



MEMORANDUM

Department of Natural Resources

STATE OF ALASKA

Division of Mining, Land and Water
Southcentral Region Land Office

DATE: MARCH 5, 2015

TO: LAS 30091 - Shell Exploration & Production Company

FROM: Candice Snow

RE: Adjudication Summary

I. Requested Action

Shell Exploration & Production Company (Shell) proposes two mooring locations and one contingency mooring location within Unalaska Bay near Dutch Harbor for the potential temporary anchorage of two drilling units, the Noble Discoverer (Discoverer) and the Transocean Polar Pioneer (Polar Pioneer). The three proposed mooring locations are near Wide Bay, Nateekin Bay, and Summer Bay.

DMLW is proposing the following

Temporary mooring of two drilling units using an 8 point anchor system consisting of:

Noble Discoverer:

 Anchors: (8) 9-15 metric ton Stevshark

 Anchor lines: 2.75" wire rope

 Anchor line length: 2,750' wire + 1,150' chain per anchor

Transocean Polar Pioneer:

 Anchors: (8) 9-15 metric ton Stevshark

 Anchor lines: 3.3" K-4 chain

 Anchor line length: (8) 6,458-6,675' chain per anchor

II. Statutory Authority

AS 38.05.850

III. Decision Scope

This decision provides for the issuance of a permit to Shell Exploration & Production Co. to moor two drill rigs on State owned submerged lands.

IV. Location Information

Geographic Location:

Mooring locations are in Wide Bay, Summer Bay, and Nateekin Bay near Dutch Harbor, Alaska.

Legal Description:

Sections 17 and 32 of Township 072 South, Range 117 West, and Section 19 of Township 072 South, Range 116 West, Seward Meridian.

V. Land Status Information

Sections 17 and 32 of Township 072 South, Range 117 West, and Section 19 of Township 072 South, Range 116 West, Seward Meridian.

Other Land Information

Regional Corporation: The Aleut Corporation

Land Status Information Summary

Title:

The acquisition authority for tide and submerged lands is found under the Submerged Lands Act of 1953 and the Equal Footing Doctrine.

Classification:

These locations fall within an area that does not have an area plan.

VII. Project Review and Agency Notice/Public Notice

Agency Review Summary

Agency Review commenced on February 10, 2015 and ended on February 24, 2015. Agency notice was sent to Alaska Department of Environmental Conservation (ADEC), Alaska Department of Fish and Game (ADF&G), Alaska Department of Natural Resources (ADNR), DNR-SHPO, ADOT, United States Army Corps of Engineers (USACE), United States Coast Guard (USCG), National Oceanic and Atmospheric Administration, National Marine Fisheries Service, and United States Fish and Wildlife Service, Alaska Association of Conservation Districts, Alaska Maritime National Wildlife Refuge, DNR-OPM. ADF&G submitted comments which were addressed.

Agency Review Comment and Issue Response

Location

Summary: Multiple comments were received regarding the mooring locations and the potential conflict with the marine activities of the area.

DMLW Response: Shell and the City of Unalaska have discussed the locations proposed by Shell and based upon usage by marine traffic in and out of the area, Wide Bay was considered a suitable location for Shell to moor. The other locations, Nateekin and Summer Bay, in that order, are to be used only as a back up.

Marine Wildlife

Summary: Vessels should maintain a distance of 500 m from areas where seals are hauled out during pupping (May/June (peak) and molting activity (May-September, peaking in August), and that crews avoid going ashore in areas where harbor seals are present. We recommend that the applicant contact Aleria Jensen at aleria.jensen@noaa.gov for information on the applicable federal requirements to minimize impacts to marine mammals.

DMLW Response: These comments have been forwarded to the applicant.

Public Notice Summary

Public Notice commenced on February 10, 2015 and ended on February 24, 2015. Public notice was sent to the Aleut Corporation, Ounalashka Corporation, Qawalangin Tribe of Unalaska, Northland Services, Pacific Coast Maritime, Delta Western, Icicle Seafoods, Offshore Systems, Unisea, Alyeska Seafoods, Trident Seafoods, Kloosterboer, Westward Seafoods, Ecco Design Inc., Coastal Transportation, and Resolve-Magone Marine Services. It was also posted to the DNR Public Notice

Website and in the Post Offices in Unalaska and Dutch Harbor. Comments were received and addressed.

