

"An Act relating to the requisition of oil and gas leasehold interests in Kachemak Bay; and providing for an effective date."

# COMMITTEE REPORT

5/10/76

HOUSE

*diff. from original  
to say a demand*

Mr. Speaker:

Date May 12, 1976

The Committee on FINANCE has had CSSB 720

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR CS 720 AND THAT

CS FOR CS 720 DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>H. Malone</u>	<u>17</u>	<u>Bochheit</u>
<u>COOPER</u>	<u>ED Matthews</u>	
<u>Hansen</u>	<u>Frank T. Pto</u>	
	<u>J. Duncan</u>	

Membe NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

H. Malone Chairman

May 12 -  
5 pm

Original Sponsor: Resources Committee

Offered: 5/10/76  
Referred: Finance

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 720

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the reacquisition of oil and gas  
7 leasehold interests in Kachemak Bay; and providing for  
8 an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 38.05 is amended by adding a new section to read:

11 Sec. 38.05.184. LIMITATION ON OIL AND GAS LEASES IN CERTAIN AREAS,  
12 AND REACQUISITION OF LEASES. (a) The legislature finds that Kachemak  
13 Bay is an area of extraordinary abundance and diversity of marine life  
14 that has provided, and will continue to provide in the future, a basis  
15 for one of the state's most important commercial fisheries; that recent  
16 information discloses that even minute quantities of oil released into  
17 the marine environment may be harmful to the larval forms of crabs and  
18 other marine life and that the existence of gyral currents within the  
19 bay may increase the likelihood of oil coming into contact with these  
20 valuable commercial fish and shellfish species; and that therefore oil  
21 and gas development in the bay, at this time, presents an undue hazard  
22 to this valuable state renewable resource.

23 (b) No additional oil or gas leases may be issued by the Department  
24 of Natural Resources or any other state agency for the exploration for  
25 or the development or production of oil and gas on state-owned land and  
26 waters seaward of the mean higher high water line, beginning at Anchor  
27 Point; then around the perimeter of Kachemak Bay, to Point Pogibshi;  
28 then west to the three mile limit of state land and waters; then north  
29 to a point three miles west of Anchor Point; then east to the mean

1 higher high water line of Anchor Point, the point of beginning.

2 (c) The commissioner of natural resources may enter into negotia-  
3 tions to reacquire by purchase in the name of the state, title to or  
4 accountable interests in oil or gas leases within the boundaries de-  
5 scribed in (b) of this section which were issued before the effective  
6 date of this Act.

7 (d) In lieu of cash payment for a negotiated purchase of a lease-  
8 hold interest, the commissioner may authorize a credit of the purchase  
9 price plus interest at the rate prescribed by AS 09.30.070 to be granted  
10 the seller to be applied against future lease bonus or rental payments,  
11 permit fees, royalties, or oil and gas taxes which may become owing on  
12 new production from other leases or property held by the seller for oil  
13 and gas development. The commissioner may also negotiate to reimburse  
14 in like manner by credit provision the full bonus paid by the lessee to  
15 the state plus a reasonable amount to compensate the lessee for expenses  
16 and other costs incurred by the lessee.

17 (e) For a period of one year from the effective date of this  
18 section, or until the adjournment of the First Session of the Tenth  
19 Alaska Legislature, whichever period is longer, no drilling activities  
20 to explore or develop any existing state oil and gas leases in the bay  
21 are permitted. The purpose of this moratorium on exploration and de-  
22 velopment is to (1) permit the Department of Fish and Game a reasonable  
23 time to develop plans to insure protection for the living resources of  
24 the bay from possible pollution incidental to drilling activities; and  
25 (2) permit the commissioner of natural resources a reasonable period to  
26 negotiate for the repurchase of the leases under (c) of this section.  
27 The lease period for any existing oil and gas leases in Kachemak Bay  
28 shall be extended by the commissioner of the Department of Natural  
29 Resources for the period of this moratorium.

*read by  
Gardner  
in minutes*

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(f) In the event the commissioner of natural resources is unable to negotiate a satisfactory price for repurchase of the leases under (c) of this section, he may at the time the moratorium on exploration and development expires acquire all title to or interests in said oil or gas leases through the exercise of the power of eminent domain.

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-070(c).

#

Original sponsor: Resources Committee

Offered: 4/6/76  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

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4 negotiate to reimburse in like manner by credit provision, the full  
5 bonus paid by the lessee to the state plus an amount not to exceed 20  
6 per cent of the bonus to compensate the lessee for expenses and other  
7 costs incurred by the lessee.

8 \* Sec. 2. Nothing in this Act is intended to diminish a valid existing  
9 exploration, operating, or production right of the lessee, including reason-  
10 able access to and from the lease site and the transportation of production  
11 from the lease to a shore-based facility or to a refinery or other market,  
12 until full reacquisition of the lease by the state through negotiations.

13 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-  
14 070(c).

Introduced: 3/30/76  
Referred: Resources and  
Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 SENATE BILL NO. 720

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9 070(c).

Testimony presented to: House Finance Committee

SUBJECT: S.B. 720 KACHEMAK BAY OIL LEASE

PRESENTED BY: FRANK A. TUPPER

DATE: MAY 12, 1976

Chairman Malone, and members of the House Finance Committee;

My name is Frank Tupper, and I am a resident of Homer on the Kenai Peninsula. I wish to present testimony to you tonight on S.B. 720

Kachemak Bay. Alaska's rich shellfish breeding grounds, the fishing industry in the area, and the citizens of this state are in urgent need of a totally protective remedy for Kachemak Bay, now.

As the hours tick by, the sad saga of a story, commencing prior to the lease sale of 1973, continues to unfold in horrendous detail.

This the ninth session of the Alaska Legislature, and the one prior to this in 1974-75, have confronted the issue of the 28th oil and gas lease sale. The problem of protecting this Bay, the threat and the risk, and yes the very fate of the Bay itself is presently before you tonight.

The events of recent days have been given wide attention in the news media across the state and national t.v. news coverage. This can only relate the sad but true testimony that is now coming to light before you, the elected representatives of the people, the administration the guardian of our resources, A strong and decisive decision must be made to ban oil and gas development from the waters of Kachemak Bay. S.B. 720. as passed and ammended by the House Judiciary Committee, can provide a proper closing to an almost tragic case.

Kachemak Bay holds some of the most precious resource bounty for centuries to come, but it will become yet another mortality

of despoiled resources if we allow the "shoddy" and irresponsible types of expeditious exploitation, as is evident in the sad scenario of the attempts to move the twice "wounded", newly repaired, "mechanical wonder" the George Ferris.

We in Homer, have come to grips with the Ferris, the industry and the repeated false proclamations and assurances of building trust between the people and the state, while they seek to develop our resources in a "comfortable and safe manner". We have been down this road before. This goes back to the early hearings in Homer of 1974. We have been repeatedly indoctrinated with such words as "20th Century technology, contingency and redundancy procedures." The oil industry and Ferris subcontractors have tried to convince this legislature that there is no cause for alarm, and no viable threat to the Bay or the resource. They have warned against being lead by irate and uninformed citizens who would "lock up and prevent progress". If recent events in Kachemak Bay are an example of this version of "progress", we had better take a long hard look at what lies ahead, not only for Kachemak but for the State as a whole. For all present evidence strongly indicates that the words do not match the track record or the performance. In Alaska, the Ferris has been a three time loser. This is no time for hindsight however, nor apologies, rather it is a time for action predicated on the warnings and foresight of marine scientists, the Administration many of our legislators, fishermen and the citizens of Alaska who say enough is enough.

Kachemak Bay with its' unique and valuable marine resources, commands our respect in calling for stiff environmental protection, with laws to enforce the effective ultra clean operations by man upon these waters, and to carefully inspect and study any operation that is being proposed in such highly critical areas.

The very act of issuing oil leases and drilling permits in this area, underscores the lack of understanding of the problems

Some State and Federal regulatory agencies, whose primary function is in protecting the peoples resources are only now getting around to developing interim guidelines, pending further studies. Must we wait for a final "coup de grace" for Kachemak Bay, and then try to save it?

We can buy the leases back now, but we can not buy back the Bay.

Let us hope that the recent perversion that has taken place in Kachemak Bay, can be a learning experience for the State, the people and the industry. Alaska is constantly being beseiged with development plans and decisions which could if not properly attended, lead to other "Kachemak Bays'" One would think that the massive destruction of other coastline areas due to oil pollution, such as Santa Barbara, would mandate a cleaning up of the act of petroleum development for a safe future.

