

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2999 SCOMM 133: HOUSE SPECIAL COMMITTEE ON OIL & GAS 2003-04



vulnerable to volatile energy prices because we lack a strong national energy policy.

We import three of every five barrels of oil we consume. We rely excessively on faraway nations blessed with subterranean hydrocarbon fortunes expressed in *beaucoup* billions of barrels of petroleum reserves.

A strong U.S. energy policy wouldn't make Big Oil or leading environmental groups 100 percent happy. Nor would it please many Americans who are determined to keep driving the biggest gas hogs available.

A strong energy policy would include reasonable opportunities for expanded domestic oil and gas drilling, perhaps even in a limited portion of Alaska's Arctic National Wildlife Refuge.

It would encourage strengthening of our national energy grid. That might mean building a pipeline to transport natural gas from Alaska or expanding electric transmission systems in fast-growing regions.

A strong national energy policy would enthusiastically encourage accelerated development of alternative energy technologies.

One of the most promising is hydrogen fuel-cell technology that within a few decades could replace the internal combustion engine in cars and trucks.

Fuel cells, developed for the U.S. space program and already coming into broader use, could power everything from laptop computers to remote rural homes isolated from electric grids.

President Bush recently proposed federal spending of \$1.2 billion to help develop the "hydrogen car," which would dramatically curb polluting emissions from vehicles. His initiative is a move in the right direction, but perhaps not enough.

Although Bush is bullish on expanding oil and gas drilling, he hasn't done nearly enough to encourage energy conservation. He should, for example, support a significant, gradual increase in federal fuel economy standards for cars and light trucks.

Wind, solar and other alternative technologies should get more attention. But environmental groups sometimes are unrealistic in focusing excessively on alternative technologies and conservation as solutions.

Stocks

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Oil, natural gas, coal and nuclear power probably will be vital components of the world's energy supply for many decades to come. Fuel-cell cars probably are 20 to 30 years away from being economically realistic for the average American.

A strong national energy policy should encourage expanded mass transit. That should be complemented by urban planning policies that encourage mixed-use development and other measures enabling people to live closer to their jobs, thereby reducing freeway gridlock and air pollution.

Continued strides also should be made in adopting more energy-efficient building codes and standards for appliances.

Energy prices could drop sharply in the near future, with warmer weather and increased stability in the Middle East.

But for now, 2003 is looking too much like 1981 for anyone to feel comfortable.

Jack Z. Smith is a Star-Telegram editorial writer. (817) 390-7724 jzsmith@star-telegram.com



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Fax (907) 373-4729



Session:

State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-2186
Fax (907) 465-3818

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SPONSOR STATEMENT

HJR 17

"LEASES IN NATIONAL PETROLEUM RESERVE"

In 1923, by Executive Order, President Harding set aside public land within the present boundaries of the National Petroleum Reserve for the purpose of oil and gas production. The area north of the Brooks Range in the 23 million-acre area was originally known as the Naval Petroleum Reserve. When this Reserve was set aside, the oil was designated for use in case of a national energy emergency. This area, now known as National Petroleum Reserve-Alaska (NPRa) is the largest block of federally owned land in Alaska.

In 1976, Congress transferred management of the area to the Department of the Interior, with a provision that oil development in the area was prohibited except by act of Congress. However, in 1980, the Reserve was opened and a further provision stated that 50% of the royalties from any oil extracted from the reserve would go only to the State of Alaska (despite the fact that the Reserve is federal land).

House Joint Resolution 17 urges the Secretary of Interior to continue competitive lease sales in this area. Recent discoveries in May 2001, were the first Petroleum Reserve discoveries made on acreage purchased during the May 1999 BLM competitive lease sale—the first lease sale in this area since 1984. These discoveries confirm the potential strategic importance of this area, which is to bring us closer to energy self-sufficiency by reducing our dependence on foreign oil.

