

Mt. Spurr Geothermal Workshop

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Statutory Background



Alaska State Constitution

- **Article VIII, § 1. Statement of Policy**

It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

- **Article VIII, § 2. General Authority**

The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.



Geothermal Statutes and Regulations



- **AS 38.05.181 Geothermal Resources**
- **AS 38.05.965(6) Definitions**
- **11 AAC 84.700-790 Geothermal Leasing**
- **11 AAC 84.810-950 Geothermal Unitization**
- **11 AAC 82.400-475 Competitive Bidding**



Geothermal Process



- **Step 1 - Call for Applications**
 - Commissioner designates a “proposed geothermal disposal area” and issues a “call for applications.” [11 AAC 84.710]
 - For Mt Spurr, Call for Applications went out April 9, 2007
 - Mt Spurr Call for Applications: April 9, 2007
 - ✦ 15 tracts, 2560 acres max each tract
 - ✦ Deadline for applications May 14, 2007
 - ✦ Most tracts received 2 or more applications



Geothermal Process



- ▶ **Step 2: Commissioner Decides to Hold Competitive Lease Sale**
 - ▶ For those tracts that receive more than one application, may proceed with a competitive lease process. [11 AAC 84.720(b)]
 - ▶ Geothermal lease sale is conducted under same process as oil and gas lease sales. [11 AAC 82.400, 11 AAC 84.725]



Geothermal Process



- **Step 3: Best Interest Finding**
- **Authority: AS 38.05.035(e):**

“An ADNR director may not dispose of state land, resources, property, or interests, unless the director first determines in a written finding that such action will serve the best interests of the state.”



Best Interest Findings



- **Purposes of BIF:**
 - Public Process
 - Technical Analysis
 - Assesses Environmental Impact
 - Assesses Social Impact
 - Weighs Benefits vs. Costs
 - Mitigation Measures to Offset Impacts



Best Interest Findings



- **Standard Elements of a BIF:**
 - Property description
 - Habitat, fish & wildlife in the area
 - Current & projected use of proposed sale area
 - Socio-economic analysis
 - Reasonably foreseeable effects
 - Mitigation measures
 - Lessee advisories
 - Request for public comments



Best Interest Findings



- **BIF or PBIF:**
 - In a mineral lease sale...
 - ✦ DO&G is required to commence a 60-day comment period via a PBIF [AS 38.05.135(b) and .945(a)(1)A]
 - ✦ Commissioner evaluates comments
 - ✦ Commissioner issues BIF
 - However, under geothermal regs [11 AAC 84.700], no such requirement to begin with a PBIF
 - Nonetheless, we will be issuing a PBIF – **30 days**
 - In the best interests of Alaskans that there be an opportunity for public comment
 - But what about ACMP?....



