

SCOMM

133:21

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 265
 (S) Publish Date: 1/14/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title Five-Year Oil and Gas Program RDU Resource Development
 Component Oil and Gas Development
 Sponsor _____
 Requester _____ Component No. 439

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

By amending the Five-Year Oil and Gas Program requirements, DNR will be able to add competitive sales to the schedule at any time instead of only once every two years (current law requires that Five-Year Program be presented to the Legislature in January of the first regular session of each legislature). These amendments will ultimately allow DNR to hold sales in the frontier areas sooner, therefore bringing the state additional revenues (bonus bids, rentals, and eventually, production royalties) in a shorter amount of time. It is impossible to accurately predict at this time what this increase in revenues might be.

Prepared by: Bill Van Dyke Phone 269-8800
 Division Oil and Gas Date/Time 10/27/03
 Approved by: Thomas Irwin, Commissioner Date 10/27/03
 Agency Natural Resources

HB 384/CSSB 265
Oil and Gas Lease Sale Schedule/Notification
February 19, 2004

Summary:

- HB 384/CSSB 265 would amend the current Five-Year Oil and Gas Lease Program requirements by allowing DNR to amend the Five-Year schedule on a more timely basis with legislative notification.
- This legislation would allow the state to schedule an areawide lease sale on the Alaska Peninsula for fall 2005. Without this bill, the soonest a sale could be held would be January 2007.
- HB 384/CSSB 265 benefits would include:
 - Giving the State the flexibility to respond quickly to changing industry, market, and other conditions and more quickly bring new areas on-line for leasing, resulting in additional revenues for the State of Alaska.
 - Permitting frontier areas in particular, to be brought into production sooner than currently possible.
 - Retaining legislative review of the lease sale program.

Background:

- Under current oil and gas statutes (AS 38.05.180(b) and (c)):
 - The Commissioner of Natural Resources is required to biennially prepare and present to the first regular session of each legislature a five-year schedule of proposed oil and gas lease sales.
 - A proposed lease sale, in turn, must be included in the schedule submitted to the legislature for at least two calendar years before the sale may be held.
- Therefore, under current law, it may be as long as four years between when a sale is requested and when it may be held. For example, under current law, the soonest a sale may be held in the Bristol Bay area is January 2007.
- As a result of these restrictions, the commissioner is unable to quickly respond to changing industry, market and State fiscal conditions in designing and implementing a lease sale program.
- HB 384/CSSB 265 would amend the Five-Year Program requirements by:
 - Allowing DNR the flexibility of amending the sale schedule at any time and notifying the Legislature of the change.
 - Removing the current requirement under AS 38.05.180(c) that a proposed sale be on the schedule for two years. Instead, a sale may not be held before the date in the Five-Year Program.
 - DNR annually, instead of biennially, prepares the Five Year Program and notifies the Legislature of its availability.

THE
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DOCUMENT(S)
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State of Alaska
OFFICE OF THE GOVERNOR

Frank H. Murkowski
Governor
P.O. Box 110001
Juneau, Alaska 99811-0001
NEWS RELEASE



John Manly
Press Spokesman
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FAX: 907-465-3532
www.gov.state.ak.us

FOR IMMEDIATE RELEASE: December 18, 2003

No. 03-256

State, Aleut Corp. Sign MOU on Oil & Gas Exploration
Will Hold Concurrent Lease Sales and Work Together on Infrastructure

(Juneau) – Governor Frank H. Murkowski today announced that the Department of Natural Resources has signed a Memorandum of Understanding with the Aleut Corporation to hold concurrent oil and gas lease sales on their adjacent lands, and to work to facilitate the construction of transportation infrastructure to support oil and gas development in the Aleut Corporation area. The MOU is similar to one entered into by DNR and the Bristol Bay Native Corporation last Fall and is consistent with the administration's policy of working with the people of the area to develop natural resources.

"The Aleut Corporation is the other major landowner in the Alaska Peninsula area, where we believe significant, commercial quantities of oil and gas can be found," Murkowski said. "We are very pleased that the Aleut Corporation shares the vision of resource development with the state and BBNC. We hope to build a strong economy in cooperation with the people of the region. This MOU is one marker of our commitment, along with the regional corporation, to provide a foundation for that economy."

Under the five-year MOU, the parties agree to work cooperatively to ensure that resource exploration and development activities are done in an environmentally responsible manner, and consistent with land management and development plans of both parties. They also will work to re-open offshore oil and gas prospects in the region, and will try to synchronize the timing of leasing schedules for their respective, adjacent lands. The MOU also has both parties working together to facilitate design and construction of a transportation network to make oil, gas, and other mineral prospects more accessible, and to interconnect communities.

Under the MOU, the state and Native corporation also have a mandate to communicate their development goals to other interested parties throughout Southwest Alaska, including tribal organizations, village corporations, and borough and city governments.

The MOU was signed today by Aleut Corporation President Martha Malavansky and DNR Commissioner Tom Irwin. In accordance with his policy of working with the local people, Murkowski said he expects to sign similar MOUs with the Bristol Bay Borough, the Lake & Peninsula Borough, and the Aleutians East Borough, as well.

###

MEMORANDUM OF UNDERSTANDING

Between

ALASKA DEPARTMENT OF NATURAL RESOURCES

And

THE ALEUT CORPORATION

To

HOLD CONCURRENT OIL AND GAS LEASE SALES OF STATE AND TAC LAND IN THE ALEUT REGION & TO FACILITATE CONSTRUCTION OF A TRANSPORTATION INFRASTRUCTURE THAT WILL SUPPORT THESE DEVELOPMENT PROJECTS

THIS MEMORANDUM OF UNDERSTANDING (MOU) is made and entered into by and between the Alaska Department of Natural Resources (DNR) and The Aleut Corporation (TAC), collectively referred to as "the Parties." The purpose of this MOU is to contribute to the achievement of common goals and objectives of the Parties and to establish an effective communication framework between the Parties.

Background:

- A. The DNR is tasked with managing the State of Alaska's land in southwest Alaska and the natural resources contained therein, including oil, gas, and minerals, and TAC is responsible for managing its 1.572 million acre mineral estate on behalf of its 3,250 shareholders.
- B. Similar to the North Slope and Cook Inlet region of Alaska, the Bristol Bay basin including portions of the Aleut region on the Alaska peninsula has been identified as having good potential for commercial quantities of oil and gas deposits.
- C. Any discoveries of, and subsequent development of, commercial quantities of oil, gas, & mineral deposits in the Aleut region should benefit both the State of Alaska and TAC's shareholders.
- D. Like other mineral deposits, oil and gas resources know no political boundaries, and it is often logical and desirable for two adjacent landowners to have similar land management and leasing programs in place.
- E. With TAC's support, the Alaska Division of Geological and Geophysical Surveys applied for a 3-year, \$700,000 U.S. Dept. of Energy grant to further evaluate the oil and gas potential of the Bristol Bay basin.
- F. The development of transportation infrastructure, as recommended by the Southwest Alaska Regional Transportation Plan, such as deep water ports, roads and airports, along the Alaska Peninsula should make oil, gas, and other mineral prospects more accessible, and thereby more economically feasible to explore and develop.