With oil production on the North Slope in decline, opening NPRa to oil and gas exploration and development could mean between \$500 million-\$2.2 billion for U.S. bank account with half of that going to the State of Alaska. It is also estimated that 40% of all coal remaining in the U.S. is in Alaska. Over 50% of that may lie in the Reserve. Significant gas reserves are also projected for this area.

HJR 17 recognizes the advances made in technology in Arctic exploration and production in the past 30 years and urges further development continue in a way that limits the effect on the environment and that develops Alaska's resources in a responsible manner.

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1. Authority

Congress authorized "an expeditious program of competitive leasing of oil and gas" in the NPR-A in 1980 (P.L. 96-514, Dec. 12, 1980). Leases the agency sold in 1982 and 1983 have now expired. Federal land in the Northwest NPR-A is currently unavailable for leasing because existing National Environmental Policy Act (NEPA) documentation is dated and no longer adequate; however, none of the public land in the Northwest NPR-A Planning Area is closed, i.e., withdrawn from oil and gas leasing. If BLM decides to undertake renewed leasing in the Planning Area, the final IAP/EIS will be the basic NEPA analysis for that authorization. The Record of Decision (ROD) will identify those areas that will be made available and unavailable for leasing.

The BLM is undertaking this IAP/EIS to fulfill the mandates of the President's energy policy and BLM's responsibilities to manage these lands under authority of two laws passed in 1976 - the Naval Petroleum Reserves Production Act (NPRPA) and the Federal Land Policy and Management Act (FLPMA). The President's energy policy directs the Secretary of the Interior (the Secretary) to "consider additional environmentally responsible oil and gas development, based on sound science and the best available technology, through further lease sales in the National Petroleum Reserve-Alaska."

The Northwest NPR-A IAP/EIS addresses BLM responsibilities under the NPRPA and FLPMA through a NEPA required process. The document provides the public and government officials an opportunity to take a comprehensive look at future management of the area, including the potential for oil and gas leasing and possible Wilderness and Wild and Scenic Rivers Act designations. The BLM expects the plan to have a life of 10 to 15 years, though it may prove suitable for either a shorter or longer period.

The authority for the management options in the IAP/EIS comes from several statutes, including NEPA, the Alaska National Interest Lands Conservation Act (ANILCA), the Wilderness Act, the Wild and Scenic Rivers Act, and particularly FLPMA and the NPRPA. Under FLPMA, the Secretary has broad authority to regulate the use, occupancy, and development of the public lands and to take whatever action is required to prevent unnecessary or undue degradation of the public lands (43 U.S.C. § 1732).

Under the NPRPA, the Secretary has the authority to conduct oil and gas leasing and development in the NPR-A (42 U.S.C. § 6508). The NPRPA also provides that the Secretary "shall assume all responsibilities" for "any activities related to the protection of environmental, fish and wildlife, and historical or scenic values" (42 U.S.C. § 6503(b)). In addition, the NPRPA authorizes the Secretary to "promulgate such rules and regulations as he deems necessary and appropriate for the protection of such values within the reserve" (42 U.S.C. § 6503(b)). The NPRPA, as amended, contains special provisions that apply to any exploration or development activities within areas "designated by the Secretary of the Interior containing any significant subsistence, recreational, fish and wildlife, or historical or scenic value" (42 U.S.C. §§ 6504(b), 6508). Portions of the Teshekpuk Lake and the Colville River Special Areas are within the Northwest NPR-A Planning Area. These provisions require that any oil and gas exploration or development within a special area "shall be conducted in a manner which will assure the maximum protection of such surface resources to the extent consistent with the requirements of [the] Act for the exploration of the reserve" (42 U.S.C. §§ 6504(b), 6508). Oil and gas activities must include or provide for "conditions, restrictions, and prohibitions as the Secretary deems necessary or appropriate to mitigate reasonably foreseeable and significantly adverse effects on the surface resources of the NPR-A" (42 U.S.C. § 6508(1)). In conducting this IAP/EIS, BLM is fulfilling these statutory mandates.