A loss becomes tragic, when it is un-necessary. The many warnings raised in the past about the hazzards and risks involved in Kachemak Bay. can not be dismissed. We failed to act and failed to heed the caution signs. Let us take the first step in protecting the integrity of a Bay with no peer. On behalf of those who support the re-aquisition of the 2500 acres in Kachemak Bay, and bring it back home safely, I strongly urge you, the members of the House Finance Committee, and the Alaska Legislature as a whole to pass this bill.

My appreciation is sincere for your time and consideration of my remarks, towards this important piece of legislation.

*Fronk A. Tuffer*

At 15,000 feet, and 100 miles from help,

# you'd better be right.

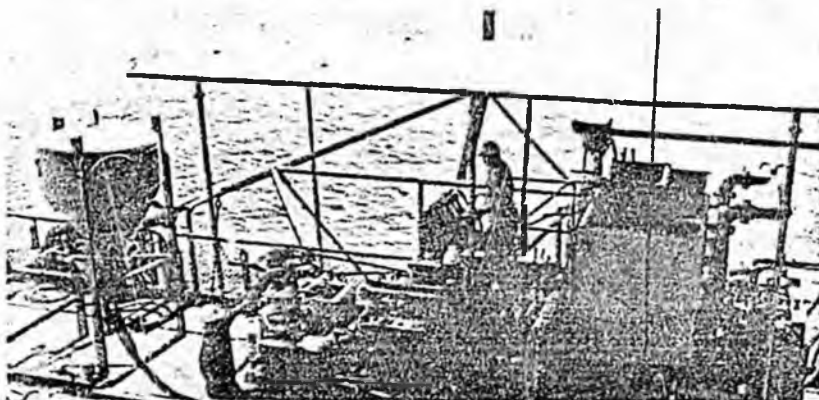


Skid units customized by Dowell to fit your particular needs are making impressive records for service in offshore operations. Dowell offers skid units for cementing, stimulation and other well services in readily available configurations. Or we can custom design units for your particular use. If your problems involve compactness, portability or weight distribution, our engineering staff will design pumps, mixers, handling systems and other hardware you can count on. You're already in deep water when you go offshore. Be sure you add Dowell dependability in both service and equipment.

**DOWELL**

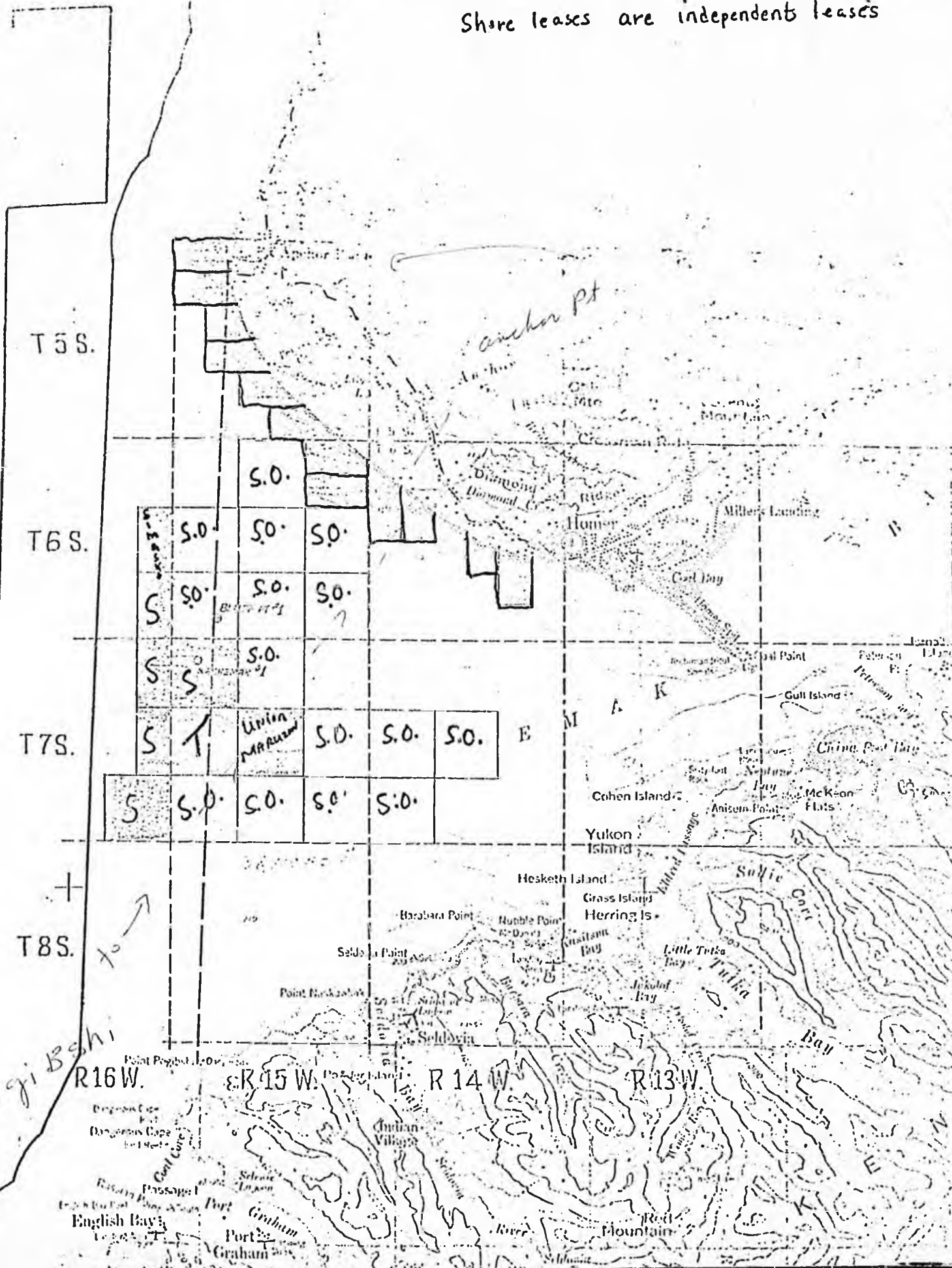
DOWELL DIVISION OF THE DOW CHEMICAL COMPANY, TULSA, OKLAHOMA 74102

*Oil & Gas  
Journal*



10.00  
1/12/76

Shell..... S  
 Texaco..... T  
 Standard Oil... S.O.  
 Shore leases are independent leases



from  
Pt. Pogi Bshi

T5S.