ACMP



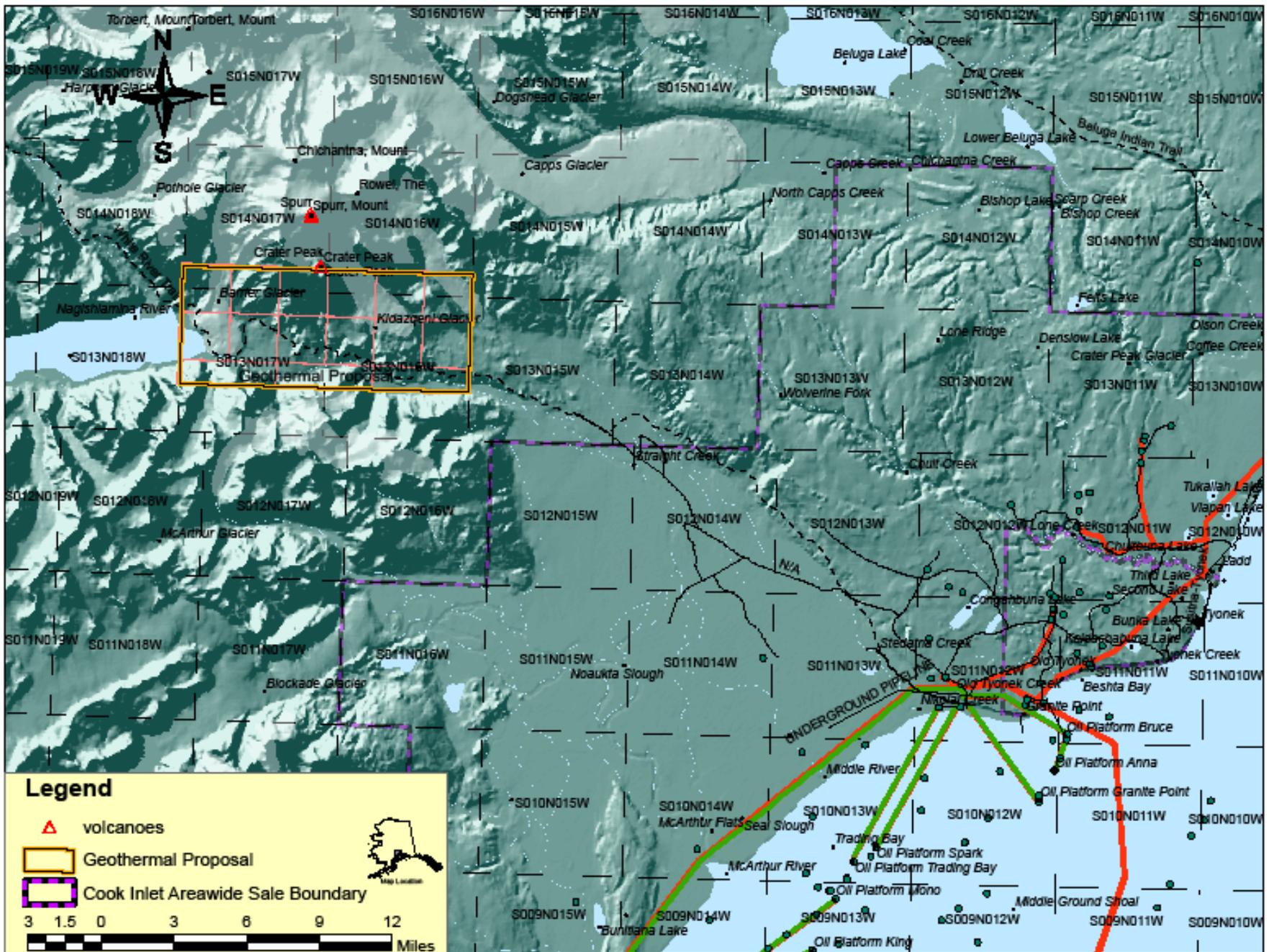
- **The Alaska Coastal Management Program (ACMP)**
 - The ACMP requires that projects in Alaska's coastal zone be reviewed and found consistent with the statewide standards of the ACMP.
 - A finding of consistency with the ACMP must be obtained before a lease sale in the CZ.
 - Single-agency review: DO&G publishes proposed consistency determination (“consistency analysis”), with a 30-day comment period



ACMP



- In a normal oil and gas lease sale...
 - We would run the ACMP review process simultaneously with the BIF process
 - So will there be an ACMP review for Mt Spurr?...