This IAP/EIS is consistent with the major goal of the NPRPA, namely helping meet the total energy needs of the Nation, by assessing opportunities for oil and gas production on Federal lands in the Northwest NPR-A Planning Area while protecting other resource values. Because it takes years to find, delineate, and develop a producing oil or gas field in the remote arctic environment, oil and gas leasing is not conducted to meet today's need but to meet future needs.

The U.S. currently imports more than half of its petroleum supply, and the Federal Government projects that the proportion of the Nation's oil coming from overseas will continue to climb, approaching two-thirds by 2020. Oil production in the U.S. overall and on Alaska's North Slope declined through 2001 (Department of Energy, Energy Information Administration, *Annual Energy Outlook 2002*, December 2001, p. 89; "Crude Oil Supply and Disposition, 1973-Present," www.eia.doe.gov/pub/oil_gas/petroleum/data_publications/petroleum_supply_monthly/current/txt/table accessed Sept. 16, 2002; Alyeska Pipeline Service Company, "Pipeline Facts, Throughput" www.alyeska-pipeline.com/PipelineFacts/Throughput.html.) According to the DOE, importation of foreign oil significantly increases this country's trade deficit. Domestic oil production, especially on Federal lands, contributes directly to the health of the Nation's economy and to Federal revenues. The oil industry provides jobs, many of them high-skill and high-pay jobs. Lease sales, rentals, bonuses, and royalties from Federal oil and gas leases contribute to the Federal treasury, as do taxes paid by oil companies and their workers. Oil produced from the NPR-A would be transported using excess capacity of the existing Trans-Alaska Pipeline System (TAPS), which would be available in the timeframe projected for development of new NPR-A fields.

In addition to management actions in this IAP/EIS that contribute to ensuring a healthy and productive ecosystem, the BLM is engaged in some inventory and monitoring to meet that goal. (Appendix A describes ongoing and anticipated inventory and monitoring efforts.) For example, BLM has worked with Ducks Unlimited since 1994 to define the vegetative land cover of the NPR-A and the agency is now linking this habitat information with wildlife data compiled by the U.S. Fish and Wildlife Service, and Alaska's Department of Fish and Game. The BLM has also worked with the U.S. Geological Survey (USGS) since 2001 on two projects. One is providing digital infrared imagery of the northeastern part of the Northwest NPR-A Planning Area to inventory vegetation health; the other is providing elevation measurements at 5-m increments to a precision of no more than 2 m. The BLM is also conveying lands within the Planning Area to Native Alaskans on the North Slope through conveyance of Native Allotments to individuals and conveyance of lands to corporations as authorized under the Alaska Native Claims Settlement Act (ANCSA). The latter include conveyances to Atkasuk Corporation, Olgoonik Corporation, and Ukpeagvik Inupiat Corporation (the ANCSA village corporations for Atkasuk, Wainwright, and Barrow) and to the Arctic Slope Regional Corporation (ASRC) (the ANCSA corporation for North Slope Native Alaskans). These inventories and conveyances will continue under all alternatives considered in this IAP/EIS.

The Northwest IAP/EIS also fulfills BLM's mandate under Section 1320 of ANILCA, 43 U.S.C. §1784, authorizing the Secretary to "identify areas in Alaska which he determines are suitable as wilderness." This same provision of ANILCA, however, states that public lands in Alaska, including NPR-A, are not subject to Section 603 of FLPMA, 43 U.S.C. §1782 that requires the completion of Wilderness review and describes the procedures for management of any lands recommended for Wilderness designation to Congress, pending Congressional action. Consequently, this plan identifies specific areas for consideration as Wilderness under the discretionary authority of ANILCA Section 1320. Under Alternative C, BLM would manage lands it identifies for possible recommendation by the Secretary for Wilderness designation as Wilderness Study Areas (WSA's), pending Congressional action on the Wilderness recommendation.

