Stedman remarked that one still did deductions, but carried them forward.

Ms. Walsh agreed.

Co-Chair Stedman wondered what would occur with additional production.

Ms. Walsh replied that a \$60 per barrel would be similar to the ConocoPhillips example, and would be at a minimum taxpayer bracket. The right-offs would occur after first production.

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Senator Micciche noted that the Willow development had an estimate of 100,000 barrels per day. He noted the impact of the lack of royalty, yet less production over time with the same return to the state. He looked at Pikka, which showed a higher level of expected production with the advantage of royalties to the state, yet the same level of return. He wondered what he was missing in the calculation.

Ms. Walsh replied that there may be a typo in the presentation, and agreed to address the issue.

Co-Chair Stedman looked at Willow, and assumed that the charts included the net cash flow to the state, rather than cash flow to another entity.

Ms. Walsh replied that the Willow development had an orange and grey bar that were each revenues.

Ms. Walsh continued with slide 11:

Scenarios

- Graph 1: Min tax for extended time due to spent and loss carryforward (LCF)
- Graph 2: LCF impacts fewer years of tax

Tax impacts:

- No negative pre-production stream
 - Little to no tax production for early years
- Potential to generate over \$8B - \$13B to SOA through 2040 (undiscounted)

Senator Wielechowski asked for charts with a 10 percent discount rate.

Ms. Walsh agreed to provide that information.

Ms. Walsh stated that the correct number for Willow was 5 to 9, whereas Pikka was correctly indicated at 8 to 13.

Senator Micciche noted that there was a negotiation with the federal government, and the state lost significant royalties in the Alaska National Wildlife Refuge (ANWR). He wondered the administration was pushing for a change in the rates.

Commissioner Feige replied in the affirmative, and there was an introduction to the concept with the Department of the Interior.

[10:06:18 AM](#)

Co-Chair Stedman asked for a definition of "significant."

Ms. Walsh addressed slide 12, "State of Alaska, Royalty Analysis." She stated that there was an examination of the four different areas.

Commissioner Feige furthered that the 50 percent of the \$345 million for Willow would go into the mitigation fund. The result would be approximately \$300 per year.

Co-Chair Stedman stated that the number would be divided by five.

Commissioner Feige agreed.

Senator Wielechowski wondered whether the fields on the federal lands were eligible for the gross value reduction under the tax law.

Commissioner Feige replied in the affirmative.

Ms. Walsh hoped the questions had been addressed related to where production occurred on the North Slope.

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Ms. Walsh discussed slide 14, "State of Alaska, Status of Development":

- 2019 is expected to be the highest year in the last 20 years for exploration and production rig activity.

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Co-Chair Stedman queried DNR's opinion on the activities within the oil and gas industry.

Ms. Walsh responded that DNR was in a position to see jobs for individuals in the oil and gas industry, because of activity. She stated that exploration did not lead immediately to production, or money to the state general fund. She stressed that it was an exciting indication of the state's oil and gas.

Commissioner Feige furthered that part of the exploration uptick was because of Brookian play types. She stressed that there was excitement in the classification of the North Slope as a "super basin", because of the prolific nature of the resource.

Co-Chair von Imhof asked whether there were other factors that a company would invest in Alaska.

Commissioner Feige stated that, in her personal opinion, companies wanted a diverse set of projects in their portfolios.

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Senator Wielechowski asked how many exploration and production rigs were on the North Slope, and queried a comparison to Texas or North Dakota.

Ms. Walsh stated that the projected rig count for the 2019 season was upward of 15 rigs, which was the high in 2004. She felt that Alaska barely compared to the other states.

Co-Chair Stedman requested the historical rig count.

Ms. Walsh agreed to provide that information.

Ms. Walsh continued with slide 14:

- Pikka, Mustang, and Placer finds demonstrate great potential.
- New data suggests enormous potential in Nanushuk and Torok formations.
- Legacy fields including Prudhoe and Kuparuk have exceeded internal expectations through infield work.
- Smaller companies, like Caelus, BlueCrest and Armstrong, are engaging in exploration plans that will help maximize TAPS throughput into the future.
- New players, like Oil Search, indicate industry acknowledgment of large, viable fields that were unknown.

- Continuous work with North Slope communities, presidential administration, and Congressional delegation on Arctic energy policy and decision making that support responsible development (ANWR Coastal Plain, OCS, NPR-A)

Ms. Walsh discussed slide 15, "Department of Natural Resources, Status of Development." The slide showed a map of North Slope Oil and Gas Activity.

Co-Chair Stedman asked Ms. Walsh to provide further information pertaining to land ownership

Commissioner Feige commented that she would provide follow-up maps.

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Ms. Walsh highlighted slide 16, "Department of Natural Resources, Status of Development," which showed two maps. She noted that activity maps for Cook Inlet were also on the department website. She directed attention to the map on the left of the slide.

Commissioner Feige read slide 17, "Alaska Department of Natural Resources: Permitting Status." She stated that Ms. Longan would address the information.

SARA LONGAN, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, looked at slide 18, "State of Alaska, anatomy of a Large Scale Development Project":

- Statewide or regional impact - infrastructure development, economic growth opportunities
- Generally require long term leases or dedicated legal access such as easements in order to obtain project financing
- Lease/Unit Plan of Operations or Plan of Development
- Shorter term land use permits are necessary for construction
- Material sales for development
- Water Authorizations for development and operations

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Senator Bishop asked about water authorizations. He wondered if they were annual or if it was possible to do multiple year authorizations.

Ms. Longan replied that some of the water authorizations were annual, and there were tools for multi-year water authorization and use. She stated that there was a scientific process to analyze the available water, and monitored it over time based on the various companies' water needs.