- G. The Alaska DNR, TAC, and BLM have been working collaboratively to rationalize ANCSA 17(b) and RS 2477 access issues.
- H. The Alaska DNR, TAC, and BLM have been working collaboratively to revoke obsolete federal land withdrawals in the Bristol Bay region.
- I. TAC supports the construction of an access road from Cold Bay to King Cove.

Agreements:

- The term of this MOU will be for five (5) years from the effective date and can be extended for five-year periods thereafter with the written agreement of the Parties.
- To the extent consistent with their respective interests and statutory or regulatory responsibilities, or corporate responsibilities, the Parties will work cooperatively to ensure that exploration and development activities are consistent with the land management and development plans of both Parties.
- The Parties agree that they will cooperate to ensure all development projects in the Aleut region are pursued in an environmentally responsible manner with maximum efforts to minimize impacts to fishery resources.
- TAC and the State of Alaska will work cooperatively to re-open offshore oil and gas prospects to exploration.
- Where reasonable to do so, the Parties will endeavor to synchronize the timing of their oil and gas-leasing schedule for their respective lands.
- The Parties will help facilitate the design and construction of a transportation network that will make oil, gas, and other mineral prospects more accessible and inter-connect communities.
- The Parties will communicate their development goals to other interested parties in southwest Alaska, such as tribal organizations, village corporations, and borough and city governments.
- The Parties will not act contrary to applicable laws, regulations, policies, and procedures.
- To the extent legally permissible, information generated pursuant to this MOU may be kept confidential when requested in writing by a party to this MOU. Information released by a party to this MOU must credit the source of the information.
- Where reasonable, the Parties will issue joint press releases on matters related to this MOU and will coordinate responses to media questions.
- Notices regarding actions under this MOU will be sent to (for each party):

DNR Commissioner
State of Alaska DNR
550 W. 7th Ave., Suite 1400
Anchorage, AK 99501-3561

Chief Executive Officer
The Aleut Corporation
4000 Old Seward Hwy, #300
Anchorage, AK 99503

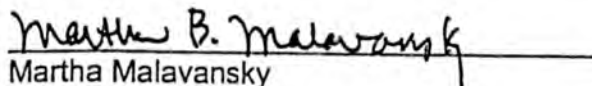
- This MOU may be terminated within thirty(30) days written notice by either Party.
- This MOU can be modified upon written consent of the Parties.
- Others may become party to this MOU upon written consent of the Parties.

Approved:



Tom Irwin, Commissioner
Alaska Dept. of Natural Resources

12/18/03
Date



Martha Malavansky
President, TAC

12/18/03
Date

MEMORANDUM OF UNDERSTANDING

Between

ALASKA DEPARTMENT OF NATURAL RESOURCES

And

BRISTOL BAY NATIVE CORPORATION

To

**FACILITATE OIL AND GAS LEASE SALES ON STATE AND BBNC LAND IN
THE BRISTOL BAY REGION**

THIS MEMORANDUM OF UNDERSTANDING (MOU) is made and entered into by and between the Alaska Department of Natural Resources (DNR) and the Bristol Bay Native Corporation (BBNC), collectively referred to as "the Parties." The purpose of this MOU is to contribute to the achievement of common goals and objectives of the Parties and to establish an effective communication framework between the Parties.

Background:

- A. The DNR is tasked with managing the State of Alaska's land in southwest Alaska and the natural resources contained therein, including oil, gas, and minerals, and BBNC is responsible for managing its 3.1 million acre mineral estate on behalf of its 7,100 shareholders.
- B. Similar to the North Slope and Cook Inlet regions of Alaska, the Bristol Bay basin has been identified as having good potential for commercial quantities of oil and gas deposits.
- C. Exploration of oil and gas resources is a vital component to stimulating the local economy and providing jobs and economic opportunities in the region.
- D. The discovery of commercial quantities of oil and gas would provide an opportunity for low cost energy in the region, further stimulating the local economy.
- E. Any discoveries of commercial quantities of oil and gas in the Bristol Bay region will benefit both BBNC's shareholders and the State of Alaska, so it is in the best interest of the Parties to encourage exploration for such resources.
- F. BBNC has requested that the State facilitate on-shore oil and gas exploration in the region by holding annual areawide leasesales, beginning as soon as possible.
- G. Like other mineral deposits, oil and gas resources know no political boundaries, and it is often logical and desirable for two adjacent

landowners to have similar land management and leasing programs in place.

- H. With BBNC's support, the DNR's Division of Geological and Geophysical Surveys applied for a 3-year, \$700,000 U.S. Dept. of Energy grant (\$150,000 of cash and in-kind contributions to be provided by BBNC) to further evaluate the oil and gas potential of the Bristol Bay basin.

Agreements:

The Parties agree to the following provisions:

- The Parties will work cooperatively to facilitate oil and gas leasesales of state and BBNC lands in the region to be held as soon as feasible.
- The Parties will cooperate to ensure all development projects in the Bristol Bay region will be pursued in an environmentally responsible manner and will minimize impacts to fishery resources.
- The Parties will work cooperatively to convince the federal government to re-open federal offshore oil and gas prospects in the region to exploration.
- The Parties will endeavor to synchronize the timing of their oil and gas leasing schedule for their respective lands.
- The Parties will help facilitate the design and construction of a transportation network that will make oil, gas, and other mineral prospects more accessible and inter-connect communities in the region.
- The Parties will communicate their development goals to other interested entities in southwest Alaska, such as tribal organizations, village corporations, and borough and city governments.
- The Parties will not act contrary to applicable laws, regulations, policies, and procedures.
- To the extent allowable by statutes and regulations, the Parties will share information that will assist in accomplishing the objectives of this agreement.
- Where reasonable, the Parties will issue joint press releases on matters related to this MOU and will coordinate responses to media questions.
- Notices regarding actions under this MOU will be sent to (for each party):

DNR Commissioner
State of Alaska
550 W. 7th Ave., Suite 1450
Anchorage, AK 99501

Chief Executive Officer
Bristol Bay Native Corporation
800 Cordova Street
Anchorage, AK 99501

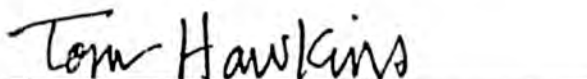
- The term of this MOU will be five (5) years from the effective date and can be extended for five-year periods thereafter with the written agreement of the Parties.
- This MOU may be terminated with thirty days written notice by either Party.
- This MOU can be modified upon written consent of the Parties.

