

HJR

31

STATE OF ALASKA
THE LEGISLATURE

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May, 1988

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Mary Van Nimwegen

HR
House Special Committee
on Oil & Gas
4-10-85 4:10 p.m.

TESTIMONY OF SHELL WESTERN E&P INC.
TO THE ALASKA HOUSE RESOURCES COMMITTEE
ON HOUSE JOINT RESOLUTION #31

APRIL 25, 1985

MADAM CHAIR AND OTHER MEMBERS OF THIS COMMITTEE.
MY NAME IS BILLY R. VEHNKAMP. I AM MANAGER PUBLIC AFFAIRS-
ALASKA FOR SHELL WESTERN E&P INC., A SUBSIDIARY OF SHELL OIL
COMPANY.

WE APPRECIATE THE OPPORTUNITY TO SPEAK BRIEFLY TO YOU IN SUPPORT
OF OCS SALE 92, THE NORTH ALEUTIAN BASIN, AS PRESENTLY SCHEDULED
BY THE DEPARTMENT OF INTERIOR FOR DECEMBER 1985. OUR CONCERNS
REGARDING SALE 92 FOCUS ON FOUR POINTS: JOBS, PROTECTION OF
THE ENVIRONMENT, THE HYDROCARBON POTENTIAL OF THE SALE AREA,
AND THE NATION'S CONTINUING NEED FOR PETROLEUM.

PETROLEUM EXPLORATION AND DEVELOPMENT HAS IN THE PAST, AND
CONTINUES NOW, TO PROVIDE EXTENSIVE BENEFITS TO ALL ALASKANS.
EIGHTY-FIVE TO NINETY PERCENT OF CURRENT STATE REVENUES ARE
DERIVED FROM PETROLEUM TAXES AND ROYALTY PAYMENTS. IN ADDITION,
IT IS ESTIMATED THAT JOBS ASSOCIATED WITH THE PETROLEUM INDUSTRY,
WHEN COMBINED WITH INDIRECT JOBS OR THOSE WHICH PROVIDE SERVICES
OR EQUIPMENT TO THE INDUSTRY, ACCOUNT FOR EARNED INCOME OF \$1.7
BILLION AND REPRESENT 29.1% OF HOUSEHOLD INCOME EARNED STATEWIDE.
FOR THE FAMILIES DEPENDENT ON THOSE JOBS TO CONTINUE TO ENJOY
SOME SECURITY, OIL AND GAS EXPLORATION IN THE ALASKA OFFSHORE
MUST BE ALLOWED TO PROCEED ON A PREDICTABLE BASIS. HOUSE JOINT
RESOLUTION #31 DIRECTLY UNDERMINES THAT PREDICTABILITY AND
THREATENS THE JOBS OF MANY DEPENDENT ON ORDERLY OIL AND GAS

TESTIMONY - 2

EXPLORATION AND DEVELOPMENT IN THIS STATE.

SHOULD OCS SALE 92 BE FURTHER DELAYED FOR 10 YEARS, EXPLORATION AND ANY RESULTING DEVELOPMENT WOULD BE SET BACK AN ADDITIONAL 9 TO 14 YEARS. WE WOULD BE FACED WITH A 19-24 YEAR DELAY AND NOT JUST THE 10 YEARS AS PROPOSED BY HOUSE JOINT RESOLUTION #31. THE ADDITIONAL DELAY WHICH WOULD BE CAUSED BY THE PROPOSED 10 YEAR POSTPONEMENT OF THE SALE IS AN UNACCEPTABLY LONG TIME WHEN YOU CONSIDER THAT THE SALE AREA HAS BEEN UNDER STUDY FOR LEASING SINCE 1974. WE BELIEVE THAT THIS AREA HAS GREATER HYDROCARBON POTENTIAL THAN THE ASSESSMENT MADE BY THE MINERALS MANAGEMENT SERVICE. IT SHOULD BE NOTED THAT, WHEN THE OIL INDUSTRY WAS ASKED TO RANK ALL OCS SALE AREAS IN 1984, THE NORTH ALEUTIAN BASIN WAS RANKED SECOND IN INTEREST TO THE OIL INDUSTRY AND THIRD IN RESOURCE POTENTIAL FOR ALL OF THE ALASKA OFFSHORE.

WE ARE VERY COGNIZANT OF THE TREMENDOUS WILDLIFE, MARINE, AND MARINE MAMMAL RESOURCES IN AND NEAR THE SALE AREA. WE ARE ALSO AWARE, HAVING PARTICIPATED IN THE ONGOING DEVELOPMENT OF OIL PRODUCTION IN THE COOK INLET BEGINNING OVER 20 YEARS AGO, OF THE OIL INDUSTRIES' DEMONSTRATED SAFETY RECORD IN THE PRODUCTION OF PETROLEUM IN THE ALASKA OFFSHORE. THAT SAFETY RECORD AND THE ONGOING DEMONSTRATION OF THE INDUSTRIES' CONCERN FOR THE MARINE ENVIRONMENT OF THE COOK INLET SPEAKS FOR ITSELF AND IS CONVINCING EVIDENCE OF THE INDUSTRIES' ABILITY AND DESIRE TO OPERATE LIKEWISE IN OTHER PARTS OF THE ALASKA OFFSHORE.

TESTIMONY - 3

TODATE THE OIL INDUSTRY HAS DRILLED SOME 45 EXPLORATION WELLS IN THE ALASKA OFFSHORE WITHOUT ANY DETRIMENTAL EFFECT ON THE MARINE ENVIRONMENT. THIS DOES NOT INCLUDE ANOTHER 14 STATIGRAPHIC TEST WELLS WHICH WERE DRILLED IN THE ALASKA OFFSHORE WITH, AGAIN, NO DETRIMENTAL EFFECT ON THE ENVIRONMENT. WORLDWIDE, OIL EXPLORATION AND PRODUCTION OPERATIONS HAVE DEMONSTRATED OVER AND OVER AGAIN THEIR COMPATIBILITY WITH THE FISHING INDUSTRY AND OTHERS DEPENDENT ON THE MARINE ENVIRONMENT.

PRESENTLY OUR NEED FOR PETROLEUM CONTINUES TO GROW AND OUR OIL IMPORTS, NOW AT ABOUT ONE THIRD OF OUR NEEDS, LOOM LARGER AND LARGER. TO MEET OUR FUTURE NEEDS, WE MUST ACT NOW TO INVENTORY THE NATION'S HYDROCARBON RESOURCES. THAT CAN ONLY BE ACCOMPLISHED BY ORDERLY MINERAL EXPLORATION BASED ON A DEPENDABLE OCS LEASE SCHEDULE

WE SUPPORT THE TESTIMONY GIVEN BY THE ALASKA OIL AND GAS ASSOCIATION EARLIER AND ASK THAT HOUSE JOINT RESOLUTION #31 NOT BE ADOPTED BY THIS COMMITTEE.

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AOGA TESTIMONY TO
HOUSE RESOURCES COMMITTEE
ALASKA STATE LEGISLATURE
ON HOUSE JOINT RESOLUTION NO. 31
APRIL 24, 1985

MY NAME IS PETER HANLEY, I AM SENIOR ENVIRONMENTAL PLANNER IN THE ENVIRONMENTAL AFFAIRS DEPARTMENT OF SOHIO ALASKA PETROLEUM COMPANY. TODAY, HOWEVER, I AM REPRESENTING THE ALASKA OIL AND GAS ASSOCIATION (AOGA).

AOGA IS A TRADE ASSOCIATION WHOSE MEMBER COMPANIES ACCOUNT FOR THE MAJORITY OF OIL AND GAS EXPLORATION, PRODUCTION AND TRANSPORTATION ACTIVITIES IN ALASKA.

AOGA APPRECIATES THE OPPORTUNITY TO PROVIDE COMMENTS ON THE HOUSE JOINT RESOLUTION NO. 31 CONCERNING THE NORTH ALEUTIAN BASIN OUTER CONTINENTAL SHELF OIL AND GAS LEASE SALE NO. 92.

THE NORTH ALEUTIAN BASIN WAS FIRST CONSIDERED FOR LEASING OVER A DECADE AGO. SUBSEQUENTLY, THE SALE HAS BEEN CANCELLED, RESCHEDULED AND POSTPONED ON SEVERAL OCCASIONS. IN 1983 SALE 75 WAS CANCELLED. MOST RECENTLY, THE RESCHEDULED SALE NO. 92 WAS POSTPONED FIVE MONTHS AND THE PLANNING AREA REDUCED FROM 32.5 MILLION ACRES TO 5.6 MILLION ACRES LOCATED MAINLY IN THE SOUTHWEST PORTION OF THE NORTH ALEUTIAN BASIN. AOGA STRONGLY SUPPORTS PROCEEDING WITH THE LEASE SALE AS CURRENTLY SCHEDULED.

THE OIL INDUSTRY BELIEVES THAT THE NORTH ALEUTIAN BASIN HAS SIGNIFICANT OIL AND GAS POTENTIAL. IN 1984, THIS AREA WAS RATED SECOND IN INTEREST OF ALL THE OCS AREAS BY THE OIL INDUSTRY IN RESPONSE FOR COMMENT ON A NEW FEDERAL FIVE YEAR OCS LEASE SALE SCHEDULE. IT WAS RANKED THIRD IN RESOURCE POTENTIAL OF THE 13 PLANNING AREAS OFFSHORE ALASKA. INDUSTRY INTEREST IN THIS LEASE SALE CAN THUS BE CHARACTERIZED AS HIGH. THE RELATIVELY LOW RESOURCE ESTIMATES PRESENTED IN THE DRAFT ENVIRONMENTAL IMPACT STATEMENT (DEIS) PRODUCED BY MINERALS MANAGEMENT SERVICE ARE CONSERVATIVE COMPARED WITH THE INDUSTRY'S GENERAL ESTIMATES OF THE AREA'S POTENTIAL.

SINCE IT TAKES 10 TO 15 YEARS TO BRING NEW OIL PRODUCTION FROM FRONTIER AREAS SUCH AS ALASKA, DELAY OF THE SALE FOR TEN YEARS MEANS THAT THE ECONOMIC BENEFITS AND IMPORTANT CONTRIBUTION TO THE NATION'S ENERGY SUPPLIES, SHOULD COMMERCIAL RESOURCES BE DISCOVERED, WOULD NOT OCCUR FOR 20-25 YEARS, WELL INTO THE 21ST CENTURY.

THE PETROLEUM INDUSTRY HAS CONSIDERABLE EXPERIENCE AND KNOWLEDGE IN CONDUCTING OFFSHORE DRILLING AND PRODUCTION OPERATIONS IN ENVIRONMENTAL CONDITIONS COMPARABLE, AND IN SOME CASES MORE SEVERE, THAN THOSE EXISTING IN THE PROPOSED SALE AREA IN THE NORTH ALEUTIAN BASIN. THE COOK INLET OF ALASKA IS AN EXAMPLE. OIL AND GAS DRILLING AND PRODUCTION OPERATIONS HAVE BEEN CONDUCTED IN THE COOK INLET FOR MORE THAN 20 YEARS. THE 14 OFFSHORE PRODUCTION PLATFORMS AND ASSOCIATED PIPELINES WERE INSTALLED IN THE MID-TO-LATE 1960's. THE PLATFORMS ARE DESIGNED

FOR WINDS UP TO 100 MPH. SOLID ICE PANS OF UP TO 1 1/2 FEET THICK, OVERRIDING UP TO 4 FEET THICK, ARE EXPERIENCED IN WINTER MONTHS AND MOVE WITH THE TIDE UP TO VELOCITIES OF 8 KNOTS. THESE ICE CONDITIONS ARE MORE SEVERE THAN THOSE EXPERIENCED BY ANY OTHER STEEL STRUCTURE PLATFORMS IN THE WORLD.

IN ADDITION TO THE COOK INLET EXPERIENCE, THE PETROLEUM INDUSTRY HAS SUCCESSFULLY DRILLED 18 WELLS IN THE BERING SEA AREA, INCLUDING 12 EXPLORATORY WELLS DRILLED IN 1984 AND THE CURRENT 1985 PERIOD. SIX OF THESE WERE OFF-STRUCTURE STRATIGRAPHIC TESTS (TWO IN THE ST. GEORGE BASIN, TWO IN NORTON SOUND, ONE IN NAVARIN BASIN, AND ONE IN THE NORTH ALEUTIAN BASIN). THREE OF THE EXPLORATORY WELLS WERE IN NORTON SOUND AND NINE IN THE ST. GEORGE BASIN. ALSO THIS MONTH, AN EXPLORATORY WELL WAS COMPLETED IN SHELIKOF STRAIT, HAVING OPERATED WITHOUT INCIDENT IN THE MIDST OF THE TANNER CRAB FISHERY. ENVIRONMENTAL CONDITIONS IN THE ST. GEORGE BASIN ARE VERY SIMILAR TO WHAT EXISTS IN THE NORTH ALEUTIAN BASIN.

