

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

Northern Regional Land Office

**Preliminary Decision**

**ADL 422539**

**Worley Alaska, Inc.**

**Application for Lease**

**AS 38.05.102**

This Preliminary Decision (PD) is the State's preliminary best interest finding regarding a proposed disposal of interest in state land. The public is invited to comment on this PD. The deadline for commenting is **5:00 pm April 10, 2026**. Please see the Public Notice section of this decision for requirements related to submitting comments for consideration.

**Requested Action**

Worley Alaska, Inc. (Worley) submitted an application to the Department of Natural Resources (DNR), Division of Mining, Land and Water (DMLW) to continue leasing 16.14 acres of land for oilfield support services in Deadhorse. The site is located within Section 18, Township 010 North, Range 015 East, Umiat Meridian. The applicant requested a 25-year non-competitive lease. A map showing the proposed location is included as Attachment A.

**Proposed Action**

DMLW proposes to issue a 25-year non-competitive lease to the applicant for oilfield support services on Tracts 22 and 23A in Deadhorse.

**Scope of Decision**

The scope of this decision is to determine if it is in the State's best interest to issue a 25-year non-competitive lease to the applicant. The administrative review for this authorization is defined by AS 38.05.035(e)(1)–(2) and limited to (1) reasonably foreseeable, significant effects of the uses to be authorized; (2) applicable statutes and regulations; (3) the facts pertaining to the land or resources; and (4) any issues that are material to the determination.

**Authority**

This lease application is being adjudicated pursuant to AS 38.05.035(e) Powers and Duties of the Director, AS 38.05.070 Generally, AS 38.05.102 Generally, and AS 38.05.945 Notice.

The authority to execute the PD, Final Finding and Decision (FFD), and the lease has been delegated to the Regional Managers of DMLW under AS 38.05.035(b)(1).

**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, the 2021 North Slope Area and other classification references described herein, and the casefile for the application serialized by DNR as ADL 422539, and previous lease case file, ADL 421611.

## **Location Information**

### Geographic Location

The lease site is located in Deadhorse, Alaska approximately one-half mile northeast of the intersection of the Spine Road and Lake Colleen Road.

### Legal Description

Tracts 22 and 23A of Alaska State Land Survey (ASLS) 76-227, filed in the Barrow Recording District on March 21, 2006 as plat no. 77-3, containing 16.14 acres, more or less.

### Other Land Information

Borough: North Slope Borough

Regional Corporation: Arctic Slope Regional Corporation

Approximate Lat/Long: 70.2213 N, 148.4129 W

## **Title**

The State received title under General Grant 1338, Patent 50-74-0092, recorded by the Fairbanks Recording District on March 27, 1974. The land is subject to rights-of-way reserved for ditches, canals, railroads, telegraph and telephone lines, and water rights.

## **Adjacent Landowners**

The State of Alaska owns the surface estate adjacent to the subject lease tracts. The lease tract is within the North Slope Borough, though no borough lands are impacted. The lease tract is within the Arctic Slope Region Corporation boundaries, though no corporation lands are impacted.

## **Third Party Interests**

### Surface Activity:

There are six easements along the Spine Road in the vicinity of the lease tract:

- ADL 63237, Public Easement, Utility, Issued, Arctic Slope Telephone Assoc., Inc.
- ADL 64063, Public Easement, Utility, Issued, US Department of Transportation, Federal Aviation Administration, Alaska Region
- ADL 400161, Private Easement, Non-Exclusive Right-of-Way, Issued, TDX North Slope Generating, Inc.
- ADL 413263, Public Easement, Utility, Issued, Norgasco, Inc.
- ADL 418572, Private Easement, Upland Fiber Optic Right-of-Way, Issued GCI Fiber Communication Company, Inc.
- ADL 421325, Public Easement, Deadhorse roads, DNR DMLW
- ADL 422471, Competitive Lease, Issued, Schlumberger

### Subsurface Activity:

- ADL 28330, Oil & Gas Lease Competitive, Issued, Hilcorp North Slope, LLC. Portions of Drill Site 12 are located within Section 18, however, there are no surface activities associated with ADL 28330 within the subject lease site.

### **Planning and Classification**

The lease site is encompassed in the North Slope Area Plan (NSAP), adopted in March 2021, and related to land classification order (CL) NC-04-003.

