

STATE OF ALASKA
ALASKA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER

PRELIMINARY DECISION
PROPOSED CONVEYANCE OF STATE LAND UNDER AS 29.65.010

NORTH SLOPE BOROUGH
MUNICIPAL LAND ENTITLEMENT SELECTION
ADL 421699

PUBLIC COMMENT PERIOD ENDS 4:30 PM, FRIDAY, MAY 13, 2022

I. PROPOSED ACTION

Preliminary Decision: North Slope Borough Municipal Land Entitlement Selection – ADL 421699

Attachment A: NSB Tract 13

Attachment B: Public Notice

Attachment C: Lease Assignment ADL 421327

Primary Proposed Action: The State of Alaska (State), Department of Natural Resources (DNR), Division of Mining Land and Water (DMLW), Land Conveyance Section (LCS) proposes to convey lands selected by the North Slope Borough (NSB) in partial fulfillment of their general grant land entitlement under AS 29.65.010 *Determination of Entitlement of Boroughs and Unified Municipalities*. See *Attachment A: NSB Tract 13* for a depiction of the project area.

NSB has selected one parcel contained in the Arctic Coast Region (Deadhorse Area) as identified in the North Slope Area Plan¹ (NSAP). Approximately 12 acres will be adjudicated in this decision.

LCS proposes to convey approximately 12 acres of state-owned vacant, unappropriated, unreserved (VUU²) general grant land. Regarding these parcels, DNR has determined that there are no overriding state interests that merit retaining this selection in state ownership.

Public Notice of Proposal: In accordance with AS 38.05.945 *Notice*, during a period of at least 30 consecutive days, the public is invited to submit written comments on this Preliminary Decision (PD).

See **Section VII. Submittal of Public Comments** at the end of this document and *Attachment B: Public Notice* for details on how to submit a comment for consideration. If, after consideration of timely, written comments, LCS moves forward with the proposal, a Final Finding and Decision (FFD) will be issued.

II. AUTHORITY

The proposed actions in this PD are authorized pursuant to Alaska Statute (AS) and Alaska Administrative Code (AAC), particularly AS 29.65 *General Grant Land*, AS 38.05.035(e) *Power and Duties of the Director*, AS 38.05.125 *Reservations*, AS 38.05.127 *Access to Navigable or Public Water*, AS 19.10.010 *Dedication of Land for Public Highways*, 11 AAC 51 *Public Easements*, and 11 AAC 55 *Land Planning and Classification*.

¹ The North Slope Area Plan (NSAP) adopted March 2021 determines the management intent, land-use designations, and management guidelines that apply to all state lands in the applicable planning area. This plan forms the basis for the land use classifications that constitute vacant, unappropriated, unreserved land for purposes of determining the eligibility of state land for potential conveyance to a municipality under AS 29.65 *General Grant Land*.

² *Vacant, unappropriated, unreserved* (VUU) land is general grant land patented or tentatively approved to the State from the United States, excluding minerals as required by 6(i) of the Alaska Statehood Act, and is conveyable under the Municipal Entitlement Act (AS 29.65).

III. ADMINISTRATIVE RECORD

The administrative record for this proposed action consists of case file Alaska Division of Lands (ADL) 421699. Also incorporated by reference are:

- North Slope Area Plan (NSAP, adopted March 2021) and associated land classification files;
- Alaska Department of Environmental Conservation (DEC) Contaminated Sites Database; and
- DNR case files: ADL 420904, ADL 421327, LAS 28591, and ADL 28330.

IV. SCOPE OF DECISION

The scope of this proposal, under the statutes described in the preceding **Section II. Authority** is limited and specific to a determination of whether it is found to be appropriate to convey the subject parcel to NSB. This decision includes a review of third-party interests, stipulations necessary to effectuate this decision, and an evaluation of whether the public interest in retaining state ownership of the land outweighs NSB's interest in obtaining the selected land as provided in *AS 29.65.050 Fulfillment of Land Entitlement*. In this decision, LCS will also determine whether NSB's municipal entitlement land selection meets the requirements under *AS 29.65.070(c) Selection and Conveyance Procedure* and whether it is appropriate to allow NSB to exercise immediate management authority for conditional sales and leases on land approved for conveyance.

V. DESCRIPTION

A. Location and Geographical Features

NSB was incorporated as a Home Rule Borough in 1974. The area is characterized by treeless undulating hills north of the Brooks Range blending into vast tundra plains. Numerous ponds, lakes, and marsh areas dot the landscape. Vegetation consists of small scrubby alders and lichens.

The selected parcel lays about 1.5 miles northeast of Deadhorse Airport within a group of parcels referred to as the Deadhorse Lease Tracts. The land is flat and marked with numerous ponds interspersed with the local roads and buildings and the pads they sit on.

Borough/Municipality: North Slope Borough
Meridian: Umiat Meridian (U)
Regional Corporation: Arctic Slope Regional Corporation
Federally Recognized Tribe: None
Village Corporation: None
USGS Map Coverage: Beechy Point Quadrangle (1:250,000)
 Beechy Point A-3 (1:63,360)

B. Legal Description, Land Status, and Third-Party Interests

Table 1 below identifies the NSB land selection adjudicated in this decision by location name, Meridian (M), Township (T), Range (R), Section (S), and includes state case file, title status, date, and any third-party interest affecting those state-owned. The State holds fee title to the land and mineral estates through Patent (PA) received from the U.S. Department of Interior, Bureau of Land Management (BLM). The State will only convey the land estate on lands approved for conveyance to NSB. *AS 38.05.125* requires the State to retain the mineral estate.

Table 1

Map Name	MTRS	State Case File	Title/Date	Third-Party Interests
NSB Tract 13	U010N015E18	GS 1338	PA 50-74-0092 3/27/1974	ADL 28330 Oil & Gas Lease, Issued ADL 421327 Lease, Issued LAS 28591 Permit, Miscellaneous Land Use, Issued

VI. PRELIMINARY DECISION

A. Background

In 1972, NSB was certified as an incorporated home rule borough and was granted 89,850 acres of municipal entitlement under *AS 29.65.010*. Approximately 12,806 acres have been patented or approved for conveyance to NSB. Approximately 75,045 acres are remaining in their entitlement, of which about 54,887 acres have been selected. This decision covers about 12 acres within the Deadhorse Lease Tracts, a subdivision created in 1976 by the State as a support area for the North Slope oil development and Trans-Alaska Pipeline activities.

The NSAP was adopted in March 2021 and NSB resumed submitting their selections under *AS 29.65.050(d) Fulfillment of Land Entitlements*. The NSAP supersedes any previous classifications and reclassifies all state lands within the planning area.

In September 2021, NSB acquired ownership of the infrastructure and the lease contract of Tract 13 from Schlumberger Technology Corporation (*Attachment C: Lease Assignment ADL 421327*).

B. Planning, Classification, and Mineral Orders

1. Planning

With respect to planning, the NSAP is the controlling land management planning authority. The land selection falls within the Deadhorse area of the Arctic Coast Region within the NSAP. The management intent and area plan designation for each management unit is described in the NSAP. These plan designations convert to land use classifications, which establish what land the State may convey under the Municipal Entitlement Act (*see AS 29.65.010 et seq.*). And, accordingly, is governed by the management intent and classifications found in the plan.

Management intent has the same level of authority as a plan designation under *11 AAC 55.030(c)(6)*. In all instances, whether it is a municipal selection affected by a non-conveyable classification or a management guideline/intent that requires the State to retain land, the effect is the same: the selection is not conveyable to NSB *unless* a plan amendment changes the classification, the management guideline/intent, or both.

2. Land Use Classification

The land selection proposed for conveyance in this decision is classified as Wildlife Habitat Land (Ha) and Oil and Gas Land (OG) which are not conveyable classifications as municipal entitlement general grant land under *AS 29.65.130 Definitions*.

The NSAP states that the plan's management intent for Unit A-14 is as follows:

Management Intent:

"Lands within this unit have been identified by NSB as potential municipal entitlement selections and may be appropriate for conveyance based on a future decision. If a subsequent municipal entitlement decision determines that it is otherwise appropriate to convey all or some of the state land to NSB, then the Ha/OG designations are extinguished and replaced by Se [Settlement] designation that converts to a conveyable classification."

Table 2 below shows the land use classifications derived from the NSAP for the land selection adjudicated in this decision.

Table 2

Map Name	MTR	Section	Approx. Acres	Unit	Classification	Plan Management Intent
NSB Tract 13	U010N015E	18	12	A-14	Ha, OG	Manage for habitat and oil and gas resource values

3. Mineral Orders

The mineral estate is reserved to the State pursuant to *AS 38.05.125 Reservation*.

There are no mineral orders covering this parcel.

C. Traditional Use Finding

In an unorganized borough, disposal of state land with traditional uses is to be reviewed under *AS 38.05.830 Land Disposal in the Unorganized Borough*. NSB is an organized borough under *AS 29.05.031 Incorporation of a Borough or Unified Municipality* and eligible for municipal entitlement. Therefore, a determination for traditional uses is not required. The entirety of NSB's municipal entitlement land selection in this decision is located within its legal boundary.

D. Access

Public access will be reserved in accordance with *AS 19.10.010*, *AS 19.30.400 Identification and Acceptance to Rights-of-Way*, *AS 38.05.125*, *AS 38.05.127*, and *11 AAC 51*.

The Dalton Highway terminating in Deadhorse is the only major public road. Smaller local roads traverse through the Deadhorse Lease Tracts, with Spine Road running adjacent to the selected parcel. The Deadhorse Airport is available to most types of aircraft.

1. Section Line Easements

As required under *AS 19.10.010*, and in accordance with *11 AAC 51.025 Section Line Easements*, a public access easement 100 feet wide will be reserved along each section line on lands approved for conveyance. If a section line forms a boundary of a selection being conveyed, then the easement will be 50 feet wide measured from the section line. If a section line runs through a selection being conveyed, then the easement will be 50 feet wide measured on each side of the section line, for a total width of 100 feet.

This parcel is not affected by any section lines.

2. Trails, Rights-of-way, RS 2477, and Easements

A review of state records verifies that there are rights-of-way (ROW) running adjacent to NSB's land selection.

- ADL 64063 Public Utility easement issued to DOTP&F.
- ADL 63237 Public Utility easement issued to Arctic Slope Telephone Assoc.
- ADL 413263 Public Utility easement issued to Norgasco, Inc.
- ADL 421325 Public Access easement issued to DNR (includes Spine Road)

3. Navigable and Public Water

The State will retain ownership of the bed of navigable water, including all gravel bars and islands, and will convey the bed of public waters to NSB. A survey will determine the Ordinary High Water Mark (OHWM) of the navigable and public waters, the Mean High Water Mark (MHWM) on marine meandering shorelines, identify islands, and determine the

specific areas to be retained by the State. At the time of survey, fieldwork may find that a body of water or a waterway is different than identified in this decision. If this occurs, the results of the survey work will be reviewed further within DNR. If the fieldwork is determined to be accurate, then the survey results will supersede the recommendation in this decision.

Navigable Waters: Pursuant to 11 AAC 51.035 *Determination of Navigable or Public Water*, a water body is navigable if it is at least 50 acres in size or a waterway at least 50 feet wide from OHWM to OHWM. A water body will also be considered navigable if it is found navigable for a useful public purpose in accordance with AS 38.05.965 *Definitions*, otherwise, it will be considered public water in accordance with 11 AAC 51.035. Additionally, ownership of land adjacent to navigable water does not create any right of title to land below the OHWM of the navigable water.

All tidal waters are considered navigable under the Submerged Lands Act (67 Stat 29, PL 31, 5/22/1953). The MHWM is established at the time of survey.

Public Waters: Pursuant of 11 AAC 51.035, a water body is considered public water if it is at least 10 but less than 50 acres in size or at least 10 feet but less than 50 feet wide from OHWM to OHWM. Ownership of the land under or adjacent to public water does not grant an exclusive right to use of the water (AS 38.05.126 *Navigable and Public Water*).

On and along the bed of public water bodies or waterways, the State will reserve an access easement and convey title to NSB. Legal public access is generally limited to easements typically 100 feet wide on section lines (SLE) and typically 50 feet wide along the OHWM and MHWM of navigable and public water bodies (the 'along' easement, see below).

There are no navigable or public waterbodies within the selected parcel.

4. Easements To and Along Navigable and Public Water

A public access easement on the bed and 50 feet in width upland of the OHWM will be reserved on all water bodies and waterways determined to be public, and 50 feet in width upland of the MHWM of navigable waters, in accordance with AS 38.05.127 and 11 AAC 51. This easement is referred to as the 'along' easement. The 'to' easement is to be established approximately once each mile and is often provided on section line easements of 50 feet in width adjacent to the section line on each side (AS 19.10.010 and 11 AAC 51.025). The 'along' easement applies to these water bodies and the 'to' easement is intended to provide access to the 'along' easements.

An alternative upland access route may be reserved if LCS finds that access along an easement reserved under 11 AAC 51.045(d)(1) *Easements To and Along Navigable and Public Water* is difficult because of topography or obstructions.

There are no navigable or public waterbodies within the selected parcel.

E. Reservation of Mineral Estate

A conveyance of VUU general grant land to a municipality under AS 29.65 conveys no interest in the mineral estate. All mineral-related permits, licenses, claims, and leases affecting the land for conveyance, if any, will remain under the authority of the State.

In accordance with Section 6(i) of the Alaska Statehood Act and AS 38.05.125, the State, in this decision, reserves unto itself the mineral estate, including oil and gas, and the rights expressed in the reservation clause of the statute, that being the right to reasonable access to the surface

for purposes of exploring for, developing, and producing the reserved mineral resources. Exploration and development, if any, which could occur, would be consistent with *AS 38.05.130 Damages and Posting of Bond* and other applicable statutes and regulations.

There is an oil and gas lease covering this area, ADL 28330.

F. Hazardous Materials and Potential Contaminants

It is the responsibility of the State to protect the overall public interest if there is a reasonable expectation that hazardous contamination may exist on land being proposed for disposal. Based on a review of DEC's list of contaminated sites and comments received, there is a closed contaminated site with institutional controls (DEC Hazard ID 3847). DEC's closure decision places conditions and long-term monitoring requirements on the property. See DEC's comment below in subsection **M. DMLW and Agency Review** for details.