Public Notice Comment and Issue Response

Location

Summary: Multiple comments were received regarding the mooring locations and the potential conflict with the marine activities of the area.

DMLW Response: Shell and the City of Unalaska have discussed the locations proposed by Shell and based upon usage by marine traffic in and out of the area, Wide Bay was considered a suitable location for Shell to moor. The other locations, Nateekin and Summer Bay, in that order, are to be used only as a back up.

Safety Zone

Summary: The exhibits presented with the Public Notice show very large circles encompassing the mooring areas. Will the entire area within the circle be subject to Safety/ Exclusion zones rules? Or will it just be a 1600 foot safety area around the rig?

These areas are popular with local small boat fishermen for transiting and for fishing. What are the ramifications to our small boats with respect to the safety / exclusion zone rules?

DMLW Response: The safety zone will be only around the drilling rigs. The proposed safety zones will have minimal impact on standard vessel operations within the Port of Dutch Harbor due to the limited area affected and the limited duration anticipated for the drilling units to occupy the anchorages. The intent of the proposed safety zones is to ensure safe navigation and protect vessels from hazards caused by increased volume of vessel traffic within navigable waters of the Port of Dutch Harbor. The proposed safety zones would be designed by the USCG to allow vessels transiting through the area to safely travel around the proposed safety zones without incurring additional costs.

Discharge of Pollutants

Summary: "I also have concerns about vessel discharge of pollutants into local nearshore waters, including the potential landing of these rigs during severe weather conditions. As stated in the "2015-2019 Unalaska Bay Drilling Unit Mooring" project description: "...household waste and the waste water effluent generated .. will be minimized". Meaning that waste water will be released. Residents of Unalaska/Dutch Harbor heavily rely upon marine resources as a primary part of their diet. Compromising these resources could affect the health of the local people."

DMLW Response: Shell will be required to follow guidelines set by the Department of Environmental Conservation in regards to discharge of pollutants.

Permitted Dates of Use

Summary: "...any permit that is issued should only be for the current year, not for the four years as proposed in the application."

DMLW Response: Shell requested a 5 year permit term length which DNR is granting as long as they abide by the stipulations of the permit. This permit is revocable at will so if Shell does not abide by the stipulations of the permit DNR has the authority to revoke their permit.

Comment Period too Short

Summary: "...a 14-day comment period on a subject of such significance is way too short."

DMLW Response: DNR is not bound by statute or regulation to provide notice for permits, but to be transparent DMLW provides an opportunity to comment during a 14 day courtesy notice period.

VIII. Environmental Risk

Permit stipulations will require that spill prevention techniques approved by the State Department of Environmental Conservation be employed to prevent hazardous fuel spills.

IX. Performance Guaranty

Performance guarantees are means to assure performance and to provide ways to pay for corrective action if the permittee fails to comply with the requirements set forth in the permit document. They are also used to protect state land from damage and to make certain that improvements are removed and that the land is returned in a usable condition upon termination of the permit.

Performance Guaranty Narrative: Pursuant to 11 AAC 96.060, a performance guaranty in the amount of \$190,000.00, typically in the form of a bond or other security, will be required. Based upon 25% of the amount recommended by the bonding matrix.

X. Insurance

Insurance is a means to protect the state from liabilities incurred through the use of state property, or from damage to state property as a result of accidental or catastrophic events. This type of protection is necessary in the event of an accident or negligence that was consequentially connected to activities conducted on state land, and/or if the state is named in a lawsuit as a result of an accident or negligence.

Commercial General Liability:
\$1,000,000.00

Insurance Narrative: As per 11 AAC 96.065.

XI. Fees

Fee: \$62,950.00

Relevant Fee Regulation(s): 11 AAC 05.010(e)(5)

Fee Narrative:

Based upon \$250.00 for the first acre and \$100.00 for each additional acre.

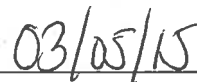
XIII. Adjudicator Recommendation

Issue Permit.

Based upon the information provided by the applicant, as well as review of relevant planning documents, statutes, and regulations related to this application, it is my recommendation to issue this Land Use Permit on condition that all permit stipulations are followed as described in the attached permit. The term of this permit would be from 03/13/2015 through 03/12/2019. During the period of the permit an inspection may be conducted at the discretion of the DNR to ensure permit compliance.



Candice Snow



Date