

H J R

32

SENATE COMMITTEE REPORT

NUMBER

RES

3/31/89

DATE TURNED INTO OFFICE

Mr. President:

OIL & GAS

HJR 32 am

Committee considered

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

and recommended

- replace with B CS HJR 32 (O&G) same title
- or adopt _____ CS _____ new title
- attached amendment(s) and no report do pass technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

DFN

- FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

Tim Kell
Rick Halford
Paul Smith

OTHER RECOMMENDATIONS

SCS & DFN following

Irue [unclear] - DO Pass
Chairman signature and recommendation

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SCSH.1R32 (OSG) ^(Resources)
PUBLISH DATE: 4/3/89

FISCAL NOTE

REQUEST: _____

REVISION DATE: _____ AGENCY: _____
TITLE: Relating to oil and gas BRU: _____
drilling on the North Aleutian Basin
SPONSOR: House Rules COMPONENTS: _____
REQUESTOR: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERS. SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND/BUILD.	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS/CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (THOUSANDS OF DOLLARS)

GENERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
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:

*Changes in the Resources CS
have no fiscal effect. This
fiscal note is appropriate*

PREPARED BY:

Drue Pearce
Senator Drue Pearce, Chair
Senate Special Committee on Oil and Gas

DATE: April 3, 1989

PHONE No.: 465-4993

DC
4/14/89

STATE OF ALASKA BILL VERSION: SCSHJR32(O&G)
 1989 LEGISLATIVE SESSION PUBLISH DATE: 4/3/89

FISCAL NOTE

REQUEST: _____

REVISION DATE: _____ AGENCY: _____
 TITLE: Relating to oil and gas BRU: _____
drilling on the North Aleutian Basin
 SPONSOR: House Rules COMPONENTS: _____
 REQUESTOR: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERS. SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND/BUILD.	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS/CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

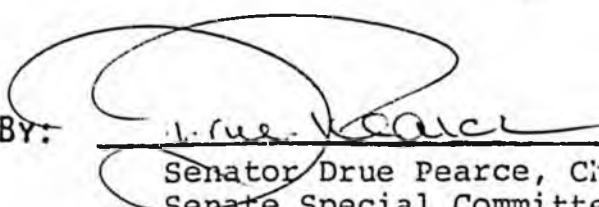
FUNDING: (THOUSANDS OF DOLLARS)

GENERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
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:

PREPARED BY: 
 Senator Drue Pearce, Chair
 Senate Special Committee on Oil and Gas

DATE: April 3, 1989

PHONE NO.: 465-4993

go0999hJ
Chenoweth
4/11/89

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 SENATE CS FOR HOUSE JOINT RESOLUTION NO. 32 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

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

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

9 WHEREAS the state fully supports the prudent and orderly development
10 of the state's outer continental shelf oil and gas resources in an environ-
11 mentally acceptable manner; and

12 WHEREAS the state has been very responsive to the nation's need to
13 decrease its dependence on foreign oil; and

14 WHEREAS there are presently 10 Alaskan planning areas on the Federal
15 Outer Continental Shelf leasing schedule, encompassing approximately
16 480,000,000 acres; and

17 WHEREAS, with the exception of the North Aleutian Basin, the state has
18 not requested a ban or moratorium on oil and gas leasing and drilling on
19 any of Alaska's outer continental shelf planning areas; and

20 WHEREAS the North Aleutian Basin lease sale area has relatively low
21 hydrocarbon potential; and

22 WHEREAS over 1,300,000 marine mammals inhabit or migrate through the
23 North Aleutian Basin area; and

24 WHEREAS virtually the entire world's population of black brant and
25 emperor geese stage in nearby coastal areas during the fall migration;
26 and

27 WHEREAS an annual average of 45,000,000 to 60,000,000 adult salmon
28 have migrated through the North Aleutian Basin each year since 1978; and

29 WHEREAS domestic Bristol Bay fisheries have an average wholesale value

1 of \$250,000,000 and employ over 10,000 people annually; and

2 WHEREAS the Bristol Bay area coastal habitats and fish and wildlife
3 resources are highly vulnerable to oil spill damage and disturbance; and

4 WHEREAS, the Alaska rural population depends heavily on commercial and
5 subsistence use of these fish and wildlife resources; and

6 WHEREAS significant gaps exist in understanding the distribution,
7 abundance, and population dynamics associated with many of these renewable
8 resources; and

9 WHEREAS industry has failed in its efforts to contain or control the
10 catastrophic oil spill in Prince William Sound even under favorable metero-
11 logical and oceanographic conditions; and

12 WHEREAS industry has not demonstrated the ability to adequately con-
13 tain and clean up oil spills under the extreme meteorological and ocean-
14 ographic conditions common in Bristol Bay; and

15 WHEREAS the people of the state, acting through their duly elected
16 representatives, have delayed oil and gas leasing in adjacent state waters;
17 and

18 WHEREAS by delaying leasing in state waters and delaying drilling in
19 federal waters in the Bristol Bay area, the opportunity exists to gain
20 additional knowledge and develop additional technologies that will protect
21 fish and wildlife resources in the presence of oil and gas activities, and
22 further assess potential impacts to these resources from the presence of
23 oil and gas activities; and