NSB is expected to inspect this selection and familiarize itself with regards to the condition and quality of the land. The State of Alaska makes no representations and no warranties, expressed or implied, concerning the existence or absence of any hazardous substances, hazardous wastes, contaminants, or pollutants on the land proposed here for conveyance. The State assumes no liability for removal of hazardous substances, hazardous wastes, contaminants, or pollutants, nor any liability for the remediation of the site should such substances ever be identified. NSB, by selecting these lands and requesting their conveyance through this PD, recognizes the surrounding areas of identified contaminated sites and will take the land "as is."

G. Survey

A state-approved survey is required prior to the issuance of a conveyance document. If no approved survey exists, then one must be performed by an Alaska Registered Land Surveyor under the direction of the DNR DMLW Survey Section. NSB is responsible for the expense of any survey. A survey determination may be requested by NSB at any time subsequent to the FFD. There is no requirement under *AS 29.65.070* to appraise the land prior to conveyance.

H. Conditional Leases and Sales

NSB will receive management authority and equitable title to all land approved for conveyance in this decision once the FFD is effective. This will allow NSB to approve conditional leases and make conditional sales pursuant to *AS 29.65.070(b)*, but not to dispose of land approved for conveyance until the land has been surveyed and ownership transferred to NSB. NSB acquired the lease contract of Tract 13 in September 2021 (*Attachment C: Lease Assignment ADL 421327*).

I. Unauthorized Use

LCS has not physically inspected all areas of the selected lands for the presence of unauthorized use. LCS is unaware of any existing unauthorized use within the land selection.

NSB is expected to inspect all of its land selections to familiarize itself with the condition and quality of the land.

J. Disposition of Leases, Permits, and Applications

Administration of any active leases, permits, and easements for the surface estate issued by the State on land to be conveyed will be transferred to NSB when the FFD becomes effective unless such authorizations are specifically excluded from the conveyance. Any pending applications that have not been adjudicated and issued will be closed.

NSB acquired the lease contract for Tract 13 (ADL 421327) in September 2021, which was held previously by Schlumberger Technology Corporation.

Currently, there is a LAS 28591 Permit issued to Savant Alaska, LLC for off-road travel for routine maintenance and surveys.

K. Cultural Resources

The Alaska Office of History and Archaeology (OHA) maintains the Alaska Heritage Resources Survey (AHRS) which is an inventory of all reported historic, prehistoric, and archaeological sites in the State. At this point, no historical cultural resources have been found in the selected area.

However, it should be noted that only a very small portion of the State has been surveyed for cultural resources and, therefore, the possibility remains that previously unidentified cultural resources may be located within the selected land. While the conveyance of this parcel will have no direct effects on cultural resources, future projects that may be proposed by NSB on selected lands could affect unidentified cultural resources. Should any cultural resources be encountered, NSB will need to take those actions required by law to protect such resources in accordance with *AS 41.35.070(d) Preservation of Historic, Prehistoric, and Archeological Resources Threatened by Public Construction*.

L. Form and Width Requirement

Each municipal entitlement land selection is required to be compact in form with its length not exceeding approximately four times its width pursuant to *AS 29.65.070(c)*. A review of the NSB's land selection proposed for conveyance in this decision indicates that the selection is consistent with this statute.

M. DMLW and Agency Review

Information and comments received from multiple sections within DMLW prior to and during agency review have been considered and included in the preparation of this PD. Agency review was conducted between August 3, 2021, through August 23, 2021. The intent of an agency review is to request comments from agencies that may be affected by a municipal entitlement land conveyance decision. Agencies are given the opportunity to evaluate and comment on the municipality's land selection to determine if the State should retain all or a portion of the selected lands, and, if so, provide supporting reasons for the requested action. Additionally, agencies are requested to identify any stipulations that may be appropriate if the land is to be conveyed out of state ownership.

DNR DMLW LCS received brief comments of non-objection from the following agencies: Department of Transportation & Public Facilities (DOT&PF) and DNR Division of Parks and Outdoor Recreation (DPOR).

DNR DMLW LCS Response: LCS appreciates your review.

Comments from the Alaska Department of Environmental Conservation (DEC): Please note that Tract 13 is a contaminated site that has been "conditionally closed" in the DEC contaminated sites database with Institutional Controls.

<https://dec.alaska.gov/Applications/SPAR/PublicMVC/CSP/SiteReport/3847> Contamination remains in situ on the property and the property is subject to institutional controls. Additionally, there is an ongoing unidentified source of surface sheening between Tract 12 and Tract 13 (west of Tract 12).

Sheening in the ditch between the two tracts had previously been reported as spills in 2015, 2016, 2017 and was transferred to CS in 2019. The DNR inspection in 2020 observed a sheen between the two tracts. It is not known if the source of the sheening is related to Tract 12 or

Tract 13. Baker Hughes (Tract 12) conducted surface water sampling last year and there were exceedances of surface water quality standards. Another sampling event is scheduled for 2021. Additional site investigation of Tract 12 and Tract 13 may be requested to identify the source of the ongoing sheening. If you have any specific questions on the contaminated site, please contact DEC.

I would assume that this existing liability would need to be addressed before the land is transferred to the North Slope Borough.

DNR DMLW LCS Response to DEC: LCS appreciates DEC's review. LCS was informed that NSB is aware of the condition of the selected parcel and reviewed the DEC report during the process of obtaining the lease of the tract. NSB will be informed that DMLW makes no warranties as to the 'nonexistence' of contamination not now identified and that state records are not a warranty as to all potential contamination. SAIL's disclosure of past site use, known environmental concerns, and assessment and clean-up activities on the subject parcel will be provided to NSB upon the issuance of the FFD.

Comments from DNR DMLW Statewide Abatement of Impaired Lands (SAIL):

In summary, SAIL recommends close coordination with the Northern Region and Law to avoid the acquisition of pollution liability associated with the property transfer.

1. Tract 13, Schlumberger's lease tract under [ADL 421327](#), has a contaminated site identified by ADEC Hazard ID 3847 and documented by DNR under potentially hazardous site file [ADL 420904](#). The site has been determined by ADEC to be Cleanup Complete with Institutional Controls (ICs).

Per ADEC's site-specific and standard conditions and/or controls for contaminated sites closed with ICs, "If land use and/or ownership of the property changes, the owner and/or operator of the property is required to notify ADEC as soon as such changes occur."

Rationale: Per ADEC's IC Reminder Letter, dated October 2016.

2. Measures should be taken to protect the state from acquisition of pollution liability associated with past and potential future releases on the site.

SAIL recommends consultation and coordination with Law and the Northern Region to determine the best approach to ensuring that we know the condition of the land at the time of transfer and/or lease assignment and that any contamination requiring cleanup is fully characterized and cleaned by the Responsible Party (Schlumberger), not the state. It is recommended that prior to any conveyance of property with a long history of spills and contamination, that a Phase I Environmental Site Assessment (ESA), and potentially a Phase II ESA be conducted to identify all potential contamination concerns and address them prior conveyance.

If environmental assessment(s) are not conducted, it may be possible to enter into an agreement with the NSB that requires them to accept responsibility for contamination on site (NSB could work with Schlumberger to assess and clean).

Rationale: Lease tract inspection conducted in 2020 by two staff at Schlumberger's Tract 13 identified significant sheening in the surface waters on both sides of the lease tract.

The source of the sheens are unknown, as the lease tracts on either side of Schlumberger's Tract 13 both have contaminated sites that were closed complete with

Institutional Controls. A thorough environmental assessment of Tract 13 would establish the condition of the lease tract prior to any potential conveyance.

SAIL recommends disclosure of past site use, known environmental concerns and assessment and clean-up activities that have taken place on the subject property. SAIL is preparing a detailed summary of the site history and known environmental concerns and liabilities associated with the property for the purpose of disclosure.

Furthermore, SAIL recommends communicating to the prospective purchaser (in this case the North Slope Borough) that DMLW “makes no warranties as to the ‘nonexistence’ of contamination not now identified” and that “state records are not a warranty as to all potential contamination.”

DNR DMLW LCS Response to SAIL: Thank you for your review. LCS agrees with the coordination with SAIL, Department of Law (DOL), and NSB with regards to the status of the contaminated area. SAIL’s disclosure of past site use, known environmental concerns, and assessment and clean-up activities on the subject parcel will be provided to NSB upon the issuance of the FFD.

Comments from DNR DMLW Northern Region (NRO):

The subject of the proposed municipal entitlement conveyance is Tract 13, a Deadhorse lease tract. The site has been leased to various companies since oil was discovered on the North Slope. The tract is currently leased by Schlumberger Technology Corporation (SLB) under ADL 421327. That lease was recently renewed February 14, 2020 for a 25-year term.

Currently the lease for Tract 13 provides the state \$100,000 annually in rental payments. The tract also has known contamination documented with ADEC.

We are aware that SLB is in the process of selling the camp and other infrastructure on site to the North Slope Borough (NSB). Should this occur prior to conveyance, the lease will need to be assigned to the NSB or another agreement in place to allow for the improvements to be managed by the NSB in the interim. We are in communication with both the NSB and SLB regarding the lease and infrastructure sale and will provide updates when available.

DNR DMLW LCS Response to NRO: Thank you for your review. LCS has been notified of the transfer of the Schlumberger Lease to NSB.

Comments from DNR Division of Oil and Gas (DOG):

Division of Oil and Gas has no objections to the conveyance but would request any conveyance be subject to active oil and gas lease ADL 28330.

DNR DMLW LCS Response to DOG: Thank you for your review. Oil and gas leases will stay with the State.

The following agencies or groups were included in the agency review, but no comment was received:

- Department of Commerce, Community & Economic Development
- Department of Fish & Game
- Department of Natural Resources
 - Alaska Mental Health Trust Office
 - Division of Geological and Geophysical Surveys
 - Division of Forestry
 - Division of Outdoor Parks and Recreation

- Office of History and Archaeology

VII. SUBMITTAL OF PUBLIC COMMENTS

See **Attachment B: Public Notice for specific date and conditions**

Pursuant to AS 38.05.945 Notice, LCS is issuing public notice inviting comment on this Preliminary Decision.

In accordance with AS 38.05.946(a), a municipality or corporation entitled to receive notice under AS 38.05.945(c) may hold a hearing within 30 days after receipt of the notice. If a hearing is held, the Commissioner (or representative) shall attend the hearing. The Commissioner has discretion whether or not to hold a public hearing.

LCS will consider all timely, written comments received. If analysis of such comments indicates the need for significant changes to the PD, additional public notice for the affected lands will be given. Reducing the amount of land offered and making minor changes to any of the proposals will not be considered significant changes requiring additional public notice.

If the proposal is approved and no significant change is required, the Preliminary Decision, including any deletions, minor changes, and summary of comments and LCS responses will be issued as a subsequent Final Finding and Decision without further notice. All related actions will be developed separately. However, approval of any action is dependent upon one another. One action will not proceed without the approval of all actions.

Only persons from whom LCS receives timely, written comment during the identified comment period will be eligible to file an appeal of the Final Finding and Decision. Upon approval and issuance of a Final Finding and Decision, a copy of the decision will be made available online at <http://landsales.alaska.gov/> and <http://dnr.alaska.gov/mlw/muni/> and sent with an explanation of the appeal process to any party who provides timely written comment.

DNR is prepared to accommodate individuals with disabilities by providing auxiliary aids, services, or special modifications in order to participate in this review. Individuals who may need such assistance should contact DNR's Public Information Center. For more information refer to the attached Public Notice.

**DEADLINE TO SUBMIT WRITTEN COMMENT IS
4:30 PM, FRIDAY, MAY 13, 2022**

VIII. DISCUSSION AND ALTERNATIVES

A. Discussion

This PD for NSB's municipal entitlement land selection covers approximately 12 acres of state land. LCS proposes to approve for conveyance and transfer equitable title and management authority on approximately 11.54 acres of state land, identified in Table 3 below.

This decision determines that the municipal selection adjudicated in this decision for which the State currently has title is appropriate for conveyance to NSB. Although these lands do not fall within a conveyable classification, the management intent for NSAP Unit A-14 recommends that certain parcels are appropriate as municipal entitlement conveyance if the State determines that the State's interest in retaining this land selection does not outweigh the interest of NSB in obtaining it. The Ha/OG designations assigned to this unit will convert to the conveyable classification of Settlement Land for only the parcel (Tract 13) within this decision.

This decision further determines that, for those lands to be conveyed to NSB, certain conditions and restrictions are appropriate and necessary to ensure the protection of important resources and

public access This decision, therefore, imposes restrictions, and reservations that are to be part of the conveyance document, to ensure adherence to state statutes and administrative code. Restrictions and reservations are listed in **Section IX. Recommendation.**

B. Alternatives

The following alternatives exist:

1. Take no action to approve or reject NSB'S land selection. This alternative would, in effect, preclude NSB's ownership of lands considered to be important to their land base. This action would be inconsistent with the purpose of the Municipal Entitlement Act and inconsistent with the basis for the disapproval of a municipal entitlement selection. Such selections can only be rejected when a state's interests outweigh the interest of the borough, and there is no basis for such a determination.
2. Reject NSB's selection in its entirety. This alternative would have the same effect as Alternative #1 and would, similarly, be inconsistent with the statutory basis for rejection of a municipal selection.
3. Approve with management authority transferred. This alternative is effective in meeting the intent of the Municipal Entitlement Act to convey appropriately classified state general grant land to NSB.

IX. RECOMMENDATION AND PRELIMINARY DECISION

A. Recommended Alternative

This decision determines that Alternative 3 is the preferred action and best fits the intent of the Municipal Entitlement Act. NSB's land selection is approved for conveyance, subject to the conditions, restrictions, and reservations listed below.