WITH RESPECT TO THE ENVIRONMENTAL CONCERNS REGARDING THIS LEASE SALE, WE WOULD LIKE TO HIGHLIGHT SEVERAL OF THE IMPORTANT CONCLUSIONS IN THE RECENT DRAFT ENVIRONMENTAL IMPACT STATEMENT PREPARED BY MINERALS MANAGEMENT SERVICE THAT UNEQUIVOCALLY SUPPORT OUR BELIEF THAT OIL AND GAS EXPLORATION AND DEVELOPMENT IN THE NORTH ALEUTIAN BASIN POSES ONLY A MINIMAL RISK TO THE ENVIRONMENT, INCLUDING THE WORLD-CLASS FISHERY RESOURCES. THE EFFECTS OF THE PROPOSAL ON FISHERY RESOURCES INCLUDING SALMON, HERRING, GROUND FISH, AND CRAB ARE PROJECTED BY THE DEIS TO BE MINOR. EFFECTS ON ENDANGERED WHALES ARE ESTIMATED TO BE NEGLIGIBLE OR MINOR.

THE OIL INDUSTRY HAS DEMONSTRATED ITS ABILITY TO OPERATE SAFELY IN THE OCS. SINCE 1956 OVER 28,000 WELLS HAVE BEEN DRILLED IN THE WATERS ADJACENT TO THE UNITED STATES. ONLY ONE BLOWOUT IN U.S. WATERS, THE ONE THAT OCCURRED FROM A DEVELOPMENT WELL IN SANTA BARBARA CHANNEL IN 1969, RESULTED IN ANY SIGNIFICANT AMOUNT OF OIL REACHING OUR SHORES. HOWEVER, THERE WAS ONLY LIMITED AND SHORT TERM DAMAGE TO THE ENVIRONMENT RESULTING FROM THE SANTA BARBARA SPILL.

OVER FOUR BILLION BARRELS HAVE BEEN PRODUCED SINCE 1970 ON THE U.S. OCS, BUT ONLY 791 BARRELS HAVE BEEN LOST AS A RESULT OF BLOWOUTS. OVER 4 BILLION BARRELS OF CRUDE OIL (THE EQUIVALENT OF THE ENTIRE PRODUCTION OF THE U.S. OCS IN THE PAST 20 YEARS) HAVE BEEN SHIPPED FROM VALDEZ WITH NO SIGNIFICANT SPILLS. INDUSTRY HAS THUS PROVEN THAT IT HAS THE TECHNOLOGY, EQUIPMENT, AND EXPERIENCE TO SAFELY EXPLORE THE NORTH ALEUTIAN BASIN WITHOUT SIGNIFICANT ADVERSE ENVIRONMENTAL EFFECTS.

HOUSE RESOLUTION NO. 31 NOTES THE ECONOMIC IMPORTANCE OF THE BRISTOL BAY FISHERIES TO THE STATE'S ECONOMY. WE WOULD ALSO LIKE TO NOTE THE CURRENT AND POTENTIAL IMPORTANCE OF OIL REVENUES AND EMPLOYMENT. A UNIVERSITY OF ALASKA, INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH STUDY PROJECTS THAT BY THE YEAR 2000, APPROXIMATELY 10% OF STATE POPULATION AND EMPLOYMENT WILL DEPEND UPON THE ONGOING OCS PETROLEUM EXPLORATION AND DEVELOPMENT PROGRAM. THE NORTH ALEUTIAN BASIN HAS THE POTENTIAL TO BE A MAJOR PART OF THESE DIRECT AND SECONDARY ECONOMIC BENEFITS OF THE ALASKA OCS DEVELOPMENT.

A GREAT AMOUNT OF STUDY APPLICABLE TO OCS OPERATIONS IN THE AREA, AND THEIR POSSIBLE EFFECTS, HAS BEEN CONDUCTED SINCE EVEN BEFORE THE AREA WAS FIRST PROPOSED FOR OIL AND GAS LEASING MORE THAN 10 YEARS AGO. ENVIRONMENTAL RESEARCH ON THE EASTERN BERING SEA ENVIRONMENT SPONSORED BY MMS AND OTHERS HAS BEEN ON-GOING FOR OVER TEN YEARS AND DETAILED FISHERIES RESEARCH HAS BEEN ON-GOING SINCE THE 1930's. THIS BODY OF RESEARCH HAS BEEN DOCUMENTED IN A RECENT STAFF PAPER PREPARED BY MMS, IN HOOD AND CALDER'S REPORT "THE EASTERN BERING SEA SHELF" AND SOHIO'S BOOK "BERING SEA BIOLOGY". IN ADDITION TO THE RESEARCH CONDUCTED TO DATE, SITE SPECIFIC STUDIES WILL UNDOUBTEDLY BE CONDUCTED IN THE EVENT OF COMMERCIAL DISCOVERIES AS PART OF DEVELOPMENT PLAN SUBMITTALS AND OTHER PERMIT REQUIREMENTS.

CONFLICTS BETWEEN THE FISHING AND PETROLEUM OPERATIONS CAN BE MINIMIZED BY MAINTAINING OPEN CHANNELS OF COMMUNICATION TO IDENTIFY POTENTIAL PROBLEM AREAS AND METHODS OF SOLUTION, AND BY KEEPING EACH OTHER ADVISED OF OPERATIONS IN FISHING AREAS. TO THIS END, THE OIL/FISHERIES GROUP OF ALASKA HAS BEEN ESTABLISHED TO ACHIEVE BETTER COMMUNICATION AND TO RESOLVE POTENTIAL CONFLICTS BETWEEN THE TWO INDUSTRIES. THIS GROUP HAS BEEN IN EXISTENCE FOR ONLY TWO YEARS, BUT IT ALREADY HAS AS MEMBERS ALL THE MAJOR FISHING, FISH PROCESSING AND MARKETING ORGANIZATIONS ACTIVE IN ALASKA TOGETHER WITH MOST OF THE ACTIVE OIL COMPANIES AND GEOPHYSICAL CONTRACTORS. TO DATE, THE GROUP HAS PROVEN VERY EFFECTIVE IN PROMOTING A GOOD WORKING RELATIONSHIP BETWEEN THE TWO INDUSTRIES. THERE HAVE BEEN

AND WILL BE POSITIVE BENEFITS TO THE FISHING INDUSTRY FROM OIL AND GAS ACTIVITIES RELATED TO IMPROVEMENTS IN WEATHER OBSERVATIONS, TRANSPORTATION AND PORT INFRASTRUCTURE AND SAFETY AT SEA THROUGH IMPROVED AIR/SEA RESCUE CAPABILITIES. THESE CONCLUSIONS ARE NOT ONLY SUPPORTED BY THE EXTENSIVE DATA BASE AND EXPERIENCE TO DATE IN THE BERING SEA BUT ALSO BY THE RECORD OF THE COEXISTENCE OF THE OIL AND FISHING INDUSTRIES IN OTHER AREAS OF ALASKA SUCH AS COOK INLET AND PRINCE WILLIAM SOUND, THE LOWER 48 -- CALIFORNIA AND GULF OF MEXICO, AND IN OTHER AREAS OF THE WORLD SUCH AS THE NORTH SEA.

THERE HAVE BEEN NO DOCUMENTED SIGNIFICANT IMPACTS FROM OIL DEVELOPMENT TO THE FISHERY RESOURCES IN AREAS OF OFFSHORE PRODUCTION IN THE U.S. PRINCIPALLY THE GULF OF MEXICO, CALIFORNIA, AND COOK INLET. INDEED THE FISHERIES OF THE GULF OF MEXICO AND COOK INLET HAVE THRIVED DURING THIS PERIOD OF OFFSHORE OIL AND GAS DEVELOPMENT. THE BOTTOM LINE, HOWEVER, IS THAT WHILE NO ONE CAN ABSOLUTELY GUARANTEE THAT A SPILL WOULD NOT OCCUR, THE OVERWHELMING BODY OF ENVIRONMENTAL RESEARCH, SPILL STATISTICS AND FISHING INDUSTRY EXPERIENCE ELSEWHERE INDICATES THAT OIL DEVELOPMENT AND WORLD-CLASS COMMERCIAL FISHERIES CAN COEXIST WITHOUT SIGNIFICANT ADVERSE ENVIRONMENTAL EFFECTS.

AOGA THEREFORE RECOMMENDS THAT HJR 31 NOT BE ADOPTED.

lf1:157

Alaska State Legislature

REPRESENTATIVE
ADELHEID HERRMANN

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CO-CHAIRMAN
RESOURCES COMMITTEE

MEMBER
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COMMITTEE

House of Representatives

DISTRICT 26

ADAK
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KING SALMON
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LEVELOCK
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NEWHALEN
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NIKOLSKI
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SOUTH NAKNEK
SQUAW HARBOR
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ST PAUL
TOGIAK
TWIN HILLS
UGASHIK
UNALASKA

TO: House Committee on Resources
House Special Committee on Oil and Gas

FROM: Representative Adelheid Herrmann
Co-Chair Resources Committee

DATE: April 23, 1985

SUBJECT: Economic Impact of North Aleutian Shelf
Sale 92 Delay (HJR 31)

In the recent hearing before the House Special Committee on Oil and Gas on House Joint Resolution 31, testimony was delivered by the Alaska Support Industry Alliance. The testimony referenced research by the Institute of Social and Economic Research (ISER) concerning the importance of the Five Year OCS leasing schedule to the overall Alaska economy.

When provided with a copy of the testimony, Dr. Matthew Berman, the principal author of the ISER study responded with the observation that the referenced studies had been quoted out of context and inaccurately represented. In fact, the report cited by the Alliance concluded that oil revenues would be likely to decline regardless of the scale of OCS development. Further, it is noted that while some property taxes could be contributed to the Alaska economy, OCS development would place demands on public services which would exceed new revenues. Attached please find a copy of a letter from Dr. Berman.

It is important to emphasize that HJR 31 only addresses a single proposed sale among the many that are scheduled for the Alaska OCS. The North Aleutian Basin sale is generally regarded to have a relatively low hydrocarbon potential. The DEIS estimates a mean recoverable resource at 364 million barrels. To put this in perspective, the U.S. average daily consumption is approximately 16 million barrels per day. The North Aleutian Sale is thus roughly equivalent to less than one month worth of consumption.

While the ISER report only addressed the overall OCS schedule and not the impacts of individual sales, other research suggests that deferral of Sale 92 would not significantly impair the Alaska economy. As indicated by Dr. Berman, the long term direct employment associated with the North Aleutian Basin sale could be about 340 jobs (less than 5% of total OCS employment) assuming oil is found. By contrast, the fishing industry currently employs over 10,000 people annually.

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PAGE TWO

Apart from protecting the existing fishery resources, there may be a substantial economic advantage to the state by seeking a delay in the sale. This is because under current law, the state gets no share of bonus bids, royalty payments, lease rental payments or severance taxes from OCS development. Legislative proposals pending in Congress would give the State a share of the revenues from OCS development. If the sale proceeds on schedule, there will be no revenue sharing. If the sale were to be put off until 1994, there is a significant chance that when the sale eventually takes place, the State would share in the revenues.



UNIVERSITY OF ALASKA
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707 "A" St., Suite 206
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April 23, 1985

Hon. Adelheid Herrmann
Co-chairman, Resources Committee
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Herrmann:

I would like to clarify for the House Committee on Resources certain statements attributed to a report by the Institute of Social and Economic Research regarding the effects of the federal Outer Continental Shelf (OCS) leasing program on the Alaska economy. The statements appear in the testimony of Chuck Becker, representing the Alaska Support Industry Alliance, before the House Oil and Gas Committee on House Joint Resolution 31. While Mr. Becker has quoted the study correctly, he has taken the quotes out of context and has inaccurately represented the report's conclusions.

Mr. Becker's testimony refers to a report entitled Alaska Statewide and Regional Economic and Demographic Systems: Effects of OCS Exploration and Development. Teresa Hull and I prepared the report in April 1984 for the U.S. Minerals Management Service, which has published it as Technical Report 106 in the Alaska OCS Region's Social and Economic Studies Program series.