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English Bay

Port Graham

Roll Mountain

Ancher Pt

Diamond  
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Homer

Miller's Landing

Cool Bay

Gull Island

China Post Bay

Cohen Island

Yukon Island

Hesketh Island

Grass Island

Herring Is

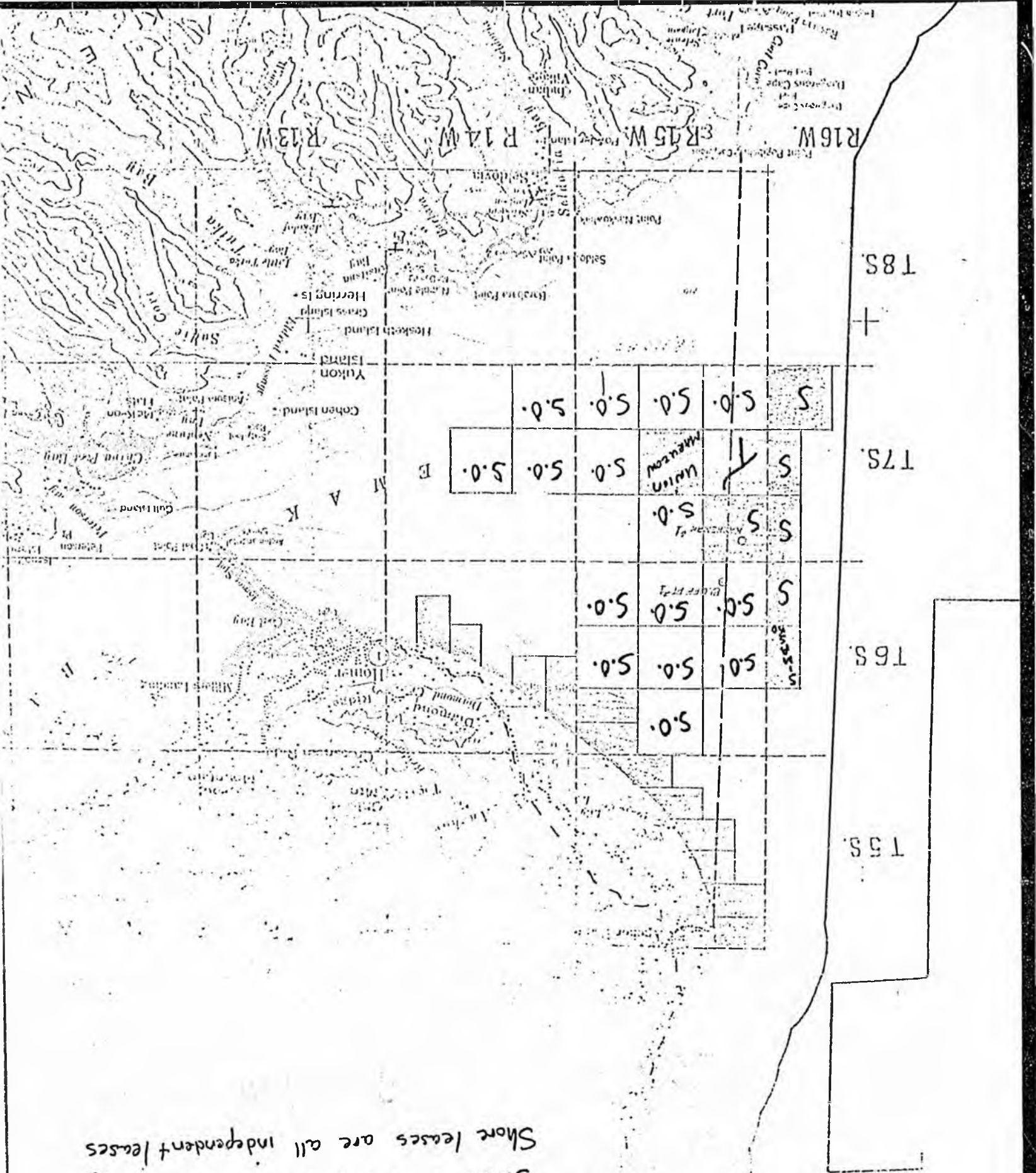
Sullivan Bay

Little Totko Bay

Tullia Bay

Port Graham

Port Graham



Standard Oil . . . . . S.O.  
 Texaco . . . . . T  
 Shell . . . . . S  
 Shore leases are all independent leases

# TABLE 1

Kachemak Bay, Cook Inlet, Commercial

SB  
720

## Fisheries Harvest, 1966-75

<u>Year</u>	<u>Kings</u>	<u>Reds</u>	<u>Cohos</u>	<u>Pinks</u>	<u>Chums</u>	<u>Total</u>
1966	60	12,192	4,535	177,544	28,754	223,085
1967	173	26,350	2,393	95,100	23,416	147,432
1968	61	18,716	4,671	154,033	4,518	181,999
1969	59	12,578	485	70,753	2,600	86,475
1970	91	12,245	3,705	208,174	8,174	232,389
1971	41	18,403	3,151	50,066	2,857	74,518
1972	69	31,345	1,283	9,126	4,936	46,759
1973	139	24,072	1,241	97,574	3,588	126,614
1974	182	27,029	3,054	48,875	2,725	81,865
1975 <sup>1/</sup>	138	27,385	1,240	866,335	5,411	900,509

## Shellfish (Pounds)

<u>Year</u>	<u>King Crab</u>	<u>Tanner Crab</u>	<u>Shrimp</u>	<u>Dungeness Crab</u>
1966	1,910,364		309,676	12,523
1967	1,279,708		741,438	7,168
1968	996,520	146,491	26,030	484,452
1969	1,302,554	1,436,680	1,849,710	49,894
1970	1,501,288	1,152,609	5,815,268	209,819
1971	1,251,142	1,186,488	5,438,091	97,161
1972	1,900,006	2,942,082	5,450,498	38,930
1973	2,114,841	3,763,060	4,709,486	308,777
1974	1,609,530	1,106,263	5,740,647	721,183
1975 <sup>2/</sup>				

## Herring

1969	1.1 Million Pounds
1970	5.4 Million Pounds
1971	25,000 Pounds
1972	2,000 Pounds
1973	407,500 Pounds
1974	219,359 Pounds
1975 <sup>1/</sup>	48,833 Pounds

<sup>1/</sup> 1975 data preliminary.

<sup>2/</sup> Shellfish seasons still in progress.

SP 730

### TABLE 2

ESTIMATED VALUE IN MILLIONS OF DOLLARS OF KACHEMAK BAY  
COMMERCIAL FISHERIES IN 1973

SPECIES	VALUE TO FISHERMEN	FIRST WHOLESALE VALUE
SALMON	.2	.4
KING CRAB	1.7	3.3
TANNER CRAB	.7	1.7
SHRIMP	.4	1.5
DUNGENESS CRAB	.2	.4
HERRING	<u>.03</u>	<u>.06</u>
TOTAL	3.2	7.3

### Summary of Toxicity Data

Class of Organisms	Estimated Concentration (ppm) of soluble aromatics causing toxicity	Estimated amount (ppm) of Petroleum substances containing equivalent amount of aromatics	
		#2 Fuel Oil	Fresh Crude
Flora	10-100	50-500	$10^4 - 10^5$
Finfish	5-50	25-250	$10^4 - 10^5$
Larvae (all species)	0.1-1.0	0.5-5	$10^2 - 10^3$
Pelagic Crustaceans	1-10	5-50	$10^3 - 10^4$
Gastropods (snails, etc.)	10-100	50-500	$10^4 - 10^5$
Bivalves (oysters, clams, etc.)	5-50	25-250	$10^4 - 10^5$
Benthic Crustaceans (lobsters, crabs, etc.)	1-10	5-50	$10^3 - 10^4$
Other Benthic Invertebrates (worms, etc.)	1-10	5-50	$10^3 - 10^4$

TABLE 3

10/4/5

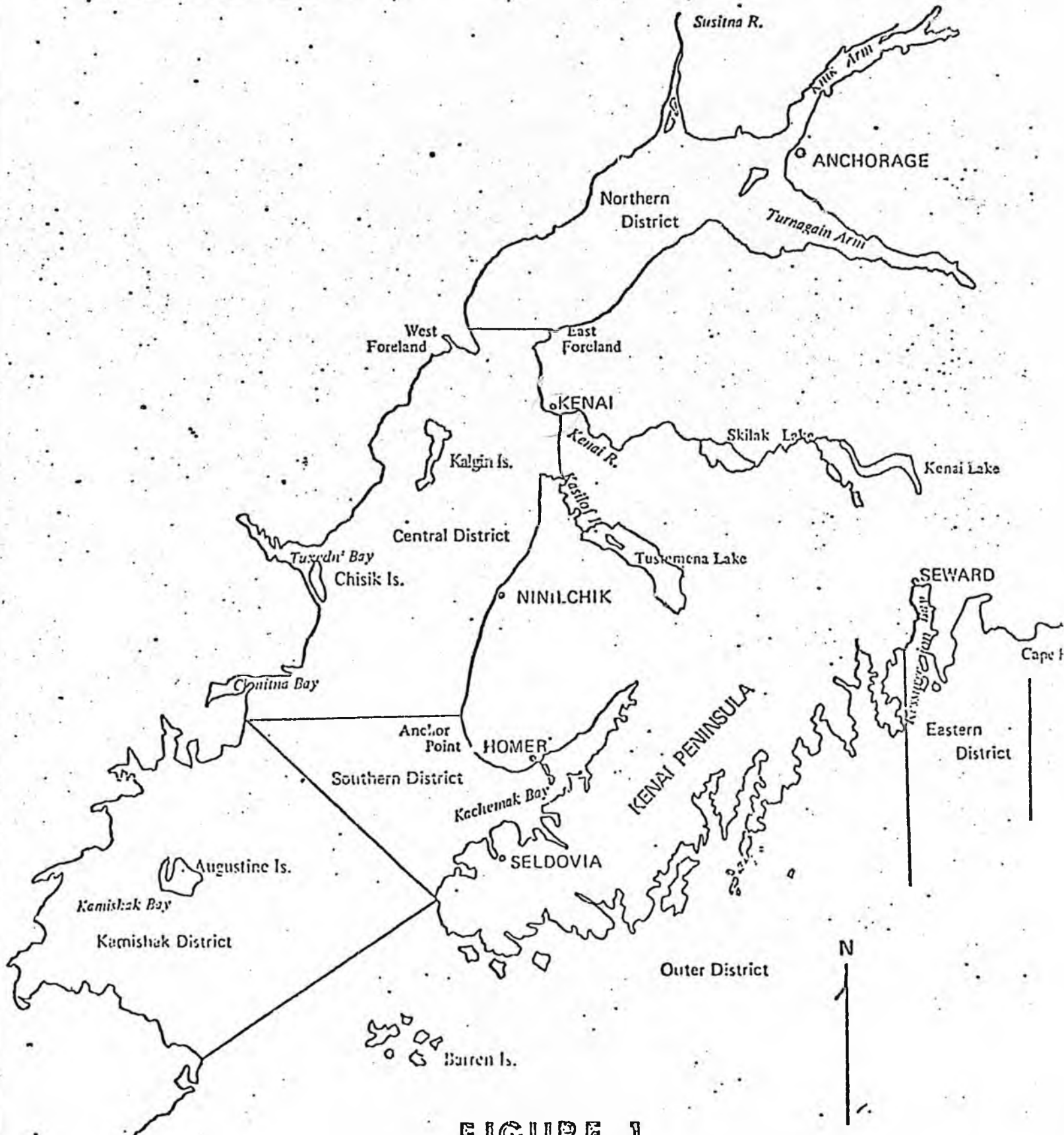
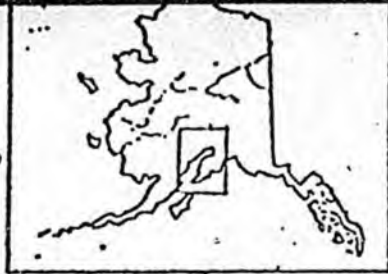
**TABLE 4**  
**DOCUMENTED OIL SPILLS IN COOK INLET** <sup>1/</sup>