Ms. Longan discussed slide 19, "Operating Efficiencies, Division of Oil and Gas":

Division of Oil and Gas

- Now includes the State Pipeline Section
- Average oil and gas permit timeline is 3 month
- Currently no permit backlog

Automation

- Electronic applications
- Continuous feedback loop with applicants
- Updated guidance documents available online

Co-Chair Stedman requested a comparison between Alaska, North Dakota, and Texas related to permitting timelines.

Ms. Longan highlighted slide 20, "Oil and Gas Resource Potential From Federal Managed Lands":

Tax Act - Coastal Plain Activity

- BLM to administer an oil and gas leasing program in the Coastal Plain of ANWR
- Section 200001 PL 115-97 requires at least 2 lease sales to be held by 2024
- Each sale must offer 400,000 acres of highest hydrocarbon potential, up to 2,000 surfaces acres of Federal land to support production and support facilities
- SOA Royalty 50 percent

NPR-A Activity

- Oil and Gas Leasing
- CPAI continued progress
 - CD-5 production
 - GMT-1 began production October 2018
 - GMT-2 and Willow Development
 - SOA Royalty 50 percent through NPR-A Impact Mitigation Grant Program

SOA authorizes water withdrawal; fish habitat permits for activities on federal lands

SOA consultation, shares expertise on tundra travel, air quality, reclamation, etc.

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Co-Chair von Imhof wondered whether there could be more than two lease sales.

Ms. Longan replied in the affirmative.

Co-Chair von Imhof queried the determination of the highest hydrocarbon potential.

Ms. Longan replied that it was utilizing oil resource estimates, with an understanding where there was high, medium, and low perspectivity in various major federal agencies.

Co-Chair Stedman handed the gavel to Co-Chair von Imhof.

Senator Wielechowski wondered whether the department was impacted by the current federal government shutdown.

Ms. Longan replied in the affirmative.

Senator Wielechowski requested an analysis of the impacts, and whether they were severe impacts.

Ms. Longan replied that the issues were on a sliding scale of impacts. She agreed to provide further information.

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Senator Shower wondering whether the data included other agencies. He asked whether it was an aggregate, or was there a possibility for the data to not be included.

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Ms. Longan replied that it was not included. She hoped to highlight other agencies permitting processes, for a possible collaboration to reduce delays on projects.

Co-Chair von Imhof handed the gavel to Co-Chair Stedman.

Ms. Longan discussed slide 21, "Federal Processes can Drive Timelines, NEPA." She wanted to address the length of time it took to receive an oil and gas permit.

Ms. Longan highlighted slide 22, "State/Federal Coordination is Key, Office of Project Management and Permitting":

OPMP coordinates permitting of natural resource development projects in accordance with AS 38.05.020(b)(9):

The commissioner may lead and coordinate all matters relating to the state's review and authorization of resource development projects.

- OPMP is located in the DNR Commissioner's Office
- OPMP coordination is voluntary, reimbursable services

Ms. Longan looked at slide 23, "Office of Project Management and Permitting, State Agency Coordination":

- Department of Environmental Conservation
- Department of Fish and Game
- Department of Natural Resources
- Department of Health and Social Services
- Department of Transportation and Public Facilities
- Department of Law
- Department of Commerce, Community and Economic Development
- Department of Labor and Workforce Development
- Department of Public Safety

- Department of Revenue
- Alaska Railroad
- Regulatory Commission of Alaska
- Alaska Oil and Gas Conservation Commission

Ms. Longan highlighted slide 24, "Office of Project Management and Permitting, State Agency Coordination":

- Army Corps of Engineers
- Environmental Protection Agency
- Bureau of Land Management
- Bureau of Ocean Energy Management
- Bureau of Safety and Environmental Enforcement
- DOT Pipeline and Hazardous Materials Safety Administration
- National Park Service
- U. S. Forest Service
- U. S. Fish and Wildlife Service
- National Marine Fisheries Service
- Federal Aviation Administration
- Occupational Safety and Health Administration
- U. S. Coast Guard

Ms. Longan addressed slide 25, "Communication Protocol, State Agency Coordination."

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Senator Bishop requested an update on the Arctic Strategic Transportation and Resources (ASTAR) Project. He wanted to take advantage of the royalty rate in Smith Bay.

Commissioner Feige replied that ASTAR was established approximately one year prior in DNR, and was still an active program. She shared that there had been a number of public meetings with villages and communities on the North Slope. She remarked that there was work planned for the coming season for evaluation of gravel resources within Natural Petroleum Reserve-Alaska (NPRA). She noted that, as projects and exploration marched west and east, gravel was a key resource. She added that water was also a key resource for construction of ice roads and ice pads during exploration season. She stated that ASTAR was currently focused on understanding the gravel resource to understand its availability for future development. She stated that the coming summer would focus on work that the Division of

Geological and Geophysical Surveys would be doing with gravel drilling.

Senator Bishop asked whether ASTAR was a priority for the current administration.

Commissioner Feige replied in the affirmative. She furthered that there was a critical need to understand the resources. She stated that it was important to move the program forward and gathering the information so that the state was "ahead of the power game."

Senator Micciche wondered why Alaska was excluded from a 2006 Gulf of Mexico Energy Security Act, where 37.5 percent went to gulf producing states. He noted that Alaska was excluded from that Act. He noted that Alaska was also excluded from the onshore federal revenues of 49 percent. He wanted to reignite the discussion around potential of the nonstate lands, which would have a long-term impact on Alaska.

Commissioner Feige agreed to provide that information.

Co-Chair Stedman announced that he would disperse the responses to the questions.

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ADJOURNMENT

[10:51:33 AM](#)

The meeting was adjourned at 10:51 a.m.