Section 1320 of ANILCA exempted the NPR-A from Section 202 of FLPMA, 43 U.S.C. §1712 that

requires the preparation of land use plans (called Resource Management Plans, or RMP's in regulations adopted by BLM). Because of this exemption, the current IAP/EIS is not an RMP (as most BLM planning efforts are called). The statute (FLPMA § 202) and regulations governing the preparation of RMP's (43 C.F.R. Subpart 1610) do not apply to this planning effort.

This plan does not address legislative proposals that would authorize hardrock mining or wildlife refuge designations or identification of lands for exchange to Native corporations. For further discussion of these and other management actions not addressed in this IAP/EIS, see [Section II.G](#).

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Executive Summary

The Bureau of Land Management (BLM) initiated the Northwest National Petroleum Reserve-Alaska (NPR-A) Integrated Activity Plan/Environmental Impact Statement (IAP/EIS) to determine the appropriate multiple-use management of 8.8 million acres of the Northwest NPR-A Planning Area (Maps 01 and 02), consistent with existing statutory direction for its management. To carry out its management responsibilities, BLM is addressing three major questions: (1) What lands should BLM offer for oil and gas leasing? (2) What measures should be developed to protect important surface resources from oil and gas activities? (3) Consistent with the existing statutory direction for the area, what non-oil and gas land allocations should be considered for this portion of the NPR-A?

In addressing these questions, BLM has focused on the relationships of the current and potential uses of the Planning Area and the impact of those uses on the natural and human resources of the area. In this analysis, specific resources, uses, and portions of the Planning Area have stood out as especially significant.

The potential use of the area for oil development is a major focus of the IAP/EIS. In examining this potential, BLM fulfills a mandate of the President's energy policy directing the Secretary of the Interior to "consider additional environmentally responsible oil and gas development, based on sound science and the best available technology, through further lease sales in the National Petroleum Reserve-Alaska." Congress, in a 1981 amendment to the National Petroleum Reserves Production Act (NPRPA), 42 U.S.C. § 6508, also has directed that BLM undertake oil and gas leasing in NPR-A. North Slope oil production, centered at the massive Prudhoe Bay field, is key to the Nation's domestic oil supply. The North Slope contributes about 16 percent of America's current domestic production. The oil industry has discovered and developed other fields both to the east and west of Prudhoe. However, production is in decline from these older fields, and there are indications that the Planning Area contains oil and natural resources that could help to stem the decline.

Subsistence activities, particularly hunting and fishing, in the Planning Area are exceedingly important to local residents, including the Inupiat, the Native people of Alaska's North Slope. Subsistence hunting and fishing are central to the Inupiat's ages-old cultural system. Moreover, subsistence activities provide critical sustenance for people who live off Alaska's road network at an extreme distance from the Nation's food-distribution system.

Several portions of the Planning Area have particularly important surface values. A small portion in the extreme northeast part of the Planning Area falls into the Teshekpuk Lake Special Area designed to protect waterbird habitat; while the northern banks of the Colville River in the southernmost part of the Planning Area are in the Colville River Special Area, designated to protect raptors (Map 34). The Kasegaluk Lagoon at the far northwestern corner of the Planning Area offers primitive recreation experience, including kayak and small boat paddling along the coast (Map 12). It also is rich in wildlife, including migratory birds and marine mammals, and features marine tidal flats that are rare on the North Slope. The hills and mountains in the southern part of the Planning Area have special values (Map 12). They are particularly remote, being far from any of the region's communities, and relatively rarely visited even by subsistence hunters. They also feature good hiking and scenic vistas in high terrain.

The IAP/EIS analyzes a No Action Alternative and three alternative future management plans for making part or all of the Planning Area available for oil and gas leasing in a manner consistent with

responsible protection of other important surface resources. These alternatives present a range of actions that BLM could take to manage the surface and subsurface resources of the Planning Area consistent with statutory direction for management of the NPR-A.