B. Recommended Conditions, Restrictions, and Reservations

Conditions

1. Management authority will transfer to NSB on those lands approved for conveyance once the FFD becomes effective.
2. Management authority for public access easements is transferred to NSB once the FFD becomes effective. No such easements may be vacated, abandoned, or otherwise extinguished or rendered incapable of reasonable use by the public without the approval of the State of Alaska unless an alternative means for reasonable public access is provided and approved by the State.
3. Administration of state leases and permits pertinent to the surface estate will be transferred to NSB once the FFD becomes effective. Administration of issued state leases and permits on the mineral estate will remain with the State.
4. Once the FFD is effective, NSB may execute conditional leases and make conditional sales on lands approved for conveyance, prior to issuance of a state patent in accordance with *AS 29.65.070(b)*.
5. The net chargeable acreage approved for conveyance shall be credited towards partial fulfillment of NSB's municipal land entitlement pursuant to *AS 29.65.010*.
6. Notification to the Alaska State Historic Preservation Office in accordance with *AS 41.35.070(d)* is required upon discovery of historic, prehistoric, or archaeological sites, locations, remains, or objects.

Restrictions and Reservations

Conveyance document will be issued subject to the following restrictions and reservations:

1. Valid existing rights, including reservations, easements, and exceptions in the U.S. Patent, or other state or federal conveyance, and in acts authorizing the issue thereof; easements, rights-of-way, covenants, conditions, reservations, notes on the plat, and restrictions of record, if any.
2. Reservation of the mineral estate pursuant to Section 6(i) of the Alaska Statehood Act and AS 38.05.125; and reservation of reasonably necessary access to the mineral estate in accordance with AS 38.05.130.
3. Subject to Oil and Gas Lease ADL 28330.

C. Recommended Action on Municipal Selections

This decision recommends conveyance of certain state-owned vacant, unappropriated, unreserved general grant land to North Slope Borough located in the Umiat Meridian of Northern Alaska.

LANDS PROPOSED FOR CONVEYANCE

Table 3 lists those lands proposed to be approved for conveyance in this decision. The estimated acreages for conveyance do not account for any exclusions, and exact acreages would be determined by survey. The final acreage amount will be credited towards partial fulfillment of North Slope Borough municipal land entitlement.

Table 3

Map Name	MTR	Section and Legal Description	Acres
Tract 13	U010N015E	Sec. 18: Tract 13, ASLS 76-227, Plat 77-3	11.54
PROPOSED CONVEYANCE: TOTAL APPROXIMATE ACRES			11.54

D. Preliminary Decision

The following are the findings for this Preliminary Decision:

1. That it is appropriate to convert the Ha/OG designation on Tract 13 to Se and therefore change to the conveyable classification of Settlement Land.
2. That it is appropriate to convey approximately 11.54 acres of state-owned land to North Slope Borough. This decision determines that the interest of the State to retain this land does not outweigh the interests of the borough to obtain it.

This Preliminary Decision, described above, represents the preferred alternative that has been reviewed and considered. After review and consideration of materials in this PD, LCS finds that the recommended action may be in the best interest of the State and that it is hereby approved to proceed to Public Notice in accordance with AS 38.05.945.

After public notice, the subsequent review process may result in changes to the preferred alternative(s) or disapproval of the proposed action altogether. A Final Finding and Decision will address any significant issues or concerns raised during the public review process.



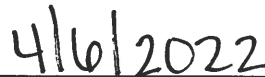
Prepared by: Mary Hermon
Natural Resource Specialist 2
Land Conveyance Section
Division of Mining, Land and Water
Department of Natural Resources
State of Alaska



Date



Approved by: Rachel Longacre
Section Chief
Land Conveyance Section
Division of Land, Mining and Water
Department of Natural Resources
State of Alaska



Date









North Slope Borough

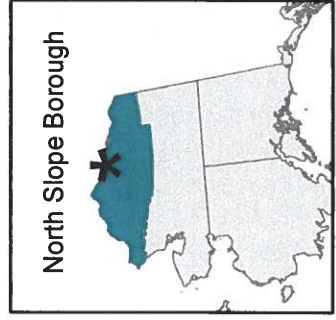
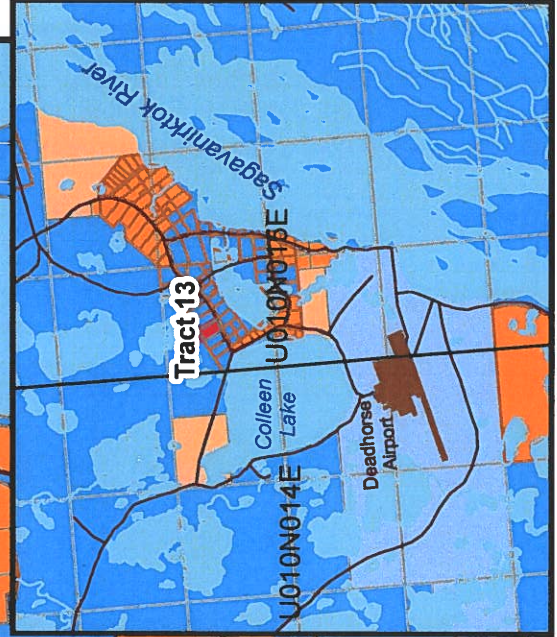
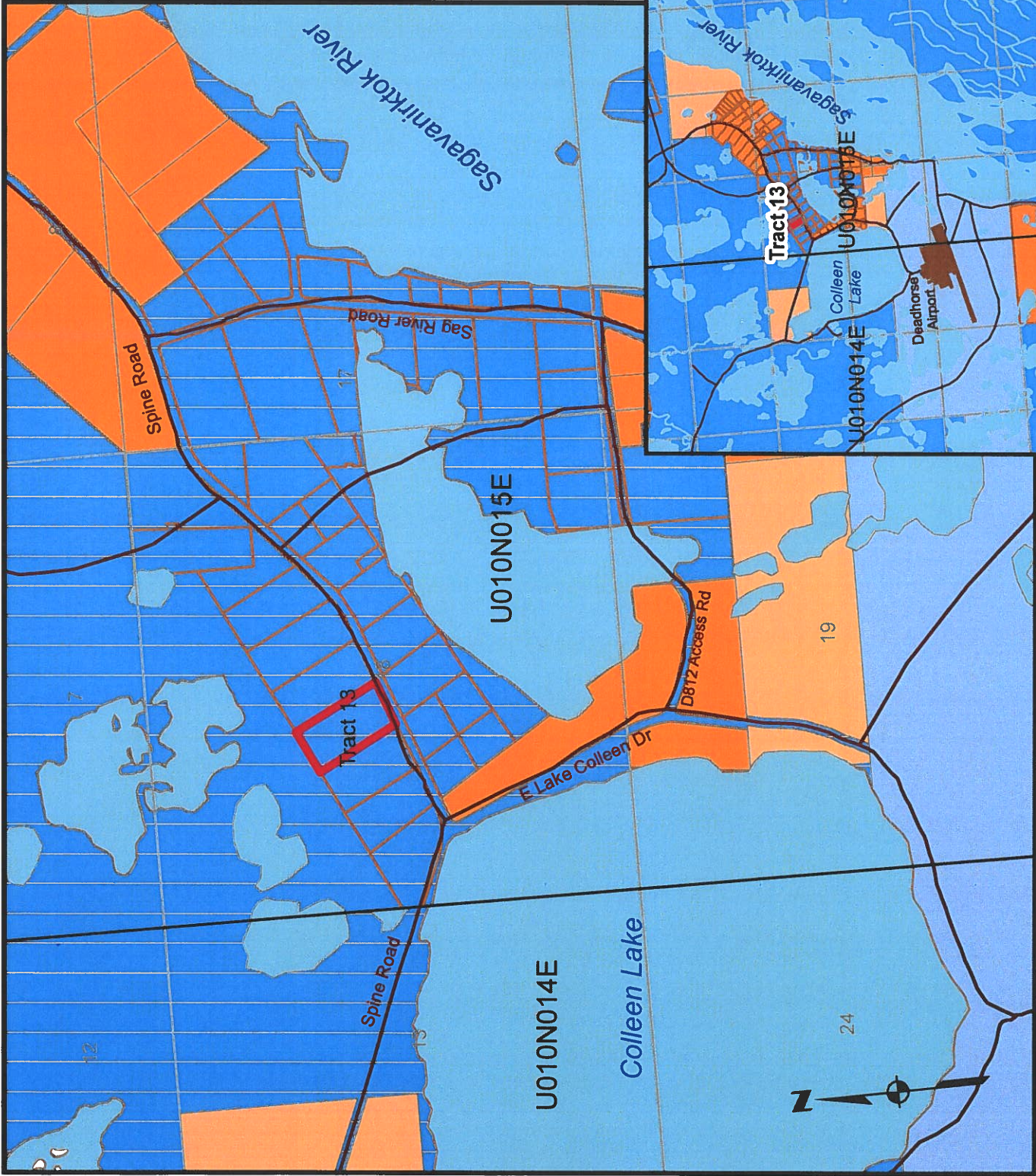
Municipal Selections

Preliminary Decision

ADL 421699

Legend

-  Local Roads
-  Surveyed Tracts
-  Selected by Borough
-  Approved Conveyance to Borough
-  Conveyed to Borough
-  State Land - TA or Patent
-  ILMA to DOT&PF
-  Mineral/Surface Leases



Created by DNR-DMLW-LCS-ME

April 2022



This map is for representation only. It is intended to be used as a guide only and may not show exact location or existing surveyed parcels or show all easements and reservations. Source documents remain the official record.



STATE OF ALASKA, DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER
LAND CONVEYANCE SECTION

Attachment B: PUBLIC NOTICE

Requesting Input for a Proposed Conveyance Under AS 29.65
North Slope Borough Municipal Land Entitlement Selection – ADL 421699

COMMENT PERIOD ENDS: 4:30 PM, FRIDAY, MAY 13, 2022

The Department of Natural Resource (DNR), Division of Mining, Land and Water (DMLW), Land Conveyance Section (LCS) has prepared a Preliminary Decision (PD) for a proposal to convey approximately 12 acres of state owned vacant, unappropriated, unreserved (VUU) general grant land to North Slope Borough (NSB) in order to partially fulfill their municipal land entitlement under AS 29.65.010. Located within DNR's Northern Region, this land selection falls with the Deadhorse area of the Arctic Coast Region of the North Slope Area Plan. LCS finds that the proposed conveyance is consistent with the requirements of AS 29.65, and that NSB's interest in obtaining these state lands outweigh the State's interest in retaining them.

Pursuant to AS 38.05.945 Notice, the public is invited to comment on this PD which proposes to transfer ownership of state land to the North Slope Borough. **The deadline for submitting public comment is 4:30 PM, Friday, May 13, 2022.** Only persons from whom LCS receives timely written comment during the identified comment period will be eligible to file an appeal of the Final Finding and Decision (FFD). Comments must be received in writing to the Division of Mining, Land and Water, Attention: Mary Hermon, at 550 West 7th Avenue, Suite 640, Anchorage, Alaska 99501, by fax at (907) 269-8916, or by email at mary.hermon@alaska.gov. If you have questions, call Mary Hermon at (907) 269-6546.

The public notice is available on the Alaska Online Public Notice System at: <http://dnr.alaska.gov/commis/pic/pubnotfrm.htm>. The Preliminary Decision is available on the DMLW Municipal Entitlement web site at: <http://dnr.alaska.gov/mlw/muni/> and on the DMLW Land Sales website at: <http://landsales.alaska.gov>.

Following the comment deadline, those written responses received will be considered and the decision may be modified to incorporate public comments in the FFD. Only persons who comment during this public comment period will be eligible to file an administrative appeal of the FFD. A copy of the FFD will be sent to any person who comments on the PD. The FFD will include the appeal instructions. Please direct all inquiries or questions to Mary Hermon, at the above address, electronic mail, phone or by fax.

DNR is prepared to accommodate individuals with disabilities by providing auxiliary aids or services when requested. Individuals with audio impairments who wish to respond to this decision by telephone may call the DNR, Public Information Center in Anchorage between the hours of operation: 10:00 AM to 5:00 PM, Monday through Friday at TTY: 711 for Alaska relay or 800-770-8973 or go to <http://dnr.alaska.gov/commis/pic/>

If no significant change is required, the PD, including any minor changes and a summary of comments and responses, will be issued as the FFD, without further notice. A copy of the FFD will be sent to any persons who commented timely on the PD.

DNR reserves the right to waive technical defects in this notice.



**STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER
NORTHERN REGIONAL LAND OFFICE**

**Memorandum of Decision
ADL 421327 Lease Assignment
Schlumberger Technology Corporation to North Slope Borough
Other Competitive Lease
AS 38.05.070 and AS 38.05.095**

Proposed Action

Schlumberger Technology Corporation (Schlumberger) submitted a request to the Department of Natural Resources (DNR), Division of Mining, Land & Water (DMLW), Northern Region Office (NRO) to assign an existing lease, ADL 421327 to the North Slope Borough (NSB).

Scope of Review

The scope of this decision is to determine if it is in the State's interest to assign an existing lease (ADL 421327) for North Slope Lease Tract 13 from Schlumberger to the NSB.

Authority

This lease assignment is being adjudicated pursuant to AS 38.05.070, leasing of land other than for the extraction of natural resources; AS 38.05.075, Leasing procedures; 38.05.945, public notice; AS 38.05.035 Powers and Duties of the Director, and AS 38.05.095 Subleases and Assignments.

Administrative Record

The administrative record for the proposed action consists of the Constitution of the State of Alaska, the Alaska Land Act as amended, applicable statutes and regulations referenced herein, this case serialized by DNR as ADL 421327, and lease casefile, ADL 400081.

Location and Legal Description

The site is located south of the Spine Road approximately 1500 feet east of the intersection with Lake Colleen Road in Deadhorse, Alaska and is described as Tract 13 of Alaska State Land Survey 76-227, Survey of North Slope Lease Tracts, filed in the Barrow Recording District on December 2, 1977 as Plat no, 77-3; within Section 18, Township 10 North, Range 15 East, Umiat Meridian, encompassing approximately 11.5 acres, more or less.

Title

The State received title under General Selection 1338 through patent, #50-74-0092, recorded by the Barrow Recording District on March 27, 1974. The land is subject to rights-of-way excepted and reserved to the United States for ditches and canals constructed under the authority of the United States, and for the construction of railroads, telegraph, and telephone lines.

Planning and Classification

This site is within the North Slope Borough, which is the zoning authority. This site is zoned Resource Development and does not preclude this lease.