24 WHEREAS, given the facts stated above, it is not in the nation's or
25 the state's best interest to permit drilling in the North Aleutian Basin at
26 this time;

27 BE IT RESOLVED that the Alaska State Legislature respectfully requests
28 the Secretary of the United States Department of the Interior to suspend
29 and reevaluate the approval or permitting of any drilling, exploration

1 activity, or other development on the North Aleutian Basin Outer Conti-
2 nental Shelf; and be it

3 FURTHER RESOLVED that the legislature respectfully requests the Presi-
4 dent to suspend Lease Sale 92, to include oil and gas leasing in Bristol
5 Bay and the North Aleutian Basin to the work assigned to the President's
6 Special Task Force set up to measure the potential for environmental damage
7 in the offshore areas of California and Florida, and to direct the Special
8 Task Force to consider and recommend whether the Department of the Interior
9 should buy back the Bristol Bay and North Aleutian Basin leases; and be it

10 FURTHER RESOLVED that the legislature respectfully requests the Con-
11 gress of the United States to prohibit the expenditure by the Department of
12 the Interior of any money for the conduct of leasing or the approval of
13 permitting of any drilling or other exploration activity on the North
14 Aleutian Basin Outer Continental Shelf at this time.

15 COPIES of this resolution shall be sent to the Honorable George Bush,
16 President of the United States; the Honorable Dan Quayle, Vice-President of
17 the United States and President of the United States Senate; the Honorable
18 Robert C. Byrd, President Pro Tem of the United States Senate; the Honor-
19 able Jim Wright, Speaker of the United States House of Representatives; the
20 Honorable Manuel Lujan, Secretary of the Interior; the Honorable James D.
21 Watkins, Secretary of Energy; the Honorable Richard G. Darman, Director,
22 Office of Management and Budget; the Honorable William K. Reilly, Director,
23 Environmental Protection Administration; William E. Evans, Administrator,
24 National Oceanic and Atmospheric Administration; and Robert E. Kallman,
25 Director, Minerals Management Service; and to the Honorable Ted Stevens and
26 the Honorable Frank Murkowski, United States Senators, and the Honorable
27 Don Young, United States Representative, members of the Alaska delegation
28 in Congress.

STATEMENT OF TOM COOK
FOR CHEVRON U.S.A. INC
ON SENATE COMMITTEE SUBSTITUTE FOR HJR NO. 32
BEFORE THE SENATE RESOURCES COMMITTEE
IN THE SIXTEENTH LEGISLATURE
OF THE STATE OF ALASKA

April 10, 1989
Juneau, Alaska

Good afternoon Madam Chair 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 in opposition to Senate Committee Substitute for HJR No. 32 which asks the Secretary of the Interior to suspend and reevaluate existing leases and plans for future leasing in the North Aleutian Basin.

I realize it is difficult to keep the impact of various petroleum operations in perspective in the aftermath of the massive oil spill in Prince William sound, but I urge you to keep in mind that the spill was a marine transportation accident, apparently caused by gross human error. The record clearly shows that the vast majority of oil spills are related to marine transportation and those types of spills tend to be much larger than other spills.

By way of background, 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 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 and the first sale was planned for 1977. 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 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 numerous research program 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 to 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 5,464 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 121,7545 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 what we refer to as 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 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 have proposed 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 that the opportunity for exploration and possible development in the North Aleutian Basin be suspended or further delayed.

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 capacity to conduct exploratory drilling safely in areas of the Bering Sea with similar or more severe environmental conditions. Twenty-one exploratory wells have been drilled in the Bering Sea using semi-submersible rigs of the type suitable for drilling in the North Aleutian Basin; eleven of these wells were drilled in the St. George Basin just west of the Sale 92 area and nine wells were drilled in the remote and hostile Navarin Basin . These totals include one C.O.S.T. well in the St. George Basin and two C.O.S.T. wells in the Navarin Basin. Tens of thousands of wells have been drilled all over the world using jack-up drill rigs, drillships, and semi-submersible drilling vessels with 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 offstructure for geological and geophysical information and

not for discovery of oil and 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. The North Aleutian Basin has significant petroleum potential. Furthermore, if petroleum is discovered in sufficient quantities, development will be possible from an economic, technical and environmental 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.
5. Before bidding in Sale 92, Chevron and several other companies participated in study of the feasibility of petroleum development in the North Aleutian Basin. If petroleum should be discovered in commercial quantities, our studies demonstrate that transportation would be by buried marine pipeline to a point on the north side of the Alaska Peninsula. Production would then be transported across the Peninsula by pipeline to a terminal on the Pacific side of the Peninsula for tanker movement to market. In other words, tanker transportation would not be required on the waters of Bristol Bay.

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 experienced 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 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 and sea 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 is 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.