Each alternative includes management actions and mitigation measures that broadly apply to the Northwest NPR-A Planning Area. For example, there are stipulations and required operating procedures addressing waste prevention, handling and disposal; spill prevention and response; potential impacts of oil and gas exploration and development; protection of subsistence activities; and protection of vegetation, raptors, and cultural and paleontological resources. This IAP/EIS also includes land allocation decisions, stipulations, and required operating procedures specific to portions of the Planning Area. These address in part, some of the issues raised by the public during scoping as well as decisions BLM is directed to address in land management plans.

The alternatives presented in the IAP/EIS are consistent with the purposes of the NPR-A's governing statutes. Each alternative offers a different balance between serving the "total energy needs of the nation," a goal of the NPRPA, and protecting surface resources from "unnecessary and undue degradation," as required by the Federal Land Policy and Management Act. See Table II-01 for a comparison of these alternatives. The alternatives are:

Alternative A  : Alternative A would make all BLM-administered lands in the Planning Area available to oil and gas leasing. Under this alternative, no Special Areas, WSA's, or WSR's would be proposed. The entire Planning Area would be open to OHV use. Protective measures include applying stipulations and required operating procedures, and identifying VRM areas. Additional protection may be introduced following future additional NEPA analysis on specific activities.

Alternative B  : Alternative B would make 96 percent of the BLM-administered lands in the Planning Area (100 percent of the area of high oil and gas potential) available for oil and gas leasing. The proposed Kasegaluk Lagoon Special Area would not be available for leasing and no permanent oil and gas facilities would be allowed either in the Special Areas or, excepting two right-of-way sites to be designated at Peard Bay and near Wainwright, in and along the shores of the coastal bays and lagoons (including islands in those bays and lagoons). Stipulations and required operating procedures would place further restrictions on the placement of permanent oil and gas facilities around lakes, rivers, and important habitat. Offshore exploratory drilling would only be allowed in winter in the coastal bays and lagoons from bottom-fast ice pads, natural islands, and human-made gravel islands. Protective measures include applying the relevant stipulations and required operating procedures, recommending the Kasegaluk Lagoon area be designated a Special Area, limiting OHV and airboat use, and identifying VRM areas. Additional protection may be introduced following future additional NEPA analysis on specific activities.

Alternative C  : Alternative C would make 47 percent of the BLM-administered lands in the Planning Area available for oil and gas leasing while emphasizing protection of specific surface resources through barring lease sales, excluding permanent oil and gas facilities, or both in potentially sensitive areas. The areas withheld from leasing include all those identified as being of concern for estuarine, deep-water lakes, and river and riparian habitat; caribou movement and migration areas; raptors, loons, brant, and eiders; cultural and paleontological resources; subsistence cabins and camps; three proposed WSA's; and one proposed wild river and 21 proposed scenic river corridors. In addition, under this alternative Federal subsurface oil and gas below surface lands owned or selected by the Alaska Native Claims Settlement Act village corporations for Atkasuk, Barrow, and Wainwright would not be available for leasing.

Under Alternative C, less than 2 percent of the area considered as being high in oil and gas resource potential would be made available for leasing. Except for two right-of-way sites to be designated on previously disturbed ground at Peard Bay and near Wainwright, permanent oil and gas facilities would be prohibited in and along the shore of major bays and lagoons (including islands in those bays and lagoons). Other protective measures include applying relevant stipulations and required operating procedures, limiting OHV and airboat use, and identifying VRM areas. If Congress adopts recommendations in this alternative to create three Wilderness areas, then all oil- and gas-related structures, as well as ice roads, ice pads, and seismic studies would be prohibited in those areas. Prior to such Congressional designation, however, ice roads, ice pads, and seismic studies could be allowed in the proposed WSA's, if they can be shown to not impact permanent wilderness values. Additional protection may be introduced following future site-specific NEPA analysis.