<u>YEAR</u>	<u>TOTAL KNOWN SPILLS</u> <sup>2/</sup>	<u>SPILLS CAUSED BY OIL INDUSTRY</u> <sup>3/</sup>
1962	1	1
1965	1	1
1966	27	9
1967	41	22
1968	70	52
1969	39	28
1970	41	17
1971	16	6
1972	17	1
1973	7	6
TOTAL	<u>260</u>	<u>143</u>

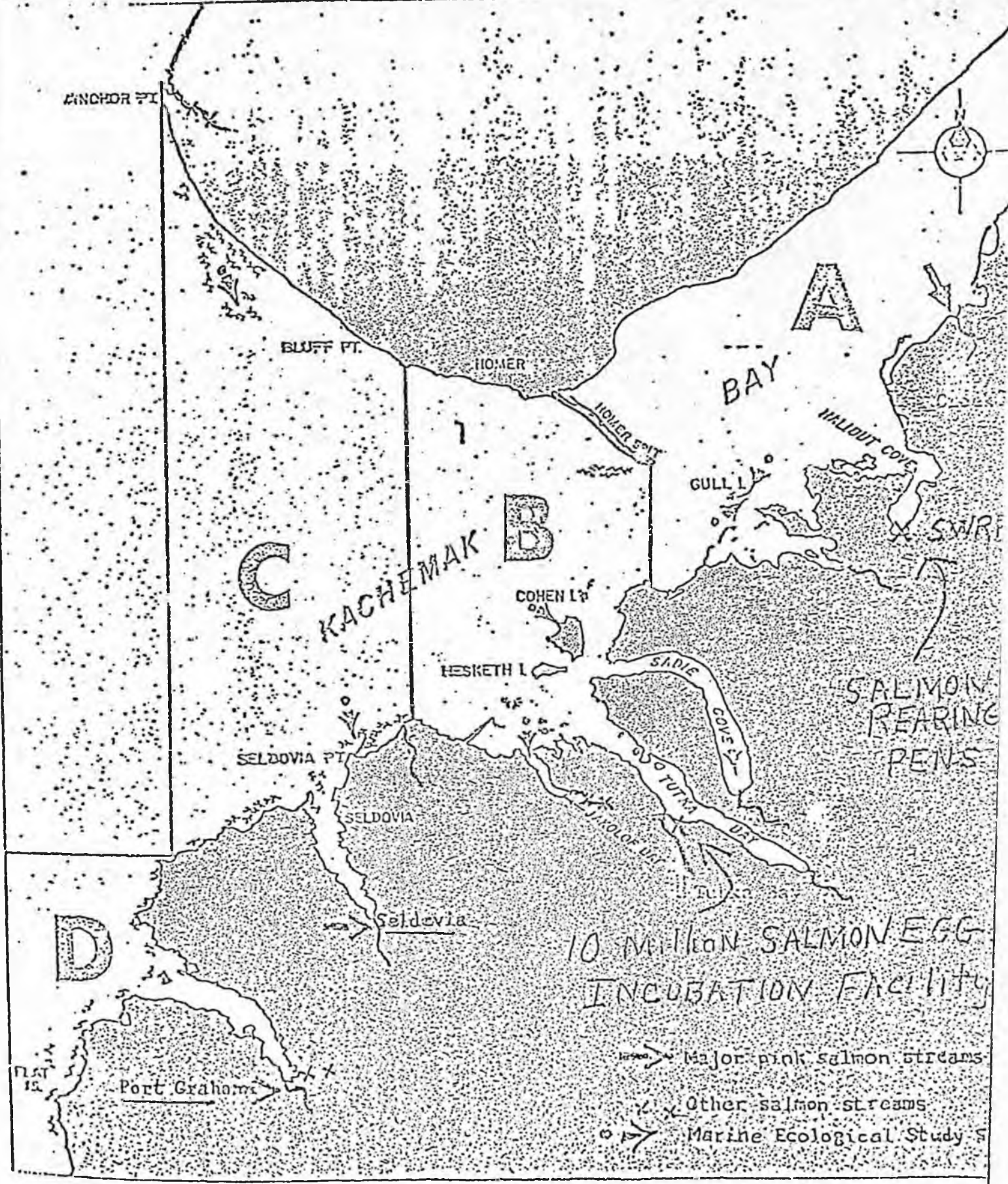
<sup>1/</sup> SOURCE: EPA RECORDS

<sup>2/</sup> TOTAL DOCUMENTED SPILLS IN COOK INLET WATERS.

<sup>3/</sup> DOCUMENTED OIL SPILLS IN COOK INLET WATERS CAUSED BY OIL INDUSTRY.