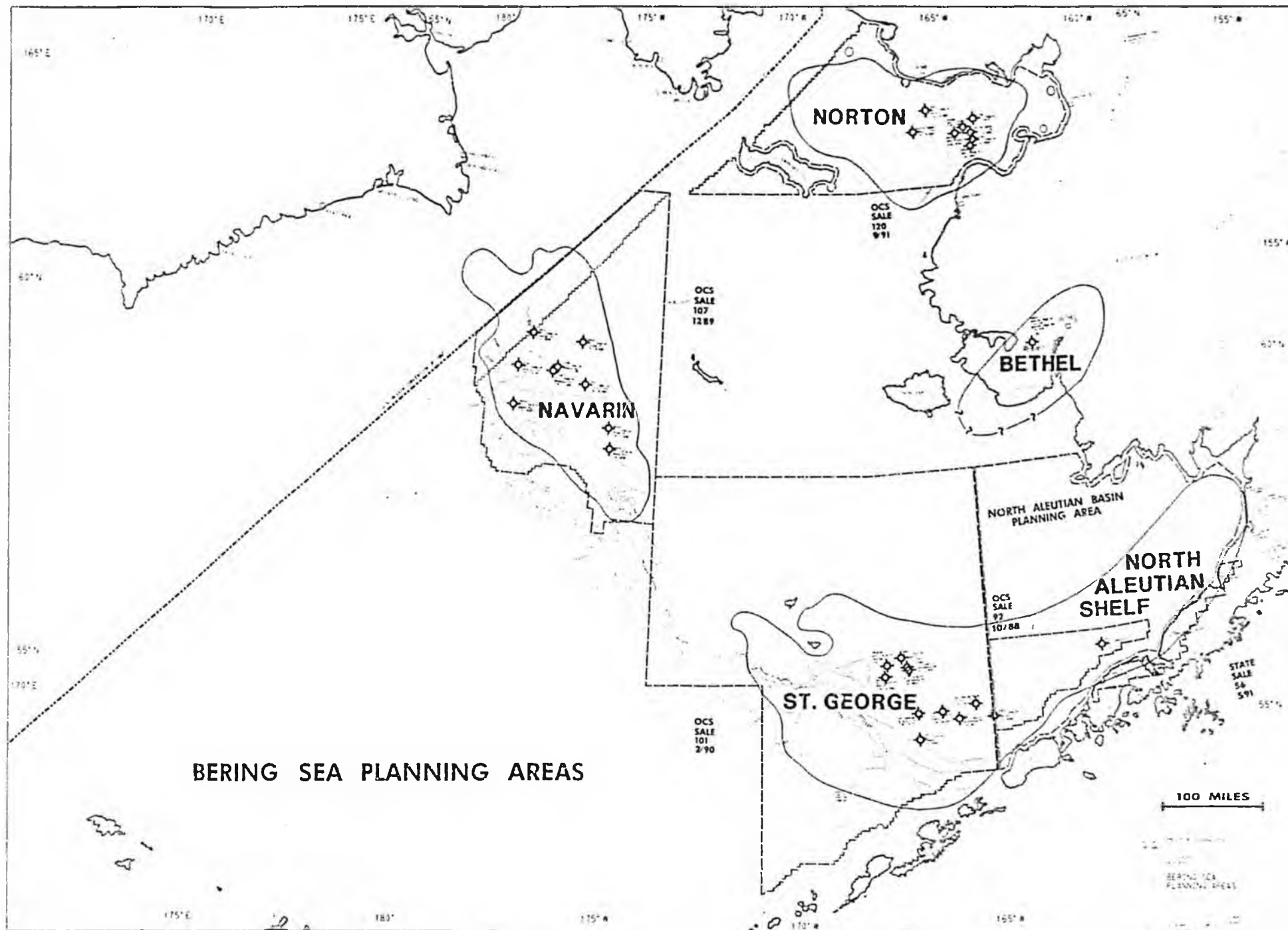
It took some time and a lot of talking, but eventually, we found a way for both groups to work together. We developed an understanding that set general operating guidelines for us and for them. We even developed a unique manual that explains the technology and operations of both groups.

We are committed to working with communities in the Bristol Bay region just as we did in Kodiak. We have had some initial communications 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 conducted in a responsible manner.

I respectfully ask that you do not pass Senate Committee Substitute for HJR No. 32. If our efforts are successful in finding new reserves, the Bristol Bay region and the State will have an improved economy and the nation will benefit from increased domestic sources of energy.