Mr. Becker stated that the report contains a "grim forecast of severe economic dislocations, resulting in loss of jobs and a 'massive decline in state expenditures' It is a scenario of a deteriorating fiscal condition of the state coupled with 'rising taxes, reduced public services' and loss of jobs." According to Mr. Becker, "The authors conclude that only if the the five-year OCS lease sale plan proceeds on schedule will that unhappy portrayal of Alaska's future be mitigated." (emphasis mine)

In the first place, declining real levels of state expenditures mentioned in the report result directly from projected declines in state petroleum revenues. The report concluded that oil revenues would be likely to decline regardless of the scale of Alaska OCS development. OCS development, while contributing property tax revenue from onshore support facilities, would place demands on public services in excess of new revenues, resulting most likely in "an additional reduction in per capita government services" (p. 33).

Rep. Adelheid Herrmann
April 23, 1985

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Secondly, contrary to Mr. Becker's assertion, the report did not project that the Alaska economy would suffer a long-term net loss of jobs if there were no OCS development. In spite of relatively minor fluctuations in employment projected in the late 1980s and early 1990s, the report projected a long-term pattern of growth leading to an approximate 30 percent increase in employment and population by 2010, even with no OCS development (p. 23).

Finally, and most importantly, the report only considers the contribution to the Alaska economy of one hypothetical scenario representing cumulative oil and gas development from all Alaska OCS leases. It does not address the potential effects of a modification to the proposed five-year lease schedule, as requested in HJR 31. Thus one can not directly apply any of the conclusions of the report to the effects of a delay of a single lease sale such as Sale 92 (North Aleutian Shelf).

We have not made any projections of the effects of a delay of Sale 92 on the overall contribution of OCS development to the Alaska economy. However, one would expect, roughly speaking, that the contribution of a given sale to the total direct and indirect effects would be in proportion to the contribution of that sale's direct employment to the total direct employment.

The scenario of cumulative oil and gas development from all OCS areas used in the report was provided to ISER by the Minerals Management Service. It included total direct OCS employment assumptions of 8,100 long-term jobs, with peak employment including construction jobs of nearly 13 thousand in 1997. Adding indirect effects, the report projected that total contribution of this scenario of cumulative OCS development would reach 10 percent of the economy by 2000.

Direct employment estimates for Sale 92, on the other hand, are contained in MMS Social and Economic Studies Technical Report Number 87, St. George Basin and North Aleutian Basin Economic and Demographic Systems Impacts Analysis, prepared by ISER in June 1984. According to this study, Sale 92 may generate long-term direct employment of around 340, provided commercial quantities of oil are discovered in the basin.

This level of long-term direct employment expected from Sale 92 (if oil is found) is approximately 4 percent of the total for all Alaska OCS areas in the five-year lease schedule. Thus even if oil and gas resources are found and developed, the total direct and indirect contribution of Sale 92 to the Alaska economy would be a small fraction, less than 5 percent, of the total contribution of OCS activity. Sale 92, if held on schedule, will certainly

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Rep. Adelheid Herrmann
April 23, 1985

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contribute some new jobs to the Alaska economy. The total contribution of the sale is unlikely to reach 0.5 percent of total state employment, however.

Sincerely,



Matthew D. Berman
Assistant Professor of Economics .

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

OFFICE OF
MANAGEMENT & BUDGET

MAR 26 1985

March 20, 1985

GOVERNMENTAL
COORDINATION

The Honorable Donald Hodel
Secretary
Department of the Interior
C Street between 18th & 19th Sts., N.W.
Room 6151
Washington, D.C. 20240

Dear Mr. Secretary:

Based upon the discussion we had in Washington two weeks ago, there still seems to be some confusion over the importance of the North Aleutian Basin area of Bristol Bay to fisheries and wildlife resources. Because the proposed lease sale area is very productive biologically, the resources produced there have great economic and social significance to the State, Nation, and international community, and this information is important to the decision on whether or not to delay Sale 92. While we very much appreciate the deletion of 83% of the sale area as initially proposed, this letter documents our great concerns with the remaining 17% still being considered for leasing. Accordingly, I wish to provide you with the following information which illustrates the biological importance of this specific area.

The fisheries in and adjacent to the North Aleutian Basin are among the most productive in the world. The estimated average annual ex-vessel value of these fisheries between 1977 and 1982 was \$200 million, over half of which resulted from salmon harvests. Over 60 million adult salmon and several hundred million juveniles migrate through the proposed sale area or its immediate vicinity annually. The salmon fishery is the economic mainstay of Bristol Bay communities, since almost half of the commercial salmon permit holders are local residents and salmon is a primary source of income and employment. For example, the wholesale value of the Bristol Bay salmon fishery was estimated to be in excess of \$250 million and employed over 10,000 people in recent years.

A commercial herring fishery was initiated in 1982 in the Port Moller/Herendeen Bay area immediately south of the sale area. The 1983 commercial herring roe harvest was 637.5 tons, with an ex-vessel value of \$414,000. Crab and groundfish are also valuable renewable resources in the vicinity. The peak harvests of king and tanner crab from this area were 130 million pounds (\$117 million ex-vessel value) and 54 million pounds (\$21.5 million ex-vessel value) in 1980-81 and 1979-80, respectively. Recently, there have been several unexplained reproductive failures, and the State closed the king crab harvest in 1983 to allow stocks to rebuild.

The total annual Bristol Bay groundfish catch is increasing. Since 1973 the harvest averaged 55,000 metric tons, but in 1982 the groundfish catch reached almost 250,000 metric tons (\$72 million ex-vessel value), or about 20 percent of the catch in the entire eastern Bering Sea. Due to the expansion of domestic and joint-venture fisheries operations, it is likely that marine waters in the sale area will play an increasingly important role in this fishery. In contrast to the foreign fishery, the joint-venture fishery operates in inner Bristol Bay and along the Alaska Peninsula with approximately half of the groundfish being harvested in and near the North Aleutian Basin proposed sale area.

Diverse and abundant assemblages of marine mammals and birds also regularly breed, migrate through, or overwinter in the basin vicinity. Five noncetacean and 18 cetacean species of marine mammals may occur in or adjacent to the basin. Most notable among these are the estimated 15,000 to 17,000 endangered gray whales which annually migrate along the Alaska Peninsula and the 17,000 to 18,000 sea otters which occur along the northern side of the lower Alaska Peninsula.

At least 85 species of seabirds, waterfowl, and shorebirds breed, migrate, or overwinter in areas in close proximity to the basin lease area. Major segments of the world or North American populations of many of these species are periodically concentrated in this area. Virtually the entire world populations of black brant (131,000 birds) and emperor geese (71,000 birds) stage during the fall at Izembek and adjacent lagoons along the southern edge of the sale area. Additionally, over 60,000 Steller's eiders have been reported in these lagoons during molting periods, and a majority of the world population winters along the Alaska Peninsula. Over one million marine birds have been recorded

along the north shore of the Alaska Peninsula during fall with densities exceeding 1,000 birds per square kilometer. The welfare of many of these species has international implications. For instance, the black brant harvest throughout the entire Pacific Flyway has been significantly curtailed due to the recent population decline. Additional impacts to this species from oil and gas related activities could compromise major conservation efforts to reestablish the black brant population to the predecline level and to maintain some historic harvest in rural Alaska and along the Pacific Coast. Moreover, oil spill trajectory simulations conducted by the Rand Corporation for the Minerals Management Service show that an oil spill would move consistently towards this area of the Alaska Peninsula.

To assist further in illustrating the biological and economic importance of the lease sale area, a resource map depicting documented harvest areas and key use areas for species of primary concern is enclosed. Despite what was claimed at our meeting, not only mature fish inhabit and migrate through the lease sale area, but also fish in all of their life stages. Key use areas depicted on the map are especially sensitive to oil and gas development impacts because they support high fish or wildlife concentrations, sensitive life-stages, or species during critical periods in their annual life cycle. As illustrated on the resource map, the proposed lease area contains key use areas for Pacific cod, yellowfin sole, walleye pollock, halibut, and king and tanner crab. Commercial harvest activities also occur within the lease area for halibut, Pacific cod, and king and tanner crab. Additionally, the map shows that many important fish and wildlife resources and harvest activities occur immediately adjacent to the lease area, which could be affected by oil and gas development activities.

To summarize, marine and coastal habitats in the North Aleutian Basin vicinity support fish and wildlife resources of state, national, and international significance. These resources provide the economic mainstay, as well as important subsistence food resources, for Bristol Bay communities. Consequently, oil and gas exploration and development in this area currently presents too great a risk to the state and national interest in maintaining the extremely productive and valuable fish and wildlife resources which characterize this region.

March 20, 1985

Thank you for your consideration of this important matter.
If you have any questions or comments, please let me know.

Sincerely,



Bill Sheffield
Governor

Enclosure

cc: The Honorable Ted Stevens
The Honorable Frank Murkowski
The Honorable Don Young
Ann Dore McLaughlin, Undersecretary of Interior
Bill Horn, Deputy Undersecretary
Steve Griles, Assistant Secretary
Bill Bettenberg, Director MMS

STATE TESTIMONY ON THE NORTH ALEUTIAN BASIN
DRAFT ENVIRONMENTAL IMPACT STATEMENT

For the record, my name is John Shively and I serve as Governor Sheffield's Chief of Staff. I am here to testify on behalf of the Governor and the State of Alaska. The State continues to strongly oppose Federal oil and gas leasing in the North Aleutian Basin until at least 1994. Given the purpose and time constraints of this public hearing I will only briefly summarize the reasons why offshore leasing in the North Aleutian Basin should not go forward at this time. The State will provide the Minerals Management Service and other interested parties with more specific comments in response to the draft Environmental Impact Statement before the March 13 deadline.

To begin, I wish to emphasize that the State fully supports the prudent development of Alaska's oil and gas resources and recognizes that the oil industry in Alaska has a very good environmental record. Alaska has and will continue to make a major contribution to reducing the nation's dependency on foreign oil. Our ability to work with the Minerals Management Service to allow leasing in the Beaufort Sea, Norton Scund, St. George Basin, Navarin Basin, Gulf of Alaska and Cook Inlet is evidence of Alaska's commitment to the national need for orderly development of our oil and gas resources in an environmentally responsible manner. The Minerals Management Service should recognize that the State's request for delaying the North Aleutian Basin lease offering is not made lightly and is based on the unequalled fish

and wildlife values and environmental risks present in the region.

The State acknowledges that the entire Bristol Bay planning area is not being proposed for leasing at this time. Despite the reduction to the presently configured sale area, each of the State's concerns, which I will discuss later, apply specifically to the tracts now under consideration. The area north and east of Unimak Pass along the Alaska Peninsula contains extremely important habitat for the fish and wildlife resources which reside in or migrate through Bristol Bay. In fact, given the relatively low hydrocarbon potential and the internationally recognized fisheries and wildlife values of the area, we believe Bristol Bay should be the last area of Alaska's Outer Continental Shelf opened to leasing. This is not an unreasonable request given the fact that there are still 11 other planning areas in Alaska on the federal leasing schedule encompassing over 500 million acres

There are five major reasons why oil and gas leasing should not occur at this time. First, unparalleled renewable resources might be at risk from oil and gas development activities. The North Aleutian Basin is located in the midst of one of the richest fishing grounds in the world and the greatest concentration of birds, fish and marine mammals on the North American Continent. Hundreds of millions of salmon migrate through the

sale area each year, including over 60,000,000 adult salmon that return to Bristol Bay. Domestic Bristol Bay fisheries have a first wholesale value of 250,000,000 dollars and employ over 10,000 people annually. Yet, it is not just the fishing families of Bristol Bay which rely upon the salmon which pass through and feed in the North Aleutian Shelf area. Salmon returning to streams throughout western Alaska migrate through the area and form the basis of the economies of the Kuskokwim and Yukon Rivers, Norton Sound and Kotzebue Sound communities. Over a million marine mammals either inhabit or migrate through the proposed sale area. The entire population of the endangered eastern Pacific gray whale migrates through the area twice annually. Very large populations of other marine mammals including Belukha whales, sea otters, walrus, fur seal, sea lions, and harbor seals inhabit the area. The area including Bristol Bay, Unimak Pass, and the Alaska Peninsula coastal zone is one of the world's greatest bird and marine mammal migratory corridors. Izembek Lagoon is used seasonally by millions of ducks and other waterfowl. Virtually the entire world populations of black brant and Emperor Geese stage in the coastal areas during the fall migration. These species are currently experiencing severe population declines and should not be subject to further stress which may delay or prevent their recovery. Unquestionably, the fish and wildlife and associated economic

values that might be at risk from oil and gas development in the North Aleutian Basin are of Statewide, national and international importance.