**FIGURE 1**  
Cook Inlet area

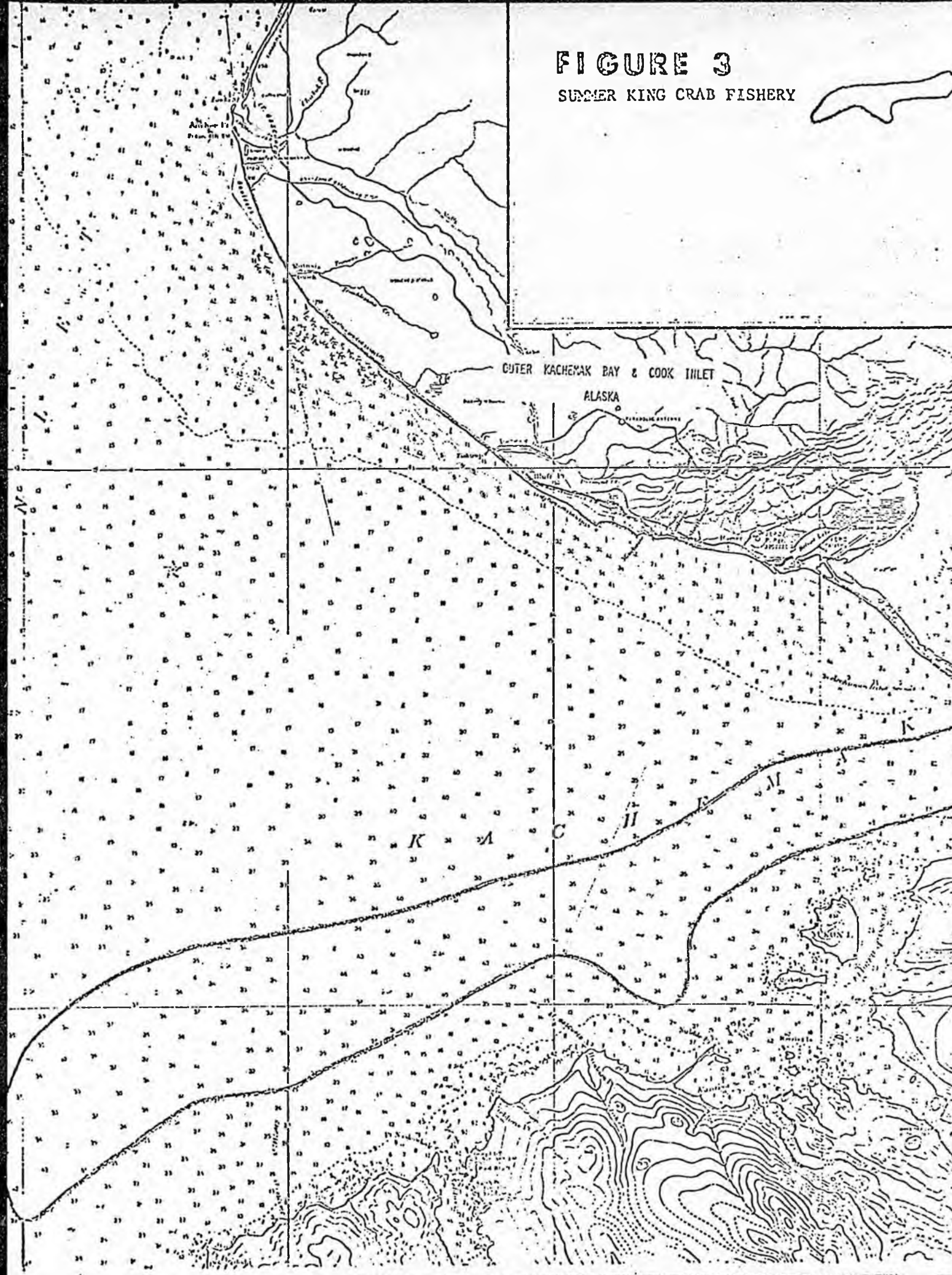


Kachemak Bay salmon streams and commercial salmon catch zones.  
 A Upper Kachemak B Tutka C Seldivia D Port Graham

~ SALMON STREAMS  
**FIGURE 2**

# FIGURE 3

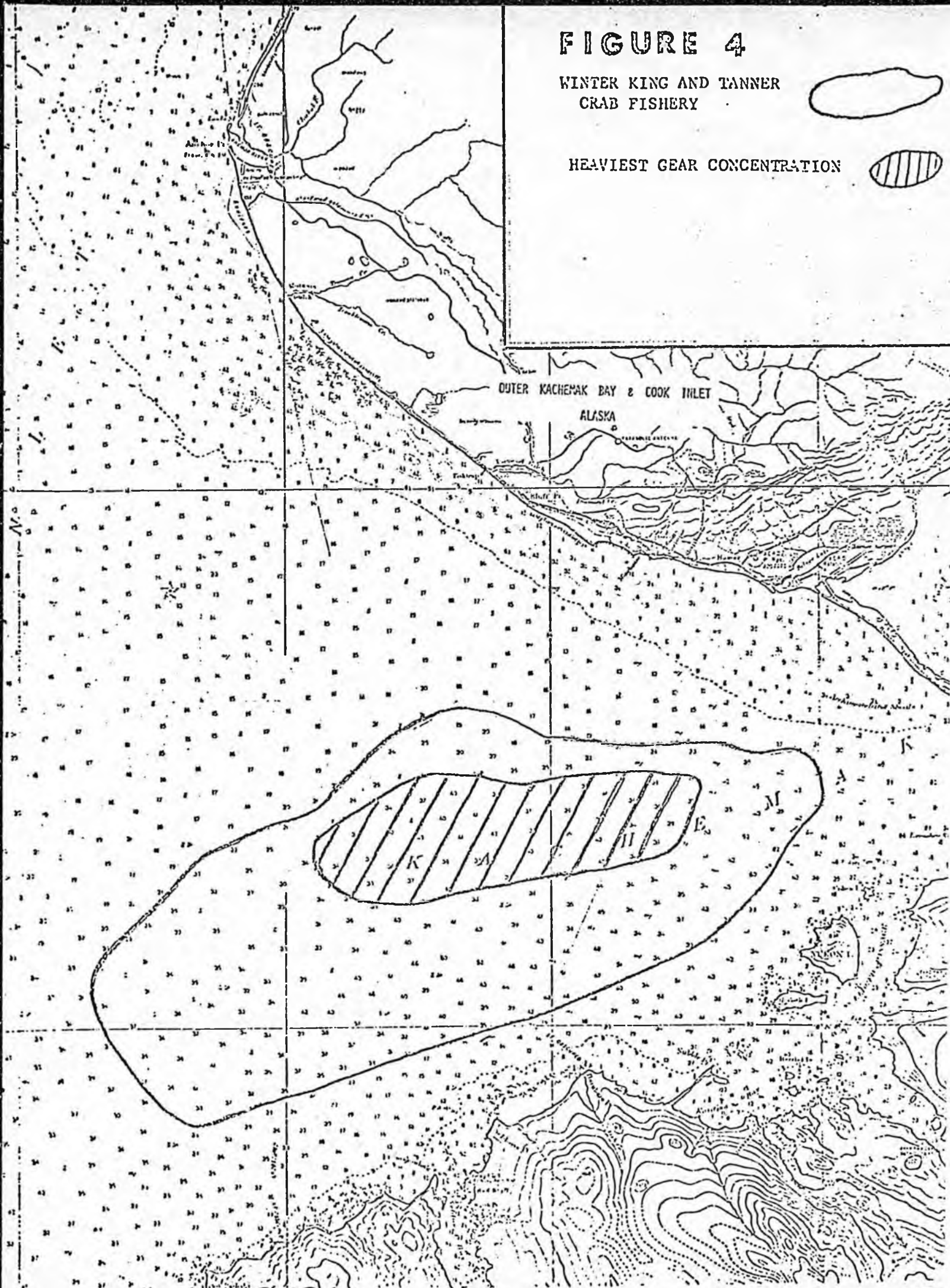
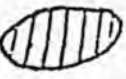
SUMMER KING CRAB FISHERY