- Others may become party to this MOU upon written consent of the Parties.

Approved:


Thomas E. Irwin, Commissioner
Alaska Dept. of Natural Resources

7/10/03
Date

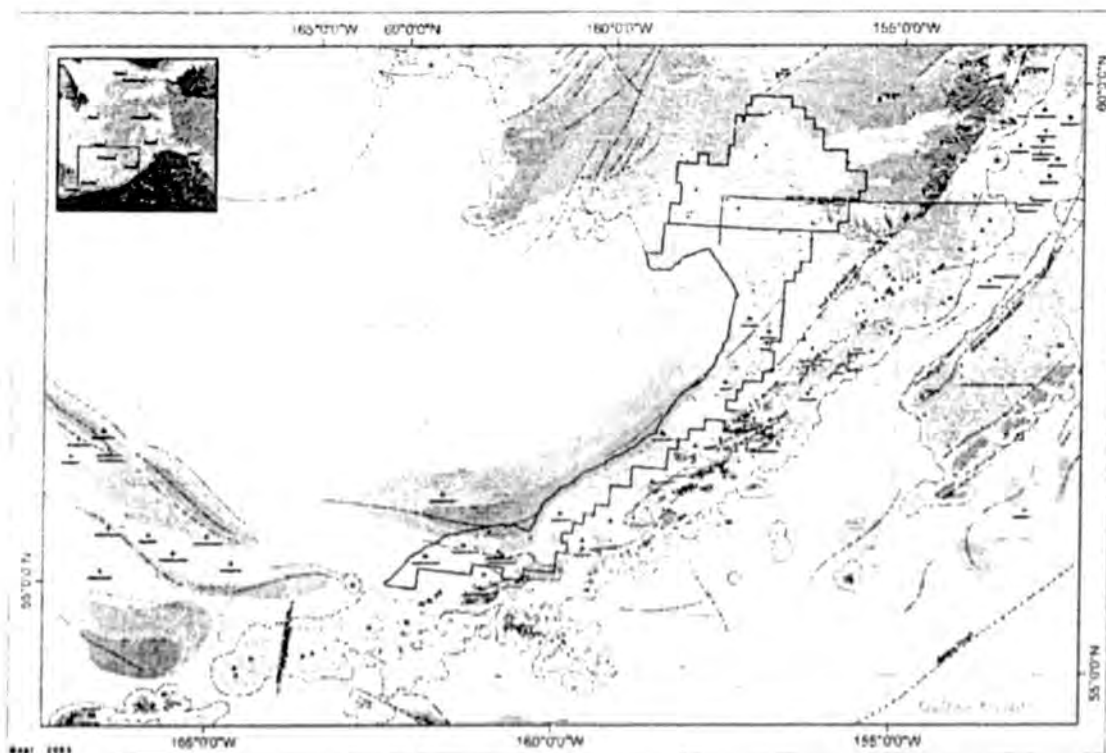

Tom Hawkins
SRVP & COO, BBNC

7.10.03
Date

Alaska Peninsula and Bristol Bay Region

Oil and Gas Programs

Exploration Licensing



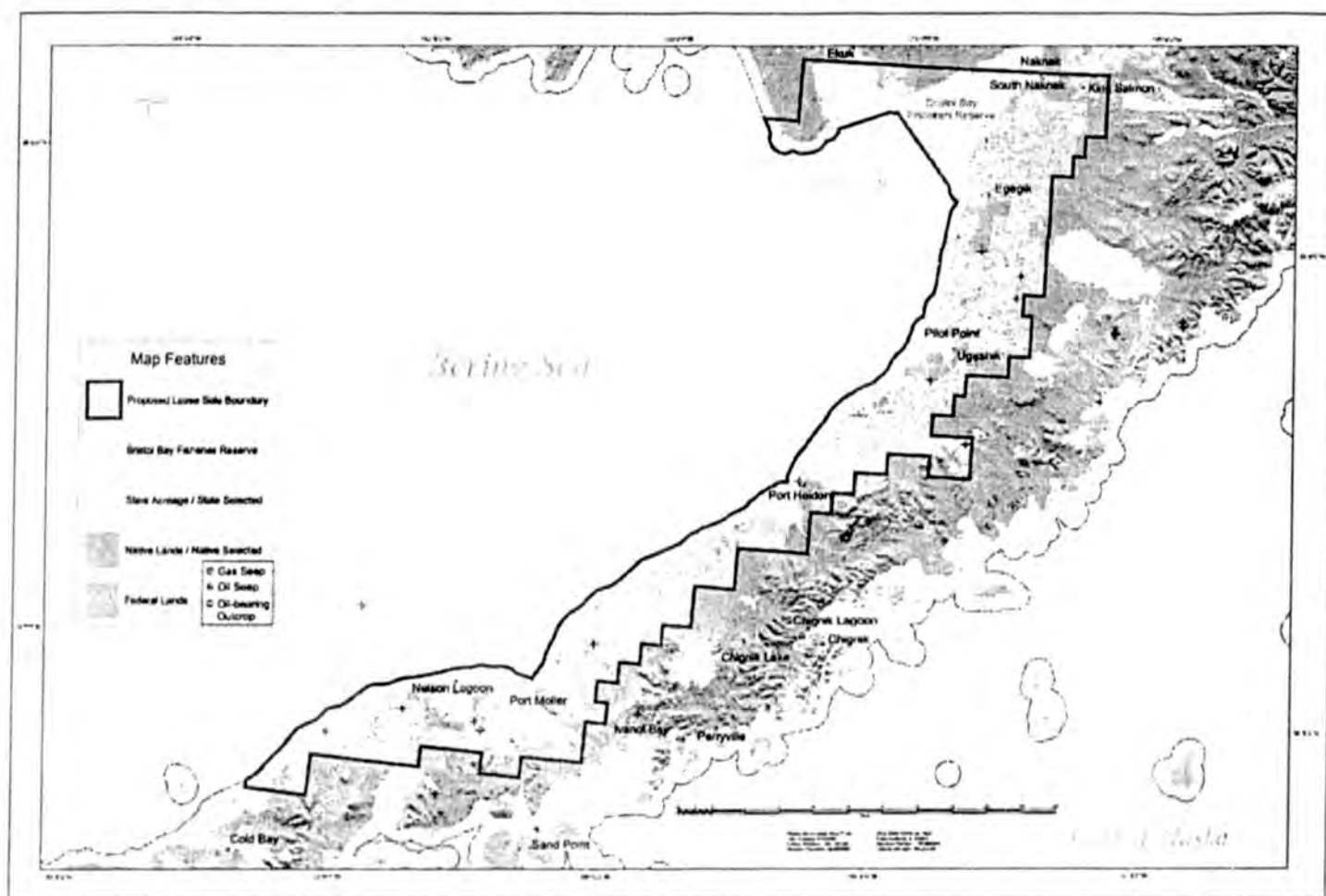
Areawide Lease Sales



Alaska Department of
**NATURAL
RESOURCES**
DIVISION OF OIL & GAS

OCTOBER 2003

Areawide Lease Sales



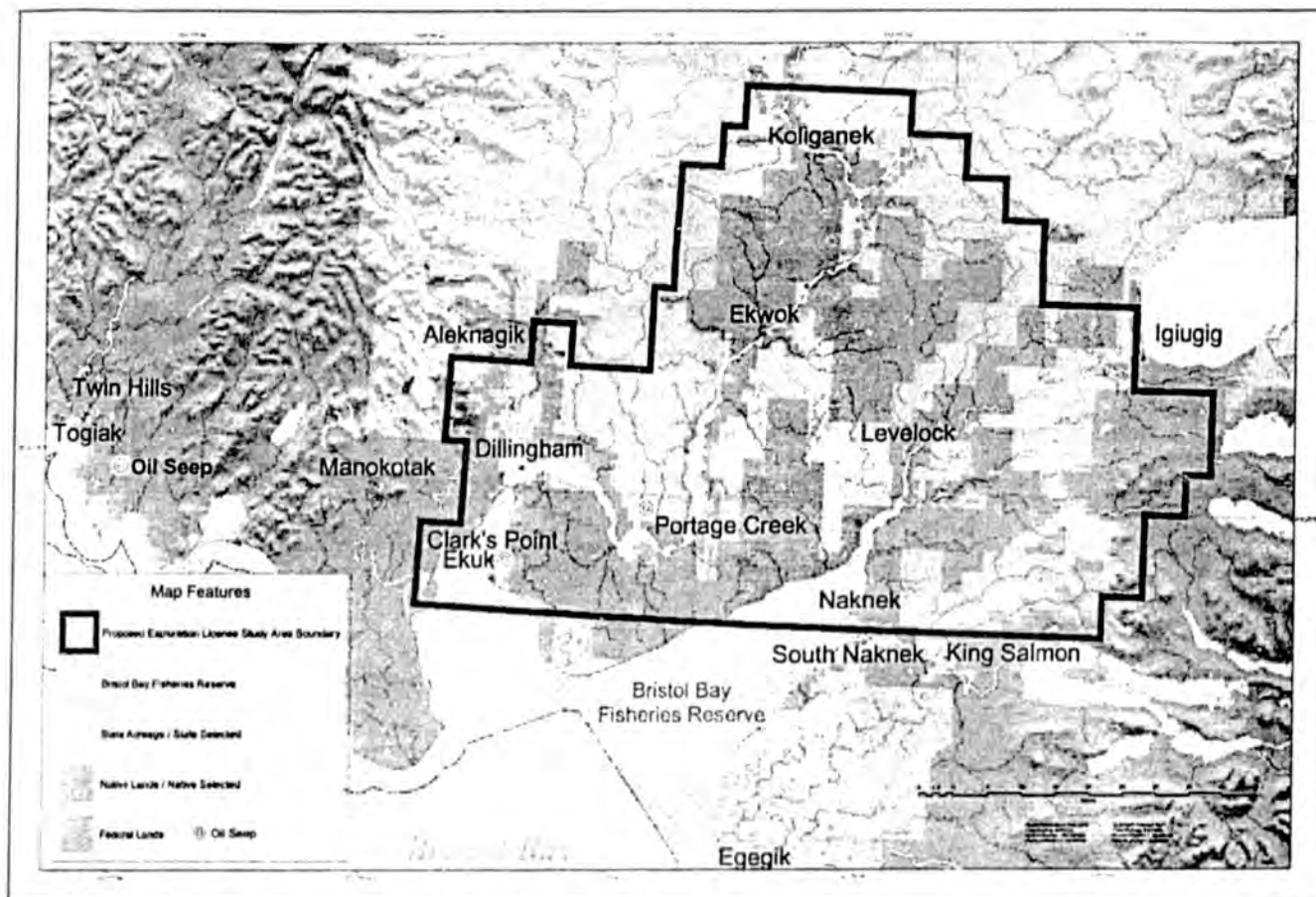
AK Peninsula Areawide Leasing	2003					2004					2005					2006						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Request for agency information																						
Public Comment Period																						
DO&G conducts public informational meetings																						
Draft Prelim. Finding & ACMP C. Consistency Analysis																						
Issue Prelim. Finding and Consistency Analysis																						
Public comment period																						
DO&G interprets geological and geophysical data																						
DO&G and DQGS geologic field parties																						
Draft proposed ACMP Consistency Determination																						
Consistency Determination evaluation period																						
Draft Final Best Interest Finding (BIF)																						
Issue BIF & CD. Announce sale																						
Reconsideration (30-day)/Court Appeal (30-day)																						
LEASE SALE																						
Title review																						
Leases awarded																						
Effective date of leases - April 1																						

Alaska's areawide leasing program allows companies to submit sealed bids on tracts of land of up to 5,760 acres in size. The Commissioner of the Department of Natural Resources sets the terms of the lease sale; the minimum acceptable per acre bid, the primary term of the lease; and the production royalty rate. The highest bidder on a tract wins the right to explore that tract for oil and gas. However, no activity can take place without the required permits in place. In the Bristol Bay region and the Alaska Peninsula, all activity on an oil and gas lease must be in compliance with the Alaska Coastal Management Program and local coastal management district plans.

Leases normally have a primary term of 7 or 10 years; minimum bids are generally set at \$5 or \$10 per acre, depending on the area being leased; and the royalty rate is normally 12.5% or 16-2/3%. Once a lease is issued, the lessee pays annual rentals to the state, starting at \$1 per acre and increasing to \$3 per acre by the 5th year of the lease.

If it's determined that an Alaska Peninsula Areawide lease sale is in the state's best interests, a sale will be held in October 2005.