Second, while the overall fish and wildlife value of the area is relatively well documented, significant gaps still remain with respect to our understanding of the distribution, abundance and population dynamics associated with these renewable resources. Additional critical information on the biological resources of the area, particularly in the nearshore waters of the North Aleutian shelf, must be obtained before a fully objective assessment of the potential impacts from oil and gas activities in the area can be understood and mitigated. An accurate evaluation of potential impacts in the North Aleutian Basin is especially critical given the extremely important biological values of the region.

Third, the areas coastal habitats and fish and wildlife resources are highly vulnerable to oil spill damage and disturbance. Our concerns center on the several million seabirds, over a million northern fur seals, and nearly 20,000 sea otters that inhabit the region, as well as the unique coastal eelgrass marshes on the northern side of the Alaska Peninsula. Oil spills can also significantly impact species such as finfish, shellfish and other invertebrates and their habitats. Larval or juvenile stages are particularly sensitive to petroleum contamination. This is

especially pertinent to the North Aleutian Basin where many species have pelagic egg or larval stages which occupy the surface waters of Bristol Bay.

Fourth, the level of risk posed to the extremely valuable and vulnerable fish and wildlife resources in the area is magnified due to industry's lack of demonstrated ability to contain and clean up oil spills under the extreme meteorological and oceanographic conditions often found in Bristol Bay. As described and acknowledged in the draft Environmental Impact Statement, the very best oil spill containment and cleanup equipment will not work when seas are over 8 feet and windspeeds over 20 knots. Wind and wave conditions in the North Aleutian Basin would prohibit even state of the art equipment from operating 50 percent of the time in winter and 10 percent in the summer. Moreover, a review of past response efforts to clean up major offshore oil spills indicates that it can be very difficult to clean up oil spills even in moderate weather conditions. This lack of cleanup ability and remaining questions about equipment deployment sites and response times places the world class fish and wildlife resources, habitats and commercial, subsistence and recreational uses of these resources in jeopardy from potential blowouts, subsea pipeline breaks, tanker accidents, and rig sinkings.

The State's fifth major reason for seeking a delay in the federal leasing schedule is based on the State's decision to delay oil and gas leasing in adjacent State waters until at least 1994. The State, through its own planning process with the cooperation of other Federal agencies, has recognized that there are significant gaps in resource information on the lease sale area, and that time is needed for industry to demonstrate the capability to adequately respond to an accident in as sensitive and challenging an area as the North Aleutian Basin. By delaying leasing in State waters and Federal waters in Bristol Bay until 1994, additional technology can be developed to provide the necessary protection to fish and wildlife resources during exploration, development, and production phases. Coordinated leasing schedules will also lessen the number of cyclic events that coastal communities must cope with in developing the necessary infrastructure in support of offshore activities. The few months delay from its originally scheduled sale date unfortunately has not alleviated these concerns.

In conclusion I would like to thank the Minerals Management Service for the opportunity to speak at this public hearing and to provide written comments on the draft environmental impact statement for Sale 92. The State requests that the Minerals Management Service concur with the State of Alaska that the risk of leasing in the North Aleutian Basin as scheduled for December 1985 is not in the nation's or State's best interest and should

therefore be delayed until at least 1994. This delay will reduce the risk to fish and wildlife resources, their habitats, and Americans who depend on these resources to sustain their economy and culture by allowing industry to obtain and apply knowledge, experience, and the most up to date drilling and oil spill cleanup technology to the North Aleutian Basin. It will also allow Minerals Management Service time to fill crucial data gaps necessary to prepare an adequate impact assessment and formulate effective mitigating measures.

STATE OF ALASKA



POUCH V
JUNEAU, ALASKA 99811
(907) 485-4941

HOUSE SPECIAL COMMITTEE ON OIL AND GAS

HJR 31

House Joint Resolution No. 31 requests a 10-year delay in the North Aleutian Basin federal Outer Continental Shelf lease sale. Postponement of this sale would be consistent with the state's Bristol Bay Area Management Plan, which postponed oil and gas activities on adjacent state-owned offshore lands until at least 1994.

The purpose of this delay is to allow additional environmental impact assessment work to be completed in the area, and to allow time for the development of new technologies that will be better suited for working safely in the extremities of the North Aleutian Basin environment.

This postponement is not intended to delay the development of Alaska's OCS lands as a whole, but to be assured that this development takes place in a manner that does not jeopardize existing resource and revenue bases.

The hydrocarbon potential of this basin is low compared to that of other Alaskan OCS planning areas. For example, the estimated oil reserves of the North Aleutian Basin are about 364 million barrels, whereas the estimated reserves of the St. George Basin, Navarin Basin, and Diapir Field are 660 million, 1.2 billion, and 3 billion barrels of oil, respectively.

In addition to having a relatively limited hydrocarbon potential, Alaska does not presently share in federal OCS revenues. In contrast to this situation, the Bristol Bay fisheries presently employ 10,000 people and produce \$250,000,000 in domestic revenues annually.

This resolution addresses the problem the state is presented with, which is that of managing resource development so as to minimize the possibility that development of one resource base will have a damaging effect upon the other.

ALASKA SUPPORT INDUSTRY ALLIANCE

BOX 100100
Anchorage, AK 99510

Representatives Adelheid Herrmann and
Richard Shultz
CoChairmen, House Resources Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

April 18, 1985

Dear Representative Herrmann & Shultz:

We understand that your committee will be hearing testimony on HJR 31, a resolution calling for another ten year delay in the sale of oil and gas leases in the North Aleutian Basin, next Wednesday, April 24.

As you might suspect, the Alaska Support Industry Alliance is in total opposition to the intent of HJR 31. We believe that another ten year delay is not only uncalled for but counter-productive to the best interests of the State of Alaska. Allegations that data gaps exist which must be filled with more studies of the area before a prudent decision can be made, are without merit. Nearly \$100,000,000 has been spent by government, industry and academia over the past fifteen years studying the area. Of course, we could go on studying the area for another ten years - must we?

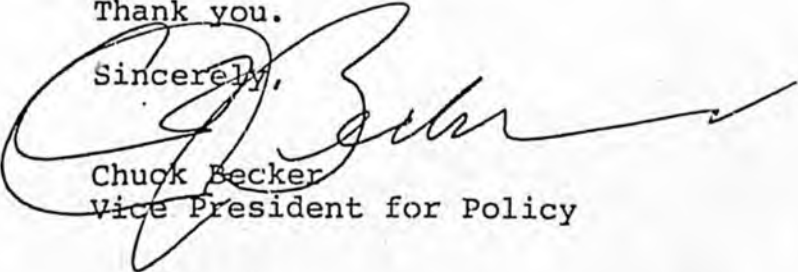
The oil and gas industry has drilled over 250 wells in the waters off Alaska's shores over the past 25 years. How much more experience is needed? The sale area poses substantially less difficulty and challenges to contemporary technology than Cook Inlet and, we trust most Alaskans need not be reminded of the compatibility with subsistence fishing and the environment demonstrated by the petroleum industry and its support network in that body of water.

There are many other reasons we can cite for this sale to proceed as scheduled by the U.S. Department of the Interior. Unfortunately the House Oil and Gas Committee chose to not hear them prior to acting on approval of HJR 31 last week. We trust that the characterizations made by Representative Davis, that the House Resources Committee will provide the opportunity for a fair hearing, are accurate.

On behalf of the Alliance, I hereby request that a teleconference throughout the entire network be set on the bill to allow for a comprehensive hearing on the subject.

Thank you.

Sincerely,



Chuck Becker
Vice President for Policy



OFFICE OF
MANAGEMENT & BUDGET

MAR 01 1985

GOVERNMENTAL
COORDINATION

Coastal Resource Service Area

P.O. Box 189, Dillingham, Alaska 99576

(907) 842-5257 - 842-5258

February 23, 1985

Kurt Fredriksson
Division of Governmental Coordination
Pouch AW
Juneau, Alaska 99811-0165

RE: Comments of North Aleutian Basin Draft EIS

Dear Mr. Fredriksson:

Following are the Bristol Bay Coastal Resource Service Area (CRSA) Board's comments on the draft environmental impact statement (DEIS) for North Aleutian Basin sale #92. As the legal entity assigned the responsibility of developing and implementing a coastal management program for Bristol Bay, the CRSA Board is very concerned about lease #92; this is both in terms of the specific resource information that is lacking, and also, in regard to the exorbitant weight oil and gas is given in the decision making process versus the region's other physical, biological and cultural resource values.

The DEIS for the North Aleutian Basin sale contains the proposal, as well as three alternatives. The CRSA Board has rejected these four potential courses of action and urges the Secretary of Interior to delay proposed sale #92 for at least ten years. The reasons for this follow:

The CRSA Board has been a participant in the sale #92 lease process from the beginning. In a May 23, 1983 letter responding to the Mineral Management Service's (MMS) Call For Information the CRSA Board stated a number of concerns. This letter emphasized the extreme productivity, and sensitivity, of the nearshore environment of the lease sale area. These areas include: Izenbek and Nelson Lagoons, Herendeen Bay and Port Moller, the Seal Islands barrier islands and lagoon system, Port Heiden, and Ugashik and Egegik Bays. Many of the economically important fisheries resources of the region use these nearshore areas during one or more of their lifestages, particularly the critical juvenile stages. The CRSA Board requested that the MMS extensively research this nearshore zone during the DEIS assessment process.

Kurt Fredriksson
February 23, 1985
Page Two

In this same letter, the CRSA Board also voiced particular concern about the salmon which fuel Bristol Bay's world-renown salmon fishery, which in the last two years has had an average annual ex-vessel value (price paid to the fisherman) of 125 million dollars, with a high of 143 million dollars in 1983. A conservative estimate places the number of jobs involved in this fishery at 10,000 (these figures do not include the value and jobs from the Aleutian Island/Alaska Peninsula Management Area). Due to the paramount importance the salmon fishery holds in the economic lives of the region's residents - as well as the subsistence value of the resource, which is difficult to quantify - the CRSA Board asked for a detailed assessment of the location and timing of the movements of salmon in the nearshore and offshore areas, both for the adult and juvenile life stages.

The MMS did not provide this information in the DEIS. Specific omissions in regard to salmon are as follows:

- 1) What are the seaward migration patterns of king, silver, pink and chum salmon?
- 2) To what degree do salmon stocks become mixed or concentrated in the nearshore water of Bristol Bay?
- 3) How long do juvenile salmon remain in the nearshore waters of outer Bristol Bay?
- 4) What ability do juvenile salmon have in detecting and avoiding oil-contaminated waters?
- 5) Will adult salmon migrate through oil contaminated waters?

Although these questions are couched in terms of Bristol Bay, it must be remembered that all western Alaska salmon stocks migrate through the North Aleutian Basin "portal" and thus, they are of statewide concern.

Salmon are obviously the major economic and subsistence resource to the region's residents. The last decade, though, has seen the emergence of a new fishery in the Bristol Bay region - herring. The Togiak herring fishery, the largest in Alaska, has increased dramatically over the last five years and had an ex-vessel value of 10.5 million dollars in 1983. As markets evolve and stabilize, new herring fisheries will undoubtedly emerge; in fact, several herring fisheries are scheduled for 1985 in the nearshore areas adjacent to lease sale #92. Two basic questions in regard to herring, and were not addressed in the DEIS, are:

- 1) The distribution and abundance of herring in the North Aleutian Basin area;
- 2) The effects of oil contamination on herring spawning substrates.

Kurt Fredriksson
February 23, 1985
Page Three

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The lack of information on salmon and herring are of primary concern to the CRSA Board because of the economic importance of these species to the residents of the region.

Significant gaps in other fisheries resources also exist. Basic information on king crab, particularly given the population fluctuations that have occurred in the recent past, is lacking. Also, the distribution and abundance of capelin, important as a food source for species of economic importance, should be undertaken.

The concerns over the impact of lease sale #92 relate to the potential for an oil spill. The MMS spent a significant amount of time in the DEIS quantifying the potential for a spill and concluded that the risk was very low. This did little to allay the fears of the CRSA Board, or the region's resident. The basic question is "what if. . ."? Oil spill response has not been demonstrated in the Bering Sea, which is appropriately referred to by the industry as a "frontier area". A major spill would require relocation of equipment from as far away as California, possibly taking two weeks. A recent transportation spill off of the Louisiana coast resulted in 55,000 barrels being dumped into the Gulf of Mexico. Compared to the conditions industry would confront in the Bering Sea, the clean-up of this spill should have been logistically simple; yet only one-tenth of one percent of the spilled oil was contained!

