

H J R

32

HOUSE COMMITTEE REPORT

(9)

Date Referred: February 24, 1989

FURTHER REFERRALS:

Date of Committee Action: 3-21-89

The RESOURCES Committee considered:

HJR 32

HOUSE JOINT RESOLUTION NO. 32

[DEFER DRILLING/N. ALEUTIAN BASIN]

Relating to oil and gas drilling on the North Aleutian Basin Outer Continental Shelf.

RECOMMENDS:

- [] replacing with HJR 32 [] the same title
- [] the attached amendment(s) [] a new title
- [] do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [] fiscal impact
- [] zero fiscal note
- [] zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published:
- [] zero fiscal notes(s) published:
2/24/89

SIGNING DO PASS:

SIGNING OTHER THAN DO PASS: (Do Not Pass, No Recommendation, Amend)

Clay Davidson

Mike Davis

Mike [unclear]

George Heckle - chg'd 3/31/89
grit. # 811

4-5-89 Mike Nauwara chg'd 3/31/89
grit. # 811

Grant [unclear] NO REC

Bert Sharp - Do Not Pass

Steve [unclear] NO - REC

Richard [unclear] NO REC

[unclear] - NO REC

Bill [unclear] - NO REC

Clay Davidson

Chairman's signature

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HJR 32
PUBLISH DATE: HOUSE 2/24/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Oil & Gas Drilling on North
Aleutian Basin OCS
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Office of the Governor
BRU: Office of Management and Budget
Components: Division of Governmental
Coordination

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

There is no fiscal impact to the State under this resolution because it requests Congress to act, not the State government.

Prepared by: Robert L. Grogan, Director
Division: Governmental Coordination

Phone: 465-3562
Date: 2/23/89

Approved by Commissioner: [Signature]
Agency: Office of the Governor

Date: 2/23/89

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

NEWS RELEASE

STATE OF ALASKA

OFFICE OF THE GOVERNOR
P.O. BOX A
JUNEAU, ALASKA 99811

STEVE COWPER,
GOVERNOR



FOR INFORMATION CONTACT

DAVID RAMSEUR
PRESS SECRETARY

TERENCE O'MALLEY
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(907) 465-3500

FOR IMMEDIATE RELEASE
March 1, 1989
No. 89-40

COWPER ASKS BUSH FOR BRISTOL BAY OIL DEVELOPMENT DELAY

WASHINGTON, D.C.--Gov. Steve Cowper has asked President George Bush to delay oil exploration in Bristol Bay, at least long enough to study the environmental impacts of an oil spill in the fisheries-rich area.

The Governor this week asked Bush to include Bristol Bay with three upcoming oil lease sales off Florida and California in a federal review of the environmental effects of off-shore oil development.

". . . Since questions of both environmental and ocean resources impacts are at the heart of our concern for Bristol Bay, we respectfully request that consideration of the impacts of exploration in the area of Lease Sale 92, the Northern Aleutian Basin, be added to the scope of the review team," Cowper told Bush in a Monday letter.

"In making this request we are aware that Bristol Bay is distinguishable from the other three OCS areas in that a lease sale already has occurred," Cowper said. "Nevertheless, we believe the economic and biological reasons for postponing exploration, while we answer remaining questions, are as compelling as anywhere else in the country."

-MORE-

At issue is Bush's pledge during a Feb. 9 address to the nation to halt the California and Florida sales. The President appointed a review team to study the sales composed of the National Academy of Sciences, the Office and Management and Budget, the Environmental Protection Agency and the departments of Interior and Energy.

At Cowper's request, a U.S. House budget bill now making its way through Congress includes language to include Bristol Bay in the review. Cowper also is asking Congress not to appropriate money for Bristol Bay exploration this year.

Cowper told the President the risks of a spill in Bristol Bay outweigh the benefits of the relatively small amount of oil believed present there. The yearly value of the Bristol Bay fishery exceeds \$1 billion and employs 10,000 people.

The federal Department of Interior has determined the probability of a spill there of at least 1,000 barrels over the life of development at 52-57 percent. At the same time, Bristol Bay ranks 14 of 18 outer continental shelf leasing areas in terms of net economic value.

Cowper joined with his two immediate predecessors in opposing oil development in Bristol Bay, which is the only such sale opposed by the Cowper administration.

The Governor praised Bush's support for development of the Arctic National Wildlife Refuge and said Alaska "fully supports the prudent and orderly development of the state's outer continental shelf in an environmentally acceptable manner.

"In Bristol Bay however, we look for your consideration of deferring exploration in order to protect its exceptional commercial, subsistence and esthetic fish and wildlife values," Cowper said.

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 27, 1989

The Honorable George Bush
The President
The White House
Washington, DC 20500

Mr. President:

Thank you for the opportunity last week, on your stopover in Anchorage, to speak with you on some issues of concern to Alaska. As you know, we are very encouraged with your stance to promote the opening of the Arctic National Wildlife Refuge (ANWR) to responsible oil and gas leasing. The coastal plain of ANWR offers a prospect of substantial oil and gas recovery under adaptable environmental conditions.

On a related issue, I was heartened by your announcement that you have directed Secretary of the Interior Manuel Lujan to set up a task force to examine the environmental impact of proposed outer continental shelf (OCS) lease sales in three areas off the coasts of California and Florida. As you know, Alaska, too, has been seeking to postpone oil and gas exploration in the OCS, off Bristol Bay, an area we believe to be of far greater value for its fish and wildlife than for its hydrocarbon potential.

It is our understanding that your administration is in the process of focusing and shaping the task force's scope of review, and is evaluating whether it will limit the task force's attention to the three geographic areas highlighted in your speech. Since the group has been expanded to include the Environmental Protection Agency and possibly the National Oceanic and Atmospheric Administration, and since questions of both environmental and ocean resources impacts are at the heart of our concern for Bristol Bay, we respectfully request that consideration of the impacts of exploration in the area of Lease Sale 92, the Northern Aleutian Basin, be added to the scope of the review team.

In making this request we are aware that Bristol Bay is distinguishable from the other three OCS areas in that a lease sale already has occurred. Nevertheless, we believe the economic and biological reasons for postponing exploration, while we answer remaining questions, are as compelling as anywhere else in the country. As further elaboration on the risks at stake in Bristol Bay, I have

Mr. President

- 2 -

February 27, 1989

enclosed a copy of an issue paper which was provided to your transition team in January.

Alaska remains responsive to the nation's need to decrease its dependence on foreign oil, as evidenced by our efforts to open the coastal plain of ANWR, and fully supports the prudent and orderly development of the state's outer continental shelf in an environmentally acceptable manner. In Bristol Bay, however, we look for your consideration of deferring exploration in order to protect its exceptional commercial, subsistence, and esthetic fish and wildlife values.

Thank you for your consideration of this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name and title.

Steve Cowper
Governor

Enclosure

cc/enc: Richard G. Darman, Office of Management and Budget
James D. Watkins, Department of Energy
Manuel Lujan, Jr., Department of the Interior
Robert A. Mosbacher, Department of Commerce
William K. Reilly, Environmental Protection Agency
The Honorable Ted Stevens
The Honorable Frank Murkowski
The Honorable Don Young
Philip M. Smith, National Academy of Sciences

BRISTOL BAY OIL AND GAS LEASE SALE

ISSUE:

Should the Department of the Interior postpone exploration and development of Oil and Gas Leases in Bristol Bay (Sale 92)?

SUMMARY OF STATE POSITION:

The State of Alaska supports delay of oil and gas exploration in Bristol Bay because of the low hydrocarbon potential and extremely high fish and wildlife values.

BACKGROUND:

With the exception of Sale 92, the State of Alaska has strongly supported the federal OCS leasing program off Alaska. In 1985, the Governor of Alaska recommended to the Secretary of the Interior under Section 19 of the Outer Continental Shelf Lands Act (OCSLA) that Sale 92 be postponed for ten years. The Secretary rejected this recommendation and conducted the lease sale. The courts enjoined the Secretary from opening the bids received from the sale. In November, 1988, the Ninth Circuit Court of Appeals lifted the injunction. The Secretary of the Interior opened and awarded the bids soon thereafter. Exploration on some tracts could begin in 1989. The State is appealing this decision to the Supreme Court.

DISCUSSION OF STATE POSITION:

The State of Alaska supports a postponement of exploration and development in this area because of the 1) the region's unequalled fish and wildlife values, 2) its low oil and gas potential, and 3) the reasonable expectation that risks will be significantly reduced by deferring activities.

Fish and Wildlife Values

- ° The fisheries of the sale area are among the most productive in the world according to the Sale 92 EIS. First wholesale value can exceed one billion dollars annually and employs 10,000 people.
- ° According to the National Marine Fisheries Service, Alaska Region the area is the single most important region of the U.S. Outer Continental Shelf for the conservation of marine mammals and endangered species and protection and management of fishery resources.