# FIGURE 4

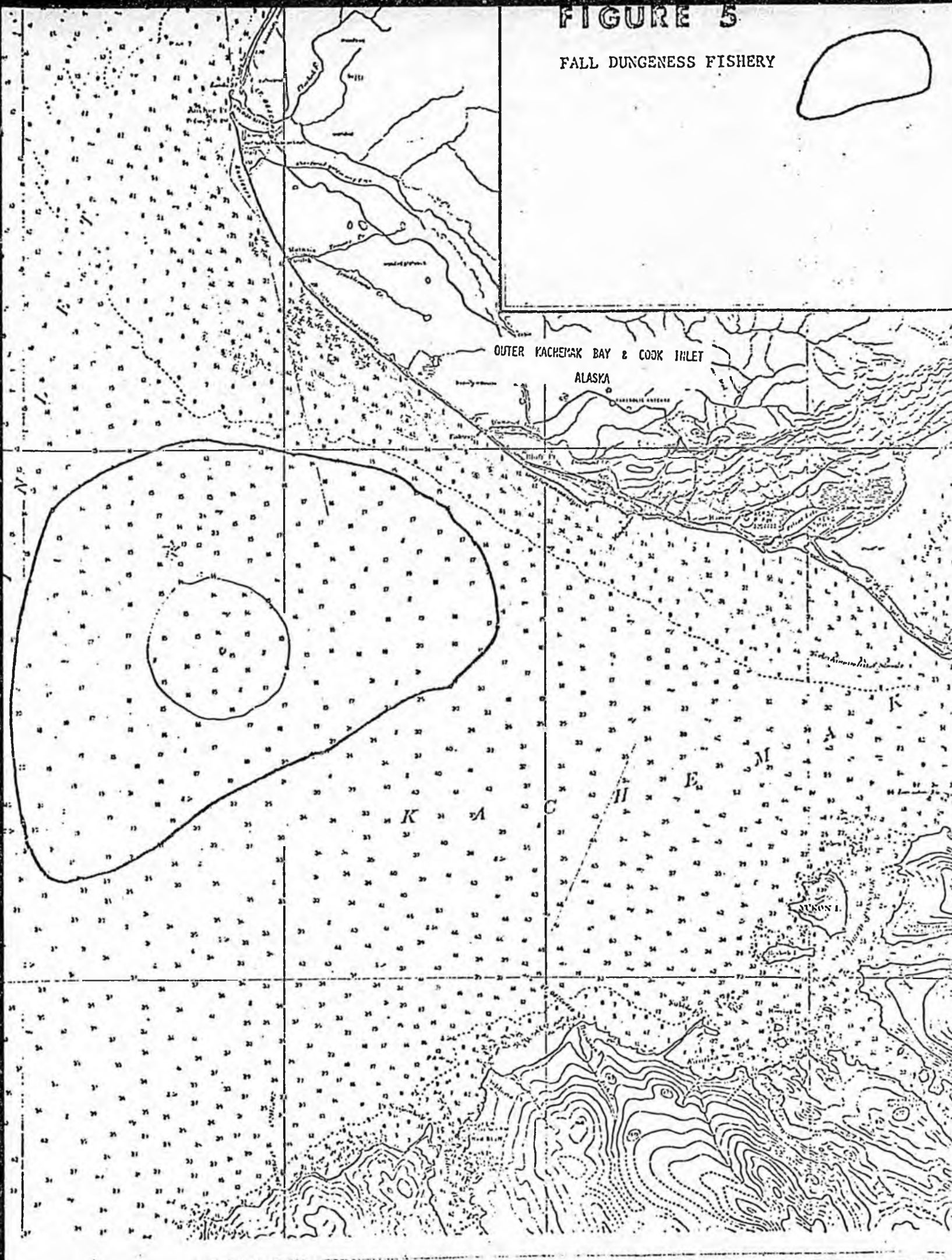
WINTER KING AND TANNER  
CRAB FISHERY

HEAVIEST GEAR CONCENTRATION



# FIGURE 5

## FALL DUNGENESS FISHERY

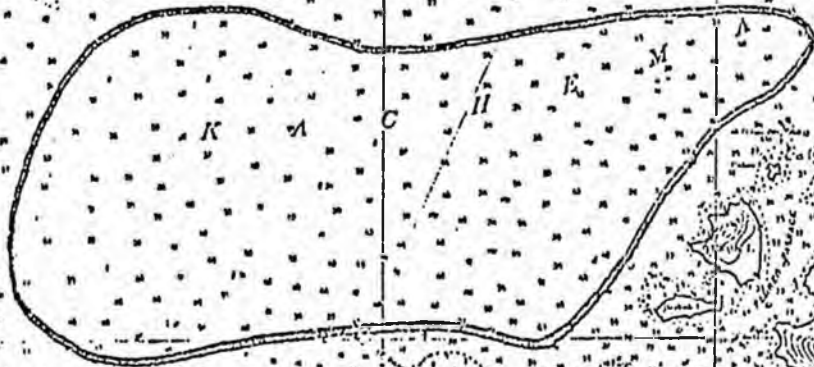



# FIGURE 6

MAJOR SHRIMP TRAWL AREA



OUTER KACHEMAK BAY & COCK INLET  
ALASKA



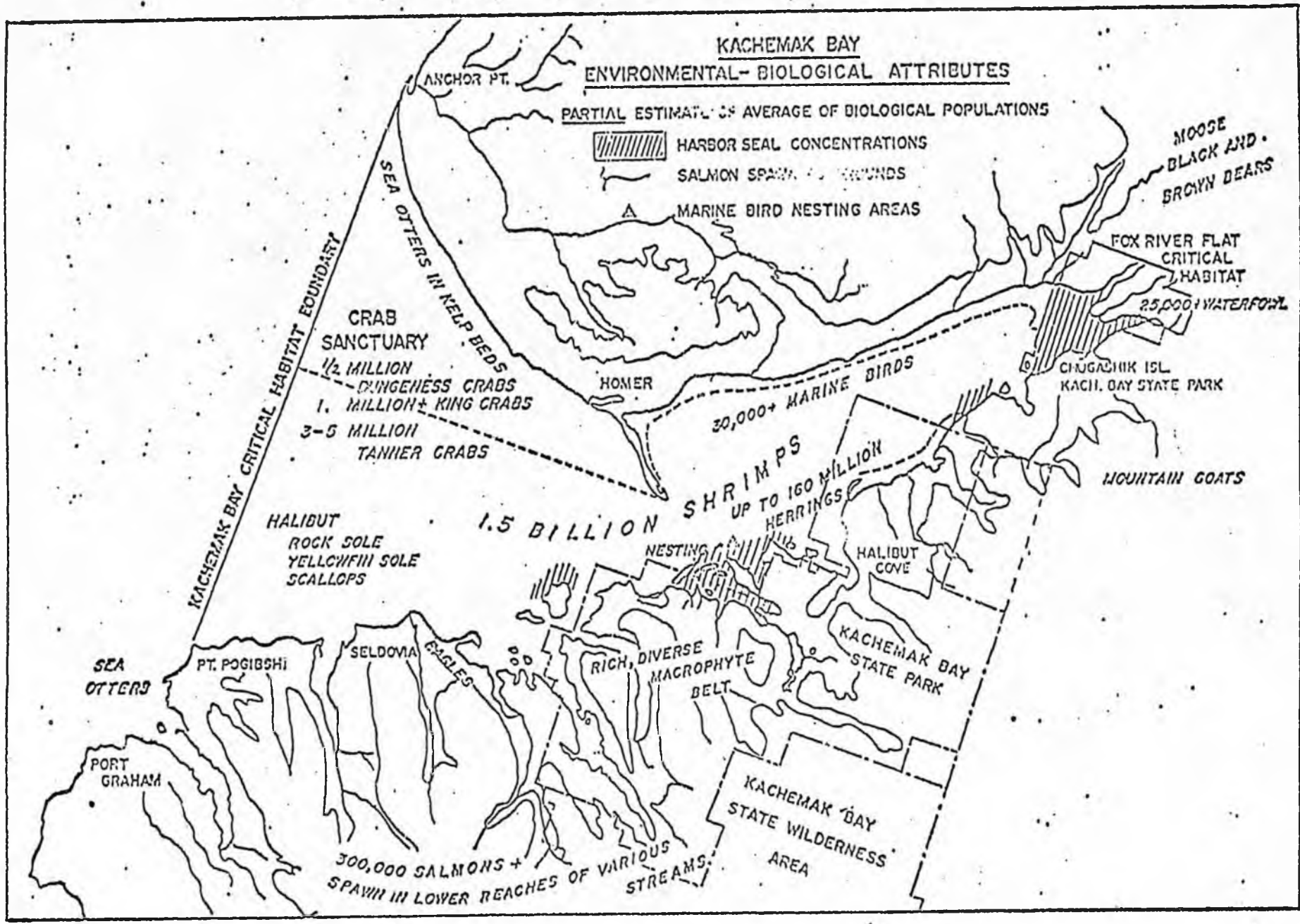
  
 UNITED STATES  
 ALASKA - SOUTH COAST  
 KENAI PENINSULA

GORE POINT TO ANCHIO

Hydrographic Publication  
 Made Available for War  
 SOUNDINGS IN FATHOMS  
 AT MEAN LOW WATER

Chart No.	Scale	Date of Survey		
		Year	Month	Day
1111	1:50,000	1906	Aug	15
1112	1:50,000	1906	Aug	15
1113	1:50,000	1906	Aug	15
1114	1:50,000	1906	Aug	15
1115	1:50,000	1906	Aug	15
1116	1:50,000	1906	Aug	15
1117	1:50,000	1906	Aug	15
1118	1:50,000	1906	Aug	15
1119	1:50,000	1906	Aug	15
1120	1:50,000	1906	Aug	15