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



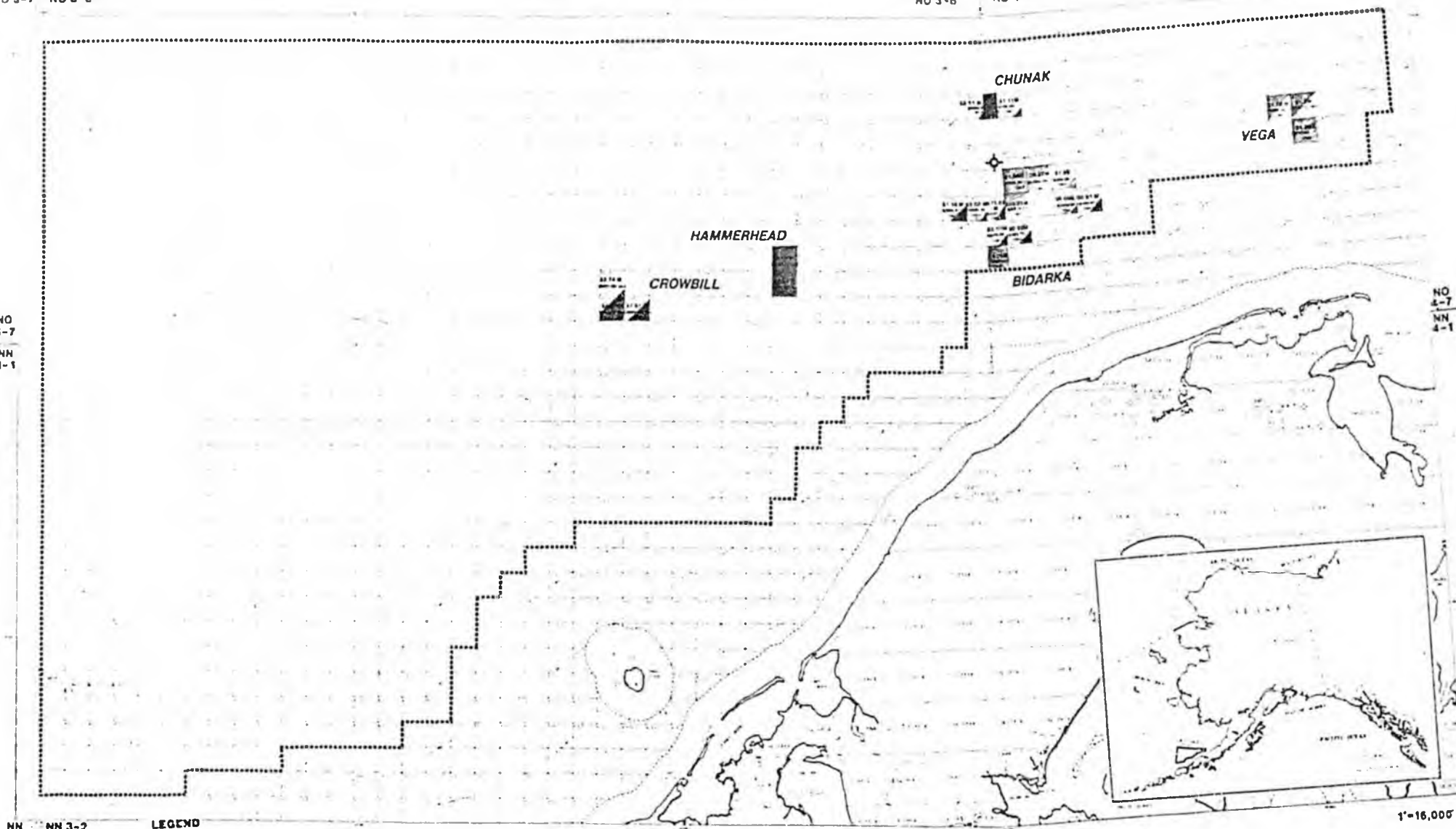
N. ALEUTIAN SHELF, Alaska
O.C.S. SALE 92 RESULTS
OCTOBER 11, 1988

NO 3-7 NO 3-8

NO 3-8 NO 4-7

NO
3-7
NN
3-1

NO
4-7
NN
4-1



NN
3-1 NN 3-2

NN 3-2 NN 4-1

- LEGEND**
- AMOCO
 - CHEVRON
 - CONOCO
 - MOBIL
 - MURPHY-ODECO
 - PENNZOIL
 - SHELL
 - UNOCAL

1"=16,000'

NOTE: Lease interests reflect all assignments made immediately after sale.

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 -

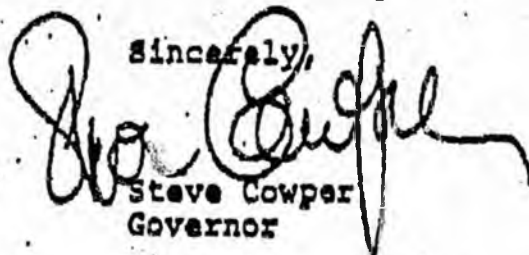
February 27, 1989

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,



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 (OCSIA) 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.

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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 prejudice 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 Haldwin, "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.²
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.

² 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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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.²¹ 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 121.²²

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 University²³ 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 Congressman Pallone and Courter from New Jersey have both supported a delay in Lease Sale 121 altogether. Congressman 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 50% 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 15 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.



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

907-586-2345

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 Bristol Bay and the North Aleutian Basin for fish and wildlife resources and the insignificance of the area for oil and gas production as evidenced by the following:

The first wholesale value of the fishery, employing 10,000 people, may exceed one billion dollars annually. These areas support the world's largest sockeye salmon fishery, a world class herring fishery, and major components of the king and tanner crab and groundfish resources.

The benefits of area 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, including the entire world population of northern fur seals and Pacific grey whales, inhabit or migrate through the area. The world's population of black brant and emperor geese stage in the area in the fall; 45-100 million salmon annually migrate through the area.

Potential risks to these fish and wildlife populations are extremely high. Oil spill cleanup technologies are unproven and ineffective, as the social, economic, and environmental disaster of the Exxon Valdez oil spill clearly demonstrates.

--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 AEL 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. The validity of our concerns has been born out by the recent Exxon Valdez oil spill disaster, where the oil industry has shown its near-complete inability to operate safely and to respond to an oil spill. We do not want to see the same tragic loss of wildlife, habitat, and the fishing industry in the North Aleutian Basin, as we are now seeing in Prince William Sound.

The Lobby believes that national energy needs can be effectively met through energy conservation measures alleviating the need to drill in sensitive areas.