The North Slope Area Plan (NSAP) adopted March 2021 encompasses the Deadhorse area and therefore, the lease site. According to the NSAP, Deadhorse is subject to the Deadhorse Lease Tracts Site Specific Plan (SSP). This site is classified Settlement under the SSP CL NC-04-003 dated January 30, 2006, which has been incorporated into the NSAP. The SSP notes that an Oil and Gas Lease (ADL 28330) covers the area. Development of the surface estate is not prohibited, but the subsurface estate is the dominant estate (SSP, p. 10).

The general management intent for the Deadhorse Lease Tracts is to support oil and gas development and to ensure continued access to develop the underlying mineral estate (SSP, p. 19). Tracts improved under the SSP, including Tract 24, are to be managed to support oil and gas operations (SSP, p. 19).

The site is subject to ADL 50666, North Slope Area Special Use Land and AS 19.40.210 James Dalton Highway Corridor.

This site has not been closed to mineral entry.

The assignment of this lease is consistent with the classification and management intent of the area

Hazardous Materials and Potential Contaminants

A site inspection was conducted by DMLW personnel and representatives of Schlumberger on August 3, 2017. The inspection included a complete tour of the facilities on site (inside and outside of buildings) and shovel sheen tests around the perimeter of the gravel pad. Hydrocarbon sheen was observed at 10 locations around the lease tract when shovel tests were conducted. The inspection report recommends a few follow up steps, including coordinating with Alaska Department of Environmental Conservation (DEC) regarding the characterization and cleanup of spills. After further review, the DEC Prevention, Preparedness, and Response (PPR) section concluded the sheens were not from the Schlumberger Pad but a neighboring pad that has a documented history of contamination. DEC PPR indicated they will be closing the file.

Part of Schlumberger's operation uses radioactive material, such as Cesium 137, during the testing of drill pipes. There are several radioactive pits that are currently on site. Schlumberger is regulated under the U.S. Nuclear Regulatory Commission (NRC) under license No. 42-27055-01. The last date of inspection was May 16, 2018, which the NRC gave Schlumberger a good report with no violations of significance reported. The existing storage pits are currently abandoned, and radioactive material was moved off site.

Schlumberger has completely removed the 10,000-gallon fuel tank from pad. The largest tank currently on site is a 300-gallon Clean Burn furnace designed to recycle used oil for heat recovery.

The site was reevaluated by DMLW personnel and a representative of Schlumberger on August 25, 2021. The inspection included a complete tour of the facilities on site (inside and outside) and shovel sheen test around the perimeter of the gravel pad. The inspection report indicated that the facilities were in good condition with no obvious concerns. The NSB had conducted an independent inspection of the facilities prior to the sale negotiations. DMLW has not, at this time, been provided a copy of the test result from this investigation. There were sheens from the shovel sheen tests however they were consistent with the observations from the August 3, 2017 site inspection.

DNR has initiated a potentially hazardous site file (ADL 420904) to track potential environmental concerns and pollution-related actions at the site. ADL 420904 will consolidate past, present, and any potential future pollution concerns and actions for Tract 13.

Hazardous materials may be handled on the lease site. The Lease and Additional Stipulations document includes numerous provisions related to hazardous substances. These provisions provide additional requirements and guidance related to the lessee's responsibilities related to hazardous substances to insure proper handling and storage. The use and storage of all hazardous substances must be done in accordance with existing federal, state, and local laws.

Background

Schlumberger is the current lessee for Tract 13. The original 40-year lease was issued February 14, 1978 through a public auction to Schlumberger Offshore Services (SOS). The earliest Development Plan on file (dated March 6, 1978) indicated the purpose of the existing development is to provide an operating base and living quarters for SOS personnel on the North Slope. These personnel provide evaluation and completion services to the oil/gas developers. These services were vitally needed to produce the oil/gas reserves of the North Slope.

DNR approved lease assignment from SOS to Schlumberger Well Services, a division of Schlumberger Technology Corporation on June 1, 1988, when the two companies merged. The lease was set to expire on February 13, 2018. A two-year extension was granted pursuant to AS 38.05.070 (f) to allow for a thorough review the lease's 40-year history. The lease renewal was issued to Schlumberger Technology Corporation (Schlumberger) for a 25-year term effective February 14, 2020 and is set to expire February 13, 2045.

In 2019, Schlumberger submitted an updated appraisal on June 17, 2017 as required by the lease agreement. Additionally, a market check was conducted on May 30, 2019 prior to the 2020 lease renewal. The market check indicated no change in parcel value from the 2017 report. The appraisal determined the annual rental value of the 11.54 usable acres is \$100,000 (May 30, 2019, Appraisal July 10, 2017, pp. 4). The 2020 lease renewal required the lessee to obtain a re-appraisal before February 2022 to meet the 5-year requirement. The lease compensation amount is subject to the adjustment in the future as indicated by the terms of the lease.

The history of contamination is detailed in the **Hazardous Materials and Potential Contaminants** section. No other environmental concerns are documented in the case file records. The annual inspection reports completed since Schlumberger assumed the lease for Tract 13 show that the lease has been kept in a clean and organized condition.

In January 2020, ADL 421327 was created for the assigned lease. Previous billing issues complicated the case file and the new case file is intended to simplify the billing process and lease file overall. The old case file, ADL 400081, remains available for reference and history. This change is reflected online in the DNR Lands Administration System.

Discussion

The NSB provides a variety of services that support the nearly 95,000 acres and numerous rural villages across the northern region of Alaska in addition to the oil and gas industry on the North Slope. The NSB selected this lease tract and these facilities as a residential and technical training center to educate and prepare people for employment in the oil and gas industry. The facilities on site include a 2-level North Shop Building, a commercial scale kitchen and dining room facilities that can accommodate 100+ people, a 3-story dormitory for housing, and a South Shop Building that includes the wastewater plan wing.

In addition to providing a technical training center, the lease facilities will be used for maintenance and storage of equipment for the Community Winter Access Trail (CWAT) program, which constructs and maintains 300 miles of snow roads which link the communities to the North Slope oil fields that connects to the Dalton Highway. The CWAT provides an opportunity to bring goods and supplies overland, at a lower cost, rather than air-freight or barging goods.

The lease facilities will also be used by NSB inspectors from the Planning and Community Services Land Management Regulations (LMR) as a base of operations to ensure permit stipulation compliance, and the Community Planning Development (CPD) division will house their base of operations for land services such as the municipal land entitlement owned parcels for land lease management and material sites for gravel extraction. The NSB estimates that at peak operations of the CWAT, LMR, and CPD there could be up to 100 people working on site. There are no improvements planned for any of the already existing facilities.

The assignment of this lease to the NSB will provide the NSB with the land and existing facilities to provide an onsite training center to support the existing oil and gas industry, shop space for maintenance and storage of equipment for the CWAT program, and house and office space for inspectors for the LMR and CPD. Providing NSB with this lease assignment will maximize existing infrastructure for the continued support of the oil and gas industry and beyond throughout the communities of the North Slope and is in the State's interest. Anticipated impacts to other natural resources or multiple uses are not anticipated to be greater than have previously been when operated by the original lessee. Assignment of the lease to the NSB will not result in any changes to the terms and conditions of the current lease.

In reviewing the case file there are several lease requirements and conditions that remain in effect. These requirements are provided here for ease of reference:

- Use of the parcel is subject to DEC requirements as detailed in DEC hazardous waste file (File. 300.38.227), including the requirement for DEC approval of any proposal to move soil offsite. Should the NSB or the State wish to reach clean up complete status and close File No. 300.38.227, NSB will be required to conduct new assessments and cleanup activities to the satisfaction of DEC and DNR;

- The lease requires that a new development plan from NSB to the DNR prior to construction, storage, subleases, or other uses of the site. The NSB's current Development Plan approved by DNR indicates that initially the NSB intends the use of the site is for a training center, maintenance and storage for the CWAT, and housing & office space for the LMR, and CPD. No improvements are planned for the existing land and facilities.
- The NSB has provided a \$800,000 surety bond and proof of insurance as required by the lease terms and conditions. The amount of the performance guaranty and insurance requirement may be adjusted by the DNR.
- The current rental for the lease is \$100,000 (payment is currently up to date). A new appraisal will be required by 2022 In accordance with Lease Agreement Stipulation 2(b) or if there are significant changes to the development plan;

Recommendation

The DMLW, NRO has completed a review of the information provided by the applicant and an examination of the documents and associated information related to the proposed action. The assignment of this lease will enhance the development of the State’s resources. The NSB meets the qualifications for assignment under AS.38.05.095. I recommend that assignment (Attachment A) of the lease ADL 421327 (Attachment B), subject to all the terms and conditions, to the North Slope Borough be approved.

Charlene M. Bringhurst 09/28/2021

Charlene Bringhurst Date
Natural Resource Specialist

Decision

It is the determination of the DMLW, NRO that it is in the State’s interest to assign lease ADL 421327 for use of tract 13 to North Slope Borough as recommended above.

Dianna Leinberger 9/28/2021

for Jeanne Pigors Date
Northern Regional Manager

Attachments

- Attachment A – Lease Assignment
- Attachment B – Lease ADL 421327



STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER

Northern Region
3700 Airport Way
Fairbanks, AK 99709
(907) 451-2740

Southcentral Region
550 W. 7th Ave., Suite 900
Anchorage, AK 99501-3577
(907) 288-8552

Southeast Region
P.O. Box 111020
400 Willoughby, #400
Juneau, AK 99801-1021
(907) 465-3400

ASSIGNMENT OF LEASE
AS 38.05.095

Receipt Type: 13

Non-refundable filing fee: See current Director's Fee Order for applicable fees.

421327

For value received, I (we)

ADL #

whose mailing address is Schlumberger Technology Corporation
6411 A Street Anchorage, Alaska 99518

lessee(s) under the Lease designated as ADL No. 421327 and covering the following-described property:

Tract 13 (ADL 421327) of Alaska State Land Survey (ASLS) 76-227, Survey of North Slope Lease Tracts, Deadorse, Alaska recorded in the Barrow Recording District on December 2, 1977 as plat no. 77-3 within Section 8, 17, 18, 19 and 20, Township 10 North, Range 15 East, Umiat Meridian containing 11.5 acres, more or less.

Section , Township 10 North, Range 15 East, Umiat Meridian,

do hereby assign, for good and valuable consideration, and subject to all rents, covenants, and conditions, all right, title, and interest in the above lease to assignee: North Slope Borough

whose mailing address is: PO Box 350 Utqiagvik, AK 99723

and successors and assigns, for the unexpired term of the above lease, commencing on the date this assignment is executed by the State of Alaska, and expiring on February 13, 2045.

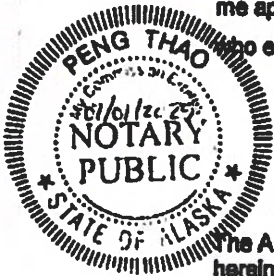
Vice President on behalf of

Schlumberger Technology Corporation
ASSIGNOR(S)

Book , Pages 1-21, inclusive, or Recording Office Serial Number
2020-000106-0, 413 Barrow Recording District

STATE OF ALASKA)
) ss.
____ Judicial District)

THIS IS TO CERTIFY that on this 29 day of September, 2021, before me appeared Nathan P. Rose, known to me to be the person(s) named as assignor(s) who executed this assignment and acknowledged voluntarily signing it.



Peng Thao
Notary Public
My commission expires: 07/01/2025

The Assignee(s) North Slope Borough herein expressly assume(s) the obligation to pay any and all prior or delinquent taxes, liens of any nature, penalties, interest, or any other obligations charged against the property described above and to fulfill all the terms, conditions, and covenants of the lease ADL 421327 as of the date of this assignment.

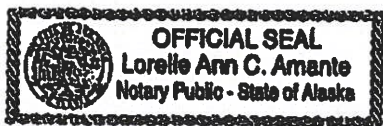
Harry K. Brower, Jr.

North Slope Borough
ASSIGNEE(S)

ASSIGNEE'S DATE OF BIRTH

STATE OF ALASKA)
) ss.
Second Judicial District)

THIS IS TO CERTIFY that on this 23rd day of September, 2021 before me appeared Harry K. Brower, Jr, North Slope Borough Mayor, known to me to be the person(s) named as assignee(s) who executed this assignment and acknowledged voluntarily signing it.



Lorelle Ann C. Amante
Notary Public
My commission expires: 7/21/23

APPROVED:

Jeanne Pigors
Division of Mining, Land and Water Authorized Representative

9/29/21
Date

If recorded, return recorded document to (name and address): DNR c/o Charlene Brinkhurst
3700 Airport Way Fairbanks Alaska 99701

State business. No charge.





STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER

3700 Airport Way
Fairbanks, Alaska 99709

ADL No. 421327

LEASE AGREEMENT

Effective this 14 day of February, 2020 , this lease agreement is entered into by the State of Alaska, hereafter referred to as "lessor," and Schlumberger Technology Corporation, hereafter referred to as "lessee," whether one or more, whose sole addresses for purposes of notification under this lease agreement are listed in section 28.

The lessor and the lessee agree that this lease, including all attachments and documents that are incorporated in this lease by reference, contains the entire agreement between the parties, and each of the covenants and conditions in this lease including any attachments will be binding upon the parties and upon their respective successors and assigns. The lessor and the lessee further agree that this lease is conditioned upon satisfactory performance by the lessor and the lessee of all covenants and conditions contained in this lease. The lessee is aware of the provisions of Title 38, Alaska Statutes, Title 11, Alaska Administrative Code, and other applicable laws, regulations, and ordinances, and fully understands the duties and obligations of the lessee under this lease, and the rights and remedies of the lessor.

This lease is subject to all applicable state, federal, and municipal statutes, regulations, and ordinances in effect on the effective date of this lease, and insofar as is constitutionally permissible, to all statutes, regulations, and ordinances placed in effect after the effective date of this lease. A reference to a statute, regulation, or ordinance in this lease includes any change in that statute, regulation, or ordinance, whether by amendment, repeal and replacement, or other means. This lease does not limit the power of the State of Alaska, its political subdivisions, or the United States of America to enact and enforce legislation or to adopt and enforce regulations or ordinances affecting, directly or indirectly, the activities of the lessee or its agents in connection with this lease or the value of the interest held under this lease. In case of conflicting provisions, statutes, regulations, and ordinances take precedence over this lease. This lease shall not be construed as a grant or recognition of authority for promulgation or adoption of municipal ordinances that are not otherwise authorized.

