Federal Lands Key Prize in Alaska Lease Sales

An oil prospect begins with a lease being purchased from the land owner for the right to explore and produce. Government lease sales are an indication of the health and vitality of the industry, as state and federal governments dominate Alaska land ownership.

The more robust leasing in Alaska comes from federal lease sales, both offshore and onshore. With a much less aggressive tax structure, and over 34% of the nation’s technically recoverable energy resources on federal lands, primarily offshore, this should come as no surprise. The Minerals Management Services (MMS) leased over 2.7 million acres in the Chukchi Sea on February 6. The federal government received $2,662,059,883 in bonus bids, or approximately $965/acre. Shell was the primary company placing 275 bids worth over $2.1 billion. AOGA members StatoilHydro and Eni Petroleum also participated.

The Bureau of Land Management (BLM) conducted an onshore lease sale of federal land in the National Petroleum Reserve – Alaska on September 24, leasing 1.6 million acres, and received approximately $19/acre for a total of almost $31 million, with the state of Alaska receiving 50% - or $15.5 million. Although the sale was delayed from 2006 and several key areas were removed due to environmental lawsuits and challenges, it did produce the largest number of acres leased in an individual sale for the BLM with participation from six different companies, including AOGA members Anadarko and PetroCanada.

Since 1959, the State of Alaska has conducted over 120 lease sales. Ten years ago, the state’s Oil and Gas Division created a program known as areawide leasing, which allows for consistent and predictable lease sales. The 2008 lease sales ended the first 10 year period of the program. The state is now in the process of updating the Best Interest Findings for the state’s oil and gas regions. These Best Interest Findings will set the course for the next 10-year leasing period.

This past year, 388,140 acres of state land were leased in areas of the Cook Inlet, North Slope and Beaufort Sea and the state received approximately $30 per acre for $11.7 million in bonus bids. The most recent state lease sale occurred on October 22, and netted the state 77% of their total bids for the year. For complete results of this sale and all state lease sales you can visit, http://www.dog.dnr.state.ak.us/oil/.

As companies look to 2009, the state will offer lease sales in May and October and the MMS is preparing for sales in the Beaufort Sea and Cook Inlet.
Her name is Donna Douglas and she came to Alaska in the early 1980’s looking for adventure. Now she is a financial analyst at BP working in Anchorage. BP has been a great fit for Donna. “I love working for BP,” she says, “that’s why I’m still here. We have good people and a good culture.” Part of that culture is flexibility – “When you work here you have the ability to move around within the organization,” she says.

Donna commutes daily from Wasilla to Anchorage. She participates in the Share-A-Ride Vanpool program, which is designed to reduce congestion and improve air quality. She shares her van with employees from Providence Alaska Medical Center and CH2M Hill. They pay a monthly fee that covers the rental of the van and includes insurance, maintenance and fuel costs.

She enjoys commuting. “On the way to work you can take the time to prepare yourself,” she says. “A commute is your own time. You can relax and listen to music.” The ride back is also a good chance to unwind and get ready for “your second job with the kids.”

We asked Ms. Douglas what she’s seen on her commute over the years. Two of her favorite sights are sunrise and moonrise. During fall and spring migrations, there are “flocks and flocks of uncountable geese.” Her advice for commuters who want to maximize their commute? “Give yourself time so you can slow down and enjoy the ride.”

Given that Ms. Douglas works with numbers every day we thought it might be a good idea to ask her for a favorite. “I love all numbers,” she says, declining to choose one in particular. But word to the wise – in summer softball she chose a double factorial of 6, the highly-composite, semi-perfect #48.
harvests in 1999 would not have begun to occur until the last four years. In addition, NMFS has not developed a reliable method to count juveniles which are difficult to detect due to their gray color in glacier-silt laden waters. This leads to inaccurate and generally lower population counts. Thus, sound science would dictate that sufficient or adequate time be given to allow for the population to recover from harvesting in the late 1990’s and better counting methods to be employed.

Numerous studies have been conducted in Cook Inlet to determine if industrial activities adversely impact the species and there has been no evidence of negative impacts related to oil and gas production activities. Of particular interest was a study of 70 tissue samples from Cook Inlet beluga whales in which NMFS found that though the belugas “inhabit a region of higher anthropogenic development than the beluga from the Arctic, they do not have higher loads of PCBs and chlorinated pesticides, and for some compounds, apparently have lower concentrations.”

As a result of the beluga’s endangered status, any federal agency that funds or authorizes activities in the Cook Inlet will now have to consult with NMFS to determine whether such activities will adversely affect the whales.

This will not only include the operations of AOGA’s members, but the Port of Anchorage and Port MacKenzie projects, the Knik Arm Bridge proposal, municipality wastewater utility plant operations, and commercial fishing. While economic and community development will be burdened with permitting delays, higher project costs, and increased litigation risk, there appears to be no direct corresponding benefit to the Cook Inlet beluga whale population. There is no sound science detailing a causal link between changes in beluga whale populations to oil and gas, or any other industrial activities for that matter; therefore, the current endangered species listing is unjustified.

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**Technology Spotlight**

**Pad Size and Corresponding Subsurface Drillable Acres**

*Improvements in drilling technology on the North Slope over the past 30 years have significantly reduced the surface footprint while expanding the subsurface drillable area, as shown in these illustrations.*

<table>
<thead>
<tr>
<th>Year</th>
<th>Pad Size</th>
<th>Drill Site Size</th>
<th>Subsurface Drillable Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>20 acres</td>
<td>1 mile</td>
<td>502 acres (.08 sq miles)</td>
</tr>
<tr>
<td>1980</td>
<td>16 acres</td>
<td>2 miles</td>
<td>2,010 acres (3.1 sq miles)</td>
</tr>
<tr>
<td>1985</td>
<td>12 acres</td>
<td>6 miles</td>
<td>18,096 acres (28.3 sq miles)</td>
</tr>
<tr>
<td>1999-present</td>
<td>6 acres</td>
<td>8 miles</td>
<td>32,170 acres (50.3 sq miles)</td>
</tr>
</tbody>
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AOGA Member Spotlight

Chevron

What year did Chevron come to Alaska?
Chevron began exploration efforts as early as the 1930's. Chevron has enjoyed a major presence in the Cook Inlet since 1957, when it was instrumental in the discovery of the Swanson River oil field.

Where does Chevron operate in Alaska?
In Cook Inlet, Chevron operates McArthur River Field, Trading Bay Field, Granite Point Field, Happy Valley, Grayling Gas Sands, West Side Gas Fields and Swanson River. Chevron also has joint venture interests on the North Slope (Kuparuk, Endicott, Prudhoe Bay) and in Cook Inlet (Ninilchik Unit, Beluga River).

Where else does Chevron do business?
Chevron’s subsidiaries conduct business in approximately 180 countries. Chevron operates across the entire energy spectrum exploring for, producing and transporting crude oil and natural gas; refining, marketing and distributing fuels and other energy products; generating power; designing and marketing large-scale energy efficiency solutions; and commercializing the energy resources of the future, including biofuels and other renewables.

How many employees does Chevron have in Alaska?
Chevron’s exploration and production operations in Alaska include approximately 380 full-time employees and 210 full-time contract workers.

What is Chevron’s production in Alaska?
Net production of approximately 34,000 BOEPD.

What type of exploration plans does Chevron have for Alaska?
Chevron plans to complete its second season of exploration drilling in the White Hills prospect on the North Slope this winter.

Chevron Steelhead Platform.