The final comment the CRSA Board wishes to make, and it goes beyond the adequacy of the DEIS, is regard to the national interest of oil and gas leasing and exploration in view of the internationally-recognized resources of Bristol Bay. Unlike oil and gas (through the Outer Continental Shelf Lands Act, as amended), these unique physical and biological resources do not have a comprehensive mandate that states they are of national interest. The questions the CRSA Board poses are these: Is not the largest red salmon fishery in the world of national interest? Are not the largest congregation of marine mammals, and one of the greatest staging areas for waterfowl, in the world of national interest? Is not one of the greatest ground-fish and shellfish harvest areas in the world of national interest? The CRSA Board feels that any one of these, and definitely the combination of all of them, warrant national interest consideration. The Board also believes that if this discussion were held outside of the very technical and lengthy OCS lease sale planning process, broad-based public opinion would support this conclusion.

In summary, the CRSA Board recommends at least a ten year delay in awarding leases in the North Aleutian Basin. This is in concurrence with the State of Alaska which, through its own planning process, has determined that the economic importance of the area's resources, and the lack of information on them, warrant a delay in oil and gas leasing in the North Aleutian Basin area.

Kurt Fredriksson
February 23, 1985
Page Four

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The CRSA Board appreciates the opportunity to comment.

Sincerely,

Tim Hostetler

Tim Hostetler
Acting Director
Bristol Bay CRSA Board

cc: Al Powers

TH/pr

ALEUTIANS EAST COASTAL RESOURCE SERVICE AREA
1689 "C" STREET, SUITE 201
ANCHORAGE, ALASKA 99501

(907) 276-2700

OFFICE OF
MANAGEMENT & BUDGET

MAR 1 1985

February 25, 1985

Mr. Robert Grogan
Office of Management and Budget
Division of Governmental Coordination
Pouch AW (MS 0165)
Juneau, Alaska 99811

GOVERNMENTAL
COORDINATION

Subject: Aleutians East CRSA Comments on the North Aleutian Shelf Draft Environmental Impact Statement.

Dear Mr. Grogan:

The Board passed resolution 85-3, on February 22, 1985, in support of Governor Sheffield's position for a delay of the N. Aleutian Shelf lease sale until at least 1994. This will assure that the data gaps identified by the State are adequately addressed; that the industry catch up with oil spill cleanup and containment and transshipment technology; and that the region is afforded the opportunity to complete the Aleutians East CRSA Coastal Management Plan and that the State and federal government approve the plan and incorporate it into State and federal consistency reviews.

The Board's review of the DEIS is still incomplete. The Board has appreciated the State's extension of a week. Unfortunately poor weather conditions, a better than expected tanner crab season, and delay by consultants reviewing the DEIS have prevented the Board from completing the Board review by February 25, 1985. The Review of the oil spill trajectory analysis is the major area the Board needs to address before the Board's comments will be finalized. The Board understands that our comments on the oil spill trajectory analysis may not be incorporated into the State comments because we are so late, however we expect that the comments herein will be included in the State's comments.

The Aleutians East CRSA Board has reviewed the North Aleutian Shelf DEIS and has concluded that the lease sale as proposed in the DEIS is not consistent to the maximum extent practicable with the State Coastal Management Program nor with the Aleutians East CRSA public hearing draft Coastal Management Plan. In Section E of the General Comments herein the Board identifies measures that need to be taken in order for the Board to consider the lease sale to be consistent with the Aleutians East public hearing draft CMP.

The timing of the lease sale in relation to the Aleutians East CRSA program is unfortunate. The Aleutians East CRSA does not have an approved program. The Board has been rigorous in producing a plan and is pleased that the public hearing draft is out for review. The policies in the draft plan reflect the Board's position regarding 'balanced development' in the Aleutians East region. As you know the North Aleutian Shelf lease sale area is adjacent to the Aleutians East region. The major potential impacts are all directed at the nearshore areas of the north and south side of the Aleutians East CRSA. If a hydrocarbon resource is found the Aleutians East Board will review the permitted activities using the approved Aleutians East Plan as a guide. In light of this the Board has thoroughly reviewed the North Aleutian Shelf DEIS with the Board's knowledge of the region and the public hearing draft policies in mind.

The Board comments are divided into two parts.

1. General Comments on the DEIS including the Aleutians East CRSA policies that need to be incorporated into the DEIS stipulations and ITL's; and

2. Specific Comments on the DEIS.

The Board has been encouraged by your staff's cooperation in working with us. The State and local districts have come a long way in two years by developing a workable process for the State to incorporate local comments into the State position on OCS lease sales.

The Board looks forward to working with you and your staff over the next few months on this issue.

Sincerely,

Stanley Mack (area)

Stanley Mack
Chairman Aleutians East CRSA Board

cc: CRSA Board
Kurt Fredrickson, OMB
BBCRSA Board
City of Sand Point
City of King Cove
City of Cold Bay
False Pass Village Council

Nelson Lagoon Village Council
Rep. Zharoff
Rep. Hermann

OFFICE OF
MANAGEMENT & BUDGET

FEB 13 1985

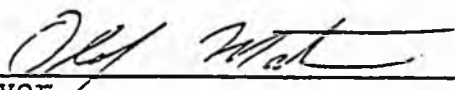
GOVERNMENTAL
COORDINATION

CITY OF PORT HEIDEN
PORT HEIDEN, ALASKA 99549


RESOLUTION 85-20

- WHEREAS, The U.S. Department of Interior has scheduled an oil and gas lease sale in the North Aleutian Basin OCS area; and
- WHEREAS, this sale area supports one of the richest concentrations of fish, waterfowl, marine birds and marine mammals in the world; and
- WHEREAS, the world's largest run of salmon migrates through the lease area; and
- WHEREAS, the Bristol Bay salmon fishery forms the economic backbone of the region and is a resource of state, national and international significance; and
- WHEREAS, the villagers are highly dependent on the Bristol Bay salmon fishery as a major source of subsistence food; and
- WHEREAS, many questions remain unanswered concerning the potential impact of oil and gas development on the fish and wildlife of the area; and
- WHEREAS, the oil industry should gain operation experience in other less sensitive areas before being allowed into the North Aleutian Basin;

NOW THEREFORE BE IT RESOLVED that the City Council of Port Heiden strongly urges the U.S. Department of Interior (Minerals Management Service) to cancel North Aleutian Basin OCS Sale #92 and defer any future sales in the area for at least ten (10) years.



Mayor



Attested by Clerk

THIS RESOLUTION HAS BEEN PROPERLY ADOPTED THIS 5 day of FEB 1985 by the authorized membership of the City Council of Port Heiden, in Port Heiden, Alaska.



DRAFT

WHEREAS, The Bristol Bay region of Alaska is internationally recognized for its fish and wildlife resources;

WHEREAS, these resources, particularly salmon, represent one of the very few opportunities the region's residents have for participating in the cash economy;

WHEREAS, further dependence on the abundant fish and wildlife of Bristol Bay comes from the subsistence lifestyle that the vast majority of the region's residents lead;

WHEREAS, the federal Department of Interior is pursuing an outer continental shelf (OCS) lease sale in the North Aleutian Basin (Bristol Bay), scheduled for December of 1985;

WHEREAS, the State of Alaska has recognized, through its own planning process, that there are significant gaps in resource information on the lease sale area, and that industry must demonstrate, in other frontier areas, its capability to explore and produce in an environmentally safe manner;

WHEREAS, the state's recognition of these information needs has resulted in its delaying all lease sales in state waters until 1994, and has called upon the federal government to do likewise with the North Aleutian Basin sale;

NOW THEREFORE BE IT RESOLVED that the City Council of Portage Creek urges the Secretary of Interior to remove North Aleutian Basin Sale #92 from the current OCS leasing schedule until at least 1994.

DRAFT

OFFICE OF
MANAGEMENT & BUDGET

FEB 08 1985

GOVERNMENTAL
COORDINATION

Red

CITY OF ALEKNAGIK

P.O. Box 33

ALEKNAGIK, ALASKA 99555

(907) 842-5953

OFFICE OF
MANAGEMENT & BUDGET

FEB 20 1985

February 14, 1985

GOVERNMENTAL
COORDINATION

Coastal Resource Service Area
P.O. Box 189
Dillingham, AK 99576

Attn: Tim Hostetler

Dear Tim:

Enclosed is a copy of Resolution 85-5 that the City Council passed on their Regular Council Meeting held February 12th, and the Council supports this resolution and hope that the Federal and State officials involved in delaying the sale of the North Aleutian Basin (Bristol Bay) OCS Lease will consider our support.

Thank you.

Sincerely,

CITY OF ALEKNAGIK

Helen M. Chythlook

Helen M. Chythlook
City Administrator

cc: ✓ Rod Swope, Div. of Governmental Coordination
Governor Bill Sheffield
Senator Ted Stevens
Representative Don Young

CITY OF ALEKNAGIK

P.O. Box 33

ALEKNAGIK, ALASKA 99555

(907) 842-5953

RESOLUTION 85-5

A RESOLUTION DELAYING THE NORTH ALEUTIAN BASIN (BRISTOL BAY) OCS LEASE SALE.

- WHEREAS, The Bristol Bay region of Alaska is internationally recognized its fish and wildlife resources;
- WHEREAS, these resources, particularly salmon, represent one of the very few opportunities the region's residents have for participating in the cash economy;
- WHEREAS, further dependence on the abundant fish and wildlife of Bristol Bay comes from the subsistence lifestyle that the vast majority of the region's residents lead;
- WHEREAS, the federal Department of Interior is pursuing an outer continental shelf (OCS) lease sale in the North Aleutian Basin (Bristol Bay), scheduled for December of 1985;
- WHEREAS, the State of Alaska has recognized, through its own planning process, that there are significant gaps in resource information on the lease sale area, and that industry must demonstrate, in other frontier areas, its capability to explore and produce in an environmentally safe manner;
- WHEREAS, the state's recognition of these information needs has resulted in its delaying all lease sales in state waters until 1994, and has called upon the federal government to do likewise with the North Aleutian Basin sale;

NOW THEREFORE BE IT RESOLVED that the City Council of Aleknagik, Alaska urges the Secretary of Interior to remove North Aleutian Basin Sale #92 from the current OCS leasing schedule until at least 1994.

APPROVED AND ADOPTED THIS 12 DAY OF February, 1985.

[Signature]
 Mayor
[Signature]
 Secretary-Treasurer
[Signature]
 Councilmember

[Signature]
 Vice-Mayor
[Signature]
 Councilmember
[Signature]
 Councilmember

TEST: [Signature]
 City Clerk
2-12-85
 Date

EGEGIK VILLAGE COUNCIL

Box 29
Egegik, Alaska 99579

February 4, 1985

Mr. Rod Swope
Office of Management & Budget
Division of Governmental Coordination
Pouch AW
Juneau, Alaska 99811

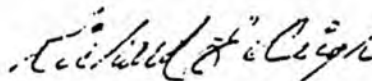
Subject: North Aleutian Basin (Bristol Bay) OCS Lease Sale

Dear Mr. Swope:

We as a Commercial Fishing community urge you to do all that you can to get the Lease Sale delayed for ten (10) years in order to allow for more time to study the potential environmental impacts and allow the oil companies time to gain experience in other less sensitive areas.

Sincerely yours,

EGEGIK VILLAGE COUNCIL



Richard E. Deigh
President

RED/sk

Enclosure

copies: Honorable Governor Sheffield
Senator Ted Stevens
Representative Don Young
Coastal Resource Service Area Board

OFFICE OF
MANAGEMENT & BUDGET

FEB 20 1985

GOVERNMENTAL
COORDINATION

EGEGIK VILLAGE COUNCIL

Box 29

Egegik, Alaska 99579

RESOLUTION NO. 85-03

3

NORTH ALEUTIAN BASIN OCS LEASE SALE #92

- WHEREAS, the Village of Egegik is an Alaska Native Village traditionally organized and recognized by the United States thru the Secretary of Interior; and
- WHEREAS, the Egegik Village Council is the governing body of the village of Egegik;
- WHEREAS, the U.S. Department of Interior has scheduled an oil and gas lease sale in the North Aleutian Basin OCS area; and
- WHEREAS, this sale area supports one of the richest concentrations of fish, waterfowl, marine birds and marine mammals in the world; and
- WHEREAS, the world's largest run of salmon migrates through the lease area; and
- WHEREAS, the Bristol Bay salmon fishery forms the economic backbone of the region and is a resource of state, national and international significance; and
- WHEREAS, the Villagers are highly dependent on the Bristol Bay salmon fishery as a major source of subsistence food; and
- WHEREAS, many questions remain unanswered concerning the potential impact of oil and gas development on the fish and wildlife in the area; and
- WHEREAS, the oil industry should gain operating experience in other less sensitive areas before being allowed into the North Aleutian Basin;
- NOW THEREFORE BE IT RESOLVED that the Village Council of EGGIK strongly urges the U.S. Department of Interior (Minerals Management Service) to cancel North Aleutian Basin OCS Sale #92 and defer any future sales in the area for at least ten (10) years.