Under NSAP, the lease site is located on State lands within unit A-14. Lands in A-14 are designated “Habitat” and “Oil and Gas” per NSAP (NSAP 3-48). NSAP states the management intent of this unit, “Is to be managed for its habitat and oil and gas resource value. All developments must consider potential impacts on the habitat and harvest values and include general mitigation measures that will avoid, minimize or mitigate negative impacts.” Existing resources and uses in this area include numerous roads, pipelines, and facilities related to oil and gas development and exploration and many commercial and industrial facilities exist.

Lands in this unit are available for lease, permit, or other less than fee disposal. DMLW has determined that proposed lease is consistent with the management intent of NSAP.

### **Traditional Use Finding**

The proposed site is located within the North Slope Borough. Pursuant to AS 38.05.830 a traditional use finding is not required.

### **Access**

Physical and legal access to the proposed leasehold is via industrial roads (Spine and Lake Collen Roads). Legal access is established via ADL 421325, an easement for the road system in Deadhorse.

### **Access Along Navigable and Public Waters**

In an email dated May 29, 2025, the Public Access Assertion and Defense section determined there were no public or navigable waters within the proposed lease.

### **Public Trust Doctrine**

Pursuant to AS 38.05.126, all authorizations for this site will be subject to the principles of the Public Trust Doctrine; specifically, the right of the public to use navigable waterways and the land beneath them for: navigation, commerce, fishing, hunting, protection of areas for ecological studies, and other purposes. These rights must be protected to the maximum extent practicable while allowing for the development of this project. As such, DMLW is reserving the right to grant other authorizations to the subject area consistent with the Public Trust Doctrine.

### **Reservation of Mineral Estate**

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 and other applicable statutes and regulations.

### **Mineral Orders**

Mineral entry within the proposed leasehold is not currently restricted. It is not necessary to restrict entry to leasehold locations only or to close the area to mineral entry.

### **Hazardous Materials and Potential Contaminants**

Hazardous materials, specifically fuel, power generators, human waste, trash, and gray water are stored and handled within the proposed leasehold. Stipulations are included in the lease to ensure proper handling and storage. The use and storage of all hazardous substances must be done in accordance with existing federal, state, and local laws. Debris (such as soil) contaminated with used motor oil, solvents, or other chemicals may be classified as a hazardous substance and must be removed from the leasehold and disposed of in accordance with state and federal law.

There is known hydrocarbon contamination within Tracts 22 and 23A from fuel storage and handling. On September 23, 2010, the Department of Environmental Conservation, Contaminated Sites Program (DEC CS) determined that the contaminant concentrations remaining on site did not require further remedial action so long as the site remains in compliance with Institutional Controls (ICs).

In July 2014, contaminated soil was discovered during the demolition of the dry storage batch plant building on Tract 23A. The contamination was identified under the support pad for a former boiler along the north wall of the batch plant building. DEC reopened the site for additional characterization and clean-up after this discovery.

During August 2015, Worley removed approximately 40 cubic yards of contaminated material from under the batch plant. Samples were taken from this material, and it was revealed that diesel range organics (DRO) and residual range organics (RRO) remain in the pad at concentrations of 3,700 mg/kg and 7,900 mg/kg respectively. On December 1, 2015, DEC requested a work plan by February 1, 2016, for additional site delineation. The delineation work revealed that approximately 67 cubic yards of impacted soil are above Method One clean-up levels. When a site is above Method One clean-up levels, it indicates that contamination on the pad is not an immediate risk to public health, but more regulatory oversight is necessary. Further clean-up may be necessary to be compliant with DEC and DNR DMLW.

To prevent further hydrocarbon contamination on the pad, Worley uses secondary containment and places duck ponds under parked equipment and vehicles.

### **Agency Review**

An agency review was conducted on May 23, 2025. The deadline for agency comments was June 23, 2025.