ALASKA CENTER FOR THE ENVIRONMENT • ALASKA CHAPTER, SIERRA CLUB • JUNEAU GROUP, SIERRA CLUB • SITKA GROUP, SIERRA CLUB
 KNIK GROUP, SIERRA CLUB • DENALI GROUP, SIERRA CLUB • ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY
 DENALI CITY AUDUBON SOCIETY • ALASKA FRIENDS OF THE EARTH • JUNEAU AUDUBON SOCIETY • KAC (Karene Brown) CONSERVATION SOCIETY
 KENAI PENINSULA AUDUBON SOCIETY • KODIAK AUDUBON SOCIETY • LYNN CANAL CONSERVATION • ALASKA WILDLIFE ALLIANCE
 SITKA CONSERVATION SOCIETY • NORTHERN ALASKA ENVIRONMENTAL CENTER • SOUTHEAST ALASKA CONSERVATION COUNCIL
 KNIK KANOERS AND KAYAKERS

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STATE OF ALASKA

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

STEVE COWPER,
GOVERNOR



FOR INFORMATION CONTACT:

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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 -

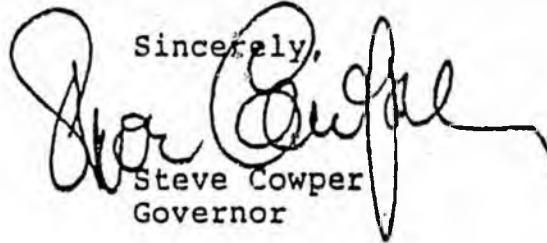
February 27, 1989

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 dark ink, appearing to read "Steve Cowper", written in a cursive style.

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.

ANALYSIS OF INFORMATION NEEDS IN THE NORTHERN ALEUTIAN BASIN

3

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

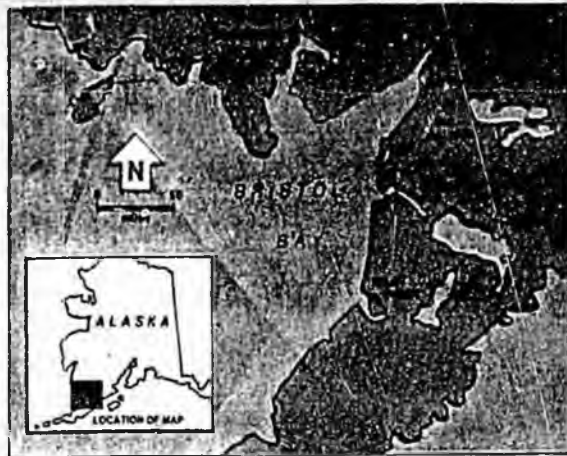
Justification: To date, an analysis of oilspill response capabilities in the Bering Sea has not been conducted. Considerable information is available that could be utilized in this analysis. This information includes: 1) Coast Guard oilspill logs and response capability evaluations for major oilspill 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.



Bristol Bay residents resist oil exploration

By MAURA DOLAN
Los Angeles Times

ADN 11/3/85

DILLINGHAM — To the thousands who net the huge Pacific salmon that inhabit Bristol Bay and its tributary rivers in southwestern Alaska, fishing is a matter of survival.

In the frenzy of the summer salmon season, fishermen have been known to brandish guns and ram each others' boats as they compete for a catch that will sustain them when the waters turn to ice and the harbor closes for the long, bitter winter. The massive catch on the bay, which measures roughly 250 miles at its widest point, nets a year's livelihood: cash earned from sales to nearby canneries and meals for months to come on salmon that has been dried or frozen.

"If we lost our fish here, I would guess it wouldn't take more than five years for us to become a ghost town, along with about nine villages on the Nushagak River," said Dillingham Mayor Leon Braswell, 40, a fisherman who wears blue jeans and work boots to the unmarked wood framed

building that is Dillingham City Hall. "Fishing is all we have."

Now, after sending off intrusions by foreign fishermen and successfully demanding better prices from the canneries, Braswell and the people of Dillingham are attempting a feat that few believe can succeed. They are fighting to prevent oil companies from punching holes in the bottom of Bristol Bay, which environmentalists and fishermen view as part of a calculated effort by oil companies to set the stage for drilling in other areas now off limits for environmental or political reasons.

The U.S. Department of the Interior has tentatively decided to permit the oil industry to drill next year in a 5.8-million-acre site in Bristol Bay, situated on the western side of the Alaska Peninsula just north of the Aleutian Islands.

The plan represents a key test for Secretary of the Interior Donald Hodel's willingness to buck environmentalist opposi-

See Page J-2, BRISTOL

Bristol Bay may be test case for oil industry

Continued from Page J-1

tion as he tries to forge ahead with the federal government's offshore leasing program, which suffered significant political setbacks under the direction of former Secretary James Watt.

What makes Alaska tempting as a vehicle for prying open the door to offshore drilling in environmentally sensitive areas, critics say, is the fact that the 49th state yields substantially less political clout than more populous states, such as California.

Industry officials concede that even the harsh seas and frigid temperatures of the north are easier to overcome than opposition to drilling by California's powerful congressional delegation.

With a population of only 479,000, Alaska has one member in the House of Representatives. California, with a population of 25 million, has 45 representatives.