Quorum Constituted by 4 members

Voting for 5

Voting against 0

Date Feb. 9 1985

Certified by Josephine J. Williams

Date 2-8-85

TOGIAK CITY COUNCIL
Resolution No. 85-02

- 3
WHEREAS, The Bristol Bay region of Alaska is internationally recognized for its fish and wildlife resources;
- WHEREAS, these resources, particularly salmon, represent one of the very few opportunities the region's residents have for participating in the cash economy;
- WHEREAS, further dependence on the abundant fish and wildlife of Bristol Bay comes from the subsistence lifestyle that the vast majority of the region's residents lead;
- WHEREAS, the federal Department of Interior is pursuing an outer continental shelf (OCS) lease sale in the North Aleutian Basin (Bristol Bay), scheduled for December of 1985;
- WHEREAS, the State of Alaska has recognized, through its own planning process, that there are significant gaps in resource information on the lease sale area, and that industry must demonstrate, in other frontier areas, its capability to explore and produce in an environmentally safe manner;
- WHEREAS, the state's recognition of these information needs has resulted in its delaying all lease sales in state waters until 1994, and has called upon the federal government to do likewise with the North Aleutian Basin sales;

NOW THEREFORE BE IT RESOLVED that the Togiak City Council of Togiak urges the Secretary of Interior to remove North Aleutian Basin Sale #92 from the current OCS leasing schedule until at least 1994.

Emma Ayjiaak-Carlson
Mayor

ATTEST:

Annette T. Schaeffer

OFFICE OF
MANAGEMENT & BUDGET

FEB 11 1985

GOVERNMENTAL
COORDINATION

20d

Pedro Bay Village Council Resolution #85-01

WHEREAS, The U.S. Department of Interior has scheduled an oil and gas lease sale in the North Aleutian Basin OCS area; and

WHEREAS, this sale area supports one of the richest concentrations of fish, waterfowl, marine birds and marine mammals in the world; and

WHEREAS, the world's largest run of salmon migrates through the lease area; and

WHEREAS, the Bristol Bay salmon fishery forms the economic backbone of the region and is a resource of state, national and international significance; and

WHEREAS, the villagers are highly dependent on the Bristol Bay salmon fishery as a major source of subsistence food; and

WHEREAS, many questions remain unanswered concerning the potential impact of oil and gas development on the fish and wildlife of the area; and

WHEREAS, the oil industry should gain operating experience in other less sensitive areas before being allowed into the North Aleutian Basin;

NOW THEREFORE BE IT RESOLVED that the Village Council of Pedro Bay strongly urges the U.S. Department of Interior (Minerals Management Service) to cancel North Aleutian Basin OCS Sale #92 and defer any future sales in the area for at least ten (10) years.

PASSED THIS 14th DAY OF FEBRUARY, 1985.

Council President, Carl Jensen *Carl Jensen*
 Vice-President, Zenia Kolyaha *Zenia Kolyaha*
 Secretary, Ruth Andree _____
 Treasurer, Norman Jacko *Norman Jacko*
 Members, Elaine Aaberg *Elaine Aaberg*
 Keith Jensen *Keith Jensen*

OFFICE OF
MANAGEMENT & BUDGET

FEB 26 1985

ATTEST: *Barbara Jacko*
Village Administrator, Barbara Jacko

GOVERNMENTAL
COORDINATION



UNITED FISHERMEN OF ALASKA

319 Seward Street, Suite #10
Juneau, Alaska 99801-1188
(907) 586-2820

Cass M. Parsons
Executive Director

Mr. Kurt Friedrukson
Senior Analyst
Office of the Governor
Division of Governmental Coordination
Pouch AM
Juneau, Alaska 99811

Dear Mr. Friedrukson:

Enclosed please find a copy of initial "information needs" identified by the United Fishermen of Alaska on the proposed North Aleutian Shelf lease sale, as well as a resolution passed last week during the UFA's annual board of director's meeting.

While we have not yet completed the information needs assessment, the UFA feels very strongly that a ten-year delay on the lease sale is still warranted, based on the initial survey showing a tremendous amount of vital information missing from the E.I.S. and research in general.

We will be submitting further information needs sometime within the next three weeks.

Thank you.

Sincerely,

Cass M. Parsons
UFA Executive Director

cc: UFA Board of Directors

OFFICE OF
MANAGEMENT & BUDGET

FEB 26 1985

GOVERNMENTAL
COORDINATION

INFORMATION NEEDS
SUMMARY ASSESSMENT

Salmon

Need: Comprehensive seaward migration patterns of juvenile salmon of all species.

Monthly survey of near-shore waters to identify habitat of juvenile salmon in coastal bays and lagoons.

Study of ability of juvenile salmon to detect and avoid oil contaminated waters; also chronic low-level affects on juvenile salmon.

Study of degree of interference oil has on adult salmon migrations and avoidance capabilities.

Herring

Need: Study of distribution and abundance of herring in lease area, both near shore during spawning activities and off-shore migration patterns after spawning.

Distribution and depths of larval herring in surface waters after hatching.

Study of impacts of oil contaminants on substrates used for spawning.

Caplain

Need: Study of affects of oil contamination on all life stages of caplain.

Study of distribution and abundance of caplain.

Study of impact on spawning areas of caplain once identified.

King Crab

Need: Study of impact of oil contamination on king crab larvae and juveniles.

Study of potential for hydrocarbon uptake by eggs and juveniles.



UNITED FISHERMEN OF ALASKA

Cass M. Parsons
Executive Director

UNITED FISHERMEN OF ALASKA

RESOLUTION 85-3

WHEREAS the United Fishermen of Alaska is an organization representing individual fishermen as well as 17 member fisheries organizations; and

WHEREAS the UFA is vitally concerned with the use, protection and enhancement of Alaska's fisheries resources and their habitat; and

WHEREAS the Federal government has proposed leasing the Outer Continental Shelf in the area known as the North Aleutian Basin; and

WHEREAS the fisheries resources of the Bristol Bay region and North Aleutian Basin are a renewable resource of extraordinary value to the local fishermen, the State of Alaska, and the United States; and

WHEREAS the UFA has had a long standing concern with protecting the fisheries resources in this region, and has expressed particular concern over the effects which oil and gas development will have on these fisheries; and

WHEREAS the economic value of the fishery will, over the long term, greatly exceed the value of the projected oil reserves in the lease area, and therefore must receive maximum protection; and

WHEREAS both the UFA and the State of Alaska have identified several significant information needs relating to fisheries, marine mammals, birds and oilspill trajectory analyses; and

WHEREAS the UFA believes that this information needs to be addressed prior to any consideration of offshore oil and gas leasing in this region in order for all parties to fully and fairly evaluate the impacts of petroleum exploration and development on the important resources of the region.

NOW THEREFORE BE IT RESOLVED that the United Fishermen of Alaska, supports a 10 year delay in any offshore oil and gas leasing in the North Aleutian Basin; and

BE IT FURTHER RESOLVED that the United Fishermen of Alaska believe that this delay should be used to, among other things, provide time to:

- 1) further develop offshore petroleum drilling and transportation technologies that will ensure safe operations; and
- 2) ensure that oilspill containment and clean-up technologies are further developed, tested and refined so that oilspill clean-up operations will be effective under the weather and oceanographic conditions found in the region; and

3) allow time for sufficient scientific studies to address the important scientific questions which have been identified by the state and by the UFA; and

§ BE IT FURTHER RESOLVED that the United Fishermen of Alaska encourages the State of Alaska, and the Alaska Congressional Delegation to work with all parties and to use all of the powers available to them to ensure that the proposed OCS lease sale No. 92 in the North Aleutian Basin is deferred.

Cass M. Parsons

Cass M. Parsons
UFA Executive Director

Bob Blake

Robert M. Blake
UFA President

7/19/85
Date

7/19/85
Date

Natural Resources Defense Council, Inc.

122 EAST 42ND STREET
NEW YORK, N.Y. 10168
212 949-0049

Western Office
25 KILARNY STREET
SAN FRANCISCO, CALIF. 94108
415 421-6561

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SUITE 300
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202 783-7800

Mr. Kurt A. Fredriksson
Office of the Governor
Division of Governmental Coordination
Pouch AW
Juneau, AK 99811

18 February 1985

Dear Mr. Frederiksson:

This letter is in response to your request for comments on the Draft Environmental Impact Statement (DEIS) prepared for OCS lease Sale 92 scheduled for December, 1985 in Bristol Bay. Based on our preliminary review of the DEIS and of other documents related to OCS leasing in Bristol Bay, we strongly recommend that the State of Alaska adopt a position opposing federal OCS leasing in Bristol Bay. We base this recommendation on the following considerations.

1. The Value of the Biological Resources of Bristol Bay

According to the U.S. Department of the Interior, the Bristol Bay estuary and the associated continental shelf possess the greatest concentration of birds, fish and marine mammals found anywhere on the North American continent (DOI, 1982). The acreage scheduled to be offered for lease in Sale 92 lies in the heart of this enormously productive region. Indeed, the Sale 92 area contains some of the most important and sensitive habitat

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for the biological resources of Bristol Bay. These resources include the following.

3 } Fish: The Sale 92 area contains the major red king crab reproductive site for the Bering Sea (Thorsteinson and Thorsteinson, 1984). The ex-vessel value of the red king crab fishery in 1981 was \$169 million (NOAA, 1981).

Bristol Bay also supports the largest sockeye salmon fishery in the world (NMFS, 1980). Approximately 88 percent of all salmon entering streams around the Bering Sea pass through North Aleutian Shelf waters during migration (Thorsteinson and Thorsteinson, 1984). The total Bristol Bay salmon fishery, valued in excess of \$250 million, is thought to employ 10,000 people. Native villages throughout southwestern Alaska depend heavily on salmon for subsistence.

Finally, the Sale 92 region supports several commercial fisheries for food and bait herring, and there is a potential for capelin to support a future commercial fishery along the north Alaska Peninsula (Barton, et al., 1977).

Birds: The Sale 92 area encompasses one of the world's great bird migration crossroads. Izembek Lagoon, which contains the largest eelgrass beds in the world, is utilized by hundreds of thousands of migrating waterfowl each year. The nutrient-rich lagoons and bays on the north side of the Alaska Peninsula support in various seasons major portions of either the North American or Pacific flyway populations of several species of waterfowl, including black brant, emperor goose, and Stellar's

eider. The coastal areas of the north shore are critical wintering and staging areas for huge numbers of waterfowl and shorebirds. A million birds have been recorded along the north shore of the Alaska Peninsula in fall. (Strauch and Hunt, 1982.)

Marine Mammals: At least 20 species of marine mammals are known to occur in the lease sale area. Approximately 4,000 sea lions, 30,000 harbor seals, 15,000 walrus and 17,000 sea otters utilize Bristol Bay habitats during all or parts of the year (Frost et al., 1983). Virtually the entire eastern Pacific gray whale population, estimated at 15,000 - 17,000 individuals, and approximately 1.2 million northern fur seals (roughly 75% of the world population) migrate through Unimak Pass during their spring and fall migrations (Rugh and Braham, 1979; Leatherwood et al., 1983.)

2. Sensitivity of Affected Biological Resources. The Department of the Interior estimates that one spill of 1,000 barrels or more will occur as a result of Sale 92 (DEIS at IV-B-1). In addition, there is a possibility of a catastrophic (greater than 100,000 barrels) spill (id).

Petroleum hydrocarbons are extremely toxic to a wide variety of organisms at very low concentrations. Oil spills can affect fish by inhibiting growth, disrupting feeding and reproduction, contaminating spawning areas, and blocking or delaying migrations. Direct contact with oil is usually fatal to birds. The pelage of sea otters and fur seals loses its insulative

capacity when oiled, which can lead to death from hypothermia. Grooming oiled fur may result in ingestion of fatal amounts of oil. The effects of oil on whales are poorly understood, but are potentially serious for species of baleen whale, such as the endangered gray whale, that do not feed in wintering grounds and are thus under stress when migrating through Bristol Bay. For fish, marine mammals and birds, elimination or contamination of food sources may result in stress due to reduced food availability or in the ingestion of hydrocarbons, with concomitant effects on behavior and reproductive success.

Prohibiting oil and gas leasing in the area excluded from leasing in Alternative IV in the DEIS will not ensure that oil will not be spilled in sensitive areas or transported to them by winds and storms during critical periods for fish and other wildlife.