No Action Alternative (Map 14):  The No Action Alternative reflects current BLM management of the Planning Area and BLM's decision that the 1983 EIS for leasing in NPR-A is inadequate for renewed leasing program in the Northwest NPR-A. Under this alternative, no new oil and gas leasing would occur; no new designations such as Special Areas, Wilderness Study Areas (WSA's), or Wild and Scenic Rivers (WSR's) would be proposed; no Visual Resource Management (VRM) classifications or off-highway vehicle (OHV) designations would be made; and no right-of-ways would be designated. Existing Special Area designations for the Colville River and Teshekpuk Lake areas and stipulations BLM applies when permitting activities would continue to provide protection of surface resources. Stipulations listed in the 1983 oil and gas leasing EIS for the NPR-A apply under this No Action Alternative. However, because oil and gas leasing does not occur under this alternative, the stipulations from that EIS have no practical effect. Under this alternative, two options exist with regard to seismic activity. Winter seismic activity could occur throughout the Planning Area (the existing management situation), or seismic activity could be prohibited.

No Preferred Alternative is identified in the Draft IAP/EIS. The Preferred Alternative may be one of the four alternatives described above or it may combine elements of two or more of the alternatives above. The public is encouraged to comment on elements of each alternative that they would like to see incorporated in the Preferred Alternative. The BLM wants the public's input on all the options offered in the draft document before it selects a specific plan. Comments received during the public comment period will be considered in development of the Preferred Alternative.

The analyses of the potential impacts of the alternatives (Sections IV.B. through IV.E. of the Draft IAP/EIS) are based on the scenarios presented in Section IV.A. of the Draft EIS. The analyses assume that the stipulations and required operating procedures are adopted under each alternative. The analyses also assume compliance with existing laws and regulations. The impacts of the first sale and multiple sales under each alternative are summarized below.

Summary of Impacts: Impacts are of several general types. Except for overland moves, non-oil and gas activities generally occur during the summer. They commonly are of short duration (e.g., aircraft flight or landing) and very localized (e.g., a research or recreational camp). These are unlikely to have more than a short-term and localized impact.

Seismic activities, overland moves, and exploratory drilling, all occur during the winter when the ground is frozen and snow-covered and many species have migrated out of the area. These activities can briefly impact the species that remain through the winter. Their impacts can linger into the following summer and longer in the form of vegetation that appears greener than surrounding areas and shallow water tracks and ponding.

The greatest impacts are associated with oil and gas development. Placement of gravel drilling pads, roads, airstrips, staging areas, and docks and the activities that take place on them, as well as construction of oil and gas pipelines will permanently disturb or destroy soil and vegetation; impound and disturb water; disturb, displace, or kill fish and wildlife; risk disturbing or destroying paleontological and cultural (archaeological and historic) resources; and potentially adversely affect subsistence (by affecting species or impeding user access) and recreation. The impacts from developing and using these facilities vary among resources. Because the land likely to be disturbed is a very small percentage of the 8.8 million surface acres BLM manages in the Planning Area, impacts to soil, vegetation, water, and paleontological and cultural resources will almost certainly be very minor. Impacts to fish and wildlife and subsistence and recreation extend beyond the immediate vicinity of the disturbed ground and, depending on location and protective measures, can be out of proportion with a development's small footprint. If a development leads to a crude oil or refined fuel spill, particularly one that extends beyond a pad, impacts could be more severe.