**FIGURE 7** Kachemak Bay - Environmental-Biological Attributes



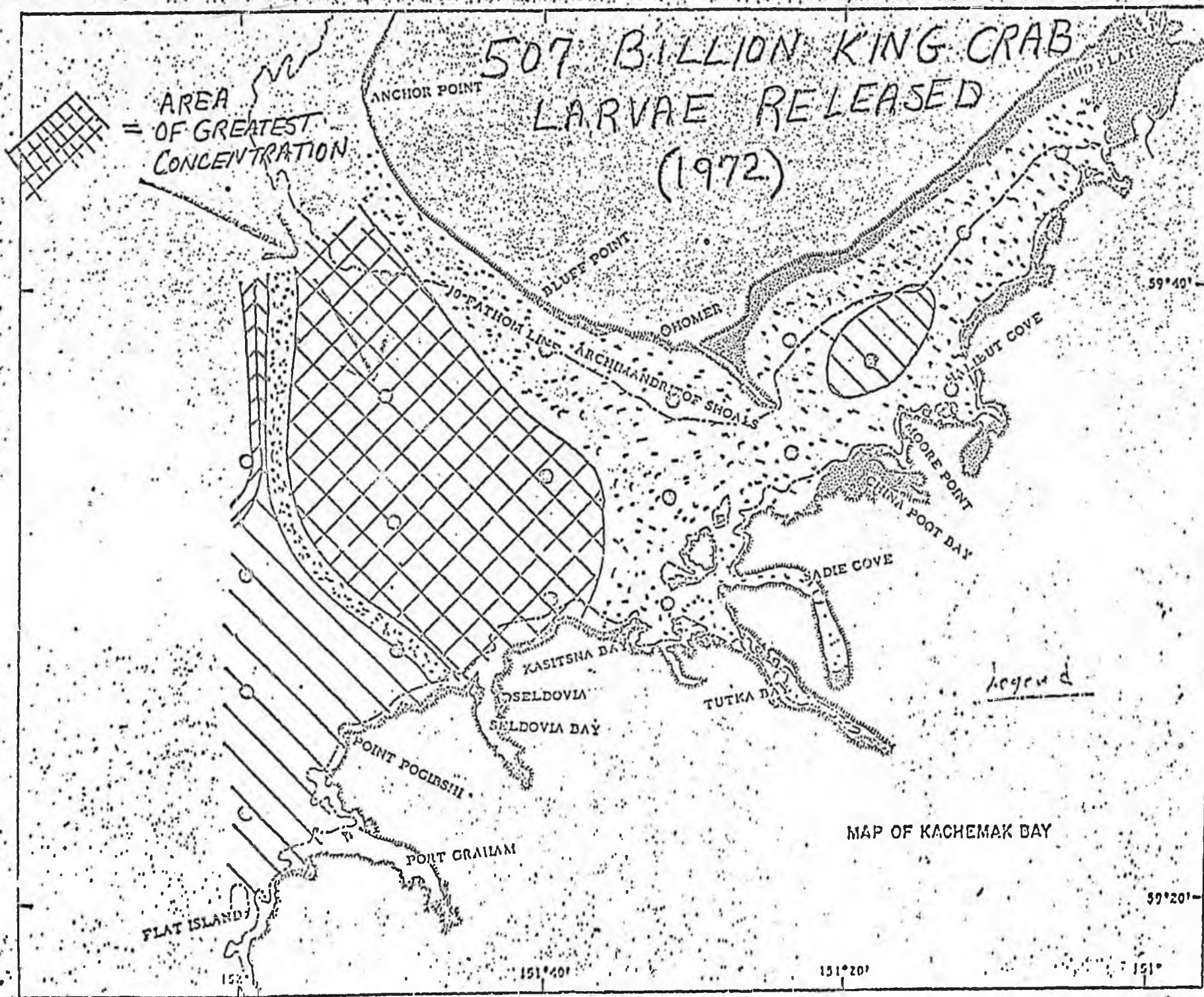
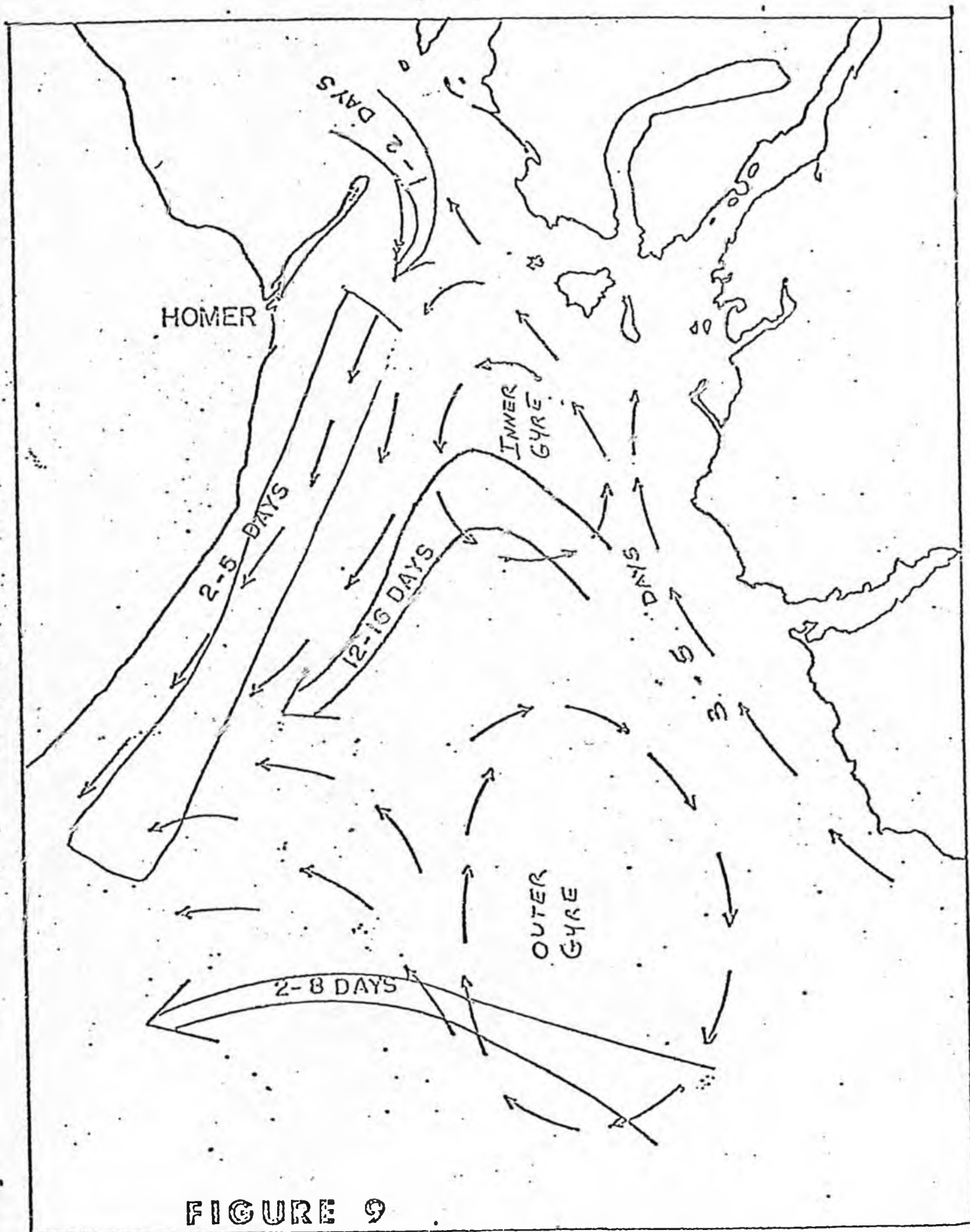