1. Grant. This competitive lease is issued under the authority of AS 38.05.070 (e), for a term of 25 year(s) beginning on the 14 day of February 2020 and ending at 12 o'clock midnight on the 13 day of February 2045, unless sooner terminated, subject to: compensation as specified in section 2; the attached development plan approved by the state on July 25, 2017; and attached stipulations, if any, that are incorporated in and made a part of this lease, for the following, hereafter referred to as the "leasehold": ADL 421327

Tract 13 (ADL 421327) of Alaska State Land Survey (ASLS) 76-227, Survey of North Slope Lease Tracts, Deadhorse, Alaska recorded in the Barrow Recording District on December 2, 1977 as plat no. 77-3 within Section 8, 17, 18, 19, and 20, Township 10 North, Range 15 East, Umiat Meridian containing 11.5 acres, more or less.

Excepting and reserving any general reservations to the lessor that are required by law and that may be stated elsewhere in this lease, and the following, which the state reserves for itself and others:

Excepting and reserving any general reservations to the lessor that are required by law and that may be stated elsewhere in this lease, and the following, which the state reserves for itself and others:

The lease is subject to all valid existing rights in and to the land under this authorization. The State of Alaska make no representations of warranties whatsoever, either expressed or implied, as to the existence, number, or nature of such valid existing rights.

2. **Compensation.** (a) The lessee shall pay to the lessor compensation as follows, without the necessity of any billing by the lessor: \$100,000 annually. The lessor may, upon 10 days' notice, review and copy any records of the lessee that are necessary to verify the lessee's compliance with this paragraph.

(b) In accordance with AS 38.05.105, the lease compensation is subject to adjustment by the lessor at the commencement of the sixth year of the term and every fifth year thereafter (the "adjustment date"). The compensation adjustment takes effect on the applicable adjustment date, regardless of whether the adjustment determination occurs before or after that date. All reasonable costs of the adjustment, including reappraisal if required by the lessor, will be borne by the lessee.

3. **Denial of Warranty.** The lessor makes no warranty, express or implied, nor assumes any liability whatsoever, regarding the social, economic, or environmental aspects of the leasehold, including, without limitation, the soil conditions, water drainage, access, natural or artificial hazards that may exist, or the profitability or fitness of the leasehold for any use. The lessee represents that the lessee has inspected the leasehold and determined that the leasehold is suitable for the use intended, or has voluntarily declined to do so, and accepts the leasehold "as is" and "where is."

4. **Use of Leasehold.** Prior to execution of this lease and to commencing use or development of the leasehold, the lessee shall submit a development plan for the leasehold to the lessor and obtain the lessor's approval of the plan. Any use or development of the leasehold must be consistent with the development plan approved by the lessor. Any proposed revisions to the development plan must be submitted to the lessor for approval before any change in use or development occurs. The lessee shall use and occupy the leasehold in compliance with the approved development plan and all applicable laws, regulations, ordinances, and orders that a public authority has put into effect or may put into effect, including those of a building or zoning authority and those relating to pollution and sanitation control. The lessee may not permit any unlawful occupation, business, or trade to be conducted on the leasehold. The lessee shall properly locate all activities and improvements on the leasehold, and may not commit waste of the parcel. The lessee shall maintain and repair the leasehold including improvements in a reasonably neat and clean condition, and shall take all necessary precautions to prevent or suppress grass, brush, or forest fires, and to prevent erosion, unreasonable deterioration, or destruction of the land or improvements. The lessee agrees not to place any aboveground or underground fuel or chemical tanks on the leasehold without the prior written approval of the lessor.

5. **Encumbrance of Leasehold.** The lessee may not encumber or cloud the lessor's title to the leasehold, or any portion of the leasehold, nor enter into any lease, easement, or other obligation of the lessor's title without the prior written approval of the lessor.

6. **Assignment of Interest.** The lessee may not assign or sublet any interest held under this lease, including a security interest, without the prior written approval of the lessor. The lessor may approve such assignment or subletting if the lessor finds it to be in the best interest of the state. No such assignment or subletting will be effective until approved by the lessor in writing, and the assignee agrees to be subject to and governed by the provisions of this lease, any subsequent amendments to this lease, any additional stipulations, or reappraisal as deemed appropriate by the lessor, and all



applicable laws, regulations, and ordinances in the same manner as the original lessee. No assignment or subletting of the leasehold, or any portion thereof, by the lessee will annul the lessee's obligation to pay the compensation required for the full term of this lease. Except as provided in this lease, no subdivision of the leasehold interest may occur without the prior written approval of the lessor.

7. Conditional Lease. If all or part of the leasehold has been tentatively approved, or approved, but not yet patented, by the United States to the lessor, then this lease will be conditioned upon receipt by the lessor of such patent. If for any reason the lessor does not receive patent, any compensation paid to the lessor under this lease will not be refunded. Any prepaid compensation for land to which patent is denied the lessor will be refunded to the lessee of record in the amount of the pro-rata portion of the unexpired term. The lessor will have no further liability to the lessee for the termination of the lease.

8. Payment of Taxes and Assessments. The lessee shall pay prior to delinquency all taxes and assessments accruing against the leasehold.

9. Section Line Rights-of-Way. If the leasehold borders on or includes one or more section lines, the lessor hereby expressly reserves unto itself and its successors and assigns a right-of-way or rights-of-way pursuant to AS 19.10.010.

10. Navigable and Public Waters. (a) Pursuant to AS 38.05.127 and 11 AAC 53.330, the lessor reserves a public access easement to and along all public or navigable water bodies that border on or are included in this leasehold. No public access easement may be obstructed or otherwise rendered incapable of reasonable use for the purposes for which it was reserved. No public access easement may be vacated, abandoned, or extinguished without the prior written approval of the lessor.

(b) The Public Trust Doctrine guarantees public access to, and the public right to use, navigable and public waters and the land beneath them for navigation, commerce, fishing, and other purposes. This lease is issued subject to the principles of the Public Trust Doctrine regarding navigable or public waters. The lessor reserves the right to grant other interests to the leasehold consistent with the Public Trust Doctrine.

11. Condemnation of Leasehold or Improvements. If the whole or any part of the leasehold is taken by any authorized body or person vested with the power of eminent domain, by negotiation, court action, or otherwise, the following provisions control:

(1) Taking of the entire leasehold. If all of the leasehold is taken by condemnation, this lease and all rights of the lessee will immediately terminate, and the compensation will be adjusted so that it is due only until the date the lessee is required to surrender possession of the leasehold. The lessor is entitled to all the condemnation proceeds, except that the lessee will be paid the portion of the proceeds attributable to the fair market value, as determined in the condemnation proceedings, of any buildings or improvements taken that were placed on the condemned leasehold by the lessee in accordance with the approved development plan.

(2) Taking of substantial part of the leasehold. If the taking is of a substantial part of the leasehold, the following rules apply:

(A) If the taking by condemnation reduces the ground area of the leasehold by at least 30 percent or materially affects the use being made by the lessee of the leasehold, the lessee has the right to elect to terminate the lease by written notice to the lessor not later than 180 days after the date of taking.

(B) If the lessee elects to terminate, the provisions in subsection (1) of this section govern the condemned portion of the leasehold and the covenants and conditions of the lease govern disposal of the remainder of any buildings or improvements made by the lessee in accordance with the approved



development plan.

(C) If the lessee does not elect to terminate, the lease continues and the lessor is entitled to the full condemnation proceeds except the portion attributable to the fair market value, as determined in the condemnation proceedings, of any buildings or improvements taken that were placed on the condemned portion of the leasehold by the lessee in accordance with the approved development plan. Compensation at the existing rate will terminate on the date the lessee is required to surrender possession of the condemned portion of the leasehold. Except as it may be adjusted from time to time under the covenants and conditions of the lease and applicable statutes, compensation for the balance of the term will be adjusted by the lessor to reflect the taking.

(3) Taking of insubstantial part of the leasehold. If the taking by condemnation reduces the ground area of the leasehold by less than 30 percent and the lessor determines that the taking is of such an insubstantial portion that the lessee's use of the leasehold is not materially affected, the lessee may not elect to terminate the lease and the compensation provisions of subsection 2(C) of this section will govern.

12. Valid Existing Rights. This lease is subject to all valid existing rights, including easements, rights-of-way, reservations, or other interests in land in existence on the date of execution of this lease.

13. Inspection. The lessor will have reasonable access to the leasehold for purposes of inspection.

14. Mineral Reservations. This lease is subject to the reservations required by AS 38.05.125 and the rights and obligations imposed by AS 38.05.130.

15. Concurrent Use. This lease is subject to reasonable concurrent uses as provided under Article VIII, Section 8 of the Constitution of the State of Alaska. The concurrent user who is found to be at fault for damage or injury arising from noncompliance with the terms governing the user's concurrent use is liable for damages and the user's interest is subject to forfeiture or termination by the lessor. In this context, the term "concurrent user" includes the lessee and any other person or entity who lawfully uses the land subject to this lease, but does not include the State of Alaska.

16. Surface Resources. Unless otherwise provided by this lease or other written authorization, the lessee may not sell or remove from the leasehold any timber, stone, gravel, peatmoss, topsoil, or any other material valuable for building or commercial purposes. Material required for the development of the leasehold may be used only in compliance with the approved development plan.

17. Appropriation or Disturbance of Waters. During the term of this lease, the lessee will have the right to apply for an appropriation of ground or surface water on the leasehold in accordance with AS 46.15 and 11 AAC 93.060.

18. Acquisition of Rights or Interests. Any right or interest acquired during the term of this lease and accruing to the benefit of the leasehold will remain appurtenant to the leasehold, and may not be severed or transferred from the leasehold without the prior written approval of the lessor. In the event of termination or forfeiture of this lease, any such right or interest will vest in the lessor.

19. Land Alterations Due to Natural or Artificial Causes. The interest described in this lease constitutes the entire leasehold. If, through natural or artificial causes, accretion or reliction of land occurs contiguous to the leasehold, the Lessee has no right to occupy or use the accreted land unless a separate lease is entered with the Lessor with respect to such lands. The rules of law usually applicable to accretion or reliction of land do not apply to this lease, nor to the interest described in this lease.

20. Waiver or Forbearance. The receipt of compensation by the lessor, with or without knowledge of



any default on the part of the lessee, is not a waiver of any provision of this lease. No failure on the part of the lessor to enforce a covenant or condition of this lease, nor the waiver of any right under this lease by the lessor, unless in writing, will discharge or invalidate the application of such covenant or condition. No forbearance or written waiver affects the right of the lessor to enforce any covenant or condition in the event of any subsequent default. The receipt of compensation by the lessor after termination or any notice of termination will not reinstate, continue, or extend this lease, or destroy, or in any manner impair the validity of any notice of termination that may have been given prior to receipt of the compensation, unless specifically stated by the lessor in writing.

21. Default and Remedies. (a) Time is of the essence in this lease. If the lessee defaults on the performance of any of the covenants or conditions of this lease, and the default is not remedied within 60 days after the lessor issues written notice of such default to the lessee and to the holder of a security interest in the leasehold approved by the lessor, or within any additional period the lessor allows for good cause, the lessee will be subject to legal or any other administrative action deemed appropriate by the lessor, including termination of this lease. The lessor may, in the notice of the default or in a separate written notice, state that if the default is not remedied, this lease shall terminate on a date certain, which shall be at least 60 days after issuance of the notice of default. Upon the date specified in such notice, unless the default has been remedied, the lease shall expire automatically without further notice or action by the lessor and this lease and all rights of the lessee under the lease shall terminate. Upon termination of the lease the lessor shall have an immediate right to possession of the leasehold and any possession by the lessee shall be unlawful. It is specifically agreed that no judicial action shall be necessary to terminate this lease or to allow the lessor to retake possession in the event of default by the lessee. No improvements may be removed from the leasehold while the lease is in default except with the lessor's prior written approval. If this lease is terminated for default, all compensation paid by the lessee is forfeited to the lessor. The lessor is not liable for any expenditures made or undertaken by the lessee under this lease. Any costs or fees, including attorney's fees, reasonably incurred by the lessor for the enforcement of this lease, shall be added to the obligations due and payable by the lessee.

(b) The rights, if any, of third-party security interest holders or lienholders are controlled solely by AS 38.05.103 and 11 AAC 58.590. If the lessee fails to remedy the default within the time allowed in subsection (a) of this section, the holder of an approved security interest who has received notice under subsection (a) of this section may remedy the default. The holder shall act within 60 days from the date of receipt of notice under subsection (a) of this section, or within any additional period the lessor allows for good cause.

(c) The lessor may, at the lessor's option, following the lessee's default and failure to remedy, or after termination of this lease due to such default and failure to remedy, accelerate the unpaid compensation for the remainder of the term of this lease. The lessee's obligation to pay such accelerated rent to the lessor survives termination of this lease.

(d) If this lease is terminated, or all or any portion of the leasehold is abandoned by the lessee, the lessor may immediately enter, or re-enter and take possession of the leasehold, and without liability for any damage, remove all persons and property from the leasehold and may, if necessary, use summary proceedings or an action at law. The words "enter" and "re-enter" as used are not restricted to their technical legal meaning. Any entry, re-entry, possession, repossession, or dispossession by the lessor, whether taken with or without judicial action, does not absolve, relieve, release, or discharge the lessee, either in whole or part, of any liability under the lease.

(e) The lessor, upon or at any time after giving written notice of any default, may enter or re-enter the leasehold to remedy any default by the lessee or exercise any right given under this lease, all without the intervention of any court being required. The curing of such default shall not be deemed for any purpose to be for the benefit of the lessee.



(f) At any time after termination of this lease, the lessor may re-let the leasehold, or any part thereof, in the name of the lessor for such term and on such conditions as the lessor may determine, and may collect and receive the compensation therefor. The lessor shall not be responsible or liable for failure to re-let the leasehold or for any failure to collect any compensation due upon such re-letting, nor shall the lessor be required to account for or pay to the lessee any excess compensation received as a result of such re-letting. The lessee shall be liable for any deficiency, and for all costs, expenses, and fees incurred by the lessor arising out of the default, including the lessor's efforts to re-let the leasehold.