Oil and Gas Benefits

- ° The Department of the Interior estimates that the potential economic benefits of the North Aleutain Basin hydrocarbon resources are among the lowest of all the Nation's OCS planning areas.
- ° In 1985, the Department of the Interior ranked it 14 out of the Nation's 18 OCS planning areas in terms of the net economic value of recoverable hydrocarbon resources.

Risks of Exploration and Development

- ° 52- 57% probability that one or more spills exceeding 1,000 barrels of oil will occur over the productive life of the leases, according to Sale 92 EIS.
- ° EIS projects major effects to the red king crab population as well as less serious impacts to tanner crab, salmon, herring and groundfish. We estimate the discounted gross economic loss based on first wholesale values to be approximately 563.6 million dollars.
- ° The Department of the Interior has found that mechanical recovery of spilled oil at sea becomes ineffective between sea states three and four. In the Sale 92 area, sea states of three or greater occur from 68 to 94 percent of the time.

Deferral will Reduce Risks

- ° Deferral will enable important environmental information to be obtained.
- ° Deferral will allow improvements in open-ocean oilspill cleanup capabilities.
- ° Deferral will allow the industry to obtain additional operating experience in other less sensitive areas of the Bering Sea.

**STATEMENT OF TOM COOK
FOR CHEVRON U.S.A. INC.
ON HOUSE JOINT RESOLUTION NO. 32
BEFORE THE HOUSE RESOURCES COMMITTEE
IN THE SIXTEENTH LEGISLATURE
OF THE STATE OF ALASKA**

**March 16, 1989
Juneau, Alaska**

Good afternoon Mr. Chairman and members of the Committee. My name is Tom Cook and I am employed by Chevron U.S.A. Inc. as Exploration Representative for Alaska in Anchorage, Alaska. I appreciate this opportunity to testify on House Joint Resolution No. 32 which requests the United States Congress and the United States Department of the Interior to "... defer for a reasonable, fixed period of time the approval or permitting or any drilling, exploration activity, or other development on the North Aleutian Basin ..."

Chevron, along with its partners and other firms in the oil industry, acquired leases in OCS Sale 92 for the North Aleutian Basin in October 1988 after protracted litigation which lasted over two and a half years. OCS Sale 92 was scheduled for January 15, 1986, but legal challenges by the State of Alaska and others delayed the opening of bids and awarding of leases until October 11, 1988. This delay and extensive review of Sale 92 by the U.S. Courts is in actuality only a small part of the delay in the leasing and exploration of the North Aleutian Basin.

The North Aleutian Basin was among the earliest of all OCS sales planned for the Alaska Outer Continental Shelf. Plans for leasing in this area were first announced in November of 1974. Previously planned sales were repeatedly delayed and rescheduled because of concerns expressed by the State of Alaska. During this period of over 10 years leading to the Final Notice of Sale 92 in December of 1985, there was extensive consultation between the State of Alaska and the U.S.

Department of the Interior. Also, during the period leading to the scheduling of Sale 92, there were voluminous studies and research programs undertaken to address the concerns expressed by the State and others opposed to leasing in the area. In fact, there was near total accommodation and compromise by the Department of the Interior of the concerns expressed by the State. The North Aleutian Basin Planning Area, consisting of 32.5 million acres and 5,947 blocks of an average of 5,465 acres each, could have been offered under the area-wide leasing program. Instead, the lease offering was reduced by approximately 83 percent and only 5.6 million acres of the 32.5 million acre Planning Area was offered in Sale 92. Of the 990 blocks representing about 5.6 million acres, only 23 blocks accounting for 121,754 acres were ultimately leased after all the years of delay, compromise, and litigation.

These 23 leases, shown on the map attached to my statement, represent only about 0.4 percent of the North Aleutian Basin Planning Area. The leases involve 5 prospects in a relatively small, concentrated area ranging from 15 to 58 miles from the nearest part of the Aleutian Peninsula.

Our interpretation of geological and geophysical data leads us to believe that the major area of interest is the Bidarka Prospect which is shown on the attached map. This assessment is reinforced by bidding patterns which show that this prospect received \$69.5 million in high bids of total high bids of about \$95.5 million for the 5 prospects. Because this single structure is regarded as the key to establishing commercial production in the Sale 92 area, only limited exploratory drilling will be required to evaluate the area.

In fact, we are presently considering the drilling of a single initial exploratory well in partnership with the other lessees. This joint venture could reduce initial drilling to one well. If that initial well should result in a discovery or prove encouraging enough to warrant further drilling, the additional exploration could also be undertaken jointly to minimize impact in the area. If the initial well is discouraging, we believe it is unlikely that additional exploratory drilling will occur in the foreseeable future.

This background brings me to several points which I hope your committee will consider before requesting further delay in the exploration of the North Aleutian Basin.

1. The petroleum industry has long operated and produced petroleum in many sensitive marine areas world-wide. These include the North Sea, the Gulf of Mexico, offshore California, and here in the Cook Inlet of Alaska. In all of these areas, petroleum exploration and development have proven to be compatible with thriving commercial and sport fisheries. Here in Alaska the industry has over twenty-five years of experience in upper Cook Inlet, which demonstrates the compatibility of petroleum development with commercial and sports fisheries.
2. The industry has demonstrated its capability to conduct exploratory drilling safely in areas of the Bering Sea with similar or more severe environmental conditions. Eighteen exploratory wells have been drilled in the Bering Sea using semi-submersible rigs of the type suitable for drilling in the North Aleutian Basin; eight of these wells were drilled in the St. George Basin just west of the Sale 92 area and ten wells were drilled in the remote and hostile

Navarin Basin. Literally tens of thousands of wells have been drilled all over the world using jack-up drill rigs, drillships, and semi-submersible drilling vessels without significant harm to the environment. These operations have provided significant benefits to society in terms of energy supply, jobs, and economic security.

3. One deep stratigraphic test well (C.O.S.T. well) has been drilled by ARCO Alaska, Inc. in the North Aleutian Basin on behalf of ARCO and 18 partners. This well was drilled off-structure for geological and geophysical information and not for discovery of oil or gas. The well was plugged and abandoned on January 14, 1983. The drilling of a deep stratigraphic test well is the same kind of operation involved in drilling for the discovery of oil and gas. This well and the thousands of miles of seismic surveys show that operations can be conducted without harm to the area.
4. At a time when an important part of Alaska's economy is in a downturn, it makes little sense to foreclose an area such as the North Aleutian Basin, particularly when the facts demonstrate that exploration and development in the Sale 92 area can be undertaken without significant risk and with the prospect of benefits to Alaskans in general and local residents in particular.
5. The North Aleutian Basin has very significant petroleum potential. Furthermore, if petroleum is discovered in sufficient quantities, development will be attractive from an economic and technical standpoint. The North Aleutian Basin is one of Alaska's most promising unexplored areas. In our judgment, the North Aleutian Basin and the Arctic National Wildlife Refuge

coastal plain are the most promising areas for the next phase of frontier exploration in Alaska.

I will close my statement with a few comments about Chevron's experience with the Kodiak Island community and its fishermen. When OCS leasing was first proposed for the waters around Kodiak Island in the mid-to-late 1970's, there was a great deal of concern and, in some cases, hostility toward any thought of petroleum exploration and potential development. The community had little experience with exploration and what they had wasn't too good. Seismic survey vessels conducting exploration on the Kodiak Shelf and in the Shelikof Strait occasionally destroyed valuable crab fishing gear and our seismic operations were sometimes perceived to impair important fisheries.

As we participated in the pre-sale public hearing process which led to OCS Sale 60 in September 29, 1981, we were faced with many questions from the community. We learned from the process. We learned that it was important to work with the local community and see that legitimate concerns and complaints were addressed. Chevron was a leader in forming the Oil/Fisheries Group of Alaska which became a useful forum for resolving conflicts and communicating industry-to-industry.

Through this organization and our direct efforts with fishermen and community leaders, we were able to resolve conflicts. We educated ourselves about their fisheries. We learned where they fished, how they fished, and most importantly how to avoid damage to their gear. And, if we did inadvertently damage their gear, we made restitution. We took into account the seasonal nature of the fisheries and scheduled our operations accordingly, which also helped avoid conflict.

After acquiring a few leases in Sale 60, we proceeded with plans for an exploratory well in Shelikof Strait. After much dialogue and planning with the Kodiak community, we drilled our well. But we worked with the fishermen in planning and conducting the operation. Corridors were established for our support vessels after consultation with fishermen to avoid conflict with commercial fishing and fixed gear. Fishermen were provided with the location of our anchor chains so that fishing gear wouldn't be lost. Communications between our drilling vessel and their fishing boats were established which meant that current weather conditions were widely known.

Although our well did not result in a discovery, it was a success in terms of working with a community which was vitally concerned with protecting its fishing industry.