The following agencies were included in the review:

DNR Office of History and Archaeology/SHPO (OHA)

DNR Division of Oil and Gas (DOG)

DNR Division of Parks and Outdoor Recreation (Parks)

DNR State Pipeline Coordinator's Section (SPCS)

Department of Fish and Game – Access Defense (DFG)

Department of Environmental Conservation, Contaminated Sites (DEC CS)

Department of Environmental Conservation, Drinking Water (DEC DW)  
Department of Transportation and Public Facilities (DOT)  
US Fish and Wildlife Service (USFWS)  
United States Army Corp of Engineers (USACE)  
North Slope Borough (NSB)

**Agency Review Comment and Response**

OHA, DOT, DEC CS and DW, and DFG had no objections to the proposed lease. Aside from their non-objection, DFG provided additional suggestions regarding interactions with wildlife and spill prevention. Their recommendations were forwarded to the applicant.

**Background**

The original lease was issued to VECO, Inc. on June 2, 1974, as a five-year, short-term authorization. In 1979, it was determined that short-term leases do not serve the state's best interest and held a long-term lease auction to convert many of the short-term leases in Deadhorse to long-term leases. Lessees were required to relinquish their lease and submit bids for new lease agreements. VECO, Inc. was the winning bidder for Tracts 22, 23, and 24 and was issued a new lease under ADL 64473. The tracts have been used for equipment storage, parts fabrication, camp facilities, and materials storage since 1974.

In 2007, VECO was purchased by CH2M Hill Alaska, Inc. (CH2M). CH2M issued a sublease to Northern Solutions for interior space in Building 22-2 on Tract 22. In 2017, CH2M was acquired by Jacobs Engineering Group Inc. under the Energy, Chemicals, and Resources Division. However, CH2M continued to operate all their North Slope assets. The Jacobs Energy, Chemicals, and Resources Division was sold to Worley Parsons in 2018.

The lease was extended pursuant to AS 38.05.070(f) in 2019. A lease renewal, serialized as ADL 421611, was adjudicated pursuant to AS 38.05.070(e) in 2021.

An application for a 25-year lease on Tracts 22 and 23 A was received on April 1, 2025. ADL 422539 was created for the reissuance of this lease. No changes to the Worley's development are anticipated. In the event there are any modifications, Worley must furnish a development plan amendment to DMLW. Any changes to business operations will be subject to agency review and/or public notice before making a determination on the appropriateness of the proposed activity.

**Discussion**

Worley has requested a new lease for 25 years. This lease has been used for oilfield support services such as equipment storage, parts fabrication, camp facilities, and materials storage since 1974. The development plan provided by Worley does not include any changes to current operations at the site.

The lease was originally authorized under ADL 64473 which expired in 2021. This lease was renewed for five years pursuant to AS 38.05.070(e) with a new serial number, ADL 421611, and expires on July 8, 2026. While commercial leases such as this typically require Solicitation of Interest (SOI), AS 38.05.102 allows for direct negotiation of a lease without the need for SOI since the applicant has a long-term lease under AS 38.05.070. Although Worley's current lease only has

a 5 year term, the renewal decision authorized a 25 year term. We have determined that because ADL 421611 was offered a 25 year term, this qualifies for a .102 preference right negotiation. Given the importance of the oilfield support services to the continued development of oilfield operations on the north slope, it is in the State's best interest to allow for direct negotiation where an applicant is in compliance with the terms and conditions of their existing lease.

The reissuance of a lease to Worley will provide Worley with the ability to continue their operations on Tracts 22 and 23A. Worley remains in good standing with the state, having no unresolved compliance issues.

The proposed lease will be subject to the terms of DMLW's standard lease document effective at the time the lease is signed. The current standard lease document is available for review upon request. The lease will also be subject to additional stipulations based, in part, upon the following considerations.

### **Development Plan**

The Development Plan (DP) attached to this decision (Attachment A) and dated April 1, 2025, is under consideration by DMLW. Should the proposed lease be granted, it is anticipated that the DP will need to be updated throughout the life of the lease as activities and/or infrastructure are added or subtracted. All updates must be approved, in writing, by DMLW before any construction, deconstruction, replacement of infrastructure, or change in activity will be authorized. DMLW reserves the right to require additional agency review and/or public notice for changes that are deemed by DMLW to be beyond the scope of this decision.

### **Performance Guaranty**

In accordance with AS 38.05.035 the applicant will be required to submit performance guaranties for the lease to incentivize performance of the conditions of the EA (if applicable) and the lease and to provide a mechanism for the state to ensure that the lessee shares in financial burden in the event of noncompliance for site cleanup, restoration and any associated costs after termination or expiration of the leases, the following bonds will be required.