In addition to spills, there are other activities associated with offshore oil and gas development that threaten fish and wildlife. Offshore seismic exploratory activity using airguns has been shown to modify the behavior of bowhead whales at distances of 50 km or more (Richardson, 1983). Drilling muds can have acute and chronic effects, particularly for benthic organisms. Formation waters can retain up to 50 ppm of oil as small droplets and up to 35 ppm as dissolved hydrocarbons -- well above lethal concentrations to larval and adult fish and crabs (.01 - 1 ppm) (DEIS at IV-B-2). Blasting, sand and gravel mining, aircraft traffic, cooling water discharge, construction,

and other activities associated with the development of onshore support facilities could result in the abandonment of nesting, breeding or staging areas for birds and other wildlife as well as damage or destroy important salmon habitat.

3. Risks Associated with Development. Within the Bristol Bay uplands adjacent to the sale area, there are 11 active volcanoes; 6 on Unimak Island and 5 on the Alaska Peninsula. The Bristol Bay region is among the most seismically active in the world, with major and minor faults criss-crossing the ocean bottom. Earthquakes are common. Severe weather, frequent fog, winter ice, earthquakes and tsunamis all significantly contribute to a high probability for the occurrence of spills due to platform and tanker accidents. The regional circulation would probably transport oil along the north coast of the Alaskan Peninsula to the head of Bristol Bay. Mean wind direction in the area is either onshore or coast-parallel 9-10 months out of the year. In short, virtually all significant environmental factors would work in consort to increase the probability for and the degree of damage resulting from an oil spill or blowout. The Department of Interior has concluded that the effectiveness of oil spill response capability in the Sale 92 area is unpredictable (DEIS at IV-A-13).

4. Lack of significant hydrocarbon resources. DOI's conditional mean resource estimate for the Sale 92 area is 364 million barrels of oil and 2.62 tcf of gas. This represents 2% of the total U.S. OCS hydrocarbon reserve.* If gas is determined to be uneconomic in Bristol Bay, this figure falls to 1% of the total U.S. OCS hydrocarbon reserve. At 1984 U.S. consumption rates,** the amount of oil in Bristol Bay represents a 23 day supply.

In terms of dollar value, it is clear that fish will contribute more than oil to the economy of the State of Alaska and the nation. Last year, the Congressional Budget Office estimated that a one-year delay in leasing in Bristol Bay would cost approximately \$150 million in lost bonus bids.*** The Department of the Interior estimated that the total cost of a one year delay (the discounted sum of revenues, less the cost of finding, producing and transporting the resource to market) is \$200 million. As noted above, the value of the Bristol Bay salmon fishery alone is estimated at \$250 million and is thought to employ 10,000 people. From an economic standpoint, it is clearly to the advantage of the State to preserve Bristol Bay as a revenue generator through fish rather than oil.

* Using a conversion factor of 5.62 to convert from tcf of gas to billion barrels of oil equivalent (BOE). $2.62/5.62 = 0.466$ billion BOE. $0.466 + 0.364$ billion barrels of oil = .83 billion BOE. Total US OCS BOE = 36.8 billion BOE (DOI, 1983).

** 15.8 million barrels/day. U.S. Department of Energy, Monthly Energy Review. January, 1985.

*** June 26, 1984 CBO memo "CBO's Estimate of Restriction on OCS Leasing."

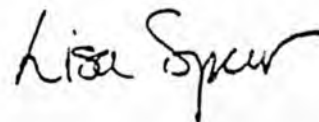
5. Data Gaps. Substantial data gaps have been identified by MMS, the State of Alaska and the United Fishermen of Alaska with regards to the impacts of oil development in Bristol Bay on red king crab, salmon, herring, capelin, bottomfish, gray whales, fur seals, Steller's sea lions, overwintering seabirds and waterfowl, staging waterfowl, and sensitive coastal and marine habitats. Information is also lacking regarding the capability of current oil spill containment and cleanup technology to cope with spills in the Bristol Bay environment.

Summary

Due to the importance of the biological resources of Bristol Bay, their sensitivity, the hazards associated with oil development, the relatively small amount oil in relation to the richness of the biological resources present, and the lack of information regarding the potential impacts of hydrocarbon development in Bristol Bay, NRDC strongly recommends that the state adopt a position opposing OCS lease Sale 92.

Thank you for considering these comments.

Sincerely



Lisa Speer
Coastal Resource Specialist

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THE ALLIANCE

P.O. Box 100100 / Anchorage, Alaska 99510 / (907) 562-0100

TESTIMONY ON
H J R 31
A
RESOLUTION IN OPPOSITION TO THE SALE OF
OIL AND GAS LEASES IN THE NORTH ALEUTIAN BASIN
(SALE #92)

for the
ALASKA SUPPORT INDUSTRY ALLIANCE

by
Chuck Becker
Director Government Affairs
Brown & Root U.S.A., Inc.

before the
Alaska State
House Special Committee on
OIL AND GAS

10 April, 1985

Alaska Support Industry Alliance

... for responsible economic development

Milton Byrd — President
Frontier Companies of Alaska

Ann Curtis — Vice President
Crowley Maritime

Charles F. Becker — Vice President
Brown & Root, Inc.

William D. Bennett — Secretary
Perkins, Cole, Stone,
Olsen & Williams

Val Molyneux — Treasurer
Veco, Inc.

Bill Bettes — Director
Pingo Corporation

Randy Goodrich — Director
Executive Travel Service

Roger Haxby — Director
Waukesha Alaska Corporation

Joe Mathis — Director
Universal Services, Inc.

Walt Ratterman — Director
Pacific Industrial Company

Jack Thompson — Director
Air Van Lines, Inc.

William F. Webb — Director
Arctic Hosts, Inc.

MY NAME IS CHUCK BECKER. I AM THE DIRECTOR OF GOVERNMENT AFFAIRS IN ALASKA FOR BROWN & ROOT, U.S.A. I AM HERE TODAY REPRESENTING THE ALASKA SUPPORT INDUSTRY ALLIANCE FOR WHICH I AM VICE PRESIDENT OF PUBLIC POLICY.

THE ALASKA SUPPORT INDUSTRY ALLIANCE IS A BUSINESS LEAGUE MADE UP OF SOME 200 COMPANIES WHO DO BUSINESS IN ALASKA. OUR MEMBERS PROVIDE EQUIPMENT, SUPPLIES, AND SERVICES TO THE STATE'S OIL, GAS AND MINING INDUSTRIES. WE ARE THE ENGINEERING COMPANIES AND THE CONSTRUCTORS, THE ARCHITECTS AND ATTORNEYS, OIL WELL LOGGERS AND DRILLING FIRMS, CATERERS AND TRANSPORTATION COMPANIES, EQUIPMENT VENDORS AND DIVING FIRMS. WE ARE UNION AND OPEN SHOP - LARGE AND SMALL, JOINED TOGETHER IN AN ALLIANCE TO FOCUS ON PUBLIC POLICY DECISIONS THROUGHOUT THE THREE LEVELS OF GOVERNMENT.

✓ COMPANIES ARE ATTRACTED TO MEMBERSHIP IN THE ALLIANCE BECAUSE EXECUTIVES HAVE COME TO UNDERSTAND HOW PUBLIC POLICY DECISIONS AND ACTIONS EFFECT THE BOTTOM LINE OF PROFIT AND LOSS STATEMENTS. AN AWARENESS IS QUICKLY DEVELOPING AMONG EXECUTIVES AND EMPLOYEES IN THE SUPPORT INDUSTRY AS TO THE IMPORTANCE A HEALTHY AND VIGOROUS PETROLEUM AND MINING INDUSTRY IS TO THEIR OPERATIONS AND SUCCESS. THAT UNDERSTANDING IS SPREADING LESS QUICKLY TO GOVERNMENTAL DECISIONMAKERS, HOWEVER.

IN AN EFFORT TO FOCUS PUBLIC ATTENTION ON THE CRITICAL ROLE THE STATE'S OIL AND GAS INDUSTRY PLAYS IN THE SOCIAL AND ECONOMIC FABRIC OF ALASKA, THE ALASKA OIL AND GAS ASSOCIATION RECENTLY PUBLISHED THE RESULTS OF A SURVEY WHICH DEMONSTRATES THE ENORMOUS BENEFIT THIS INDUSTRY HAS ON ALASKA.

✓ THE SURVEY CONSISTED OF SEPARATE YET INTERRELATED TASKS. FIRST, EACH COMPANY COMPRISING THE STATE'S OIL AND GAS INDUSTRY WAS SENT A FIELD-TESTED SURVEY INSTRUMENT BY DIRECT MAIL; SECONDLY, QUESTIONNAIRES WERE SENT TO 2,460 ALASKA BUSINESSES; FINALLY, OVER 1,000 ADULTS THROUGHOUT THE ENTIRE STATE OF ALASKA WERE INTERVIEWED BY TELEPHONE USING RANDOM DIGIT DIALING TECHNIQUES.

SURVEY RESULTS DEMONSTRATED THAT OF THE 147,000 HOUSEHOLDS IN THE STATE OF ALASKA, 42,960 OR 29 PERCENT OF THESE HOUSEHOLDS HAD AT LEAST ONE MEMBER EMPLOYED DIRECTLY BY THE OIL AND GAS INDUSTRY OR BY A COMPANY IN THE SUPPORT INDUSTRY. MOREOVER, NEARLY ONE-THIRD OF ALL HOUSEHOLD INCOME IN ALASKA IS ATTRIBUTABLE EITHER DIRECTLY OR INDIRECTLY TO THE PETROLEUM INDUSTRY. AN ESTIMATED 138,848 MEN, WOMEN AND CHILDREN ARE DEPENDENT ON THE PETROLEUM INDUSTRY AND ITS SUPPORT COMPANY NETWORK. WHEN ASKED ABOUT THE PERCEIVED EFFECT THE OIL AND GAS INDUSTRY HAS HAD ON THEIR HOUSEHOLDS, ALMOST 80% OF ALL ALASKANS SAID THAT THE EFFECT HAS BEEN POSITIVE.

LOOKING AHEAD, THE INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH OF THE UNIVERSITY OF ALASKA FORECASTS CONTINUED GROWTH IN THE STATE'S PETROLEUM INDUSTRY, WITH PROPORTIONAL GROWTH IN ITS SUPPORT SECTOR, IF THE INTEGRITY OF THE FIVE-YEAR OUTER CONTINENTAL SHELF LEASE SALE SCHEDULE IS MAINTAINED. A GRIM FORECAST OF SEVERE ECONOMIC DISLOCATIONS, RESULTING IN LOSS OF JOBS AND A "MASSIVE DECLINE IN STATE EXPENDITURES" IS DEFINED AS A BASE CASE SCENARIO, IN THEIR RECENT STUDY ENTITLED, "ALASKA STATEWIDE AND REGIONAL ECONOMIC AND DEMOGRAPHIC SYSTEMS; EFFECTS OF OCS EXPLORATION AND DEVELOPMENT". IT IS A SCENARIO OF A DETERIORATING FISCAL CONDITION OF THE STATE COUPLED WITH "RISING TAXES, REDUCED PUBLIC SERVICES" AND A LOSS OF JOBS. YET THE BASE CASE SCENARIO MADE BY THE UNIVERSITY ANALYSTS INCORPORATES OPTIMISTIC ASSUMPTIONS RELATIVE TO OTHER ECONOMIC SECTORS IN THE STATE. THE AUTHORS CONCLUDE THAT ONLY IF THE FIVE YEAR OCS LEASE SALE PLAN PROCEEDS ON SCHEDULE WILL THAT UNHAPPY PORTRAYAL OF ALASKA'S FUTURE BE MITIGATED. INDEED, A HEALTHY SOCIOECONOMIC FUTURE IS PROJECTED, UNDER SUCH CIRCUMSTANCES, CONCLUDING WITH AN ESTIMATE THAT 10 PERCENT OF EMPLOYED ALASKANS WILL DEPEND ON THE EXPLORATION AND PRODUCTION ACTIVITIES OF THE OIL AND GAS INDUSTRY IN ALASKA'S OCS, BY THE YEAR 2000.

THIS POINT-IN-TIME PHOTOGRAPH OF ALASKA'S SOCIAL AND ECONOMIC STRUCTURES AND THESE ECONOMIC PROJECTIONS DEPICT BENEFITS OF ENORMOUS MAGNITUDE STEMMING FROM A SINGLE SOURCE - THE ALASKA PETROLEUM INDUSTRY. INDUSTRY GROWTH TRANSLATES INTO JOBS, IMPROVEMENTS IN THE QUALITY OF LIFE, NEW MARKETS RESULTING FROM A BROADER POPULATION BASE, AGGLOMERATION ECONOMIES RESULTING IN LOWER PRICES TO THE ALASKAN CONSUMER, IMPORT SUBSTITUTION AND ECONOMIC DIVERSIFICATION - THE HISTORIC GOALS OF THE MAJORITY OF ALASKANS AT LAST WITHIN OUR REACH!