As I said earlier, we initially faced a great deal of opposition in the Kodiak area, especially from the fishermen. But we met with them, listened to their concerns and really tried to understand their concerns and perspective.

It took some time and a lot of talking. But, eventually, we found a way for both groups to work together. We developed an understanding that set general operating guidelines for us and for them. We even developed a unique manual that explains the equipment and methods of both groups.

It worked well. In fact, we were given a commendation by the community of Kodiak as a symbol of this spirit of cooperation.

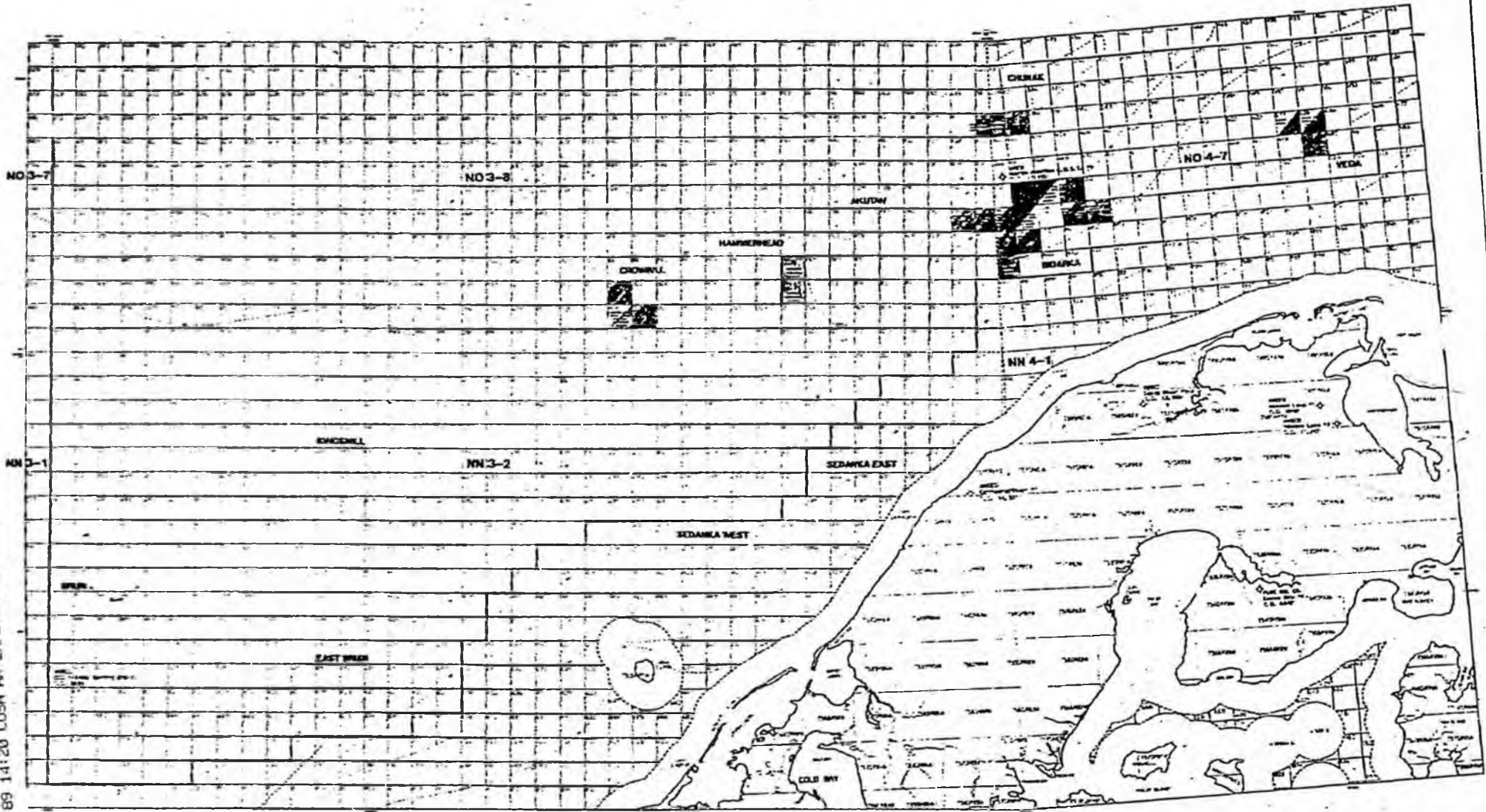
The plaque reads: "For having joined in partnership with the people of Kodiak to explore not only for oil, but also for new forms of cooperation, coordination and communication. Thank you for a job well done."


We are committed to working with communities in the Bristol Bay region just as we did in Kodiak. We have had some initial communications with the communities in the Bristol Bay region concerning our plans in the Sale 92 area and intend to work with fishermen and community leaders to see that petroleum exploration in the North Aleutian Basin is a positive experience.

Rather than pass House Joint Resolution No. 32 in an effort to foreclose or delay the exploration of the North Aleutian Basin, I respectfully ask that you give us a chance to work with the communities which will be affected by our operations. We can explore for oil without significant risk to the area's important fisheries. If our efforts are successful in finding new reserves, the Bristol Bay region will have a broader based economy, the State will benefit from a new economic base, and the country will benefit from increased domestic sources of energy.

Thank you. I'll be happy to respond to your questions.

MAR 16 '89 14:20 CUSA PK EXPL-SRH REPORT-CR




 Southern District
 Southern District
 U.S. MARSHAL SERVICE

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 24, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. Speaker:

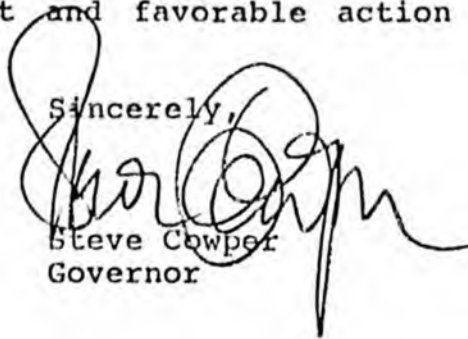
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a resolution requesting the Secretary of the United States Department of the Interior to prohibit exploratory drilling on the North Aleutian Basin Outer Continental Shelf and to defer any near-term sales, and requesting that Congress prohibit the expenditure of funds for leasing or permitting drilling or other exploration activity in Bristol Bay at this time.

The North Aleutian Basin generally, and Bristol Bay specifically, represent one of the most productive areas in the world for fisheries and other wildlife resources. The United States Department of the Interior's Outer Continental Shelf Lease Sale 92 made certain land in this area available to the oil companies for exploration, even though the area has relatively low hydrocarbon potential and the environmental impact statement for the sale indicated that there could be severe adverse effects on Bristol Bay's fisheries and other resources as a result of oil and gas development. I believe that those resources, and their contribution to the state's economy, simply cannot be put at risk by subjecting the area to oil and gas exploration and development.

Passage of this resolution as an expression of the will of the people of Alaska would provide the Administration with a significant tool in working to safeguard and protect the fisheries and wildlife resources of Bristol Bay and their significant contribution to the Alaskan economy. It is imperative that the people of Alaska, speaking with one voice through the legislature, make clear their opposition

to oil and gas exploration and development of the North Aleutian Basin. At the same time, as noted in the resolution, Alaska would remain on record as fully supporting the prudent and orderly development of the state's Outer Continental Shelf oil and gas resources in an environmentally acceptable manner in other areas of the state. I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name and title.

Steve Cowper
Governor

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HJR 32
PUBLISH DATE: HOUSE 2/24/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Oil & Gas Drilling on North
Aleutian Basin OCS
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Office of the Governor
BRU: Office of Management and Budget
Components: Division of Governmental
Coordination

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

There is no fiscal impact to the State under this resolution because it requests Congress to act, not the State government.

Prepared by: Robert L. Grogan, Director Phone: 465-3562
Division: Governmental Coordination Date: 2/23/89

Approved by Commissioner: [Signature] Date: 2/23/89
Agency: Office of the Governor

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)



MAR 14 1989

Coastal Resource Service Area

P.O. Box 849, Dillingham, Alaska 99576

(907) 842-2666 - 842-2667

March 8, 1989

Representative George Jacko
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

Dear Representative Jacko:

The Bristol Bay CRSA Board would like to thank you for your efforts to defeat the Kodiak annexation. Although HJR 23 did not pass, it has helped alert other legislators of the need to enact legislative changes to the process for annexation and borough formation in rural Alaska. With all the controversy over political boundaries these last two months, we only recently have had a chance to track other pending legislation important to the region and, therefore, would like to take this opportunity to apprise you of the CRSA Board's views on several key bills.