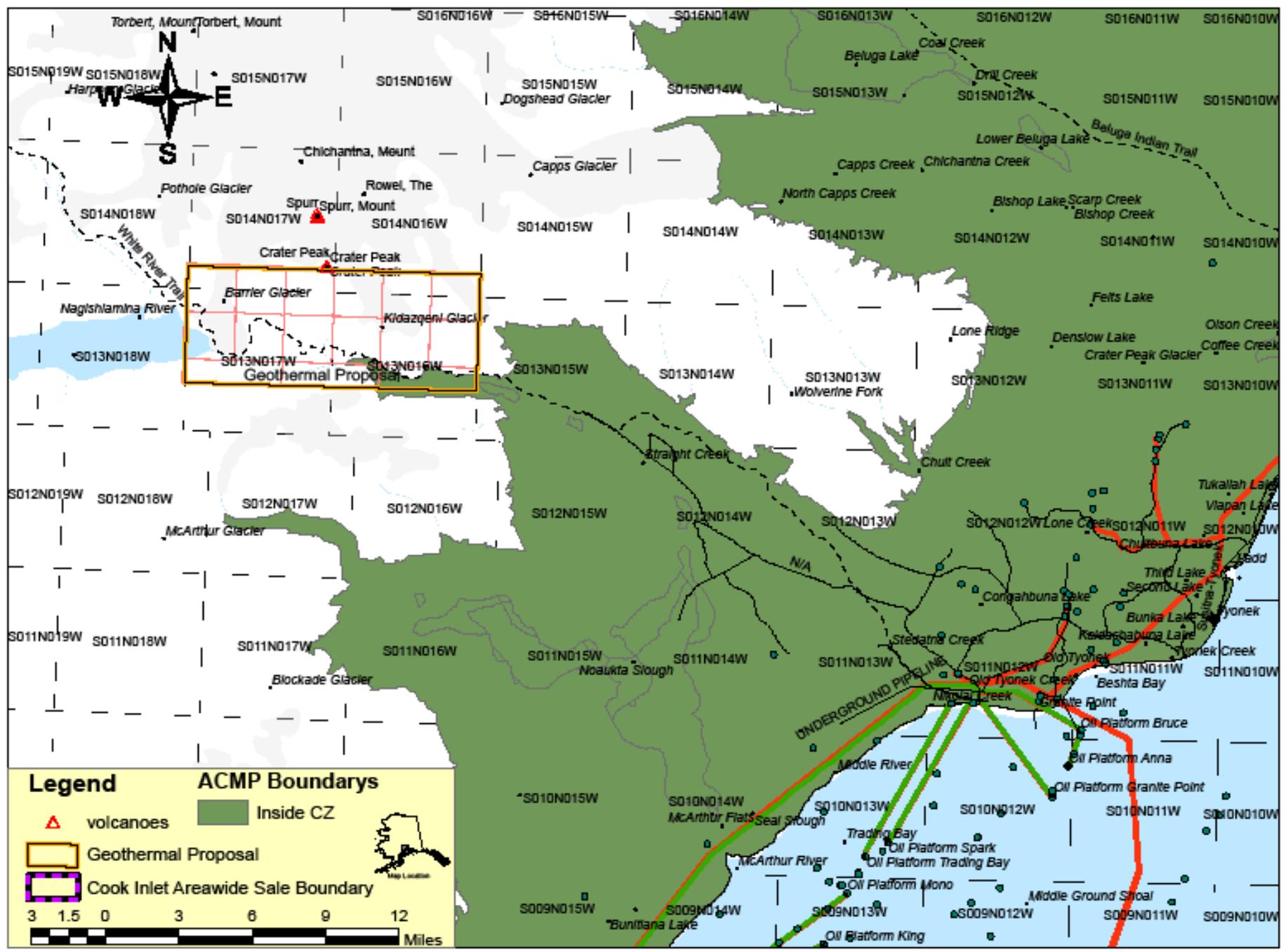
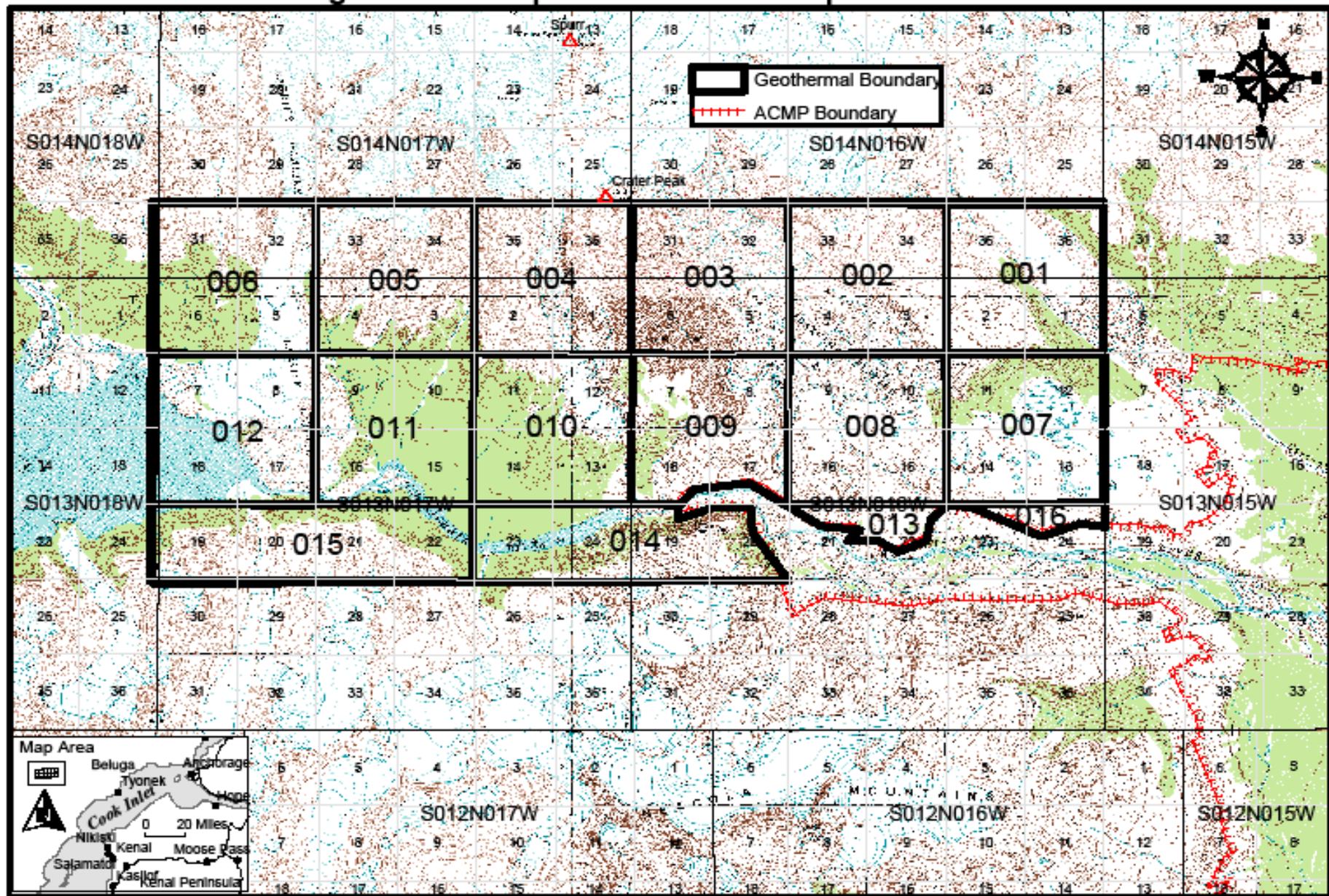


