



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

Northern Regional Land Office

Memorandum of Decision

LAS 35837

Northern Energy Services

Application for Land Use Permit

AS 38.05.850

Requested Action

Northern Energy Services has requested the use of the improved gravel pad of Tract 27 in Deadhorse for temporary storage, decommissioning, and dismantling of the remains of Doyon 26 Drilling Rig after an accident destroyed the rig on January 23, 2026.

Proposed Action

The Alaska Department of Natural Resources (DNR), Division of Mining Land and Water (DMLW) is proposing to issue a 2-year Land Use Permit authorizing the temporary storage on State land.

Scope of Decision

The scope of this decision is limited to determining if it is appropriate for DNR to issue a land use permit (LUP) for the proposed land use activities for the storage of material on state owned land.

Statutory Authority

This permit is being adjudicated pursuant to AS 38.05.035 (powers and duties) and AS 38.05.850 (permits).

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 here-in, the 2021 North Slope Area Plan and other classification references described herein, and the casefile for the application serialized by DNR as LAS 35837.

Location Information

Geographic Location: Located in Deadhorse, Alaska at the southwest corner of the Spine Road and Sag River Road intersection.

Coordinate: Latitude: 70.2257 N **Longitude:** 148.4056 W **Datum:** NAD83

Legal Description: Tract 27 of Alaska State Land Survey (ASLS) 76-227, Survey of North Slope Lease Tracts, filed in the Barrow Recording District on December 2, 1977, recorded as Plat 77-3.

Other Land Information

Municipality: North Slope Borough

Regional Corporation: Arctic Slope Regional Corporation
Special Use Areas: North Slope Area Special Use Lands (ADL 50666)

Title

The State of Alaska holds title to lands within Section 17 of Township 10 North, Range 15 East, Umiat Meridian, Alaska on March 27, 1974, under Patent 50-74-0092. Standard title reservations apply.

Planning & Classification

The proposed site is governed by the 2021 North Slope Area Plan (updated March 2024) and lies within the Deadhorse Unit (A-14) on state-owned lands. The area is designated Ha/Og, classifying it as wildlife habitat and oil and gas land. As such, development must prioritize protection of fish and wildlife resources.

The plan requires that impacts to fish and wildlife habitats be minimized, particularly in areas critical to sensitive life stages. Projects in wildlife habitat areas must be evaluated using current, site-specific habitat information, and seasonality of species use must be considered. Development may be allowed if appropriate mitigation measures, such as seasonal, spatial, or operational restrictions, are incorporated to avoid disturbing sensitive periods or habitats.

Uses that would degrade wildlife habitat, including activities that cause dredging, filling, compaction, altered flow, pollution, or disturbance during sensitive periods—are generally incompatible and may only be authorized if determined to be necessary and in the best interest of the state, with impacts adequately mitigated. When compatibility is uncertain, consultation with ADF&G is required.

All activities must also comply with state and federal Endangered Species Acts. Projects with potential effects on threatened or endangered species require coordination with ADF&G, and where applicable, the U.S. Fish and Wildlife Service and NMFS, to identify and implement specific mitigation measures.

Third Party Interests

LAS 35164: Crowley Marine Services. Permit

ADL 28330: Hilcorp North Slope, LLC. Lease

LAS 28591: Savant Alaska LLC Permit

Background

Crowley Marine Services holds a LUP, serialized as LAS 35164, for backfilling and surface water monitoring at the Tract 27 pad in Deadhorse, an active Alaska Department of Environmental Conservation (ADEC) Contaminated Site Program site. Site investigation and contaminated gravel removal activities occurred between 2018 and 2025. Although the pad has been restored, there are two more years of annual surface water sampling for total aromatic hydrocarbons (TAH) and total aqueous hydrocarbons (TAqH) at ten locations along the pad edges.

Crowley Marine Services was contacted prior to issuance of this decision. They provided the following input for consideration and are included as stipulation in the land use permit.

The pad was restored in summer 2025 in accordance with the approved Water Quality Assessment & Pad Restoration Work Plan. Restoration included placement of approximately 2,000 CY of clean fill, grading to a level condition, and vibratory compaction. The plan anticipates up to two seasons for full stabilization, and surface water monitoring is currently ongoing at the gravel/tundra interface along the pad perimeter.

Crowley does not object to temporary storage in principle. However, given the recently restored condition of the pad and the ongoing monitoring program, we respectfully request that the following considerations be incorporated into any authorization:

Pad Surface Protection

- All rig components staged on load-distributing rig mats or cribbing sufficient to prevent rutting or surface distortion.
- No direct placement of equipment on gravel.
- Defined storage footprint in advance.

Contamination Prevention

- Use of a reinforced liner (minimum 20 mil) beneath staged components.
- Absorbent materials at hydraulic connection points.

Monitoring Interface Protection

- Storage outside a defined buffer from the pad perimeter where surface water monitoring is conducted (a minimum 10-foot buffer is recommended).

Restoration Responsibility

- Tenant acceptance of responsibility for any new release, staining, settlement, rutting, or surface impact.
- Commitment to restore the pad to its current level grade, including import and compaction of clean gravel if necessary.

Documentation

- Pre- and post-storage photographic documentation of the storage footprint.