As you are probably aware, Governor Cowper and Senator Zharoff have introduced joint resolutions to delay any post-lease sale 92 activity in Bristol Bay. The Bristol Bay CRSA Board and the region have consistently advocated a delay of oil and gas exploration and development because of the major data gaps in biological information and the technological deficiencies for containing oil spills in conditions similar to Bristol Bay. In fact, the CRSA Board, among others, were co-plaintiffs in the state's lawsuit to block lease sale 92. We realize it will take a strong message from the legislature to convince the Alaska congressional delegation of the need to support, or at least remain neutral on, Governor Cowper's efforts to lobby congress on the merits of deferring any exploration and development on the North Aleutian Basin. Since there will undoubtedly be some resistance in Juneau to this resolution, we ask that you do everything within your means to ensure it's passage. The CRSA Board also remains committed to helping out with this effort and will do what we can by contacting other state and federal legislators as well as local organizations on this important issue. Enclosed is a copy of a resolution we introduced at the Bristol Bay Tribal Government Conference held last week which I understand was passed unanimously.

A bill that recently was brought to our attention is HB 99 relating to rents and royalties on state owned mining lands. We understand that several amendments have been proposed to HB 99 which may be acted on this week by the House Resources Committee. While mineral development has not been a major development issue in Bristol Bay to date, the region does possess several high potential areas and there has been increased exploration activity around the Iliamna Lake area. In addition, the Bristol Bay Area Plan includes approximately 13 million acres open to mineral entry and the coastal area by Togiak and selected beaches on the Alaska Peninsula identified as high potential areas for offshore mining. For these reasons, the CRSA Board strongly

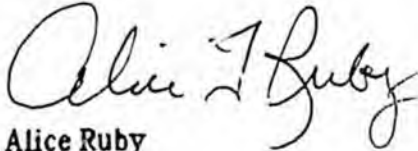
Bristol Bay CRSA
March 8, 1989
Page Two

recommends that HB 99 be amended to apply to offshore areas and, most importantly, include reclamation language.

Offshore mining is more than just a potential use of tide and submerged lands which are owned by the state. If the purpose of 6(i) of the Alaska Statehood Act is to ensure the state receives sufficient rents and royalties from mining activities on state lands then it would seem only appropriate to include offshore mining areas within the state's jurisdiction. Additionally, the royalties from mining activities should be based on gross income, similar to that on oil and gas leases, which would provide a more equitable return to the state. In regard to reclamation, the CRSA Board feels it is extremely important that HB 99 address this issue given the significant environmental impacts of mining on water quality and other resource uses. The state's current reclamation program does not provide adequate statutory authority to the ADNDR, ADFG and ADEC or the necessary coordination between these resource agencies to ensure sound reclamation practices are required and complied with. Because reclamation is such a complex and controversial issue, at a minimum, we feel HB 99 should mandate the ADNDR, ADFG and ADEC to cooperatively develop comprehensive regulations on reclamation and specify a timeframe in which this is to be accomplished.

Your consideration of the CRSA Board's position on HB 99 is appreciated.

Sincerely,



Alice Ruby
Chairperson
Bristol Bay CRSA Board

Encl:

SUBMITTED BY: BRISTOL BAY COASTAL RESOURCE SERVICE AREA

Bristol Bay Tribal Government Conference

RESOLUTION NO. 89 - _____

Deferral of Oil and Gas Drilling on the North Aleutian Basin (Bristol Bay)

WHEREAS: The North Aleutian Basin is one of the most biologically productive offshore and nearshore areas in the world; and

WHEREAS: The Bristol Bay salmon run is the largest in the world and thousands of people depend on this fishery for their livelihood, and is an equally important subsistence resource for the region's residents; and

WHEREAS: The hydrocarbon potential in the North Aleutian Basin is relatively low but the risks to the fisheries and other biological resources high given the ineffectiveness of oil spill clean up technology in high sea states such as found in the North Aleutian Basin; and

WHEREAS: The Bristol Bay region has consistently expressed its support for a delay of oil and gas exploration and development to allow for additional biological studies and the time necessary to improve oil spill response technology; and

WHEREAS: Governor Cowper and Senator Zharoff have introduced to the Alaska State Legislature joint resolutions requesting the Department of Interior to defer for a reasonable amount of time any drilling, exploration activity, or other development on the North Aleutian Basin.

NOW THEREFORE BE IT RESOLVED that the Bristol Bay Tribal Government Conference delegates support a deferral of any oil and gas activity in the North Aleutian Basin and request the Alaska State Legislature to act favorably and expeditiously on the resolutions introduced by Governor Cowper and Senator Zharoff.

SIGNED: _____
Chairperson, Resolutions Committee, Bristol
Bristol Bay Tribal Government Conference

CERTIFICATION:

I hereby certify that the foregoing is a full, true, and correct copy of the resolution adopted by the delegates to the Bristol Bay Tribal Government Conference gathered on February 27, 28, and March 1, 1989 in Dillingham, Alaska.

Resolution 89 - 30 was (Unanimously) adopted by a (voice or roll call vote of: Yes No Abstain

SIGNED: _____
Secretary



UNITED FISHERMEN OF ALASKA

211 4th Street, Suite 106
Juneau, AK 99801
907-586-2820

To: Members of the House Resources Committee

You have before you House Joint Resolution Number 32 for consideration.

United Fishermen of Alaska supports both this resolution and Senate Joint Resolution Number 11.

The UFA Board of Directors has expressed unanimous opposition many times in the past to drilling in the Bristol Bay area. The fisheries resource there is one of the largest in the world, including Pacific salmon of all species, several species of crab, herring, halibut, and many other groundfish species. These are renewable resources and UFA is extremely concerned that they might be jeopardized to extract a non-renewable resource.

The extreme problems encountered in attempting to clean up an oil spill in Cook Inlet two summers ago indicated clearly to us the potential disaster that could occur should a similar spill happen in Bristol Bay. The environmental conditions in the Bay are far rougher than those in the Inlet. Adequate containment and clean-up of a spill in the Bay is simply not possible.

We sympathize with President Reagan's and President Bush's desire to reduce the dependency of the United States on foreign oil. But we believe a sense of perspective must be maintained.

Apparently President Bush agrees, because he has established a task force to examine three proposed lease sales (two in California and one in Florida) for their potential for causing environmental damage.

Governor Cowper has requested Lease Sale 92 be added to the task force's agenda, delaying the drilling until more information on its impacts can be obtained. UFA heartily supports this effort.

We urge the Legislature to pass a statement supporting the delay or termination of the drilling, and we ask that you do so as quickly as possible. It is our understanding that such a statement of support would greatly increase our chances of favorable action by Congress and President Bush.

If I can provide further comments or assistance, please don't hesitate to let me know.

Kate Graham
Executive Director



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.

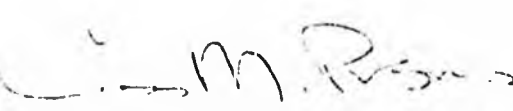
NOW THEREFORE BE IT RESOLVED that the United Fishermen of Alaska, supports a 10 year delay in any offshore oil and gas leasing in the North Aleutian Basin; and

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

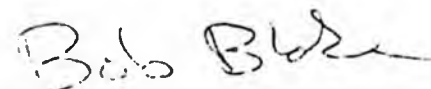
- 1) further develop offshore petroleum drilling and transportation technologies that will ensure safe operations; and
- 2) ensure that oilspill containment and clean-up technologies are further developed, tested and refined so that oilspill clean-up operations will be effective under the weather and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



Robert M. Blake
UFA President



Date



Date

STATUS OF STATE'S EFFORT TO DELAY
LEASING OF THE BRISTOL BAY AREA
March 16, 1989

I. ADMINISTRATIVE

1. An issue paper describing the State's position with regard to oil and gas leasing in the Bristol Bay region was delivered to Bush transition team. (Attachment I 1,2)
2. Governor's letter to President Bush requesting the addition of Alaska's Bristol Bay area to the OCS Task Force review called for in President Bush's budget speech. (Attachment I 1,2)
3. Subject of one-on-one conversation between Governor Cowper and Secretary Lujan during their March meeting.

II. LEGISLATIVE

1. Governor's letter to Chairman Yates of House Interior Appropriations Committee requesting deletion of funding for Bristol Bay development. (Attachment II 1)
2. The State's Washington Office has conveyed the State's position to House Interior Appropriations committee members over the past three weeks. Chairman Yates has communicated his support of the Governor's position.
3. The State's contacts with Representative Miller has resulted in budget report draft requiring Presidential Task Force to include Bristol Bay in its scope of review. (Attachment II 3)
4. Testimony before House Interior Appropriations by Natural Resources Defense Council stated that Section 19 of Outer Continental Shelf Lands Act does not provide adequate deference to views of governors of coastal states. (Attachment II 4)

III. JUDICIAL

1. The State recently appealed the Ninth Circuit Court of Appeals decision and sought rehearing. The Ninth Circuit Court has just advised the State of its decision against the rehearing plea. The Governor has stated his intention to appeal to the Supreme Court.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 27, 1989

The Honorable George Bush
The President
The White House
Washington, DC 20500

Mr. President:

Thank you for the opportunity last week, on your stopover in Anchorage, to speak with you on some issues of concern to Alaska. As you know, we are very encouraged with your stance to promote the opening of the Arctic National Wildlife Refuge (ANWR) to responsible oil and gas leasing. The coastal plain of ANWR offers a prospect of substantial oil and gas recovery under adaptable environmental conditions.