Alternative A will have the greatest impact primarily because it would likely lead to the most seismic surveys, exploratory drilling, and development. Impacts in most instances would be minor. The footprint would be unlikely to destroy more than 1,500 acres of soil or vegetation. Individual fish, mammals, and birds would probably die or be displaced, but it is unlikely that populations would be measurably impacted. And impacts to subsistence and recreation generally are classified as no more than minor. Three potential occurrences could increase the level of impact to some resources under Alternative A. One is oil field development in the caribou insect-relief area. Development in this area could interfere with caribou movements and have adverse reproductive consequences. This in turn could adversely impact subsistence hunters and those dependent on them. Secondly, an oil spill could also increase impacts above minor if it occurred in or entered a river delta or nearshore area occupied by waterbirds. If development activities were to have effects on a rare or vulnerable species, moderate or severe impacts could result. Certain vulnerable bird species — those with declining or with small or sensitive populations, including the threatened spectacled eider — could be moderately impacted if development occurred where the species was concentrated. Rare plants could be impacted severely if development overlapped the area in which such plants exist.

Alternative B would have slightly less impact than Alternative A. Alternative C would have a significantly reduced impact primarily because development is considered unlikely under this alternative. If development did occur, however, impacts for some species would still be significantly reduced from that anticipated under Alternatives A and B. Areas that would not be available for oil and gas leasing include important bird habitat and much of the caribou insect-relief area. Impacts from the No Action Alternative would generally be negligible or very small, temporary, and localized.

The cumulative analysis (Section IV.F. of the Draft IAP/EIS) discusses the effects that past, present, and reasonably foreseeable future actions might have on important resources in the Planning area and the surrounding area. In addition to the potential effects of actions in the Northwest NPR-A Planning Area, the cumulative analysis includes the potential effects of activities elsewhere that may affect the important resources of the Northwest NPR-A and surrounding areas. The conclusions of the cumulative analyses are summarized below.

Cumulative impacts to soils, paleontological resources, water resources, water quality, air quality, freshwater and marine fish, wild and scenic river values, and visual resources are expected to be minimal, short-term, and or localized. Long causeways with inadequate breeches could have measurable, long-term impacts on hydrologic conditions; no such causeways are projected for any of the alternatives. Global climate change could alter the composition vegetation species, increasing deciduous shrubs and decreasing sedges and grasses. Activities in the Northwest NPR-A are not expected to contribute significantly to greenhouse gas emissions. Opportunities for primitive recreation will

continue to be reduced by oil and gas activities on the North Slope. Oil and gas activities will continue to impact visual resources of the North Slope with long-term impacts related to the long-term presence of production pads, support facilities, roads, and pipelines. Over the next 20 to 30 years, the onshore and offshore oil industry in and near Prudhoe Bay is expected to decline with a parallel decline in the economic indicators within the North Slope region.

Cumulative effects of North Slope oil-industry activities (primarily mortality in the unlikely event a large oil spill) could be substantial to loon species and king eider, and significant to long-tailed duck, king eiders, and common eiders. Normal oil and gas activities are expected cause the loss of small numbers of eiders, particularly spectacled eiders, through disturbance effects on survival and productivity, and collisions with structures. Any substantial loss of eiders could be an obstacle to full population recovery.

North Slope oil and gas development could result in a long-term displacement and/or functional loss of habitat for Central Arctic Herd (CAH), Teshekpuk Lake Herd (TLH), and Western Arctic Herd (WAH) caribou. Oil development in the Prudhoe Bay-Kuparuk area has caused a shift in CAH calving distribution away calving range near the oil fields. Calving by TLH caribou may be reduced near the pipeline corridors — a potential long-term (several-generation) effect on the distribution of the TLH caribou. The No Action Alternative and Alternative C would not allow development in the TLH insect-relief habitat. The alteration of tundra habitat in the Prudhoe Bay area has not had any apparent effect on the distribution and abundance of other terrestrial mammals, with the possible exception of arctic foxes, which have apparently increased in numbers near the oil fields.