FIGURE 8



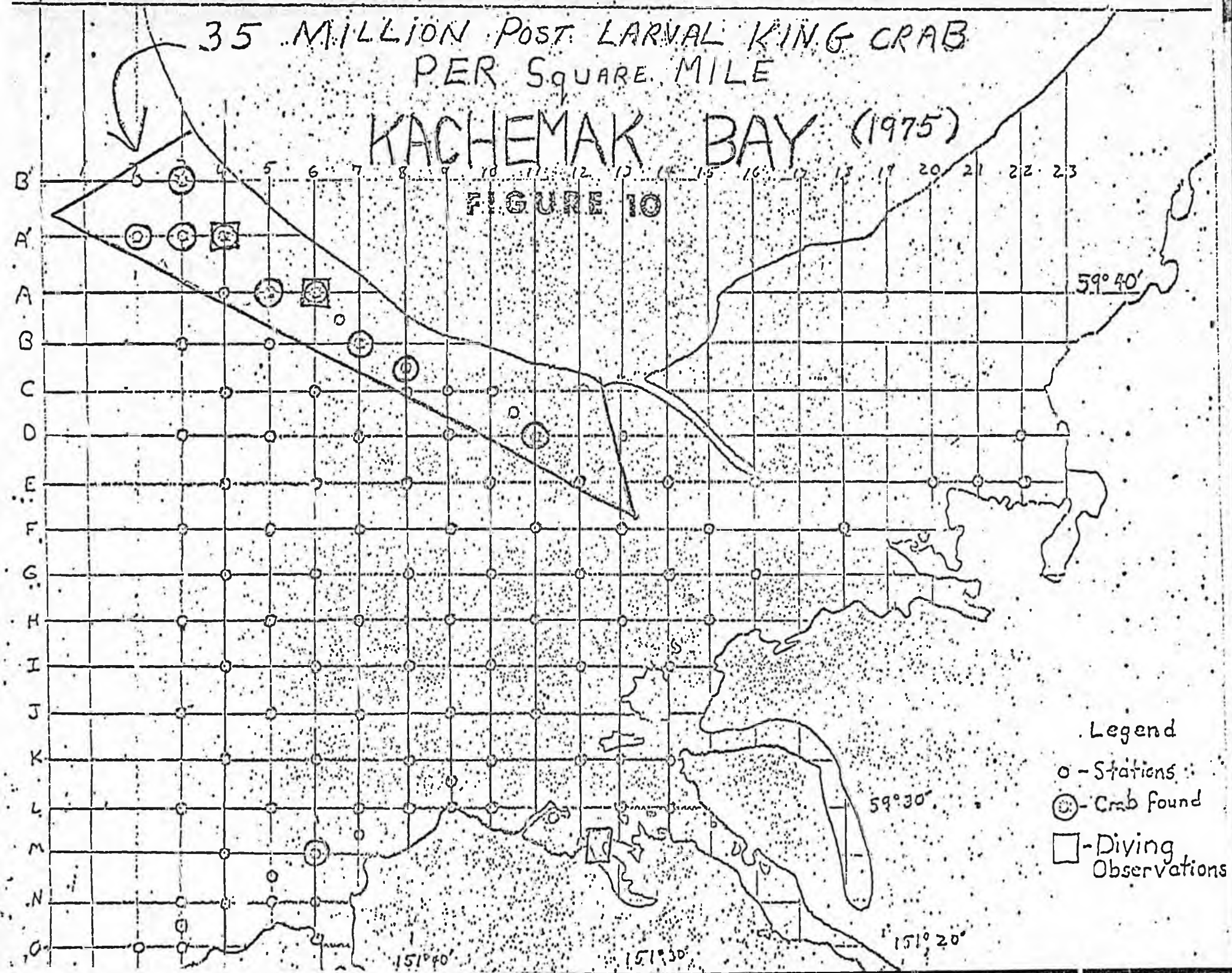
**FIGURE 9**

NET TRANSPORT VELOCITIES THROUGH KACHEMAK BAY  
AS DERIVED FROM DROGUE DATA

35 MILLION POST-LARVAL KING CRAB  
PER SQUARE MILE

# KACHEMAK BAY (1975)

FIGURE 10



Legend

○ - Stations

⊙ - Crab found

□ - Diving Observations

CRITICAL HABITAT BOUNDARY



BLUFF POINT SANCTUARY



SHELL OIL DRILL SITE

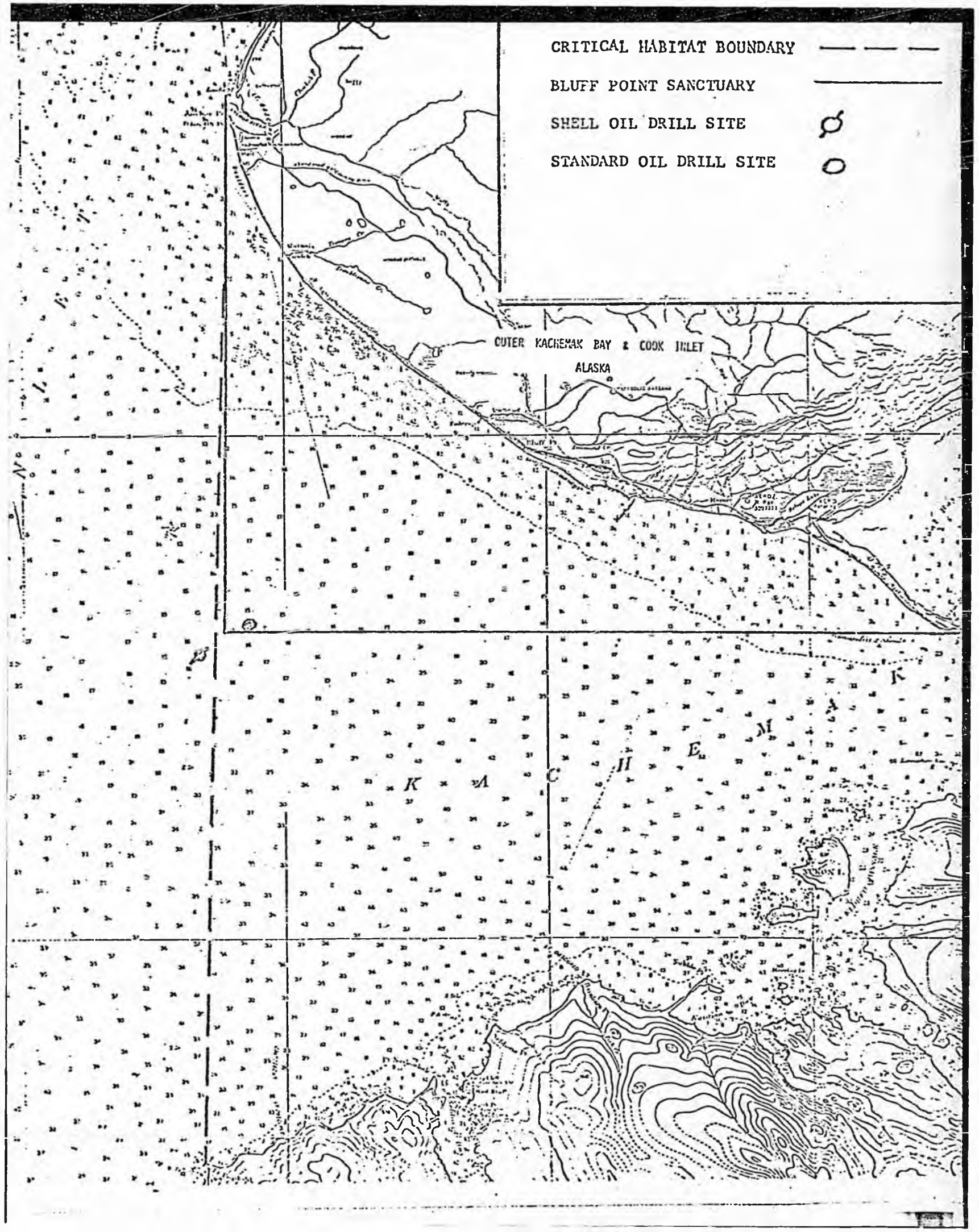


STANDARD OIL DRILL SITE



CUTER KACHEMAK BAY & COOK INLET

ALASKA



A M E N D M E N T

OFFERED IN THE HOUSE:

BY: FINANCE COMMITTEE

TO: HOUSE CS FOR CS FOR HOUSE BILL No. \_\_\_\_\_

SENATE BILL No. 720

PAGE: 1

LINE: 12

After (a), change to read:

Recognizing the constitutional obligation to provide  
for the maximum benefit to all Alaskans in the  
development and conservation of the natural resources  
of this state, the legislature finds that Kachemak

SENATE RESOURCES COMMITTEE  
KAY POLAND, CHAIRMAN

WEDNESDAY MARCH 31, 1976

SB 720 - "An Act relating to the reacquisition of oil and gas leasehold interests in Kachemak Bay; and providing for an effective date."

WHAT THE BILL INTENDS TO DO

1. Prohibits additional oil and gas leases until repeal or amendment of the Section.
2. Permits the Administration to enter into negotiations to re-acquire by purchase from any willing seller.
3. Permits reimbursement for:
  - a. Interests
  - b. Out of pocket expenses on the lease
  - c. Bonus payments plus 20%
4. Permits payment through credit on future obligations.

THE BILL DOES NOT INTEND

1. To establish a park or sanctuary.
2. Allow for the condemnation of leases.
3. Allow for the payment of cash.
4. To diminish any valid operating right until full acquisition.
5. Deny reasonable access to and from lease site locations.

These last two points may require additional language, such as:

Section 2 Nothing in this Act is intended to diminish any valid existing exploration, operating, or production rights of the leasee until full reacquisition of the lease by the State through negotiations, including reasonable access to and from the lease site and the transportation of any production from the lease to a shore based facility or to a refinery or other market.