Exploration Licensing



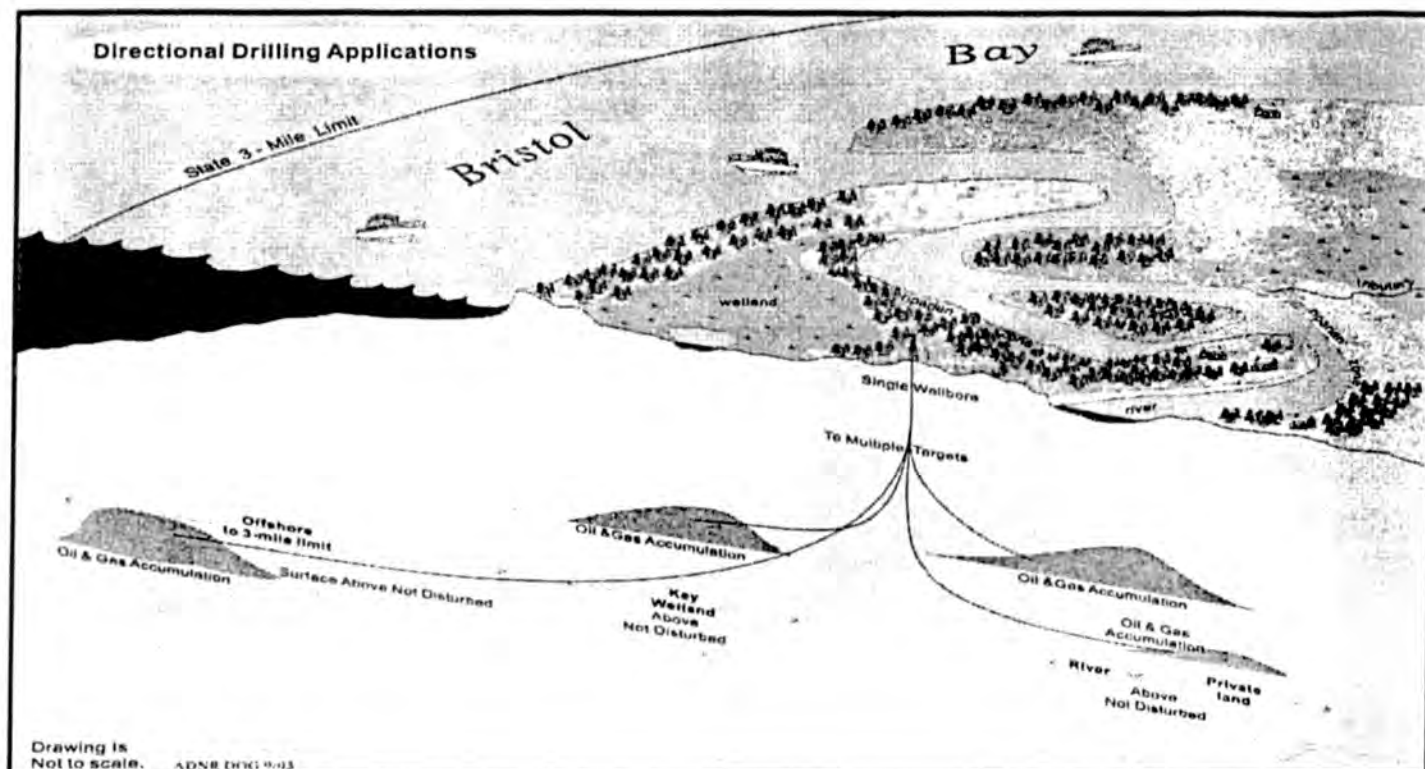
Exploration Licensing	2003						2004											
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
DO&G issues solicitation for license proposals																		
Request for agency information																		
Prospective licensee informs of intent to submit																		
Prospective licensee submits proposal																		
DO&G requests public comment period on area																		
DO&G solicits competing proposals																		
DO&G conducts public informational meetings																		
DO&G interprets geological and geophysical data																		
Draft Prelim. Finding & ACMP Consistency Analysis																		
Issue Prelim. Finding and Consistency Analysis																		
Public comment period																		
Draft proposed ACMP Consistency Determination																		
Consistency Determination elevation period																		
Draft Final Finding																		
Issue Final Finding and Consistency Determination																		
Reconsideration (30-day)/Court Appeal (30-day)																		
Sealed bid auction; AWARD LICENSE																		
Effective date of license - Oct 1																		

Alaska's exploration licensing program encourages oil and gas exploration in remote areas of the state, and supplements the state's oil and gas leasing program. The holder of an exploration license has the exclusive right to explore an area between 10,000 and 500,000 acres for up to 10 years. The maximum acreage a single licensee can hold at any one time is 2 million acres.

Rather than paying an up-front bonus payment to the state, as is done in conventional leasing, an applicant for an exploration license bids direct exploration expenditures. The bidder willing to spend the most on exploration is awarded the license. The recipient of a license must pay a \$1 per acre license fee and post a performance bond. There are no additional charges during the term of the license. After completing an approved work commitment, the licensee has the exclusive right to convert any compact and contiguous portion of the licensed area to conventional oil and gas leases.

The licensing process is initiated in one of two ways: (1) Each year during April applicants may submit to the Commissioner, Department of Natural Resources, a proposal to conduct exploratory activity within an area they have specified; or (2) the Commissioner, at any time, can solicit proposals to explore an area specified by the Commissioner. This solicitation was done for the Bristol Bay basin in July 2003. In response to the Department's solicitation, one company submitted a proposal. Following that submittal the Department solicited additional competing proposals from industry.

If it's determined that an exploration license for the Bristol Bay basin is in the state's best interests, a license will be awarded in September 2004.



Exploration History and Hydrocarbon Potential

- The northern half of the Alaska Peninsula is a low relief coastal plain underlain by a thick sequence (18,000+ feet) of Tertiary strata that is contiguous with the Bristol Bay basin to the north. Here the setting is very good for both structural and stratigraphic traps as well as the likelihood of encountering good to locally excellent reservoir quality rocks.
- Hydrocarbon source rocks of Tertiary age appear to be largely gas prone. The deeper, older Mesozoic strata may have both gas and oil generating potential.
- Reservoir estimates at this stage are very difficult to quantify. Oil reserves may exist in the hundreds of million barrels and gas in multiple trillion cubic feet. Only drilling will give further refinement of figures.
- 26 wells have been drilled onshore since 1903, the latest being the Amoco Becharof #1 in 1985. One offshore stratigraphic test well was drilled in 1983, the ARCO North Aleutian COST Well #1.
- Numerous oil seeps are present along the southern half of the Alaska Peninsula. Oil and gas shows are evident in many of the wells. No commercial flow of oil has been proven to date.