BUT ALASKANS MUST HAVE THE COLLECTIVE WILL TO REACH OUT AND SEIZE THE MOMENT. GROWTH IN THE PETROLEUM INDUSTRY IN ALASKA, WITH ITS ATTENDANT PROMISES, IS CRITICALLY DEPENDENT ON AN OPTIMUM SET OF VARIABLES AMONG WHICH ARE PREDICTABILITY AND STABILITY OF THE BUSINESS CLIMATE WHICH, IN TURN, RELIES ON PUBLIC POLICY MAKERS MAKING PRUDENT DECISIONS BASED ON FACTS AND A WELL-FOUNDED UNDERSTANDING OF THE GLOBAL IMPACTS OF THEIR DECISIONS.

ONCE AGAIN, WE ARE AT AN IMPORTANT MILEPOST IN THE HISTORY OF THE GROWTH AND DEVELOPMENT OF ALASKA. RECOGNIZING THAT THE FLOW OF OIL FROM ALASKA CONSTITUTES 20 PERCENT OF ALL DOMESTIC PRODUCTION, THIS DECISIONMAKING PERIOD ALSO REPRESENTS AN IMPORTANT POINT IN THE DEVELOPMENT AND SECURITY OF OUR NATION.

THE PURPOSE OF THIS HEARING IS TO REACH A DECISION RELATIVE TO THE SALE OF OIL AND GAS LEASES IN THE NORTH ALEUTIAN BASIN. A BRIEF GLANCE AT THE EVENTS LEADING UP TO THIS PROPOSED SALE IS ENLIGHTENING. JUST OVER TEN YEARS AGO, INTERIOR SECRETARY KLEPPE PROPOSED TO SELL LEASES IN THIS AREA IN OCTOBER OF 1977. CONGRESS RATIFIED THAT EXECUTIVE DECISION APPROVING SALE #51 BUT REVISED THE SALE DATE SLIGHTLY TO DECEMBER OF 1977. IN 1976, THEN GOVERNOR JAY HAMMOND APPEALED FOR DELETION OF THE AREA FROM THE SALE SCHEDULE BASED ON INSUFFICIENT INFORMATION AND RESOURCE DATA AND FEARS THAT MULTIPLE USE OF THE AREA MIGHT IN SOME WAY HARM THE INDUSTRIES WHICH RELY ON THE AREA'S FISH AND WILDLIFE RESOURCES FOR A PROFIT. RESPONDING TO THE GOVERNOR'S PETITION, THE DEPARTMENT DELETED THE AREA FROM THE LEASE SALE SCHEDULE. IT WAS NOT UNTIL JUNE OF 1979 THAT THE AREA WAS AGAIN PROPOSED FOR INCLUSION IN THE LEASE SCHEDULE. REINCARNATED AS THE NORTH ALEUTIAN SHELF SALE #75, THE SALE WAS PROPOSED TO BE SET FOR BIDS IN APRIL OF 1983 AND WAS AGAIN APPROVED AND INCORPORATED INTO THE REVISED "FINAL" SCHEDULE. IN MARCH OF 1982, THE AREA WAS COMBINED WITH SALE #92 AND RENAMED THE NORTH ALEUTIAN BASIN AND SCHEDULED FOR BIDS IN APRIL OF 1985. IN JULY OF 1982 THAT DECISION WAS "FINALIZED" ONCE AGAIN, RESPONDING TO A SIMILAR REQUEST FROM THE STATE OF ALASKA, THE DEPARTMENT PUSHED

BACK THE DATE OF THE SALE TO DECEMBER OF 1985 AND IN JUNE OF 1984 SOUGHT TO ALLEVIATE THE APPREHENSIONS OF THE STATE BY DELETING ALL TRACTS EAST OF PORT MOLLER AND CAPE NEWENHAM FROM THE SALE - A REDUCTION IN SIZE OF THE SALE OF A WHOPPING 83 PERCENT!

DESPITE THESE EFFORTS TO ACCOMMODATE CONCERNS, THERE REMAIN THOSE WHO WOULD CONTINUE TO ESPOUSE DELAYS IN THE OFFERING OR AT LEAST ANOTHER TEN YEARS. WHY? FOR ALL THE SAME REASONS GIVEN NEARLY TEN YEARS AGO - FEAR THAT OIL AND GAS EXPLORATION MIGHT IN SOME WAY THREATEN THE WILD-LIFE AND MARINE RESOURCES OF THE AREA AND, AGAIN, TEN YEARS LATER, \$100 MILLION LATER _ OVER 130 STUDIES BY THE INTERIOR DEPARTMENT ALONE, LATER - THE SAME REASON - INSUFFICIENT DATA.

WE BELIEVE THAT A MOUNTAIN OF INFORMATION ON RESOURCES IN THE AREA IS AVAILABLE. IT IS OUR UNDERSTANDING THAT SUCH INFORMATION WAS AVAILABLE TEN YEARS AGO AND HAS BEEN AMPLY SUPPLEMENTED IN THE INTERIM PERIOD. COMPILING AND ORDERING THE DATA IS THE TASK AT HAND AND AMPLE TIME REMAINS FOR THAT WORK TO BE COMPLETED. AS TO THE EXPRESSED CONCERN THAT THE RESOURCES OF THE HUNTING, TRAPPING AND FISHING INDUSTRIES MIGHT BE DEPLETED, THAT IS A FEAR NOT FOUNDED ON EXPERIENTIAL EVIDENCE DRAWN FROM ANYWHERE ELSE IN THE WORLD.

AS I MENTIONED EARLIER, PREDICTABILITY IN BUSINESS IS A PREREQUISITE FOR INVESTMENT. SALE #92 IS A CLASSIC EXAMPLE OF THE ANTI-THESIS OF CONDITIONS DESIGNED TO FOSTER INVESTMENT WHICH GENERATES JOBS AND ASSURES ECONOMIC VITALITY.

ON BEHALF OF THE MEMBERS OF THE ALASKA SUPPORT INDUSTRY ALLIANCE, I EARNESTLY ASK YOU TO OPPOSE RATIFICATION OF HJR 31.

THANK YOU.



THE ALLIANCE

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SUPPORTING THE DECEMBER 1985 SALE OF OIL AND GAS LEASES IN THE NORTH ALEUTIAN BASIN AREA - SALE #92

The State of Alaska has asked Interior Secretary Model to postpone OCS Lease Sale #92 in the North Aleutian Basin for at least another 10 years. This request is based on concerns that the risk to fish and wildlife resources in the area is too great to permit leasing in the Bristol Bay region. The state suggests that industry needs to obtain additional experience in other areas to ensure that adequate technology exists for safe operations in such waters. The state also claims that biological data gaps remain which must be filled before a responsible impact assessment can be performed.

Others have asked Secretary Model to proceed with the sale as scheduled in December, 1985. Citing the fact that the area had originally been set for sale in 1977 and that over 80 percent of the area has been deleted from the proposed offering in an effort to accommodate state objections, many are concerned that added delays will serve no productive purpose. Those who depend on a viable and predictable oil and gas industry in Alaska for their livelihood cite the following facts for their position:

- Over 250 wells have been drilled in the waters off of Alaska's shores over the past 20 years without harm to the environment and without interfering with resources of Alaska's hunting, fishing and trapping industries.
- The Cook Inlet with its exceptional tide, powerful currents, hurricane force winds, and swiftly moving ice floes, poses substantially greater hazards than does the Bristol Bay area.
- Nowhere in the world has the petroleum industry cut into the profits of the fishing industry by compromising their natural resources. If anything, evidence indicates that offshore structures have enhanced fishing in areas where the two industries have developed side by side.
- Biological data gaps will always remain - it comes down to how much is enough? Over \$100 million has been spent by government, industry and academia studying Bristol Bay resources and socio-economic characteristics spanning the past 15 years.
- Under the most optimum of circumstances, the delivery of crude oil out of Alaska is set to drastically decline in the early '90's. As that decline develops, Alaskans will be thrown out of work. University studies demonstrate that -IF- exploration and production in the OCS remains on schedule, it is likely that a minimum of 10 percent of all jobs in Alaska will depend on OCS oil and gas production - a dramatic promise for the future.
- Scientific surveys by Alaska's best pollsters indicate that at least 7 out of 10 Alaskans support exploration and development of oil and gas fields in the OCS. 8 out of 10 Alaskans indicate that the effect of the oil and gas industry upon households has been positive.
- 32 billion barrels of domestic crude oil will have to be found over the next 10 years just to replace what we are using up. Government estimates that Alaska's OCS may contain 44 percent of all OCS oil resources.

Alaska is today, one of the most dynamic and exciting places in the United States in which to live, due to firm and reasoned decisions made more than a decade ago by government and industry leaders. If such leadership is again now exercised, Alaska's tomorrow will be equally as bright.

Care for Bristol Bay

Bristol Bay contains some of Alaska's most valuable resources, and Gov. Bill Sheffield was on target recently with his renewed call for delay in offshore oil development affecting the region.

Interior Secretary Don Hodel has proposed leasing tracts just outside Bristol Bay along the north side of the Alaska Peninsula. A lease sale is scheduled for December as part of the Interior Department's five-year Outer Continental Shelf leasing program, which has received praise in Washington for its restraint.

Secretary Hodel's OCS program might seem modest from a Washington perspective. It also might bring dollars into the state treasury if offshore finds match oil industry expectations. But as Gov. Sheffield emphasized in a letter to the secretary, an oil spill accompanying OCS development in the Bristol Bay area could endanger the region's multi-million-dollar fishing industry and a multitude of birds and marine mammals. In fact, an oil spill in the remote, turbulent waters of Bristol Bay could be an environmental disaster and an economic nightmare.

Secretary Hodel is, of course, responsible for the national interest, not just a single state's interest. He faces tough choices in developing an OCS program for the nation's benefit. Yet as Gov. Sheffield said, oil exploration in the Bristol Bay region currently presents a risk to the national interest because of its potential impact on fish and wildlife resources.

And given the vulnerability of those precious resources, the governor's concerns deserve to be taken more seriously in Washington.

ANC Daily News 3/29

Sheffield criticizes Bristol plan

by David Ramsey
Times Washington Bureau

Washington — Oil development near Bristol Bay proposed by the federal government could threaten the area's multimillion dollar fishing industry, 85 species of birds and more than 20 species of marine mammals, according to Gov. Bill Sheffield.

The governor, in a recent letter to Interior Secretary Donald Hodel, reiterated his call for a delay in the North Aleutian Basin outer continental shelf lease sale scheduled for December.

Sheffield said the fishing industry near the sale area is among the productive in the world and suggested that oil development could harm both it and the abundant wildlife that populate the area.

"Oil and gas exploration and development in this area currently presents too great a risk to the state and national interest in maintaining the extremely productive and valuable fish and wildlife resources which characterize this region," Sheffield said.

The sale, once scheduled for next month, is part of Interior's current national five-year OCS leasing schedule. At Sheffield's request, 83 percent of the sale area was deleted last year by former Secretary William Clark.

The remaining 17 percent was then rescheduled for December despite Sheffield's call for a 10-year delay.

The remaining sale area lies just outside Bristol Bay along the north side of the Alaska Peninsula.

Interior and state officials continue to negotiate over the proposed sale and discussed it during Sheffield's visit here late last month.

According to the governor, the annual value of the fishery in the area averaged \$200 million between 1977 and 1982, about half of which came from salmon. More than 60 million adult salmon and several hundred million juveniles migrate through the proposed sale area annually, he said.

Other fisheries also could be affected, he said, including herring, groundfish, and king and tanner crab.

In addition, scores of species of marine mammals and birds travel through or live in the area. For example, up to 17,000 endangered gray whales annually migrate along the Alaska Peninsula and up to 18,000 sea otter live near the sale area, Sheffield said.

The governor said the world populations of several species of birds live in or migrate through the area. They include 131,000 black brant, 71,000 emperor geese and 60,000 Steller's eiders.

A recent Rand Corporation study for the federal government showed that an oil spill would move toward the wildlife populations along the peninsula.

"... Marine and coastal habitats in the North Aleutian Basin vicinity support fish and wildlife

resources of state, national and international significance," Sheffield told Hodel.

"These resources provide the economic mainstay as well as important subsistence food resources for Bristol Bay communities."