Figure 1.1 Mt. Spurr Geothermal Exploration Area



NAD 1927 UTM Zone 5N

Base Map: U.S.G.S. 63k Topo Quads; Tyonek A6, A7, B6, B7.



ADNR 8/2007

For Informational Purposes Only.



Mount Spurr Proposed Geothermal Exploration Area

- Located on south flank of Mt. Spurr, just below Crater Peak
- Chakachamna L. to west, Chakachatna R. to south, CIRI-owned land to east
- Nearest Community: Tyonek (40 miles east)
- Land status: State-owned
- PSC 395 along Chakachatna River



Competitive Sale Process



- Sale Announcement – 45 day bidding period
- Sealed bids – public opening on Sale Date
- Commissioner awards to highest qualified bidder
- Lease issued
- (Anticipated Mt. Spurr timeline shown a few slides later)



Geothermal Lease Terms



- **Primary Term: 10 years (may be extended under specific criteria) [11 AAC 84.745]**
- **Rental: \$3 per acre/year**
- **Royalty: 10 – 15% of gross revenues derived from the production, sale or use of geothermal resources**
- **20 years after production commences (and each 10 years thereafter), rental & royalty rates may be renegotiated by the Commissioner**
- **Bonding [11 AAC 84.790]**
 - \$10/acre or \$10,000, whichever is greater; higher bond may be required
- **Plans/reports/data required**



