



January 20, 2015

**Decision of No Substantial New Information
2015 Cook Inlet Areawide Lease Sale**

Introduction

Under 38.05.035(e), a written finding that an oil and gas lease sale will best serve the interests of the state is required before the director of the Alaska Department of Natural Resources (DNR), Division of Oil and Gas (DO&G) may hold an oil and gas lease sale. The final written finding for the 2009-2018 Cook Inlet areawide oil and gas lease sales (Cook Inlet Final Finding) was issued on January 20, 2009.

Cook Inlet areawide oil and gas lease sales have been held annually under this final finding since 2009. Under AS 38.05.035(e)(6)(F), the most recent written final finding would be supplemented if the commissioner determined that substantial new information had become available to justify a supplement. To gather this information, public calls for new information have been issued each year since the final finding was issued. Supplements to the Cook Inlet Final Finding were issued on February 4, 2010, and on February 8, 2011.

On October 9, 2014, DO&G issued a Call for New Information regarding the 2015 Cook Inlet areawide oil and gas lease sale. The call requested interested parties to submit to DO&G substantial new information to supplement the most recent final finding for the area. The submission period ended on November 10, 2014.

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

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

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

In response to the Call for New Information, DO&G received two timely comments. Both comments referenced documents but did not include them. The information from the websites provided in the comments were reviewed and considered. The director has reviewed and considered all timely public comments and documents referenced with those comments.

Decision

The director finds that no substantial new information was received in response to the Call for New Information to justify a supplement to the Cook Inlet Final Finding.

Responses to Timely Public Comments

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

1. Chickaloon Village Traditional Council (Brian Winnestaffer, Transportation Department Director)

The Land Use Committee for the Chickaloon Village Traditional Council (Chickaloon) submitted the following comments.

1. ***Comment Summary:*** Chickaloon stated that it is concerned about the effects of discharges of drilling fluids and other chemicals on the fish and wildlife in the area (specifically beluga whales and salmon); that published data of historic spills indicate that dilution does not always solve the pollution problem; and that lease sales should not occur.

Director's Response: The Cook Inlet Final Finding discussed the effects of oil and gas activity on Cook Inlet and the beluga whale's status, as well as information on salmon status and uses. Chapter 8 of the Final Finding discusses the potential effects of discharges to the environment, and Chapter 9 includes mitigation measures that address safe handling, prevention, and response to discharges to the environment. Chickaloon did not provide reference information, and so the director was not able to review the studies mentioned.

Therefore, Chickaloon's comment does not provide substantial new information that justifies a supplement to the Cook Inlet Final Finding.

2. Dave Norton, P.E.

Dave Norton (Mr. Norton) submitted the following comments.

1. **Comment Summary:** Mr. Norton stated he is concerned with the continued and safe development of the state's resources in the Cook Inlet Region and that his comments are intended to address gaps in oversight of integrity management systems by regulators. He stated that the current Best Interest Finding identifies the federal Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006, and that this act has been superseded by the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011.

Mr. Norton stated that the Pipeline and Hazardous Materials Safety Administration published an advisory bulletin on employing performance metrics to evaluate integrity management programs. The following link to a website was provided in the written comment: <http://www.gpo.gov/fdsys/pkg/FR-2014-10-15/pdf/2014-24439.pdf>

Additionally, Mr. Norton recommended an asset integrity management plan be required by the state to assess and mitigate hazards associated with oil and gas activities. He referenced Texas' recently adopted regulations for integrity management requirements.

Director's Response: The Cook Inlet Final Finding states that lessees must comply with all applicable local, state and federal codes, statutes and regulations. The Cook Inlet Final Finding does not offer a comprehensive listing of the laws, statutes, or guidance documents that may be applicable to a lessee. Also, the new Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 is a federal law with which lessees must comply when appropriate.

Mr. Norton's comments reference a federal guidance document issued to remind operators of gas transmission and hazardous liquid pipeline facilities of their responsibilities under current regulations to perform evaluations of their Integrity Management programs using performance metrics. The advisory bulletin referenced in Mr. Norton's comment is not in the state's jurisdiction to enforce and, therefore, requiring compliance with its contents is not appropriate to include as a mitigation measure.

Currently the state does not require the submission of an asset integrity management plan, and because of the scope of such requirements, they would need to be promulgated through new regulation or statute.

Mr. Norton's comments may be considered for future best interest findings and if new regulations are promulgated, but do not justify a supplement to the Cook Inlet Final Finding.

2. **Comment Summary:** Mr. Norton stated that the section of the Cook Inlet Final Finding regarding geologic hazards discusses earthquakes, volcanic activity, flooding, erosion, and

other topics; and that leases should include a mitigation measure that specifically addresses the risk of development and prevention of damage to health, safety, and the environment.

Director's Response: The Cook Inlet Final Finding includes mitigation measures in Chapter Nine that address the geologic hazards that are presented in Chapter Three. The Cook Inlet Final Finding states that the risks from earthquake damage can be minimized by siting facilities away from potentially active faults and unstable areas, and by designing the facilities to meet or exceed national standards and International Building Code seismic specifications specific for Alaska. National industry standards help assure the safe design, construction, operation, maintenance, and repair of pipelines and other oil and gas facilities.

The current permitting process and applicable regulations address these hazards. Additionally, Mitigation Measure 1.g. in Chapter Nine states that pipelines, flowlines, and gathering lines must be designed and constructed to assure integrity against climatic conditions and geologic hazards. Therefore, this information does not justify a supplement to the Cook Inlet Final Finding.

Conclusion

The director has considered the comments submitted in response to the Call for New Information for the 2015 Cook Inlet Areawide Lease Sale, and finds that the comments do not provide substantial new information that justifies a supplement to the Cook Inlet Final Finding.

An eligible person affected by this decision may request reconsideration in accordance with 11 AAC 02. Any request for reconsideration must be received within 20 calendar days after the date of issuance of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to: dnr.appeals@alaska.gov.

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



Paul Decker, Acting Director, Division of Oil and Gas



Date

cc: Brian Winnestaffer, Chickaloon Village Tribal Council;
Dave Norton