For people here, the Bristol Bay struggle matches California's battle in the intensity of local feelings, although unlike the Californians, people in Bristol Bay spend little time worrying about aesthetics for tourism or air pollution. Rather, they fear that an oil spill would destroy the fish and the economy of this wind-blown region that Natives call the Bush.

If finalized, the plan would place oil exploration at the

side of the nation's largest salmon fishery, the state's largest herring fishery and the home or migration corridor of a million marine mammals.

The oil industry says fishing and oil exploration can co-exist and points to a relatively good safety record in other waters off this state.

"There is no one who is reasonable and fair who will tell you there won't be accidents," conceded Thomas Cook, the Alaska exploration representative for Chevron U.S.A. Inc. "But I think the industry's record is very good. Even catastrophes like the Santa Barbara (Calif.) blowout (of 1969) had only a temporary effect and didn't eliminate fishing or do any permanent damage to the environment."

Gov. Bill Sheffield strongly opposes the offshore leasing plan, a position that pits the state against an industry that has made Alaska rich.

Oil revenue finances about 80 percent of the state budget. Oil money made it possible for Alaska to abolish the state personal income tax in 1980. Indeed, the oil industry generates so much money that every resident receives an annual payment — this year \$404 — from interest earned off oil revenue.

But the state has threatened to sue the federal government unless it delays exploration in Bristol Bay for 10 years.

"Obviously, it's not that we're against oil and gas," Sheffield said recently. "We've had a very good working relationship with the oil and gas industry. But on Bristol Bay, we just had to draw the line."

Fishing in Bristol Bay is a \$1 billion-a-year industry that employs 10,000 workers seasonally. Unlike onshore drilling in Prudhoe Bay to the north, located in state territory with royalties paid directly to the state, a discovery in the federal waters off Bristol Bay would add little to Alaska's pocketbook.

Prudhoe Bay production is expected to peak in the next couple of years and decline after that. The state, therefore, is anxious to nourish and sustain its other industries, like fishing, to fill the vacuum when the oil is gone.

"You don't have oil spawn and come back and reproduce," Sheffield said. "Oil will run out sometime, hopefully not for a long time. But fishing, if we manage it right, will be around forever."

In Bristol Bay, environmentalists cite Department of the Interior estimates that the proposed drilling site contains 279 million barrels of oil, a small amount in comparison with other federal offshore areas where drilling is planned. In a government ranking of hydrocarbon resources, Bristol Bay is rated lower in potential than waters off either Southern, Cen-



Daily News file photo

Commercial fishing is a \$1 billion-a-year industry in Bristol Bay and employs 10,000 people.

tral or Northern California.

Oil company officials say that industry assessments of Bristol Bay's energy potential are more optimistic than those of the federal government.

Chevron's Cook said that, if Hodel caves in on Bristol Bay, "we'd have some very serious concerns as to whether there is any credibility" in the federal offshore leasing program

During the last few years, oil companies have plucked Natives and village officials from these shores and flown them to Louisiana and Texas for all-expense paid excursions intended to show that oil operations will not harm fishing.

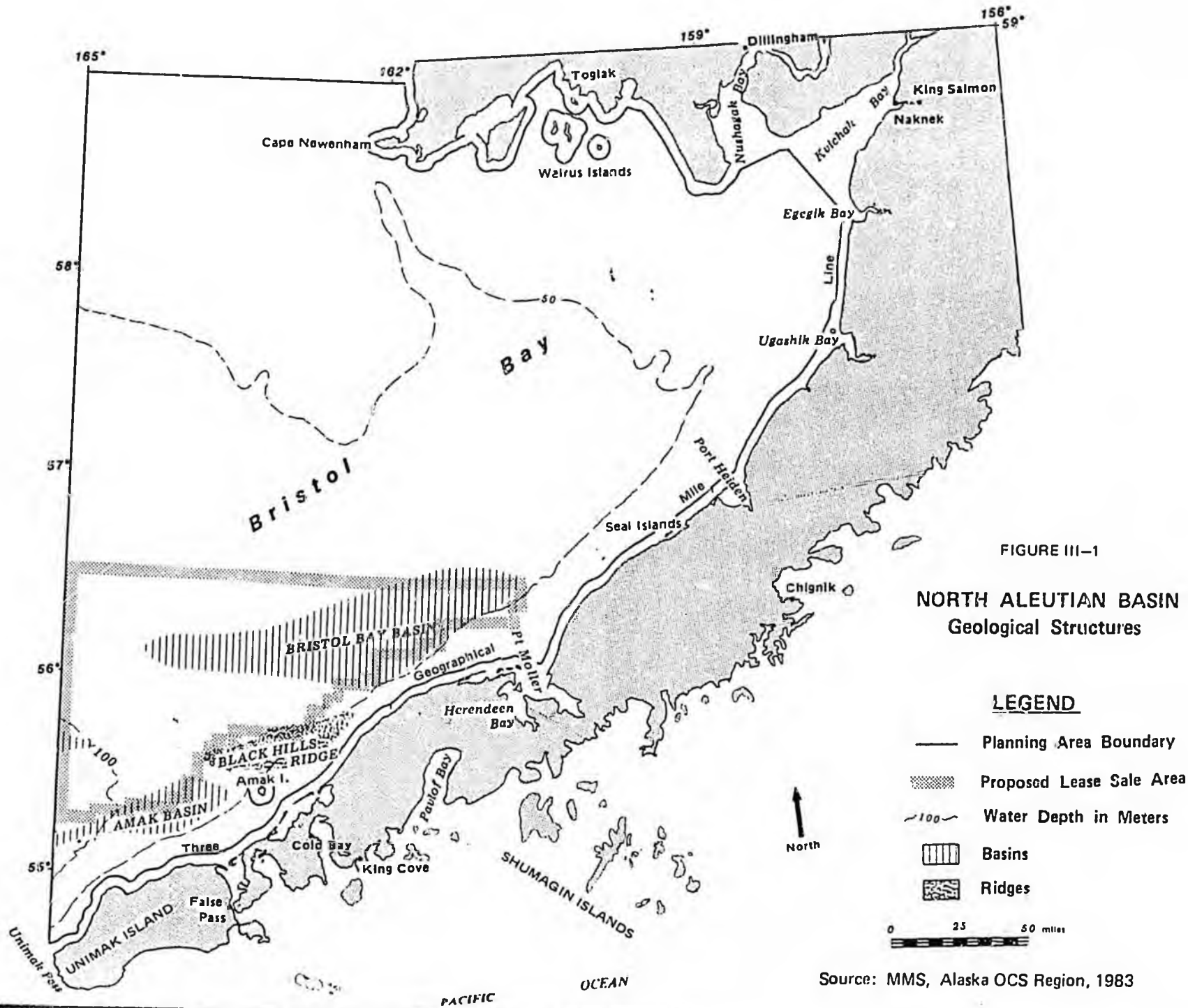
Some who took the trips and visited industry research offices in Houston and fished off derricks in Louisiana returned mollified.