We recommend and request these measures with the intention of protecting the restored condition of the pad and ensuring that ongoing monitoring data are not affected by temporary storage activities.

Public Notice & Agency Review

Public notice and Agency Review will be conducted after the issuance of the permit.

Environmental Considerations

This decision considers environmental factors directly related to the authorization for use of state lands, specifically whether the approval of the authorization is in the State's interest. The purpose of this consideration is to identify any associated mitigation measures or other requirements necessary to protect the public interest, while informing the overall decision of whether or not to approve the authorization.

There are potential environmental risks associated with the proposed LUP including minor fuel or hydrocarbon spills. The permittee will be required to use secondary containment systems to

mitigate spills and/or contamination. These risks can be minimized through adherence to permit stipulations that are appropriate for the landscape and prevailing environmental conditions.

Tract 27 is an active ADEC contaminated site, ADEC Hazard ID 27879, File number 300.38.329. The proposed permit would make Northern Energy Services jointly and severally liable as a potentially responsible party for cleanup costs, regardless of how much they contributed.

Discussion

During a rig move along a gravel road, Doyon Rig 26, a self-propelled drilling module, left the roadway and toppled onto the tundra. Northern Energy Services subsequently requested authorization to use Tract 27 in Deadhorse for temporary storage of the damaged drill rig. Crowley Marine Services is currently operating under a land use permit (LAS 35164) for monitoring purposes as an active ADEC contaminated site. The applicant's removal plan (attached) outlines operational and protection measures for the duration of storage. The applicant's removal plan, as well as permit stipulations, allow for the concurrent use of Tract 27 and limits environmental impacts.

DNR-DMLW will require an in-person final close-out site inspection during a non-snow month prior to the expiration or closure of the authorization.

Performance Guaranty

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

Pursuant to 11 AAC 96.060, a performance guaranty, typically in the form of a bond or other security, will be required. The performance guaranty associated with this activity is set at **\$100,000** which reflects performance guarantees for similar activities in the area. This bond will be adequate to cover the activities that will be conducted under this permit. The standard performance guaranty stipulation will be included in this LUP.

Insurance

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

Consistent with 11 AAC 96.065 the Grantee shall secure or purchase at its own expense, and maintain in force at all times during the term of this permit, liability coverage and limits consistent with what is professionally recommended as adequate to protect the Grantee (the insured) and Grantor (the State, its officers, agents and employees) from the liability exposures of ALL the insured's operations on state land. Certificates of Insurance must be furnished to the AO prior to the issuance of this permit and must provide for a notice of cancellation, nonrenewal, or material change of conditions in accordance with policy provisions. The Grantee 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 permit and shall be grounds, at the option of the State, for termination of the permit. 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 Grantee on or in conjunction with the permitted premises, referred to as LAS 35837.

Fees

The following fees are applicable to this request. These fees may be adjusted if regulation(s) or the Department Order pertaining to the fee(s) change during the term of the authorization.

Fee: \$152,583.13

Relevant Fee Regulation(s): 11 AAC 05.270(2)

Fee Narrative: Per 11 AAC 05.270(2). DNR may set a fee based on the director's estimate based on the appraised fair market value. Fees on the North Slope are calculated based on Fee Schedule No. 3455-05.

Term

2 Years

Effective Date: February 13, 2026

Expiration Date: February 12, 2028

Recommendation

Based upon the information provided by the applicant, as well as review of relevant planning documents, statutes, and regulations related to this application, it is the recommendation that a land use permit for the activity described above be issued, on the condition that all stipulations are followed as described in the attached authorization.

Jim Wessel
Natural Resource Specialist

Date

Manager's Decision

It is the decision of this office to take the action as recommended above. This decision takes effect immediately. If no appeal is filed by the appeal deadline, this decision becomes a final administrative order and decision of the department on the 31st calendar day after issuance. This decision may be rescinded by written notification if, after 60 days from the effective date of this decision, the applicant has not completed all requirements outlined in this decision for issuance of the permit. Additional time may be allotted to complete these requirements at the applicant's request and concurrence of the Authorized Officer, however this will not extend the total term of the authorizations issued under this decision.

Austin Michels

02/13/2026

Austin Michels (AJ)
Natural Resource Manager

Date

Attachments

Land Use Permit
Site Diagram
Removal Plan

Appeals

An eligible person affected by this decision may appeal to the DNR Commissioner per AS 44.37.011 and 11 AAC 02. Any appeal must be received within twenty (20) calendar days after issuance of this decision under 11 AAC 02.040. An eligible person must first appeal a decision to the Commissioner before seeking relief in superior court. The Alaska Court System establishes its own rules for timely appealing final administrative orders and decisions of the department.

Appeals may be mailed or hand-delivered to the DNR Commissioner's Office, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska, 99501; or faxed to (907)-269-8918; or sent by electronic mail to dnr.appeals@alaska.gov. Appeals must be accompanied by the fee established in 11 AAC 05.160(d)(1)(F), which has been set at \$200 under the provisions of 11 AAC 05.160 (a)-(b). A copy of 11 AAC 02 is available on the department's website at <https://dnr.alaska.gov/mlw/pdf/DNR-11-AAC-02.pdf>.