(g) No right or remedy conferred upon or reserved to the lessor in this lease or by statute, or existing in law or equity, is intended to be exclusive of any other right or remedy, and each and every right shall be cumulative.

22. Disposition of Improvements and Chattels After Termination. AS 38.05.090 will govern disposition of any lessor-approved chattels or improvements left on the leasehold after termination. At the lessor's sole option, improvements not approved by the lessor shall be removed from the leasehold and the site restored to its original condition at the lessee's sole expense, or be forfeited to the lessor. The lessee shall be liable to the lessor for any costs, expenses, or damages arising out of the disposition of improvements not approved by the lessor, and may be required to pay rent on any improvements or chattels left on the parcel in accordance with 11 AAC 58.680.

23. Indemnity to Lessor. The lessee shall indemnify, defend, and hold the lessor harmless from and against all claims, demands, judgments, damages, liabilities, penalties, and costs, including attorney's fees, for loss or damage, including but not limited to property damage, personal injury, wrongful death, and wage, employment, or worker's compensation claims, arising out of or in connection with the use or occupancy of the leasehold by the lessee or by any other person holding under the lessee, or at the lessee's sufferance or invitation; and from any accident or fire on the leasehold; and from any nuisance made or suffered on the leasehold; and from any failure by the lessee to keep the leasehold in a safe and lawful condition consistent with applicable laws, regulations, ordinances, or orders; and from any assignment, sublease, or conveyance, attempted or successful, by the lessee of all or any portion of the leasehold or interest therein contrary to the covenants and conditions of this lease. The lessee holds all goods, materials, furniture, fixtures, equipment, machinery, and other property whatsoever on the parcel at the sole risk of the lessee, and shall defend, indemnify and hold the lessor harmless from any claim of loss or damage by any cause whatsoever, including claims by third parties.

24. Insurance. If required by the lessor, the lessee shall obtain insurance in an amount determined by the lessor to be sufficient. The lessor shall be named as an additional insured party of any such insurance. The types and amount of insurance shall be specified in the attached stipulations made a part of this lease agreement and may be adjusted periodically. The lessee shall maintain that insurance as long as required by the lessor. Any insurance acquired by the lessee for the purpose of providing insurance coverage under this lease must be issued by an insurer authorized to do business in the State of Alaska under the provisions of AS 21.09.010 and AS 21.27.010 for the type of policy being written.

25. Bonding. If required by the lessor, the lessee shall furnish a bond, cash deposit, certificate of deposit, or other form of security acceptable to the lessor in an amount determined by the lessor to be sufficient to ensure faithful performance of the covenants and conditions of this lease, and to cover the cost of site cleanup and restoration and any associated costs after termination of the lease. The amount and conditions of the bond shall be specified in the attached stipulations made a part of this lease agreement. The lessee shall maintain the bond as long as the lessor deems necessary, and in the amount required by the lessor, which amount may be adjusted periodically.

26. Environmental Compliance. (a) The lessee shall, at the lessee's own expense, comply with all existing and hereafter enacted environmental responsibility laws ("Environmental Laws"). The lessee shall, at the lessee's own expense, make all submissions to, provide all information to, and comply



with all requirements of the appropriate governmental authority (the "Authority") under the Environmental Laws.

(b) Should the Authority require that a remedial action plan be prepared and that a remedial action be undertaken because of the presence of, or any disposal, release, spill, or discharge, or threatened disposal, release, spill, or discharge of or contamination by hazardous materials at the leasehold that occurs during the term of this lease or arises out of or in connection with the lessee's use or occupancy of the land described in section 1 of this lease, then the lessee shall, at the lessee's own expense, prepare and submit the required plans and financial assurances and carry out the approved plans. The lessee's obligations under this section shall arise if there is any event or occurrence at the leasehold during the term of this lease, or arising out of or in connection with the lessee's use or occupancy of the land described in section 1 of this lease, that requires compliance with the Environmental Laws.

(c) At no expense to the lessor, the lessee shall promptly provide all information requested by the lessor for preparation of affidavits or other documents required by the lessor to determine the applicability of the Environmental Laws to the leasehold, and shall sign the affidavits promptly when requested to do so by the lessor.

(d) The lessee shall indemnify, defend, and hold harmless the lessor from all fines, penalties, suits, judgements, procedures, claims, demands, liabilities, settlements, and actions of any kind arising out of or in any way connected with the presence of or any disposal, release, spill, or discharge or any threatened disposal, release, spill, or discharge of or contamination by hazardous materials at the leasehold that occurs during the term of the lease or arises out of or in connection with the lessee's use or occupancy of the land described in section 1 of this lease; and from all fines, penalties, suits, judgements, procedures, claims, demands, liabilities, settlements, and actions of any kind arising out of the lessee's failure to provide all information, make all submissions, and take all steps required by the Authority under the Environmental Laws or any other law concerning any spill, discharge, or contamination that occurs during the term of this lease or arises out of or in connection with the lessee's use or occupancy of the land described in section 1 of this lease.

(e) The lessee agrees that it will not discharge or dispose of or suffer the discharge or disposal of any petroleum products, gasoline, hazardous chemicals, or hazardous materials into the atmosphere, ground, wastewater disposal system, sewer system, or any body of water.

(f) In any court action or administrative proceeding, in addition to all other applicable presumptions, it shall be rebuttably presumed that any environmental contamination of the leasehold (i) has been released on the leasehold; (ii) has resulted from acts or omissions of the lessee or its agents; and (iii) has occurred during the term of this lease. The lessee has the burden of rebutting the presumptions by clear and convincing evidence.

(g) This section of this lease does not in any way alter the State of Alaska's powers and rights or the lessee's duties and liabilities under Title 46 (or its successor) of the Alaska Statutes or other state, federal, or municipal statutes, regulations, or ordinances. For example, notwithstanding the provisions of this lease, the State of Alaska shall not be precluded from claiming under AS 46.03.822 that the lessee is strictly liable, jointly and severally, for damages and costs incurred by the state for clean up of contamination on the leasehold. The obligations and provisions of this section 26 shall survive the termination of this lease.

(h) As used in this lease, the term "hazardous materials" means any hazardous or toxic substance, material, or waste that is or becomes regulated by any municipal governmental authority, the State of Alaska, or the United States government.

27. Surrender of Leasehold. Upon the expiration, termination, or cancellation of this lease, the lessee



shall peacefully leave and deliver up all of the leasehold in good, sanitary, and marketable condition, order, and repair.

28. Notices. (a) Any notice or demand by the lessee will be made by hand delivery to the Director, Division of Mining, Land and Water, or by certified mail, postage prepaid, addressed as follows (or to a new address that the lessor designates in writing), with delivery occurring upon receipt by the lessor:

To the Lessor: Division of Mining, Land and Water
3700 Airport Way
Fairbanks, Alaska 99708

(b) Any notice or demand by the lessor will be issued as provided in 11 AAC 02.040(c). If issuance is by mail, the notice or demand will be addressed as follows (or to a new address that the lessee or its successor in interest designates in writing):

To the Lessee: Schlumberger Technology Corporation
6411 A street
Anchorage Alaska 99518

The lessor will issue a copy of any such notice or demand to each holder of a security interest in the leasehold whose assignment has been approved by the lessor under section 6 of this lease. Any security interest not approved as provided in section 6 is insufficient to require notice by the lessor under AS 38.05.103.

(c) Any notice or demand regarding the lease must be in writing and will be complete if given as set out above.

29. Penalty Charges. The lessee shall pay a fee for any late payment or returned check issued by the lessee as follows:

(1) **Late Payment Penalty:** The greater of either the fee specified in 11 AAC 05.010 or interest at the rate set by AS 45.45.010(a) will be assessed on a past-due account until payment is received by the lessor. Acceptance of a late payment or of a service charge for a late payment is subject to the lessor's rights under sections 20 and 21 of this lease.

(2) **Returned Check Penalty:** A returned check fee as provided in 11 AAC 05.010 will be assessed for any check on which the bank refuses payment. If the bank refuses payment, the default termination date remains the same. Late penalties under subsection (1) of this section shall continue to accumulate.

30. Modification. This lease may be modified or amended only by a document signed by both parties. Any purported amendment or modification has no legal effect until placed in writing and signed by both parties.

31. Choice of Law. This lease shall be construed under the laws of the State of Alaska. The lessee confers personal jurisdiction on the courts of the State of Alaska for any litigation under this lease.

32. Severability of Clauses of Lease Agreement. If any clause or provision of this lease is, in a final judicial proceeding, determined illegal, invalid, or unenforceable under present or future laws, then the lessor and the lessee agree that the remainder of this lease will not be affected, and in lieu of each clause or provision of this lease that is illegal, invalid, or unenforceable, there will be added as a part of this lease a clause or provision as similar in terms to the illegal, invalid, or unenforceable clause or provision as may be possible, legal, valid, and enforceable.



By signing this lease, the lessor and the lessee agree to be bound by its provisions.

LESSEE:

[Signature]

LESSOR:

[Signature]
for Director, Division of Mining, Land and Water

APPROVED:

[Signature]
for Commissioner, Department of Natural Resources

STATE OF ALASKA)
3rd Judicial District) ss.
)

THIS IS TO CERTIFY THAT ON THIS 4th day of MARCH, 2020 before me personally appeared NATHAN AND ROSE known to me to be the person named and who signed the foregoing lease and acknowledged voluntarily signing the same.



[Signature]
Notary Public in and for the State of Alaska
My commission expires: 7 JUNE 2021

STATE OF ALASKA)
4th Judicial District) ss.
)

THIS IS TO CERTIFY THAT ON THIS 7th day of April, 2020, before me personally appeared Dianna Leinberger of the Division of Mining, Land and Water of the Department of Natural Resources of the State of Alaska, who executed the foregoing lease on behalf of the State of Alaska, and who is fully authorized by the State to do so.

[Signature]
Notary Public in and for the State of Alaska
My commission expires: with office

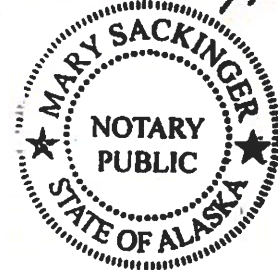
Approved as to form February 9, 1994, and September 25, 2001.
/s/ Elizabeth J. Barry, Assistant Attorney General

Recorder's Office:

State Business; No Fee

Return the recorded document to:

DNR, DMLW, NRO
3700 Airport Way
Fairbanks, Alaska 99708



Attachment C



**Additional Lease Stipulations
ADL 421327**

In addition to the terms of the lease listed within the lease document, the following stipulations will be incorporated as part of the lease. The AO reserves the right to modify the following stipulations or include additional stipulations as necessary prior to lease issuance.

1. **"Lessee."** as used in the lease and these Stipulations, shall expressly include Lessee's predecessors, successors in interest, and assigns.

2. **Authorized Officer.** The Authorized Officer (AO) for the Department of Natural Resources is the Regional Manager, Division of Mining, Land, and Water, or designee. The AO may be contacted at 3770 Airport Way, Fairbanks AK 99709 or 907-451-2740. The AO reserves the right to modify these stipulations or use additional stipulations as deemed necessary.

3. **Preference Right.** No preference right to a subsequent long-term lease is granted or implied by issuance of this lease.

4. **Modifications to Development Plan.** Section 4 of the lease is hereby amended to include the following: To adequately address any future development or additions to the Development Plan, the Lessee will be required to provide advance written notice to the AO for approval of any modification prior to construction. The AO reserves the right to re-evaluate the lease compensation and other terms and conditions of the lease prior to approving any modification to the development plan. Based upon the extent of the modifications a survey and appraisal may be required at the Lessee's expense. No changes are approved unless specifically authorized in writing by the AO.

5. **Specific Land Use.** Section 4 of the lease is hereby amended to include the following: This lease is issued for a specific use and development plan, and use of the area for purposes other than those specified constitutes a breach of the lease agreement and may result in revocation. The lease may be terminated upon a finding by the AO that the land or a part of it has not been used by the Lessee for the purpose specified in the lease for a period of two years. The lease cannot be assigned or subleased except with the consent of the AO. A Lessee may not change the use specified in the lease to another or additional use except with the consent of the AO. Any attempts to depart from these conditions without the consent of the AO will cause the lease to automatically be terminated.

6. **Waste and Debris Disposal.** Section 4 of the lease is hereby amended to include the following: On-site refuse disposal is prohibited. All waste generated during operation, maintenance and termination activities under this authorization shall be removed and disposed of at an off-site DEC approved disposal facility. Waste, in this paragraph, means all discarded matter, including but not limited to human waste, trash, garbage, refuse, oil drums, petroleum products, ashes and discarded equipment. The site must be kept clean at all times.

7. **Site Disturbance.** Section 4 of the lease is hereby amended to include the following: The Lessee, its contractors, and sub-contractors shall take all reasonable precautions to prevent water pollution, erosion, or sedimentation on or in the vicinity of the leased area.

a) Site disturbance shall be kept to a minimum to protect local habitats. All activities at the site shall be conducted in a manner that will minimize the disturbance of soil and vegetation and changes in the character of natural drainage systems. Any ground disturbances that may occur shall be contoured to blend with the natural topography to protect human and wildlife health and safety. Particular attention must be paid to preventing pollution and siltation of any waterways and to preventing disturbances to fish and wildlife populations and habitats.



b) **Fire.** The Lessee shall take all reasonable precautions to prevent, and all reasonable actions to suppress; forest, brush and grass fires. The Department of Natural Resources does not assume any responsibility for protecting any temporary improvements or personal property in cases of grass, brush, or forest fires.

8. Assignment. Section 6 of the lease is hereby amended to include the following: In the event the Lessee desires to transfer their interest in the lease to another party the Lessee shall submit to the AO a request for assignment and a copy of a draft agreement which identifies the provisions of the assignment between the parties. If the assignment changes the type or level of use such that new lease compensation or stipulations are necessary to protect the Lessor's interest the AO reserves the right to require/renegeotiate new terms or conditions for the lease prior to approving any assignment. The AO reserves the right to require an assignment between the Lessee and another party in the event of a change in corporate ownership, LLC/LLP membership or name change involving the leased site.