Typical Permit Process - Onshore Exploration Well on the AK Peninsula

ID	NAME	M	J	J	A	S	O	N	D	J	F	M	A	M
1	Preapplication Conference													
2*	ACMP Consistency Determination - AS 16.40													
3	DNR DO&G - Lease Plan of Operations Review													
4	DNR Parks - Cultural Resource Survey													
5	DNR DMLW - Temporary Water Use Permit													
6	DEC - Oil Spill Discharge and Contingency Plan													
7	DEC - Solid Waste Disposal Permit													
8	DEC - Wastewater Disposal Permit													
9	ADNR - Title 41 Anadromous Fish Stream													
10	Army Corps of Engineers - Section 404 Permit													
11	ADGCC - Conservation Order													
12	ADGCC - Permit to Drill													
13	ADGCC - Application for Sundry Approval													
14	Construction and Drilling													
15	Demobilization and Rehabilitation													
Project, Onshore Date 9/03/03		Permitting Activity								Public Notice				
										* Only for activity within the Coastal Zone				

DEPARTMENT OF NATURAL RESOURCES

Commissioner:

550 West 7th Ave.; Suite 1400
Anchorage, AK 99501

Tom Irwin
(907) 269-8431
Tom_Irwin@dnr.state.ak.us

Deputy Commissioner:

Dick LeFebvre
(907) 269-8431
Dick_LeFebvre@dnr.state.ak.us

DIVISION OF OIL & GAS

Director:

550 West 7th Ave.; Suite 800
Anchorage, AK 99501

Mark Myers
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mdm@dnr.state.ak.us

Leasing Manager:

James Hansen
(907) 269-8804
jjh@dnr.state.ak.us

Petroleum Land Mgr:

Patrick Galvin
(907) 269-8775
psg@dnr.state.ak.us

Petroleum Geologist:

Don Brizzolara
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dwb@dnr.state.ak.us

Note: for up-to-date on-line information, check the Division of Oil and Gas Web page at "www.dnr.state.ak.us/oil".

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TELEPHONE
(907) 246-4224
FAX
(907) 246-6633

Bristol Bay Borough

October 22, 2003

RECEIVED
OCT 27 2003

Commissioner Tom Irwin
Department of Natural Resources
550 W 7th Avenue, Suite 1400
Anchorage, Alaska 99501

DIVISION OF
OIL AND GAS

RE: Bristol Bay Region: Oil and Gas Programs
Public Comments - Due October 30, 2003

Commissioner Irwin:

Please consider the following comments from the Bristol Bay Borough:

1. The Bristol Bay Borough Assembly is in strong support of the State of Alaska's recent efforts to advance oil & gas exploration in the Bristol Bay region.
2. The Bristol Bay Borough is committed to finalizing a Memorandum of Understanding with the Alaska Department of Natural Resources outlining critical areas of interest with respect to regional oil & gas development and outstanding municipal lands issues.
3. The Bristol Bay Borough is supportive of the continued public outreach evidenced to date by the State of Alaska on the Bristol Bay oil & gas exploration initiative and anticipates that this outreach effort will remain constant throughout the proposed development timeline.

DEPARTMENT OF
NATURAL RESOURCES

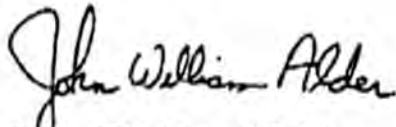
OCT 24 2003

COMMISSIONER'S OFFICE

Letter to Commissioner Irwin
October 22, 2003
Page 2

4. The residents of the Bristol Bay Borough are heavily dependent upon the robust regional fish & wildlife resources for subsistence needs. While the Bristol Bay Borough Assembly is in support of resource development, all development must proceed with due diligence in order to minimize potential negative impacts to the fish & wildlife resources.
5. Local knowledge of regional environmental conditions and fish & wildlife characteristics is one of our greatest resources in the Bristol Bay region. Accordingly, the Bristol Bay Borough recommends that all state agencies proceed throughout the oil & gas development process in a method that relies heavily upon local input. Any subcommittees or advisory panels empowered by the state should include local knowledgeable residents.
6. The Bristol Bay region has long suffered from seasonally sporadic employment. The regional oil & gas development initiative offers an exciting departure from the long winter season low employment cycle. The Bristol Bay Borough Assembly strongly urges the State of Alaska to continue in its expressed commitment to channel oil & gas employment training through the newly established Southwest Alaska Vocational Education Center (SAVEC) in King Salmon thereby enabling optimal local hire during exploration and development of potential oil & gas prospects.

Sincerely,



John William Alder
Borough Manager

cc: Mayor Michael Swain
Borough Assembly members

ALEUTIANS EAST BOROUGH

SERVING THE COMMUNITIES OF

■ KING COVE ■ SAND POINT ■ AKUTAN ■ COLD BAY ■ FALSE PASS ■ NELSON LAGOON

October 14, 2003

James Hansen,
Leasing Manager
Division of Oil & Gas
Department of Natural Resources
550 West 7th Avenue, Suite 800
Anchorage, AK 99501

Ref: Proposed Alaska Peninsula & Bristol Bay
Oil & Gas Leasing Program

Dear Mr. Hansen,

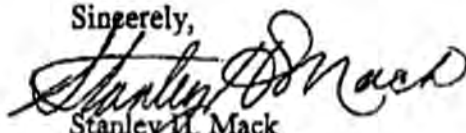
The Assembly of the Aleutians East Borough wants to thank you and your team for the presentation on October 7, 2003. Even though the weather did not allow everyone to get to Cold Bay, the Assembly's comments after the meeting included their appreciation of your efforts to brief the Assembly and the residents of the Aleutians East Borough.

First, it is the Borough's understanding that if there is Best Interest Finding, all development will take place within the State's jurisdiction and that there will be no development off shore. Furthermore, the Borough understands that the majority of the development will likely be on State owned land. Second, the concerns voiced by the people of Nelson Lagoon are symptomatic of the concerns of the majority of the Aleutians East Borough's residents. They were:

1. We need to protect our fish and game resources.
2. We need local jobs and employment at all stages of development. This must be at all levels, management, technical and labor, union and non union, should oil or gas be produced within the Aleutians East Borough.
3. We need any and all exploration sites returned to their original nature.

To this end, the Assembly passed a motion supporting the State of Alaska's efforts to conduct a Best Interest Finding process for the proposed oil & gas leasing program on the Alaska Peninsula.

Sincerely,


Stanley M. Mack
Mayor

RECEIVED

OCT 16 2003

DIVISION OF
OIL AND GAS

☐ CLERK/PLANNER
P.O. BOX 349
SAND POINT, AK 99661
(907) 383-2699
(907) 383-3496 FAX
e-mail: AEBCLERK@aol.com

☐ BOROUGH ADMINISTRATOR
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☐ FINANCE DIRECTOR
P.O. BOX 49
KING COVE, AK 99612
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(907) 497-2386 FAX
e-mail: aebfinance@aol.com

*Lake and Peninsula Borough*

P.O. Box 495
King Salmon, Alaska 99613

Telephone: (907) 246-3421
Fax: (907) 246-6602



RECEIVED
OCT 31 2003
DIVISION OF
OIL AND GAS

October 27, 2003

Patrick Galvin, Petroleum Land Manager
Division of Oil & Gas
550 W 7th Ave, Suite 800
Anchorage, Alaska 99501-3560

RE: Call for Comments, AK Peninsula Arcawide 2005 Oil & Gas Lease Sale

Dear Mr. Galvin:

First, we would like to thank the Governor, the Governors staff and those within DNR's Oil & Gas Division for the recognition of the extra attention required "to get the word out" to those who live on the Alaska Peninsula concerning the upcoming oil and gas lease sales. There are many communication gaps in bush Alaska making your task that much more difficult.