Permitting



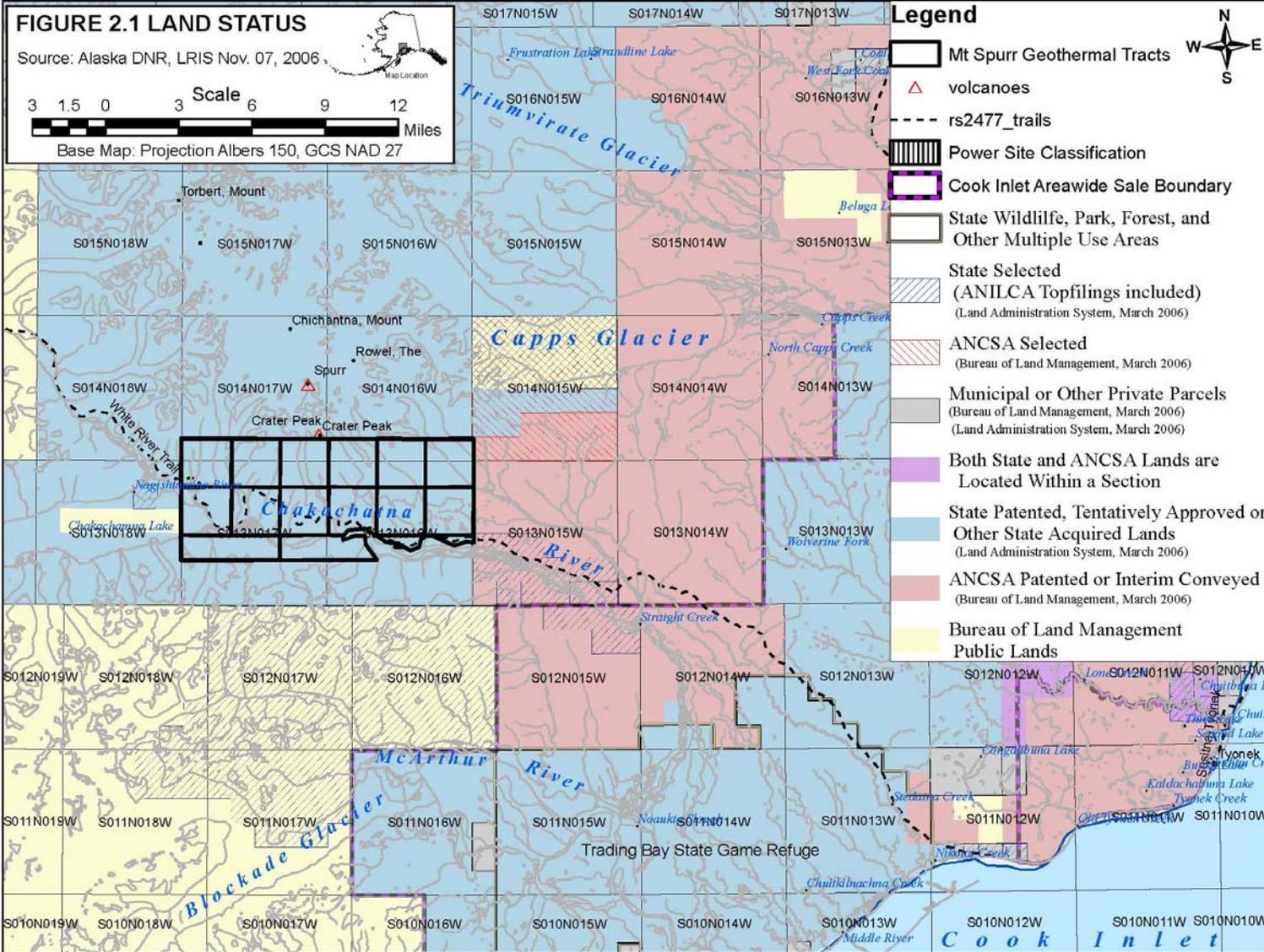
- **Permits - State**

- **DO&G –**
 - ✦ **Geophysical Exploration Permit - for conducting seismic surveys on state lands.**
 - ✦ **Plan of Operations [11 AAC 84.750] - maps, surface use plan, mitigation measure compliance**
 - ✦ **Plan of Exploration [11 AAC 84.755] - for proposed exploration, including drilling wells.**
 - ✦ **Plan of Development [11 AAC 84.760]**
- **Division of Mining Land & Water (DMLW)**
 - ✦ **Land use permit [11 AAC 96] – pads, airstrips, staging areas**
 - ✦ **ROW [AS 38.05.850] - roads, trails, ditches, field gathering lines, electric transmission lines**
 - ✦ **Application for water rights [11 AAC 05]**
- **Office of Habitat Management & Permitting (OHMP)**
 - ✦ **Fish habitat permits [AS 41.14.840] for activities within or across a stream used by fish (if OHMP determines that such use could represent an impediment to the efficient passage of fish) - culvert installation; water withdrawals; stream realignment/diversion; dams; low-water crossings; construction/placement/removal of material below ordinary high water.**
- **Office of Project Management & Permitting (OPMP)**
 - ✦ **ACMP consistency determination**



Permitting

FIGURE 2.1 LAND STATUS
Source: Alaska DNR, LRIS Nov. 07, 2006
Scale 0 3 6 9 12 Miles
Base Map: Projection Albers 150, GCS NAD 27





Other Permits



- **Permits – other agencies**
 - Alaska Department of Environmental Conservation (ADEC)
 - ✦ Air quality minor permit
 - ✦ Temporary storage of drilling waste
 - ✦ Oil discharge prevention and contingency plan
 - ✦ Certificate of financial responsibility
 - ✦ Domestic water and wastewater permits
 - Borough/Local Government (Kenai Peninsula Borough)
 - ✦ Development permits
 - ✦ Approval for pad use
 - US Army Corps of Engineers (ACOE)
 - ✦ Any dredging or filling - 404 permit
 - Environmental Protection Agency (EPA)
 - ✦ NPDES
 - FAA
 - ✦ Airstrip notification



Anticipated Timeline



- **Agency review and analysis May-August, 2007**
 - Finalize sale tracts, lease terms
- **Preliminary Best Interest Finding: mid-September, 2007**
 - Proposed mitigation measures
 - 30-day public comment period
- **Final Best Interest Finding: November, 2007**
 - 20-day reconsideration period
 - Effective 30 days after issuance
- **Sale Announcement: December, 2007**
 - Lease terms
 - Public notice
- **Sale: January, 2008**
- **Leases awarded February, 2008**



Geothermal Leasing



Questions?

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