On a related issue, I was heartened by your announcement that you have directed Secretary of the Interior Manuel Lujan to set up a task force to examine the environmental impact of proposed outer continental shelf (OCS) lease sales in three areas off the coasts of California and Florida. As you know, Alaska, too, has been seeking to postpone oil and gas exploration in the OCS, off Bristol Bay, an area we believe to be of far greater value for its fish and wildlife than for its hydrocarbon potential.

It is our understanding that your administration is in the process of focusing and shaping the task force's scope of review, and is evaluating whether it will limit the task force's attention to the three geographic areas highlighted in your speech. Since the group has been expanded to include the Environmental Protection Agency and possibly the National Oceanic and Atmospheric Administration, and since questions of both environmental and ocean resources impacts are at the heart of our concern for Bristol Bay, we respectfully request that consideration of the impacts of exploration in the area of Lease Sale 92, the Northern Aleutian Basin, be added to the scope of the review team.

In making this request we are aware that Bristol Bay is distinguishable from the other three OCS areas in that a lease sale already has occurred. Nevertheless, we believe the economic and biological reasons for postponing exploration, while we answer remaining questions, are as compelling as anywhere else in the country. As further elaboration on the risks at stake in Bristol Bay, I have

Mr. President

- 2 -

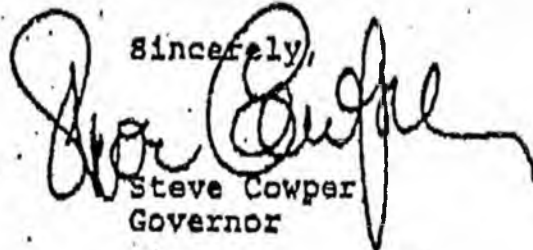
February 27, 1989

enclosed a copy of an issue paper which was provided to your transition team in January..

Alaska remains responsive to the nation's need to decrease its dependence on foreign oil, as evidenced by our efforts to open the coastal plain of ANWR, and fully supports the prudent and orderly development of the state's outer continental shelf in an environmentally acceptable manner. In Bristol Bay, however, we look for your consideration of deferring exploration in order to protect its exceptional commercial, subsistence, and esthetic fish and wildlife values.

Thank you for your consideration of this important matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Steve Cowper".

Steve Cowper
Governor

Enclosure

cc/enc: Richard G. Darman, Office of Management and Budget
James D. Watkins, Department of Energy
Manuel Lujan, Jr., Department of the Interior
Robert A. Mosbacher, Department of Commerce
William K. Reilly, Environmental Protection Agency
The Honorable Ted Stevens
The Honorable Frank Murkowski
The Honorable Don Young
Philip M. Smith, National Academy of Sciences

BRISTOL BAY OIL AND GAS LEASE SALE

ISSUE:

Should the Department of the Interior postpone exploration and development of Oil and Gas Leases in Bristol Bay (Sale 92)?

SUMMARY OF STATE POSITION:

The State of Alaska supports delay of oil and gas exploration in Bristol Bay because of the low hydrocarbon potential and extremely high fish and wildlife values.

BACKGROUND:

With the exception of Sale 92, the State of Alaska has strongly supported the federal OCS leasing program off Alaska. In 1985, the Governor of Alaska recommended to the Secretary of the Interior under Section 19 of the Outer Continental Shelf Lands Act (OCSLA) that Sale 92 be postponed for ten years. The Secretary rejected this recommendation and conducted the lease sale. The courts enjoined the Secretary from opening the bids received from the sale. In November, 1988, the Ninth Circuit Court of Appeals lifted the injunction. The Secretary of the Interior opened and awarded the bids soon thereafter. Exploration on some tracts could begin in 1989. The state is appealing this decision to the U.S. Supreme Court.

DISCUSSION OF STATE POSITION:

The State of Alaska supports a postponement of exploration and development in this area because of 1) the region's unequalled fish and wildlife values, 2) its low oil and gas potential, and 3) the reasonable expectation that risks will be significantly reduced by deferring activities.

Fish and Wildlife Values

- o The fisheries of the sale area are among the most productive in the world according to the sale 92 EIS. First wholesale value can exceed one billion dollars annually and employs 10,000 people.
- o According to the National Marine Fisheries Service, Alaska Region, the area is the single most important region of the U.S. Outer Continental Shelf for the conservation of marine mammals and endangered species and the protection and management of fishery resources.

Oil and Gas Benefits

- o The Department of the Interior estimates that the potential economic benefits of the North Aleutian Basin hydrocarbon resources are among the lowest of all the nation's OCS planning areas.
- o In 1985, the Department of the Interior ranked it 14 out of the nation's 18 OCS planning areas in terms of the estimated net economic value of recoverable hydrocarbon resources.

Risks of Exploration and Development

- o 52- 57% probability that one or more spills exceeding 1,000 barrels of oil will occur over the productive life of the leases, according to Sale 92 EIS.
- o EIS projects major effects to the red king crab population, as well as less serious impacts to tanner crab, salmon, herring, and groundfish. We estimate the discounted gross economic loss based on the first wholesale values to be approximately 563.6 million dollars.
- o The Department of the Interior has found that mechanical recovery of spilled oil at sea becomes ineffective between sea states three and four. In the Sale 92 area, sea states of three or greater occur from 68 to 94 percent of the time.

Deferral will Reduce Risks

- o Deferral will enable important environmental information to be obtained.
- o Deferral will allow improvements in open-ocean oilspill cleanup capabilities.
- o Deferral will allow the industry to obtain additional operating experience in other less sensitive areas of the Bering Sea.

February 6, 1989

The Honorable Sidney R. Yates
Chairman
House Subcommittee on Interior and
Related Agencies
308 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

I am writing to request your assistance in imposing a deferral on oil and gas exploration in Bristol Bay (the Sale 92 area). The Secretary of the Interior awarded these leases in the Fall of 1988. A deferral similar to the one which your committee crafted last year for the lease sale off Florida would allow time for needed research to be completed.

As you know, the State of Alaska has consistently opposed the development of oil and gas in this area. This is the only area in the five year plan where the State has opposed development. We recommend postponing exploration and development in Bristol Bay because of 1) the region's unequalled fish and wildlife values, 2) its low oil and gas potential, and 3) the reasonable expectation that risks will be significantly reduced by deferring activities.

The fisheries of the sale area are among the most productive in the world according to the Environmental Impact Statement prepared by the Department of the Interior. The first wholesale value of the commercial fisheries can exceed one billion dollars annually, and the fishery employs 10,000 people, either directly or indirectly. According to the National Marine Fisheries Service, Alaska Region, the area is the single most important region of the U.S. Outer Continental Shelf for the conservation of marine mammals and endangered species and the protection and management of fishery resources.

In contrast, the Department of the Interior estimates that the potential economic benefits of the area's hydrocarbon resources are among the lowest of all the nation's OCS planning areas. In 1985, the Department of the Interior ranked it 14 out of the nation's 18 OCS planning areas in

terms of the estimated net economic value of recoverable hydrocarbon resources.

With regard to the risks of development in the area, the EIS estimated that there was a greater than 50% probability that one or more spills exceeding 1,000 barrels of oil would occur over the productive life of the leases. Further, the EIS projected major effects to the red king crab population, as well as less serious impacts to tanner crab, salmon, herring, and groundfish. The State estimates the discounted gross economic loss based on first wholesale values to be approximately 563.6 million dollars. The Department of the Interior has found that mechanical recovery of spilled oil at sea becomes ineffective between sea states three and four. In the sale area, sea states of three or greater occur over 68 percent of the time.

The State supports deferral of exploration and development because it will reduce the above risks. Deferral will enable important environmental information to be obtained, allow improvements in open-ocean oilspill cleanup capabilities, and permit the industry to obtain additional operating experience in other less sensitive areas of the Bering Sea.

In the past, we have been reluctant to use the appropriation process to further this objective. We believed that the safeguards provided in Section 19 of the Outer Continental Shelf Lands Act (OCSLA) provided the governors of coastal states with a meaningful opportunity to protect important state interests in the federal leasing process. The recent decision by the Ninth Circuit Court of Appeals which upheld the Secretary's decision to lease in Bristol Bay greatly diminishes the consultative role of coastal state governors intended by the Congress and forces us to return to the legislative process for relief.

This committee has provided leadership in the area of balancing the national interests in energy security and the protection of highly valued marine resources and areas. Last year, the Congress, following the lead of this committee, imposed a moratorium on the exploration of leases which had been granted off the coast of Florida. The Congress was concerned by the number of questions which remained unanswered regarding the impact of development on other resources.