But others, like fisherman

Harvey Samuelson, were not convinced.

"Of course they have hurricanes in Louisiana, but they don't have drifting ice like we have up here," said Samuelson, 59, who heads a fisherman's union here.

"Bristol Bay gets some of the worst weather in the world. And, like I tell everybody, this is a national treasure. . . . Bristol Bay feeds a lot of people throughout the world."



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TESTIMONY ON HJR 32 & SJR 11

by

Joseph Chythlook, President
Aleknagik Natives, Limited

and

Member of AFN Board for Bristol Bay Villages

April 3, 1989

Madam Chairman and Committee Members:

I thank-you for affording us this opportunity to testify on this matter.

I want to speak strongly in support of both HJR 32 and SJR 11 which seek to delay any oil and gas activity in the OCS Lease Sale 92 area.

As stated in Senator Zharoff's SJR 11, "Bristol Bay and the North Aluetian Basin support the world's largest sockeye salmon fishery, a world class herring fishery, and major components of the king crab, tanner crab, and groundfish resources of the Bering Sea." Furthermore, these fisheries are the biggest employers of people who live in our area. The numbers of individuals employed average well over 10,000 per year, and the value of the salmon alone has a wholesale average of \$250,000,000. I have no doubt that any oil company would not be able to come to any where near these figures in benefits to local economy. As in other areas, they would leave with their pockets full and ours empty.

I also fully agree with Governor Cowper that "the Bristol Bay area coastal habitats and fish and wildlife resources are highly vulnerable to oil spill damage and disturbance." Furthermore, the oil industry just recently demonstrated to all of us that they are not prepared and able to contain and clean up "any" oil spills, even in the HARBOR. And they tell us they can in the Bering Sea and off Bristol Bay. I think I have good reason to disagree.

And as far as technology and safety is concerned, these are only as good as the people who deal with them. And, as long as people are "human" the possibility of error is ever present. The one little "mistake" in Valdez is going to affect many lives in Prince William Sound for months and years to come. We can do without any "repeat" of this in Bristol Bay and North Aluetian Basin.

Therefore, I want to see any gas and oil activity delayed and, if possible, any further plans for leasing in Bristol Bay and North Aluetian Basin cancelled.

Thank-you.



TELECOPY COVER SHEET

Dillingham Legislative Information Office

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TO: Senate Resources FAX: 465-3700 PHONE: _____

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TESTIMONY ON SJR-11 (BRISTOL BAY LEASE SALE 92) before the Senate Special Committee on Oil and Gas. By Susan Flensburg, Bristol Bay Coastal Resource Service Area, P.O. Box 849, Dillingham, Alaska 99576. April 3, 1989

I am testifying on behalf of the Bristol Bay CRSA Board which is an elected body responsible for developing a coastal management plan and representing the region on various resource development issues. There are a number of reasons why the people in our region feel the legislature should support SJR 11 and HJR 32 to stop or at least postpone oil and gas activity in Bristol Bay.

The most obvious reason is the recent oil spill disaster in Prince William Sound. Industry has shown us they have neither the response or clean up capability to handle an oil spill in rough or even calm weather conditions. Bristol Bay is known for having some of the worst weather conditions in the world. The federal government's analysis of LS 92 acknowledged that the mechanical recovery of oil is totally ineffective in high sea states which occur most of the time in Bristol Bay. In short, the technology doesn't exist to clean up an oil spill in the weather conditions characteristic of Bristol Bay.