**\$600,000 Performance Bond:** Performance guaranties provide a means to pay for corrective action if the lessee fails to comply with the lease requirements. In accordance with AS 38.05.035 the applicant will be required to submit a performance guaranty. The amount of the performance guaranty is based on the scope and the nature of the activity and the potential cost of restoring the site. Performance guaranties are subject to periodic adjustments being made during the term of the authorization to address increases or decreases in the costs of rectifying problems and rehabilitating state land due to inflation, changes in the level or nature of development, or other appropriate factors.

### **Insurance**

Consistent with AS 38.05.035 to protect the State from liability associated with the use of the site, the applicant shall provide and maintain a comprehensive general liability insurance policy with the State of Alaska named as an additional insured party per the stipulations of the authorization. The applicant shall secure or purchase at its own expense, and maintain in force at all times during the term of this lease, liability coverage and limits consistent with what is professionally

recommended as adequate to protect the applicant and the State, its officers, agents and employees from the liability exposures of ALL the insured's operations on state land. The insurance requirement may be adjusted periodically.

**Survey**

This site was surveyed and described as Tract 22 of Alaska State Land Survey (ASLS) 76-227, Survey of North Slope Lease Tracts, Deadhorse, Alaska within Sections 8, 17, 18, 19, Township 10 North, Range 15 East Umiat Meridian, containing 8.46 acres, more less and Tract 23A of ASLS 204-35, location within Section 18, Township 10 North, Range 15 East, Umiat Meridian, containing 8.64 acres, more or less.

**Compensation and Appraisal**

In accordance with AS 38.05.840, State-owned land may only be leased if it has been appraised within two years before lease issuance. As of December 2025, the appraisal for the pad has been set at \$125,300 annually. Furthermore, in accordance with AS 38.05.105, the proposed lease will be subject to reappraisal at five-year intervals after the issuance of the proposed authorization.

**Subleases**

Subleasing may be permissible through AS 38.05.095, if the proposed lease is approved. All potential subleases must first be approved in writing by DMLW. DMLW may conduct further agency review and/or public notice before making a determination on the appropriateness of the proposed sublease. The sublease fee will not be less than 25% of the annual fee paid to the lessee by the sublessee.

**Assignment**

The proposed lease, if issued, may be assigned to another individual or corporation only with written approval from the State of Alaska. A lease will not be assigned to an entity if that entity does not meet the statutory requirements of the lease, or if the lessee is considered not to be in "good standing" with this or any other agency authorization.

**Reclamation**

In accordance with AS 38.05.090, the leasehold must be restored to a "good and marketable condition" within 120 days after termination of the lease.

**Public Notice**

Pursuant to AS 38.05.945, this PD will be advertised for a 30-day public comment period, starting on February X, 2025. The notice will also be posted on the State of Alaska Online Public Notice website pursuant to AS 38.05.945(b)(3)(B) located at:  
<https://aws.state.ak.us/OnlinePublicNotices/Default.aspx>

In accordance with AS 38.05.946, North Slope Borough is a municipality or a corporation entitled to receive notice under AS 38.05.945(c) may hold a hearing within 30 days after the receipt of the notice.

The public is invited to comment on this PD. All comments received during the public comment period will be considered in the FFD. A copy of the FFD, along with instructions on filing an

appeal, will be sent to all persons who comment on the PD. If public comments result in significant changes to the PD, additional public notice may be given.

To be eligible to appeal, a person affected by the FFD must provide written comments during the public comment period per AS 38.05.035(i).

**Written comments about this project must be received in this office no later than 5:00 PM on April 10, 2026, to be considered.**

To submit comments please choose one of the following methods:

Mail: Department of Natural Resources  
Division of Mining, Land and Water  
Northern Regional Land Office  
ATTN: Haley Evans  
3700 Airport Way  
Fairbank, AK 99709

Email: [haley.evans@alaska.gov](mailto:haley.evans@alaska.gov)

DNR-DMLW complies with Title II of the Americans with Disabilities Act of 1990. Individuals with disabilities who may need auxiliary aids, services or special modifications to comment should contact Alaska Relay at 711 or 800-770-8973 for TTY services.

*Signature page follows.*