The State of Alaska encourages the committee to adopt an approach for Bristol Bay which is similar to that taken last year for Florida. In Bristol Bay, like the Florida Keys, the research conducted in preparation for the sale has left

February 6, 1989

several critical questions unanswered. These include: 1) the effects of seismic energy sources on salmon fisheries, 2) the patterns and timing of salmon migration through Bristol Bay and the North Aleutian Basin, 3) the distribution and abundance of forage fish in and adjacent to the North Aleutian Basin, 4) migratory behavior of egg-bearing female king crab along the north shore of the Alaska Peninsula, 5) the importance and location of juvenile king crab protective rearing habitats in the North Aleutian Basin, 6) the effects of oiled sediment on settling and recruitment of food organisms important to juvenile king crab, 7) effects of oil contamination on gray whales, 8) the importance of the North Aleutian Shelf as a feeding area for gray whales, 9) the effects of oil contamination on eelgrass beds along the northern shoreline of the Alaska Peninsula, and 10) an analysis of oil spill response capabilities.

The enclosed analysis by the Alaska Department of Fish and Game provides a further discussion of the importance of understanding these phenomena prior to proceeding with exploration and development in Bristol Bay.

Thank you for your consideration of this request. I am hopeful that together we can adopt an approach to the lease sale in Bristol Bay which will protect its exceptional commercial, subsistence, and esthetic fish and wildlife values.

Sincerely,

S/S Steve Cowper

Steve Cowper
Governor

Enclosure

Identical Letter sent to all members of the Subcommittee

cc: Senator Ted Stevens
Senator Frank Murkowski
Congressman Don Young

bcc: Attorney General Grace Schaible
Commissioner Lennie Gorsuch
Commissioner Don Collinsworth
Commissioner Kelso
Bob Grogan
Denby Lloyd
Dem Cowles
Kate Graham, UFA
Henry Mitchell, BSFA
Lisa Speer, NRDC

ANALYSIS OF INFORMATION NEEDS IN THE NORTHERN ALEUTIAN BASIN

PART 1

Information needs that have not been addressed as of January 1989:

1. Effects of seismic energy sources on salmon fisheries. 1
2. Seaward migration patterns and timing of Pacific salmon through Bristol Bay and the North Aleutian Basin. 2
3. Distribution and abundance of forage fish in and adjacent to the North Aleutian Basin. 3
4. Migratory behavior of egg-bearing female king crab along the north shore of the Alaska Peninsula. 1
5. Importance and location of juvenile king crab protective rearing habitats in the North Aleutian Basin. 4
6. Effects of oiled sediment on settling and recruitment of food organisms important to juvenile king crab. 1
7. Effects of oil contamination on gray whales. 1
8. Importance of the North Aleutian Shelf as a feeding area for Gray whales. 1
9. Effects of oil contamination on eelgrass beds along the northern shoreline of the Alaska Peninsula. 1
10. Analysis of oil spill response capabilities. 1

1 To our knowledge, no studies addressing this question are underway and no future studies have been funded.

2 Studies that may address this question are currently underway. However, a minimum of three more years of study will be necessary before this question is adequately resolved.

3 Some studies directed at herring use of the Port Moller vicinity are planned for summer 1989. However no studies directed at capelin or sandlance are underway and no future studies have been funded.

4 Previous studies have suggested that rocky, cobble habitat is crucial to juvenile king crab survival. However, no studies have been directed toward identifying the locations of these habitats in the North Aleutian Basin.

PART 2

Discussion of selected information needs

1. MIGRATORY BEHAVIOR OF EGG-BEARING FEMALE KING CRAB ALONG THE NORTH SHORE OF THE ALASKA PENINSULA

Justification: Insufficient information is currently available on the onshore-offshore migration pattern of egg-bearing red king crab in the North Aleutian Basin (NAB). In the Kodiak region, female king crab exhibit an annual onshore-offshore migration pattern (Powell and Nickerson 1965, NPFMC 1980). Due to limited winter surveys, this behavior is not documented for the NAB. McMurray et al. (1984) questioned whether females undergo an onshore-offshore migration, and suggested that remaining in warmer nearshore waters would enhance egg development.

Whether or not gravid females exhibit an onshore-offshore migration is important to the Sale 92 decision process because it affects the potential for increased hydrocarbon exposure to developing eggs and therefore affects the risk assessment. If studies indicate that females do not migrate to deeper offshore areas, the information would provide justification for additional protection to nearshore areas through adoption an alternative lease sale configuration or mitigation measures.

Methodology: Conventional winter field surveys along the North Aleutian Shelf and inner Bristol Bay would be necessary to document the nearshore distribution of egg-bearing female king crab.

Timing: Currently depressed NAB king crab populations may restrict the acquisition of data necessary for proper analysis. Consequently, two or more winter field surveys may be required.

Cost: Estimated cost for this study is 100,000 to 150,000 dollars.

2. IMPORTANCE OF THE NORTH ALEUTIAN SHELF AS A MIGRATORY FEEDING AREA FOR GRAY WHALES

Justification: The relative importance of the North Aleutian Shelf to the overall eastern Pacific gray whale population is currently unknown. Although small numbers of gray whales have been reported feeding in nearby waters during migration and while on the breeding grounds (Sund 1975, Darling 1977, Wellington and Anderson 1978, Norris et al. 1982, and Brueggemann et al. 1987), the majority are not known to begin feeding intensively until they reach the northern Bering Sea (Rice and Wolman 1971, Zimushko and Ivashin 1980, Lowry et al. 1982). However, Gill and Hall

(1983) reported that once gray whales moved into nearshore and estuarine waters along the north side of the Alaska Peninsula, many of them began feeding. During three spring aerial surveys, 50-80 percent of the whales seen within 1 kilometer (km) of shore between Unimak Pass and Naknek were trailing mud plumes or were on their sides characterizing feeding behavior (Gill and Hall 1983). This observation is important because it indicates that a significant percentage of the eastern Pacific gray whale population may utilize coastal areas along the North Aleutian Shelf for "migratory" feeding.

The significance of such "migratory" feeding areas is currently unknown. Gill and Hall (1983) suggested that the use of such feeding areas might be a requisite for survival, due to several prior months of near fasting and the energy demands resulting from a long migration. Consequently, additional studies are needed to provide accurate estimates of: 1) the number of gray whales that utilize this area as feeding habitat; 2) the length of time that feeding occurs in the area; and 3) the principle prey species. If information is obtained that shows the North Aleutian Shelf nearshore area is of critical importance to gray whales, it should significantly influence the reasoned choice between alternatives through supporting selection of an alternative lease sale configuration or the adoption of mitigating measures restricting activities in the nearshore area during the spring migration period.

Methodology: The MMS should consult with the NMFS on designing conventional field studies to address this information need. This study should also be coordinated with the on-going OCSEAP endangered whale monitoring study.

Timing: A minimum of two years of field surveys would be required.

Cost: The study cost is not anticipated to exceed 400,000 dollars.

3. EFFECTS OF OIL CONTAMINATION ON EELGRASS BEDS ALONG THE NORTHERN SHORELINE OF THE ALASKA PENINSULA

Justification: Oil contamination of eelgrass beds is likely if an oilspill reaches the northern shoreline of the Alaska Peninsula. Contamination may reduce productivity of these plants, cause outright mortality, and alter substrates so that recolonization by plants may be hindered. If the growth of these plants is affected, or the plant surfaces are contaminated, the implications could be severe. For instance, the world populations of black brant and emperor geese rely on Bristol Bay eelgrass beds, particularly those found in Izembek Lagoon, as a primary food source prior to their strenuous fall migration. It is also suspected that the eelgrass beds are utilized by herring stocks for spawning substrates.

In order to adequately evaluate the risks to this critically important habitat, and the species dependent upon eelgrass beds, it is essential that there be a better understanding of the potential effects of oil contamination on these plants and their substrates. The final EIS did not adequately address the issue on how long impacts might persist or how the long-term disruption to eelgrass beds might affect waterfowl. However, it did state that East Coast eelgrass beds affected by disease required over 30 years to recover. This suggests that very significant long-term impacts might result from oil contamination. If the proposed studies found this to be true, the information would provide strong justification to support an alternative lease sale configuration or mitigation measures which would lower the risk of oil contamination to these important habitats.

Methodology: In situ field studies should be conducted utilizing various types of hydrocarbon contaminants at varying concentrations.

Timing: The study schedule should be flexible to ensure that long-term impacts are adequately documented. It is anticipated that monitoring will be required for at least three to five years.

Cost: Estimated study costs are not projected to exceed 500,000 dollars.