9. Relinquishment. The lease may be relinquished if it is in good standing (rental payments are current and Lessee is in compliance with all other conditions and stipulations), the Lessee files a written relinquishment form certifying the condition of the parcel, and the Lessor accepts the relinquishment. Provided that the lease site is in good standing and free of contamination, Lessor's acceptance of the relinquishment shall not be unreasonably withheld. Lease rental payments are non-refundable regardless of whether the lease is relinquished or terminated for cause.

10. Subleasing. Section 6 of the lease is hereby amended to include the following: The AO reserves the right to require an increased annual compensation as a condition of a sublease approval. Said increase shall be determined by negotiation between the Lessee and AO, but shall not be less than 25% of all compensation paid annually to the Lessee by the Sublessee. Neither the terms of this sublease provision nor any actual compensation derived from a sublease shall have any effect upon a determination of the annual fee pertaining to AS 38.05.075(a) or appraised market value pertaining to AS 38.05.840 and/or this lease parcel. Sublease shall be defined to include any lease, rental, storage, or accommodation agreement between the Lessee and another individual, business or corporation utilizing or benefiting from the lease parcel. Sublessee shall be defined to mean any individual, business, or corporation executing an agreement, as above, with the Lessee. The amount of sublease compensation shall be subject to change at the same time as the lease compensation adjustment and whenever the terms or conditions of the agreement between the Lessee and Sublessee change. Approval of a sublease shall also be conditioned upon:

a) the Lessee is in full compliance with lease conditions and is in good standing with all other authorizations per 11 AAC 96.145;

b) submission by the Lessee of a draft copy of the agreement(s) which will govern the relationship and compensation provisions between the Lessee and Sublessee; failure of Lessee to provide complete, true and accurate information regarding sublease compensation will, at Lessor's discretion, be grounds for termination of the lease;

c) submission by the Lessee of a proposed plan of operations and development for the subleased area and, if necessary, an amended plan of operations and development for the entire lease area; and; and

d) a best interest finding by the AO and amendments to the lease contract as necessary, if significant changes to the use and development are proposed.

Notwithstanding other requirements described in the lease agreement and additional stipulations, assignments or subleases shall be restricted to those entities which are also eligible to obtain a lease under the same statutory authority for which the this lease was issued.



11. Inspections. Section 13 of the lease is hereby amended to include the following: The AO may designate representatives and other personnel to inspect the leased area at any time. Non-compliance determinations will subject the site to re-inspection for which the Lessee may be assessed, at the AO's discretion, either a fee of \$100 or a fee equal to the actual expenses incurred by the Division of Mining, Land and Water (11 AAC 05.010).

12. Concurrent Usage. Section 15 of the lease is hereby amended to include the following: The AO reserves the right to grant additional authorizations to third parties for compatible uses on or adjacent to the land covered under this authorization. Authorized concurrent users of state land, their agents, employees, contractors, subcontractors and licensees shall not interfere with the operation or maintenance activities of other authorized users. Any future concurrent permit, lease or sublease will be subject to the conditions and stipulations contained in the lease, including the additional collection of fees or rents by the AO from any subordinate Lessee or Sublessee.

13. Violations. Section 21 of the lease document is hereby amended to include the following: Per 11 AAC 96.145, the Lessee must be in compliance with provisions of this and other authorizations granted under AS 38.05 or 11 AAC 96 before a new authorization may be granted by DNR. This lease authorization may be terminated upon violation of any of its terms, conditions, stipulations or upon failure to comply with any applicable state, federal and local laws, statutes and regulations.

14. Indemnification. Section 23 of the lease is hereby amended to include the following:

Lessee assumes all responsibility, risk and liability for its activities and those of its employees, agents, contractors, subcontractors, licensees, or invitees, directly or indirectly related to this lease, including environmental and hazardous substance risk and liability, whether accruing during or after the term of this lease. Lessee shall defend, indemnify, and hold harmless the State of Alaska, its agents and employees, from and against any and all suits, claims, actions, losses, costs, penalties, and damages of whatever kind or nature, including all attorney's fees and litigation costs, arising out of, in connection with, or incident to any act or omission by Lessee, its employees, agents, contractors, subcontractors, licensees, or invitees, unless the proximate cause of the injury or damage is the sole negligence or willful misconduct of the State or a person acting on the State's behalf. Within 15 days, Lessee shall accept any such cause, action or proceeding upon tender by the State. This

15. Insurance. As per section 24 the Lessee shall secure or purchase at its own expense, and maintain in force at all times during the term of this lease, the following policies of insurance to protect both the Lessee and the Lessor (the State, its officers, agents and employees). If the Lessee's policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the AO prior to the issuance of this lease and must provide for a notice of cancellation, non-renewal, or material change of conditions in accordance with policy provisions. The Lessee must provide for a 60-day prior notice to the State before they cancel, not renew or make material changes to conditions to the policy. Failure to furnish satisfactory evidence of insurance, or lapse of the policy, are material breaches of this lease and shall be grounds, at the option of the State, for termination of the lease. All insurance policies shall comply with, and be issued by, insurers licensed to transact the business of insurance under Alaska Statute, Title 21. The policy shall be written on an "occurrence" form and shall not be written as a "claims-made" form unless specifically reviewed and agreed to by the Division of Risk Management, Department of Administration. The State must be named as an additional named insured on the policy with respect to the operations of the Lessee on or in conjunction with the leased premises, referred to as ADL 421327.

16. Performance Guaranty. As per section 25 of the lease the Lessee must post a performance guaranty in the amount of \$800,000 to secure faithful performance with all terms and condition of the



lease and to insure site restoration of the leasehold. The performance guarantee must remain in effect for the duration of the lease term or until released in writing by the AO.

Failure by the Lessee to provide replacement security, upon notice of non-renewal of an existing form of security, shall be grounds for the AO to make a claim upon the existing security to protect the Lessor's interests.

The guaranty amount will be subject to periodic adjustments and may be adjusted upon approval of any amendments to the lease, assignments, re-appraisals, changes in the development plan, approval of a reclamation plan, any change in the activities conducted or performance of operations conducted on the leased premises and as a result of any violations to the lease agreement.

The guaranty may be utilized by the AO to cover actual costs incurred by the State of Alaska to pay for any necessary corrective actions in the event the Lessee does not comply with the site utilization, restoration requirements and/or other stipulations contained in the lease agreement. If the Lessee fails to perform the obligations under the lease agreement within a reasonable timeframe, the AO may perform the Lessee's obligations at the Lessee's expense. The Lessee agrees to pay within 20 days following demand, all costs and expenses reasonable incurred by the State of Alaska as a result of the failure of the Lessee to comply with the terms and conditions of the lease agreement. The provisions of these authorizations shall not prejudice the State's right to obtain a remedy under any law or regulation.

The performance guaranty will be released upon expiration of the lease provided that all terms and conditions of the lease have been met, including complete removal and restoration of the leased area leaving the site in a safe and clean condition.

17. **Environmental Provisions:** Section 26 of the lease is hereby amended and replaced with the following provisions.

SECTION 26. ENVIRONMENTAL ISSUES

A. Definitions for Section 26, Environmental Issues:

Affected Property – Any property adjacent to the Leasehold that contains Contamination in, on, or under the surface, including groundwater.

Contamination – The unpermitted presence of any Released Hazardous Substance.

Environmental Assessment – An assessment of property, prepared in a manner consistent with generally accepted professional practices, that is supported by reports and tests that determine the environmental condition of a property and the presence, type, concentration, and extent of any Contamination in, on, and under the surface of the property.

Environmental Law – Any federal, state, or local statute, law, regulation, ordinance, code, permit, order, decision, or judgment from a governmental entity relating to environmental matters. It includes, but is not limited to, AS 46 (Alaska Water, Air, Energy, and Environmental Conservation Acts); 18 AAC (Environmental Conservation) implementing AS 46; 42 U.S.C. §§ 7401-7671 (Clean Air Act); 33 U.S.C. §§ 1251-1387 (Federal Water Pollution Control Act); 42 U.S.C. §§ 6901-6992 (Resource Conservation and Recovery Act); 42 U.S.C. §§ 9601-9657 (Comprehensive Environmental Response, Compensation, and Liability Act); and 15 U.S.C. §§ 2601-2692 (Toxic Substances Control Act).

Environmental Liability Baseline – A description, accepted by the Lessor and documented by one or more Environmental Assessments and any other relevant documents, of the existence, location, level, ADL 421327

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and extent of Contamination in, on, or under the surface of the Leasehold that was neither caused nor Materially Contributed To by the Lessee, nor otherwise assumed by the Lessee.

Hazardous Substance – Any substance that is defined under an Environmental Law as hazardous waste, hazardous substance, hazardous material, toxic, pollutant, contaminant, petroleum, petroleum product, or oil.

Leasehold – The real property defined in Section 1 of this lease.

Materially Contribute To – To significantly add to or make worse, including by inaction, the Release or migration of a Hazardous Substance.

Release – means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing in the environment, including the abandonment or discarding of barrels, containers, and other closed receptacles containing any hazardous substance, but excluding

- (a) Any release that results in exposure to a person solely within a workplace, with respect to a claim that those persons may assert against the persons' employer; and
 - (b) Emissions from the engine exhaust of a motor vehicle, rolling stock, aircraft, or vessel.
- B. **Compliance with Laws.** Lessee shall comply with all Environmental Laws relating to the handling, use, generation, accumulation, storage, transportation, disposal, release, treatment or sale of Hazardous Substances in, on or under the Leasehold.
- C. **Lease Site Condition/Potential Contaminants.** Lessee has the sole responsibility under this lease to ascertain the environmental condition and presence of Contamination in, on, or under the surface of the Leasehold. Lessor makes no representations and no warranties, express or implied, concerning the existence or absence of any Hazardous Substances or Contamination on the Leasehold. Lessor does not assume any liability for the removal of Hazardous Substances, nor for the remediation of the Leasehold and any Affected Property should such substances be found.
- D. **Environmental Liability Baseline.** Lessee is conclusively presumed to have caused or to have Materially Contributed To any Contamination of, or originating on, the Leasehold. Lessee may establish an Environmental Liability Baseline that will serve as a benchmark for the condition of the Leasehold as of the effective date of the lease and as a reference for the Clearance Assessment in Subsection I, below. Lessee will not be presumed to have caused or to have Materially Contributed To any Contamination of, or originating on, the Leasehold identified in the Environmental Liability Baseline. Lessee is responsible for the acts or omissions of its employees, agents, invitees, sublessees, contractors and guests on the Leasehold, and Contamination caused or Materially Contributed To by activities of the Lessee's employees, agents, invitees, sublessees, contractors and guests on the Leasehold are deemed to be caused by or Materially Contributed To by the Lessee. Lessee shall be solely responsible for any and all costs associated with conducting the Environmental Assessment and/or establishment of the Environmental Liability Baseline.
- a. **Notice of Environmental Assessment.** If the Lessee decides to add to or establish an Environmental Liability Baseline for all or any portion of the Leasehold or Affected Property during the term of the lease, or any renewal or assignment, if applicable, thereof, the Lessee shall notify the Lessor of the intent to conduct an Environmental Assessment for that portion of the Leasehold or Affected Property. The Lessee shall provide a description of activities for conducting the Environmental Assessment. The Lessee shall provide Lessor with the final Environmental Assessment report.
 - b. **Establishing an Environmental Liability Baseline.**
 - i. If the Lessee discovers Contamination in, on, under the surface of, or emanating from, the Leasehold, for any portion of the Contamination to be considered for inclusion in the Environmental Liability Baseline, the Lessee must demonstrate to the satisfaction of the Lessor that the Contamination



- proposed for inclusion was not caused or Materially Contributed To by the Lessee or the Lessee's operations or activities, nor otherwise assumed by the Lessee. Contamination caused or Materially Contributed To by activities of the Lessee's employees, agents, invitees, sublessees, contractors and guests on the Leasehold are deemed to be Materially Contributed To by the Lessee.
- ii. Only that portion of Contamination not caused or Materially Contributed to by the Lessee or the Lessee's operations or activities, nor otherwise assumed by the Lessee, shall be included in the Environmental Liability Baseline.
 - iii. Lessee is responsible for inspecting the Leasehold and reporting, in writing, any evidence of conditions on the Leasehold as of the effective date of the lease, which differ from the conditions reported in the Environmental Liability Baseline. By entering into the lease, Lessee expressly accepts the Leasehold and acknowledges that notwithstanding the provisions of the Environmental Liability Baseline, the Leasehold may contain Hazardous Substances not mentioned in the Environmental Liability Baseline.
- c. Adding to an Existing Environmental Liability Baseline.
- i. If, after an Environmental Liability Baseline is established for any portion of the Leasehold or Affected Property, the Lessee discovers Contamination in, on, under the surface of, or emanating from, that portion of the Leasehold having an Environmental Liability Baseline, which Contamination the Lessee or the Lessee's operations or activities did not cause or Materially Contribute To, and which the Lessee did not otherwise assume, the Lessee may, at its own cost, submit an additional Environmental Assessment reflecting that information to the Lessor for the Lessor's consideration to add to the Environmental Liability Baseline. The Lessee's additional Environmental Assessment must demonstrate to the satisfaction of the Lessor which portion of the additional Contamination on the Leasehold or Affected Property was not caused or Materially Contributed To by the Lessee or the Lessee's operations or activities nor otherwise assumed by the Lessee.
 - ii. Only that portion of Contamination not caused or Materially Contributed To by the Lessee or the Lessee's operations or activities, nor otherwise assumed by the Lessee, may be added to the existing Environmental Liability Baseline.
- d. Lessor's Acceptance or Rejection of Lessee's Environmental Assessment. When the Lessor receives the Lessee's Environmental Assessment to establish an Environmental Liability Baseline or to add to an existing Environment Liability Baseline, the Lessor, in its sole discretion, will do one of the following:
- i. Accept the findings of the Lessee's Environmental Assessment and any other relevant documents to establish an Environmental Liability Baseline for that portion of the Leasehold or Affected Property being assessed or to add to the existing Environmental Liability Baseline;
 - ii. Reject the findings of the Lessee's Environmental Assessment for that portion of the Leasehold being assessed and offer the Lessee the opportunity to perform additional environmental testing if the Lessor determines, in writing, that the findings of the Environmental Assessment are inadequate to establish an Environmental Liability Baseline or to add to an existing Environmental Liability Baseline. The Lessor's written rejection of the Lessee's Environmental Assessment will be based on failure of the Lessee's Environmental Assessment to either:
 - 1. follow generally accepted professional practices in determining the environmental condition of the Leasehold or the Affected Property and the presence of Contamination in, on, or under the surface of, or emanating from, the Leasehold; or
 - 2. demonstrate to Lessor's satisfaction the portion of the Contamination that was not caused or Materially Contributed To by the Lessee or the