You have already heard from Senator Zharoff and others about the unparalleled fish and wildlife resources in Bristol Bay - the world's largest red salmon fishery, the Togiak herring fishery which is the biggest in the state, and one of the largest congregations of marine mammals. These resources are of obvious economic importance to the state's commercial fishing and tourism industries as well as the subsistence way of life for western Alaska. The federal government concluded there was a high probability that one or more spills exceeding 1,000 barrels of oil would occur with a greater risk associated with tankers. If oil production occurs in Bristol Bay and tanker transportation is determined a more economically attractive alternative than a pipeline, which is left up to the oil companies to decide, tankers would be routed through Unimak Pass. Unimak Pass is the major gateway for salmon, marine mammal and bird populations entering and leaving the Bering Sea. Navigation through Unimak Pass is difficult and is usually complicated by storms and heavy fogs. In short, an oil spill in this area could have a devastating impact on the commercial fishery.

The benefits of oil development in Bristol Bay to the region and state are few if any at all. The state receives absolutely no revenues or royalties from development in the Outer Continental Shelf but will bear the brunt of any environmental damage and losses to the commercial fishery in the event of an oil spill. There would be very few jobs available for local residents and no major onshore facilities likely to be developed.

The commercial fishery is the backbone of the regional and local economies in Bristol Bay. The legislature is considering mandatory borough formation in rural areas, such as Bristol Bay, to help pay for educational and other services. Much of our revenue base will depend then upon a healthy commercial fishery and employment this industry provides. Existing and future boroughs in southwest Alaska will be hard pressed to make it on their own without a significant return from the new fish tax and borough imposed taxes on the commercial fisheries. An oil spill could destroy this revenue base.

The Bristol Bay CRSA Board remains adamantly opposed to any oil and gas activity in Bristol Bay now or in the future and believes there is overwhelming justification for this committee and the legislature to unambiguously support both SJR 11 and HJR 32, and to seek a congressional ban on future lease sales in Bristol Bay.

TESTIMONY ON SJR 11 (LEASE SALE 92)

**By Gusty Chythlock
General Delivery
Aicknagik, Alaska 99555**

April 3, 1989

Thank you for the time to testify. My name is Gusty Chythlock. I have lived all my life in Bristol Bay and like most people from here depend on commercial fishing and subsistence for my livelihood. I also serve on the Bering Sea Fishermen's Association Board of Directors and the Bristol Bay Coastal Resource Service Area Board.

The major oil spill near Valdez has put alot of mixed feelings as to the oil companies clean up measures they may have. It would be a great risk to our fisheries to allow them to explore and develop oil in the North Aleutian Basin, Sale 92 area.

The potential quantity of oil from this area is so small to be risking our billion dollar fisheries. We have nearly 2,000 commercial drift net holders for salmon alone with investments in fishing vessels in excess of \$100,000 each. A major oil spill here like the one in Prince William Sound could jeopardize all this. This does not even include our ten year old herring fishery which is worth in excess of ten million dollars.

We do not want to see oil exploration or development in Bristol Bay because of the risks of an oil spill to our commercial salmon and herring fisheries. If we can not stop oil development, it should not be allowed until the oil companies prove they can clean up an oil spill without damaging the commercial fisheries and subsistence resources of Alaskans, especially in Bristol Bay.

For all of these reasons, I ask you to please support Senate Joint Resolution 11. Thank you.

11-10-85 ADW

Bristol Bay leases: Not there, not now

When it comes to oil, Alaska is America's equivalent of Saudi Arabia. And with so many promising places to look for oil here, one of the last places should be Bristol Bay, home of a billion-dollar fishing industry. But Bristol Bay is at the top of the feds' list: Over the state's objections, the U.S. Department of the Interior tentatively plans to sell leases there in January.

The leasing would occur in the heart of the world's largest red salmon fishery. The area is also rich in bottomfish. Ten thousand people depend on those fish for jobs and thousands more depend on the area's fish, seals, walrus, and other wildlife for food. A major oil spill threatens destruction of the fishing industry and an end to the subsistence way of life in the area; the jury is still out on the long-term effects of chronic small spills and routine pollution, including disposal of drilling muds, on areas with offshore drilling, especially in sensitive subarctic waters.

The oil industry says its record shows fishing and offshore oil can live together, and sometimes it can. Yet, based on industry experience, the federal government's environmental impact study predicts at least one oil spill of 10,000 barrels in Bristol Bay and indicates the industry's clean-up techniques won't work in the heavy seas common to the area.

Gov. Bill Sheffield wants the sale put off for 10 years and has vigorously lobbied Interior Secretary Donald Hodel for a delay. It's an uphill battle.

Even the Alaska congressional delegation, usually so quick to defend the state's interests against the insensitivity of a distant federal government, supports the oil industry's desire to have the sale as scheduled.

Interior Secretary Hodel must consider the national interest as well as Alaska's interest. But fish from the area are important to international trade. And declaring Bristol Bay off limits to oil drilling would hardly hurt the nation's quest for domestic sources of oil; the government estimates the oil there amounts to a three-week supply for the United States.

In spite of Gov. Sheffield's lobbying, Secretary Hodel isn't likely to delay the Bristol Bay sale. If he doesn't, the governor has said he will sue to stop the leasing. He should. There are still some places where oil development isn't worth the risk. Bristol Bay — with so little oil and so many fish — is such a place.