4. ANALYSIS OF OIL SPILL RESPONSE CAPABILITIES

Justification: To date, an analysis of oilspill response capabilities in the Bering Sea has not been conducted. Considerable information is available that could be utilized in this analysis. This information includes: 1) Coast Guard oilspill logs and response capability evaluations for major oilspill events in U.S. waters; 2) reports on international oilspill events and subsequent cleanup efforts; 3) oilspill response exercises conducted by the Coast Guard and the oil industry; 4) manufacturer equipment specifications; 5) oilspill behavior reports; 6) industry oilspill contingency plans; and 7) meteorological and oceanographic studies of the NAB. The analysis should not only focus on equipment capabilities, but also on the capability to deploy equipment and to logistically support cleanup operations.

The study results could 1) allow the MMS to include an oilspill response capability judgement into their analyses of impacts in Environmental Impact Statements; 2) provide a basis for evaluating the effectiveness of current mitigative measures such as oilspill contingency plans; 3) justify development or adoption of different mitigation measures to reduce oilspill risks; or 4) support adoption of alternative lease sale configurations

Methodology: The study should provide the following information: 1) describe equipment, personnel, and logistical capabilities currently available or anticipated by industry; 2) develop several oilspill scenarios and analyze industry's response capabilities under each scenario; and 3) develop a set of standards for evaluating oilspill contingency plans.

Timing: The study could be completed in one year.

Cost: Estimated study costs could range from 15,000 to 25,000 dollars.

Literature cited.

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- Rice, D.W., and A.A. Wolman. 1971. The life history and ecology of the gray whale (*Eschrichtius robustus*). *Am. Soc. Mammal. Spec. Publ.* 3. 142 pp.
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- Zimushko, V.V., and M.V. Ivashin. 1980. Some results of Soviet investigations and whaling of gray whales (*Eschrichtius robustus*, Lillejeborg, 1861). *Rep. Int. Whal. Comm.* 30:237-246.

SEC. ____ . No funds provided in this title may be expended by the Department of the Interior for the approval or permitting of any drilling or other exploration activity, on lands within the North Aleutian Basin planning area of the Department of the Interior, and identified by the Department of the Interior as the following blocks: 579, 634, 635, 679, 711, 712, 713, 754, 755, 757, 758, 798, 799, and 842.

Fiscal Year 1990 Budget Requests

**Bureau of Reclamation
Water Resources Division, U.S. Geological Survey
Federal Power Marketing Administrations
Minerals Management Service (OCS Leasing Program)
Bureau of Land Management (Alaska)**

VIEWS AND ESTIMATES REPORT

**RECOMMENDATIONS OF THE
SUBCOMMITTEE ON WATER, POWER AND
OFFSHORE ENERGY RESOURCES**

February 27, 1989

MINERALS MANAGEMENT SERVICE -- OCS PROGRAMS

OCS Escrow Release

The Administration's budget projects \$1.0 billion in FY 1990 revenues from an OCS escrow account release. This anticipates a favorable Supreme Court decision in 1990 concerning title to the submerged lands immediately offshore ANWR, thus permitting the release of the Federal share of the Section 7 escrow funds, including interest.

The Subcommittee notes that there is no firm basis for assuming that the Supreme Court will decide the Alaska submerged lands issue in FY 1990. This complex case, United States v. Alaska, No. 84 Original, has been pending since 1979 and the matter remains delegated to a Special Master appointed by the court.

In addition, while the Subcommittee in no way intends to prejudge the Federal government's position in this case, we question whether the Administration's anticipation of a "favorable" decision can be properly accounted for as \$1 billion in Federal revenues. For example, a recent CRS analysis casts doubt upon such reliance:

"This position of the United States [in United States v. Alaska] has become increasingly tenuous as a result of the holding and the reasoning of the Supreme Court in Utah v. United States, June 8, 1987...."

→ OCS Lease Sales

President Bush's budget supplement defers three scheduled OCS lease sales, thus removing \$457 million in anticipated FY 1990 revenues. The President directed that a joint Interior, Department of Energy, and National Academy of Sciences task force be established to review and resolve environmental concerns over adverse impacts of sales in the "three environmentally sensitive areas." Specifically, Lease Sale 91 off Northern California is "indefinitely postponed" (\$126 million); Lease Sale 95 off Southern California is "delayed pending review" (\$321 million); and, Lease Sale 116 off the Gulf Coast of Florida is "indefinitely postponed" (\$10 million).

President Bush's action is an acknowledgement of the flaws in the Reagan budget's assumption that "no legislative moratoria" would be imposed on controversial OCS lease sales. Congressional

² Pamela Baldwin, "Legal issues Related to Ownership of the Submerged Lands Within and Off the Coast of the Arctic National Wildlife Refuge," August 10, 1987, p. 19, CRS # 87-673 A

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concern about the Reagan Administration's accelerated leasing of environmentally sensitive OCS areas is such that, even before the President's deferral, it was extremely unlikely that these three sales would have been held as scheduled.

While the Subcommittee is pleased with the President's proposal, we would recommend the Administration consider the following actions:

1. Representation on the Task Force should be broadened to, at a minimum, include the Environmental Protection Agency.

2. No funds should be expended on any pre-lease sale activities in FY 1990 or prior to the Task Force report, Presidential review and Congressional reaction.

3. The scope of the Task Force review should be expanded to include scrutiny of other no less controversial sales such as #119 off Central California, #92 off Bristol Bay, Alaska, #132 off Washington - Oregon, and others.

4. The Department, and the Task Force, should give greater emphasis to increasing Federal revenues and reducing the deficit by improved royalty collection and management on existing Federal leases.

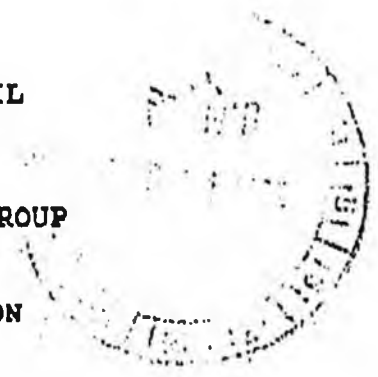
3 The Subcommittee notes the establishment of an Advisory Committee under the auspices of the Committee's Ranking Republican, Mr. Young, to resolve fisheries and resource conflicts involved in lease sale #92 should the lease sale proceed.



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TESTIMONY
OF THE
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CLEAN OCEAN ACTION
FLORIDA PUBLIC INTEREST RESEARCH GROUP
FRIENDS OF THE EARTH
GREENPEACE
NORTH CAROLINA COASTAL FEDERATION
OCEANIC SOCIETY
SIERRA CLUB
AND
TRUSTEES FOR ALASKA



BEFORE THE
SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
ON THE
DEPARTMENT OF INTERIOR'S
OFFSHORE OIL AND GAS LEASING PROGRAM

February 9, 1989

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Mr. Chairman and Members of the Committee:

My name is Lisa Spear. I am senior Staff Scientist with the Natural Resources Defense Council (NRDC). My testimony is on behalf of NRDC, the American Littoral Society, American Oceans Campaign, Clean Ocean Action, Florida Public Interest Research Group, Friends of the Earth, Greenpeace, the North Carolina Coastal Federation, the Oceanic Society, Sierra Club and Trustees for Alaska (hereinafter, "environmental coalition"). We welcome the opportunity to testify today on the Department of the Interior's Outer Continental Shelf (OCS) Oil and Gas Leasing Program.

I. INTRODUCTION

As this Committee is well aware, the OCS program during the Reagan years was the subject of extraordinary conflict and controversy. From 1981 to 1988, eleven coastal states -- Louisiana, Texas, Alaska, New York, New Jersey, Maryland, Virginia, California, Massachusetts, Washington and Oregon -- filed suit against the OCS program or individual lease sales. In addition, Congress has been forced to intervene to protect highly sensitive offshore areas from the Department's leasing plans each year since 1982. Mounting public concern over the program is reflected by the turnout of hundreds and even thousands of people at recent hearings on OCS leasing off California, Florida and North Carolina. The introduction last month of legislation that would block leasing off the New Jersey coast indicates that Congressional concern over DOI's approach is spreading.

Campaign statements made by President Bush lead to hope that the new Administration will pursue a more moderate course with the OCS Program. However, the Administration's intentions are not yet clear. While we have every expectation that the new Secretary will move to reduce conflict by removing highly sensitive and controversial areas from the OCS program, there are no assurances he will do so in the absence of Congressional encouragement. A one-year delay imposed by this Committee on OCS activities in sensitive areas would provide an important incentive for the Department to overhaul the program quickly, so that the nation can move forward with a more reasonable and balanced program of OCS development. We therefore ask the Committee to consider:

- 1) a one-year delay in leasing off California in those areas previously subject to Congressional leasing restrictions;
- 2) extending the current prohibition on OCS activities in Georges Bank off the New England coast through Fiscal Year 1990;
- 3) extending the ban on leasing and exploration south of 26° north latitude in the Eastern Gulf of Mexico for three years;
- 4) requiring the Department to prepare an EIS prior to approving exploration off the North Carolina coast as requested by Governor Martin;
- 5) a one-year delay on leasing within 50 miles of the coast, around canyon head tracts, in the shelf break zone and north of 40°15' north latitude in the mid-Atlantic; and

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6) a one-year delay on exploration in Bristol Bay, Alaska.