Lessee's operations or activities, nor otherwise assumed by the Lessee; or

- iii. Perform additional environmental testing at the Lessor's expense to verify the environmental condition of that portion of the Leasehold being assessed. If the results of the Lessor's tests conflict with the Lessee's Environmental Assessment, the Lessor and the Lessee will negotiate in good faith an Environmental Liability Baseline or an addition to the existing Environmental Liability Baseline for the portion of the Leasehold or Affected Property being assessed.
- e. **Amending the Environmental Liability Baseline to Delete Contamination Caused, Materially Contributed To or Assumed by Lessee.** If, after the Environmental Liability Baseline for any portion of the Leasehold or Affected Property is established, it is discovered that the presence of Contamination Identified in the Environmental Liability Baseline was caused or Materially Contributed To by the Lessee or the Lessee's operations or activities, or otherwise assumed by the Lessee, the Environmental Liability Baseline will be amended to delete that portion of the Contamination that was caused or Materially Contributed To by the Lessee or the Lessee's operations or activities or otherwise assumed by the Lessee.
- E. **Notice of Hazardous Substance Release.** Lessee shall give notice to Lessor promptly after learning of any Release of any Hazardous Substance on or at the Leasehold or surrounding environment. This notice shall include a description of the Release, measures taken or proposed to be taken by Lessee to contain and/or remedy the Release, and any resulting damage to property, persons or the environment. At Lessee's own expense, Lessee shall promptly take all steps necessary to contain and remedy any Release of Hazardous Substances in, on or under the Leasehold or surrounding environment, and all resultant damage or injury to property, persons and the environment (the "Response Action"). Lessee shall be responsible for reporting and coordinating the Response Action with the Alaska Department of Environmental Conservation and/or any other federal, state, or local agency with jurisdiction (collectively, the "Regulator"). Lessee shall provide Lessor with not less than seven days to review and comment on any submittal to a Regulator made as part of a Response Action prior to submission. Upon request by Lessor, Lessee shall provide Lessor copies of any and all documents arising from or related to the Response Action including, but not limited to, any and all communications by Lessee to a Regulator.
- F. **Lessor's Right to Perform Testing.** At any time, and from time to time, prior to the expiration of the Lease, Lessor shall have the right, but not obligation, to conduct appropriate tests of the Leasehold or any portion thereof to determine whether Contamination has occurred provided, however, that (a) all such testing shall be conducted at Lessor's sole cost and expense except as set forth in the next sentence, (b) Lessor shall coordinate testing activities with the Lessee and shall, to the extent practicable, minimize the impact of testing on the Lessee, (c) Lessor shall promptly repair any physical damage caused by such testing and restore the Leasehold to substantially the same physical condition it was in immediately prior to such testing, and (d) the Lessor shall not be held liable for any damages, whether direct or indirect, incurred by Lessee as part of the testing. Lessee shall pay all reasonable costs of such tests if such tests reveal that Hazardous Substances exist on the Leasehold due to the acts or omissions of Lessee in violation of state or federal Environmental Laws.
- G. **Financial Responsibility for Contamination on the Leasehold and on Any Affected Property.** The Lessee assumes financial responsibility to the Lessor for any Contamination in, on, and under the Leasehold and any Affected Property, except for Contamination that is identified in an Environmental Liability Baseline. Lessee shall be responsible for all costs incurred by Lessor to enforce these environmental provisions, including but not limited to action(s) to force Lessee to address a Release of Contamination at the Leasehold or Affected Property, and all attorneys' fees and other costs of such action(s). This is without prejudice to the Lessee's right to seek contribution or indemnity from either prior lessees of the Leasehold and Affected Property, or other potentially responsible parties except for the Lessor.



- H. **Environmental Indemnification.** Lessee shall indemnify, defend and hold Lessor harmless from any and all claims, demands, damages, costs, fees, penalties, and charges asserted against, imposed upon, and incurred by Lessor (including fees and costs of attorneys, consultants, laboratory testing charges and personal injury claims) as a result of (a) the handling, use, generation, accumulation, storage, transportation, disposal, treatment and/or sale of Hazardous Substances at or from the Leasehold; (b) the release of any Hazardous Substance on, at or from the Leasehold which is attributable to any act or omission of Lessee, or its employees, agents, invitees, sublessees, contractors and guests; (c) the failure of Lessee, or its employees, agents, invitees, sublessees, contractors and guests, to comply with any Environmental Laws; (d) Lessee's failure to remove all Hazardous Substances or decontaminate, decommission, or, if appropriate, sterilize all areas in the Leasehold and any Affected Property in which any of Hazardous Substances were generated, stored, handled, accumulated, or released; and (e) Lessee's failure to comply with any other requirement of this Section. This environmental indemnification is in addition to the indemnification provided for under Section 23 of the Lease.
- I. **Environmental Report Upon Expiration or Termination of Lease.** Two months prior to Lessee's surrender of possession of any part of the Leasehold, or the expiration or termination of this Lease, Lessee shall provide Lessor with copies of all environmental reports necessary for Lessor to determine whether the Leasehold may contain any Hazardous Substances other than those, if any, that were identified in the Environmental Liability Baseline. If reports indicate the presence of Hazardous Substances, then Lessee shall also provide Lessor with (a) a written assessment addressing any potential releases of Hazardous Substances handled on the Leasehold during the term of the Lease to the workplace, soils, sewers, drywells, surface water, or groundwater, and any threats to human health or the environment posed by Lessee's operations (the "Clearance Assessment"); the scope of the Clearance Assessment must be approved by Lessor, such approval not to be unreasonably withheld, and will include provisions complying with the standards for Phase I and II Environmental Site Assessment as specified by the ASTM standard in effect at the time or any successor standards published by ASTM International (formerly known as the American Society for Testing and Materials) or any successor organization (or, if ASTM International and its successors no longer exist, a similar entity publishing similar standards); (b) written evidence that all appropriate governmental notifications have been made or releases requested as may be required by laws in effect at that time, including laws pertaining to Releases of Hazardous Substances and the surrender of the Leasehold; and (c) a plan to address any further lease requirements or Contamination which are Lessee's responsibility under this Section. In addition, Lessee agrees to remain responsible after the surrender of the Leasehold for the remediation of any Contamination that Lessee is otherwise responsible for pursuant to this lease, to comply with any recommendations regarding such Contamination, and to continue to pay rent and insurance until the Lessee provides evidence acceptable to Lessor that all Contamination, if any, then present on the Leasehold and any Affected Property are below reportable levels under state and federal laws. Lessee's obligations under this Article shall survive the expiration or earlier termination of the lease.
- J. **Removal of Hazardous Substances prior to Expiration or Termination of Lease.** At least 10 days prior to termination of this lease, Lessee shall remove all Hazardous Substances which have been stored, or released onto or from, the area to be vacated and shall decontaminate vacated areas in the Leasehold in which Hazardous Substances were generated, stored, accumulated, released, or otherwise present. If Hazardous Substances were stored in tanks or containers, Lessee shall decommission such equipment. Documentation of this removal and decommissioning shall be included in the Clearance Assessment.
- K. **Action Against Potentially Responsible Parties.** This article does not restrict either the Lessor or the Lessee from seeking and obtaining cleanup efforts, costs, or damages from other potentially responsible parties.
- L. **Authorities of the Alaska Department of Environmental Conservation.** These provisions do not in any way alter the State of Alaska, Department of Environmental Conservation's powers and



rights under AS 46.03 or 18 Alaska Administrative Code (implementing AS 46.03) (or their successors) and specifically AS 46.03.822. It also does not affect Lessee's duties and liabilities under Title 46 (or its successor) of the Alaska Statutes or other state, federal, or municipal statutes, regulations, or ordinances. For example, notwithstanding the provisions of this lease, the State of Alaska shall not be precluded from claiming under AS 46.03.822 that Lessee is strictly liable, jointly and severally, for damages and costs incurred by the State for cleanup of Contamination on the Leasehold and any Affected Property. The obligations and provisions of this Section shall survive the termination of this lease.

18. Fuel. When fuel storage containers exceed a total combined capacity of 110 gallons, the containers must be stored within either, an Alaska Department of Environmental Conservation approved double walled-tank, or an impermeable diked area, or a portable impermeable containment structure capable of containing 110% of the capacity of the largest independent container. All containers must be clearly marked with the contents and the Lessee's name. Drip pans and materials, such as sorbent pads, must be on hand to contain and clean up spills from any transfer or handling of fuel. All fuel storage containers and associated materials must be removed by the lease expiration date.

19. Hazardous Substances (other than fuel). Use of herbicides and pesticides by the Lessee is prohibited without prior written approval from the AO. No storage of hazardous material/substances is authorized within the project area without prior written approval from the AO.

20. Fuel or Hazardous Substance Transfers. Secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or hazardous substances to respond to a spill of up to five gallons. Transfer operations shall always be attended by trained personnel.

Surface liner means any safe, non-permeable container (e.g., drips pans, fold-a-tanks, etc.) designed to catch and hold fluids for the purpose of preventing spills. Surface liners should be of adequate size and volume to contain the worst-case spill that is likely to occur.

20.

21. Alaska Historic Preservation Act. The Lessee shall consult the Alaska Heritage Resources Survey (907) 269-8721 so that known historic, archaeological and paleontological sites may be avoided. The Alaska Historic Preservation Act (AS 41.35.200) prohibits the appropriation, excavation, removal, injury, or destruction of any state-owned historic, prehistoric (paleontological) or archaeological site without a permit from the commissioner. Should any sites be discovered during the course of field operations, activities that may damage the site will cease and the Office of History and Archaeology in the Division of Parks and Outdoor Recreation (907) 269-8721 and shall be notified immediately.

22. Incurred Expenses. All expenses incurred by the Lessee connected with the exercise of the privilege covered by this authorization shall be borne solely by the Lessee and the State of Alaska shall in no way be held liable for said expenses.

23. Limits of Access. Access to the lease site is from via plane/helicopter or snowmachine access in winter. No new access trails or roads are authorized on state land without the express permission of the AO. The ability of all users to use or access state land must not be restricted in any manner with the exception of fencing or enclosing structures to protect the public from possible harm.

24. Public Access. The operation, use and maintenance of the project shall not interfere with free public use of roads, trails, waters, landing areas, or other public access easements. The ability to use or access state land or public waters must not be restricted in any manner. However, if a specific activity poses a safety concern, the AO may authorize a temporary closure of public access routes to or through

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the project area for a specific period of time. The Lessee is required to contact the AO in advance for approval to close public access routes. No closures are authorized unless specifically authorized in writing by the AO.

25. Section Line Easement. There shall be a 50-foot right-of-way easement on either side of each section line, and any structures or improvements placed within such easements may be removed without compensation.

25. Subject To. This lease is made subject to the provisions of Oil and Gas Lease ADL 28329 and/or 28330, Right-of-Way Grant ADL 63223, and all platted easements

26. Setback Requirements. New building construction shall reflect a setback of minimum distance of 50 feet from road frontage lot lines.

27. Survey Monuments. The Lessee shall protect all survey monuments, witness corners, reference monuments, mining claim posts, bearing trees, and unsurveyed lease corner posts against damage, destruction, or obliteration. The Lessee shall notify the AO of any damaged, destroyed, or obliterated markers and shall reestablish the markers at the Lessee's expense in accordance with accepted survey practices of the Department of Natural Resources.

28. Compliance with Governmental Requirements; Recovery of Costs. Lessee shall, at its expense, comply with all applicable laws, regulations, rules and orders, and the requirements and stipulations included in this authorization. Lessee shall ensure compliance by its employees, agents, contractors, subcontractors, licensees, or invitees.

29. Other Authorizations. The issuance of this authorization does not alleviate the necessity of the Lessee to obtain authorizations required by other agencies for this activity.

30. Change of Address. Any change of address must be submitted in writing to the AO.

31. Compliance. The Lessee shall inform and ensure compliance with these stipulations by its employees, agents, invitees, contractors, subcontractors, or licensees directly or indirectly conducted in connection with this lease. The Lessee is responsible for the accurate location of all construction, operation, and maintenance activities within the area authorized under the terms of this lease.

32. Lease Expiration and Site Reclamation. No later than one (1) year prior to the lease expiration, the Lessee shall file with the AO:

- a) A request for a new lease, and/or
- b) A reclamation plan for the leasehold lands, which must be approved in writing by the AO. The Lessee is responsible for site reclamation within the leasehold. The reclamation plan must include a description of the methods and techniques that the Lessee will use to rehabilitate all sites affected by construction and intensive use activities. Under the lease, the Lessee retains all ownership rights to site improvements. In the plan, the Lessee shall describe its intention to remove improvements. The plan must also include a schedule that sets forth the steps required for surface rehabilitation, and a specific time line showing when the Lessee will accomplish each step.

33. Site Restoration.

- a. Upon expiration, completion, or termination of this authorization, the site shall be vacated and all improvements, personal property, and other chattels shall be removed or they will become the property of the state.



b. The site shall be left in a clean, safe condition acceptable to the AO.

c. The AO must approve a Restoration Plan at least 30 days prior to expiration, completion, or termination of this authorization, whichever is sooner. The Restoration Plan shall be in addition to any requirements for environmental compliance made a part of this lease.

d. Land returned to the Department of Natural Resources for any reason shall be returned in an environmental, physical, and marketable condition acceptable to the AO.

34. Gravel/Fill Placement Materials. When placed on the premises by the Lessee, fill material, gravel, and pavement, including building pads, parking areas, driveways, and similar structures become a part of the realty and property of the state, must be maintained by the lessee, and may not be removed from the premises by the Lessee without the prior written approval of the Lessor.

35. Request for Data/Additional Information. For purposes of information and review, the AO at any time during normal business hours, may require the Lessee to furnish data related to the use, maintenance and operation activities undertaken in connection with this project. The Lessee shall furnish the required data as soon as possible or as otherwise required under the terms of this lease.