The regional meetings in Dillingham, Bristol Bay Borough (Naknek) and in the Lake & Peninsula Borough offices (King Salmon) were instrumental in ensuring accurate information is "passed along" to others. However, due to the size of the Lake and Peninsula Borough and the steep transportation costs to travel between villages, some over 1 hour away from King Salmon by plane, I would encourage you consider additional informational meetings to be held in Port Heiden, Iliamna, and the Chigniks, ASAP. We will be glad to provide you with local contacts for those communities.

Lake & Peninsula Borough responded earlier to Mr. James Hansen's request for information providing copies of the borough's latest Community Economic Development Strategies document. Additionally, community profile maps will soon be available (expected by June 2004) on-line at DCED's website of all the villages within the Borough. These maps will contain several layers of information readily accessible by the user. Local information pertaining to sensitive cultural areas, traditional hunting or gathering areas and local historic sites are included on most community maps (local preference so not every village map contains this information). These maps will no doubt prove to be invaluable relating to potential exploration that might be considered in close proximity to a village.

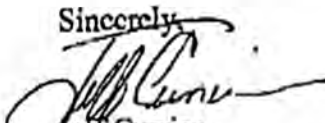
Finally, the Lake and Peninsula Borough supports onshore exploration and development but are concerned that the Best Interest Findings developed from this "call for comment period" also apparently apply to the 1.5 million acres of offshore acreage included in the lease sale, and further, that those findings are valid 10 years out.

We want to make it perfectly clear that while we are in support of onshore exploration and leasing, "the jury is still out" in most Borough villages when it comes to offshore exploration. I suspect much more information and discussion with the village leaders around the Bay will be required before offshore activities receive a majority of local support.

By supporting the current lease sale proposal, the resulting exploration and possible development of onshore sites within the next 5 years, we want to ensure we do not lose the ability to consider through separate actions, any potential exploration and development of offshore acreage in the future.

Thank you for the opportunity to provide this input. Please feel free to contact me as may be necessary.

Sincerely,



Jeff Currier
Borough Manager

P.O. Box 189
NAKNEK, ALASKA 99633

www.theborough.com



TELEPHONE
(907) 246-4224
FAX
(907) 246-6633

Bristol Bay Borough

BRISTOL BAY BOROUGH RESOLUTION 2002-02

A RESOLUTION SUPPORTING OIL & GAS EXPLORATION ON NATIVE CORPORATION LANDS NEAR BRISTOL BAY BOROUGH

WHEREAS, Bristol Bay Borough and Communities throughout Western Alaska face difficult economic conditions due in part to high costs of living, high costs of energy and depressed fish prices and;

WHEREAS, all refined petroleum products required to operate home heating furnaces, electrical generators, cannery retorts and fish harvesting vessels are imported into the region and stored, both at very high costs and;

WHEREAS, the oil & gas industry has in the past expressed interest in exploring for reserves on the Alaska Peninsula on or near lands currently owned by the Alaska Peninsula Corporation and Bristol Bay Native Corporation as well as other lands in the region and;

WHEREAS, the interest was significant enough for the private sector to invest considerable capital in seismic and actual drilling exploration and;

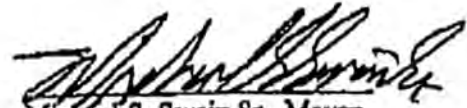
WHEREAS, Senator Stevens in recent conversations with Bristol Bay Borough officials and before the Alaska State Legislature indicated a willingness to petition Congress to add funding to the United State Geologic Survey in order to enable regional oil & gas assessments throughout rural Alaska and;

WHEREAS, potential development of oil & gas reserves on the Alaska Peninsula would likely yield direct benefits to the Bristol Bay Borough, borough residents and businesses and economic development efforts to revive our ailing economy and,

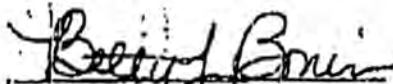
FEB 07 2002 5:40PM RE: LENSEN, J. SWAIN

NOW THEREFORE BE IT RESOLVED, that the Bristol Bay Borough Assembly strongly encourages the local & regional Bristol Bay ANCSA corporations to work closely with the Borough, private sector oil & gas firms and the Congressional delegation in the wise development of our natural oil & gas resources in an effort to optimize benefits to the overall Bristol Bay region and State of Alaska.

PASSED AND APPROVED, by a duly constituted quorum of the Bristol Bay Borough Assembly on this 4th day of February, 2002.


Michael S. Swain Sr., Mayor

ATTEST:


Betty J. Borne, Borough Clerk

JUL-02-03 WED 01:37 PM

FAX NO. 2698904

P. 08/27



Bristol Bay Native Corporation

Enriching Our Native Way of Life

830 Cordova Street, Suite 200 / Anchorage, Alaska 99501-6299 / (907) 278-3602 / fax (907) 276-3924

 4184
JP
TS
VIA FEDEX & FAX: (907) 465-3532

June 28, 2003

Honorable Frank Murkowski, Governor
P.O. Box 110001
Juneau, Alaska 99811

Fax Received
JUN 26 2003
Office of the Governor

Subject: **Support for Leasing Program in the Bristol Bay Region**

Dear Governor Murkowski:

Residents of the Bristol Bay region sorely need your help in order for them to help themselves. We need you to institute an oil and gas leasing program in Bristol Bay. We've compared and contrasted the pros and cons of exploration licensing and leasing, and we believe that, for several reasons, the State's best option is to put its uplands on the leasing schedule.

First, the "leasing notice" is announced to a wider audience than the exploration licensing notice is. Second, leasing, since it includes rental, bonus, and minimum work commitment terms, generally generates more revenue and more information for the State. Lastly, the land leased can be more than the 500,000-acre "cap" imposed by the exploration-licensing program, and this may be more desirable from the industry's standpoint.

BBNC has embarked on a mission to reinvigorate the environmentally responsible exploration for, and development of, oil and gas resources in Bristol Bay. We've also received the blessing, by resolution, of several Bay-area organizations that recognize the need for more jobs and cheaper energy. I've attached copies of the fourteen resolutions I've received so far, which include both regional and village-level organizations.