On behalf of the groups I represent, I would like to thank this Committee for its many years of hard work to resolve the difficult and troubling issues surrounding the OCS program. It has been only through this Committee's actions that a modicum of reason and balance were imposed on the program during the Reagan years. From Cape Cod to Cape Mendocino, from Bristol Bay to Florida Bay, this Committee has defended the right of states, local governments and ordinary citizens to have a say in leasing decisions that will profoundly affect their coasts and their lives. On behalf of all those people, we thank you.

II. ENERGY SECURITY

The Interior Department and the oil industry cite the nation's escalating reliance on foreign oil as evidence of the need to drill sensitive areas of the OCS. While rising imports are undeniably a concern, developing hydrocarbons in the areas listed above will not contribute appreciably to the nation's long-term energy security.

For one thing, the Interior Department projects that the oil and gas located offshore Southern and Northern California, all of the North and Mid-Atlantic states, Bristol Bay and the Florida Keys together amount to roughly 735 million barrels of oil equivalent. This represents enough oil and gas to fuel the nation for less than 40 days. These areas are thus clearly not the answer to the nation's long-term energy future. Indeed, the "drain America first" approach advocated by the industry is likely to enhance the nation's reliance on foreign oil over the long term.

Second, the Department's arguments about the need to open sensitive OCS areas on energy security grounds are unconvincing when considered in the context of other federal actions that have increased the nation's dependence on imports. For example, at the same time the Interior Department was pressing Congress to lift the moratorium on drilling off certain areas of California, the Transportation Department was rolling back fuel economy standards for automobiles. These rollbacks will cause roughly 210 million barrels of oil -- almost 30% of the oil the Department thinks underlies the areas listed above -- to be burned needlessly. Other examples of government policies that undermine national energy security include the Administration's deep cuts in funding for energy conservation and alternative energy research. The Administration cannot seriously expect the public to accept oil drilling in national treasures like the Florida Keys while simultaneously advocating a 70% reduction in DOE's energy conservation programs, as the Administration's FY'90 budget proposes.

Pursuing conservation measures could help substantially reduce reliance on oil imports and the need to drill sensitive areas of the OCS for oil and gas. For example:

* An increase to 40 miles per gallon (mpg) fleet average for cars and 30 mpg for trucks by the year 2008 production models would save roughly 20

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Tracts Within 50 Miles of the Coast: In recognition of the importance of nearshore areas, the states of Connecticut, New Jersey, and Virginia have all recommended a 50 mile buffer zone be imposed in the mid-Atlantic in which no leasing takes place.²² North Carolina has additionally recommended that all tracts within the 200 meter isobath be deleted. The Department has deferred this area from further consideration in a previous area identification for this region (Lease Sale 111, which was cancelled due to lack of industry interest).

Submarine Canyon Tracts: As noted above, submarine canyons in the mid-Atlantic are known to be highly productive and important to commercial species of fish as well as seabirds and other species. The States of Rhode Island, Connecticut, New York, New Jersey, and the National Oceanic and Atmospheric Administration, have all requested that all canyon head and associated blocks be deleted from Sale 121.²³

The Shelf Break Zone: Canyon head deferrals will not provide protection for inter-canyon blocks in the shelf break zone. A report by the Center for Coastal and Environmental Studies at Rutgers University²⁴ identified the shelf break zone as a particularly sensitive ecotone due to rugged topography and exposed substrate that are associated with increased biological productivity. The state of New Jersey has requested that this zone be deferred from past lease sales because of the unusual productivity that is thought to characterize the shelf break area.

All Tracts North of 40°15' North Latitude: The State of New York has repeatedly voiced its opposition to leasing any tracts north of 40°15' north latitude due to the high population density of the Long Island area and the heavy recreational use of its shores and the importance of its recreational and commercial fisheries.

We ask that the Committee consider imposing a one-year delay on leasing these areas. We note that Congressmen Pallone and Courter from New Jersey have both supported a delay in Lease Sale 121 altogether. Congressmen Pallone has introduced a bill to delay the sale (H.R. 121).

F. Bristol Bay

We would like to bring to this Committee's attention a recent court decision that will, if allowed to stand, seriously undermine the right of states to meaningfully participate in federal leasing decisions. This court decision arose out of litigation over Sale 92 in Bristol Bay, Alaska.

Bristol Bay supports one of the largest commercial fisheries in the world. The Bristol Bay salmon fishery alone is valued in excess of \$250 million annually and employs an estimated 10,000 people. The Bay also encompasses one of the world's great bird migration crossroads and supports at least 20 species of marine mammals, including eight species of endangered whale. The Department estimated that there is a greater than 70% chance that one or more major spills would occur over the life of the field. The Department predicted "major" to "moderate" impacts to marine and coastal

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birds, the red king crab fishery and to several species of marine mammals from Lease Sale 92. The National Marine Fisheries Service has concluded that a major spill occurring during peak gray whale migration or when right whales are present would be likely to jeopardize the continued existence of these species.

In December of 1985, 10 national and Alaskan conservation organizations, 6 Alaskan villages and Native Alaskan organizations, and the State of Alaska on behalf of itself and a number of fishing groups filed suit to block Sale 92, then scheduled for January 15, 1986. Six states (Washington, Oregon, Hawaii, California, Massachusetts and Texas) filed amicus briefs on the side of the State of Alaska.

Unfortunately, in January of last year, the district court ruled against the State, saying that no deference is due to a governor's recommendation under Section 19 of OCSLA. This decision was upheld by the Ninth Circuit last fall. If allowed to stand, the decision will mean that states could have virtually no say in federal leasing decisions. In response, the State of Alaska recently filed a petition for re-hearing en banc in the Ninth Circuit.

In the event the Ninth Circuit rules against the State, we ask that this Committee impose a one-year delay on exploration in the Bay. This request, which has also been made by the State of Alaska, is based on critical information gaps that must be filled before informed decisions can be made on whether and how to proceed with any drilling in Bristol Bay. These data gaps include:

- * the effects of seismic activities on salmon;
- * the effects of oil contamination on grey whales;
- * the importance of the North Aleutian shelf as habitat for grey whales;
- * the effects of oil contamination on eel grass beds along the northern shoreline of the Alaska Peninsula; and
- * an analysis of oil spill response capabilities.

Until these data gaps are filled responsible decisions on proceeding in Bristol Bay cannot be made.

The district court's decision in the Sale 92 case illustrates the failure of OCSLA to adequately ensure that states have the right to participate meaningfully in OCS leasing decisions. If the states are to be excluded from such decisions, the controversy over OCS leasing -- and the pressure for leasing moratoriums -- will continue to grow.

Thank you for the opportunity to testify.



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AEL ISSUE PAPER FOR HJR 32: RELATING TO OIL AND GAS DRILLING ON THE NORTH ALEUTIAN BASIN OUTER CONTINENTAL SHELF

The Alaska Environmental Lobby strongly supports HJR 32 due to the national and international significance of the area for fish and wildlife resources as evidenced by the following:

The North Aleutian Basin fishery is among the most productive in the world. The first wholesale value of the fishery, which employs 10,000 people, can exceed one billion dollars annually.

The benefits of the North Aleutian Basin hydrocarbon resources are among the lowest of all the OCS planning areas. In 1985, the Department of the Interior ranked it 14th out of the Nation's 18 OCS planning areas in terms of the net economic value of recoverable hydrocarbon resources.

According to the National Marine Fisheries Service, the Basin is the single most important region of the U. S. Outer Continental Shelf for the conservation of marine mammals, endangered species, and protection and management of fisheries resources. Over one million marine mammals inhabit or migrate through the area. The world's population of black brant and emperor geese stage in the area in the fall; 45-60 million salmon annually migrate through the area.

Potential risks to these fish and wildlife populations are high given the ineffectiveness of oil spill cleanup technologies in high sea states such as found in the North Aleutian Basin.

According to the Sale 92 EIS, there is a 52-57% probability that one or more spills exceeding 1000 barrels of oil will occur over the productive life of the leases.

The Governor's risk analysis estimates a discounted gross economic loss based on first wholesale values to be approximately 563.6 million dollars. The EIS projects major effects to red king crab and impacts to tanner crab, salmon, herring, and groundfish.

The Department of the Interior has found that mechanical recovery of spilled oil at sea becomes ineffective between sea states 3 and 4, which occur 68-94% of the time in Sale 92 area.

The Alaska Environmental Lobby recognizes that leasing, at this time, is not a wise resource management decision considering the significance of the resources at risk and our unproven ability to protect them. In addition, the Lobby believes that national energy needs can be effectively met through energy conservation measures which may alleviate the need to drill in sensitive areas.

Becky Achten 3-20-89

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