If you have any questions, please call me at 1-800-478-3602.

Sincerely,

Paul C. Roehl
V.P., Land & Resources

Co: Tom Irwin, DNR Commissioner
Randy Ruiderich, AOGCC Commissioner
Mark Myers, DOG Director
BBNC Board of Directors

Post-it® Fax Note	7671	Date	6/26/03	Page	2
To	Gov. Murkowski	From	Paul Roehl		
Co/Dapt	State of Alaska	Co.	BBNC		
Phone #		Phone #			
Fax #	(907) 465-3532	Fax #			

SEP-25-03 15:26 From: BRISTOL BAY NATIVE CORPORATION

9072763924

T-213 P.02/02 Job-240



King Salmon Tribe

People of the Uplands

P.O. BOX 65 KING SALMON, AK 99613
TEL: 907/246-3553 FAX: 907/246-3449
E-MAIL: ksnv@bristolbay.com

September 15, 2003

Bristol Bay Native Corporation
800 Cordova Street
Suite 200
Anchorage, AK 99501-6299

VIA FACSIMILE: 907/276-3924

Dear Mr. President:

As you know, Bristol Bay has been faced with economic failure year after year, due to the low return of salmon and the low prices paid to the fisherman. Because of the failure in our fishery, our people are faced with having to live in poverty. We can no longer pretend that our fisheries will be, as we knew it. Other than fishing, most of our people in our villages have very few economic opportunities. As a result, we have friends and family fighting amongst themselves for these limited jobs. Until there are economic changes in place, we will forever be faced with economic despair because there are no other means to provide for ourselves other than what we have today. We need economic diversity.

The village of King Salmon is in support of developing our oil and gas reserves both onshore and offshore and developing our mineral deposits here in Bristol Bay. We also support ground transportation from King Salmon to Anchorage so that we can reduce transportation costs to promote economic opportunities. This would also reduce the cost of living in our villages and region. Whether any of these development issues take place remains to be seen. However, we cannot continue to impoverish our people because of differences of opinions in regards to economic development.

It is unfair of people and organizations who criticize development in our region when in fact they offer no solutions to address our current short and long-term needs. In addition, many people who are opposed to economic development have good paying jobs, or work and live outside our region. Yet, many try to dictate what is best for us and our villages.

In closing, the village of King Salmon asks that we all put aside any differences that we may have of economic development in Bristol Bay. Our people deserve more than having to live in poverty and the consideration of going on welfare.

Sincerely,

Ralph Angasan, Sr.
President

APR-23-03 WED 07:30 AM

FAX NO. 2778904

P. 04

2832
JP

CITY OF ALEKNAGIK

P.O. Box 33, MAIN STREET
ALEKNAGIK, ALASKA 99553-0033
PHONE: 907-842-5953 OR 842-2528
FAX: 907-842-2107
EMAIL: cityalek@nushul.com

April 11, 2003

Governor Frank H. Murkowski
Office of the Governor
3rd Floor State Capital, Mail Stop 0001
P.O. Box 110001
Juneau, Alaska 99811-0001

RECEIVED

APR 16 2003

RE: Oil and Gas Development in Bristol Bay

GOVERNOR'S OFFICE

Dear Governor Murkowski:

The City Council of the City of Aleknagik passed Resolution 03-11 supporting OCS 92 lease sales for oil and gas development in Bristol Bay at their regularly meeting on April 8, 2003. The City of Aleknagik supports economic development, local jobs, lower energy costs, less dependence on foreign oil, and protection of the fisheries and environment.

Please support oil and gas development in Bristol Bay and help to move up the OCS sales from 2011 to the earliest possible date. Thank you for your time and favorable consideration.

Sincerely,



Chris Chuckwuk
Mayor

Enclosure: Resolution 03-11

cc: Senator Ted Stevens
Senator Laura Murkowski
Congressman Don Young
Alaska State Legislature
Paul Roehl, Bristol Bay Native Corporation

CITY OF ALEKNAGIK
RESOLUTION 03-11

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ALEKNAGIK
SUPPORTING OCS 92 LEASE SALES FOR OIL AND GAS DEVELOPMENT IN
BRISTOL BAY.

WHEREAS, Outer Continental Shelf (OCS) Sale 92, which occurred in October 1988, garnered nearly \$96 million in oil and gas bids for 122,000 acres contained in 23 leases; and

WHEREAS, the lease sale happened at a time when the price for sockeye salmon was high (up to \$2.60/lb.) and the price for oil was relatively low (\$17.30/bbl.); and

WHEREAS, the high commercial value of salmon in the late 1980's, coupled with the threat posed by the oil industry to salmon and wildlife habitat (particularly after the March 1989 Exxon Valdez oil spill), resulted in widespread opposition to the OCS 92 lease sales, and eventually led to the cancellation of those lease sales and the return of the bid proceeds to the respective oil companies; and

WHEREAS, lease sale area OCS 92 is not scheduled to be revisited by the U.S. Minerals Management Service until 2011; and

WHEREAS, the environmentally responsible exploration for, and development of, Bristol Bay oil and gas resources could create needed high-paying, rewarding jobs for the people of the region, especially given the recent, disastrous Bristol Bay commercial salmon seasons; and

WHEREAS development of these oil and gas resources could also result in substantially reduced heating and energy costs for residents in the Bristol Bay region, and could enhance the competitiveness of the Bristol Bay commercial salmon and other industries, such as mining; and

WHEREAS, given the rising tensions in the Middle East, it is becoming increasingly clear that America's dependence on foreign oil imports is highly undesirable, both from a strategic and domestic standpoint.

NOW THEREFORE BE IT RESOLVED that the City Council of the City of Aleknagik that the City of Aleknagik strongly supports oil and gas exploration and development in the Bristol Bay region provided maximum protection be given to the fishery resources and that exploration and development be done in an environmental manner; and

BE IT FURTHER RESOLVED that the City of Aleknagik supports immediate exploration and development of the OCS 92 area and request the assistance of Senator Stevens, Senator Murkowski, Congressman Young, Governor Murkowski, and the

APR-23-03 WED 07:31 AM

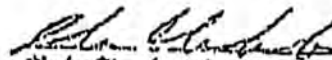
FAX NO. 907 2698904

P. 06

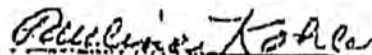
Alaska State Legislature to assist in moving the OCS sales schedule up from 2011 to 2004 or as earliest as possible.

PASSED AND APPROVED this 7 day of April, 2003 at
Aleknagik, Alaska.

SIGNED:


Chris Chuckwuk, Mayor

ATTEST:


Pauline Kohler, City Clerk