Access to subsistence-hunting areas and subsistence resources, and the use of subsistence resources could change if oil development reduces the availability of subsistence resources or alters their distribution patterns. The communities of Point Lay, Wainwright, Barrow, Atkasuk, and Nuiqsut would be most affected. Caribou could become unavailable, undesirable for use, or experience long-term population and productivity effects for a period longer than 5 years, it could chronically disrupt sociocultural systems in the community that are reliant on caribou for subsistence, which would be a significant adverse effect. Effects would be expected to disrupt community activities and traditional practices for harvesting, sharing, and processing subsistence resources, but not displace sociocultural institutions, social organization, or sociocultural systems. Disproportionate, high adverse effects to the subsistence communities of the North Slope are expected as a result of cumulative impacts from oil and gas activities.

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A. PURPOSE AND NEED

The Bureau of Land Management (BLM) initiated the Northwest National Petroleum Reserve-Alaska (NPR-A, also referred to as the Reserve) Integrated Activity Plan/Environmental Impact Statement (IAP/EIS) to determine the appropriate multiple-use management of this 8.8-million-acre area consistent with existing statutory direction for its management (Map 01 , Map 02 ). Specifically, the Naval Petroleum Reserves Production Act of 1976 (NPRPA), as amended, encourages oil and gas leasing in NPR-A while requiring protection of important surface resources and uses. To carry out its management responsibilities, BLM is addressing three major questions in this IAP/EIS.

1. What lands should BLM offer for oil and gas leasing?
2. What measures should be developed to protect important surface resources from the impacts of oil and gas activities?
3. Consistent with the existing statutory direction for the area, what non-oil and gas land allocations should be considered for this portion of the NPR-A?

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National Petroleum Reserve, Alaska

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The National Petroleum Reserve, Alaska (NPRA) - Legacy Data Archive

In 1923, President Harding established the Naval Petroleum Reserve Number 4. This area, approximately 37,000 square miles at the northern-most portion of Alaska, has been explored and mapped by the USGS since 1901. The U.S. Navy undertook the first modern oil-exploration program between 1944 - 1958, establishing the feasibility of using modern petroleum exploration and production methods under arctic conditions.



For further
information please
contact:
Nick Zihlman

U.S. Geological Survey
Box 25046, MS 939,
Denver Federal
Center, Denver, CO
80225
(303) 236-5741
zihlman@usgs.gov

With the discovery of the largest oil field in North America, Prudhoe Bay in 1968, and the Arab oil embargo in 1974, the U.S. Navy established the next exploration program in the reserve. In 1975 the U.S. Navy signed a 5-year contract with the Husky Oil NPR Operations, Inc., to manage and supervise all aspects of the exploration program. In 1976, the petroleum reserve was renamed the National Petroleum Reserve, Alaska, (NPRA) with the USGS given the lead responsibility for further research and exploration.

The NPRA exploration program continued under USGS leadership until ended in 1982. Over one billion dollars has been invested in the acquisition and processing of geological and geophysical data from the NPRA. The data collection presented here, resulting from those exploration efforts, has over 12,000 line miles of seismic data, collected between 1972 and 1981, digital and analog data from 43 wells, and associated reports and documentation.

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FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HJR 17
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title Leases in Natl Petroleum Reserve BRU Resource Development
Component Oil and Gas Development
Sponsor Kohring
Requester House Oil and Gas Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

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 (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

NPRA leasing and development will have a positive fiscal impact for the State. Alaska will receive 50 percent of royalties, bonuses, and rentals from oil and gas leasing and production in NPRA.

Prepared by: Mark D. Myers Phone 269-8800
Division Oil and Gas Date/Time 3/26/2003
Approved by: Tom Irwin, Commissioner Date 3/26/2003
Agency Natural Resources

SCOMM

133:20

SB264

FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

January 12, 2004

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 107
Juneau, Alaska 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill allowing the Department of Natural Resources (DNR) to continue to enter into reimbursement agreements with applicants for DNR's preliminary work on oil and gas pipeline right-of-way lease applications. DNR's preliminary work streamlines the application process. An effective permitting process is critical to revitalizing the oil and gas industry and growing Alaska's economy. DNR's current authority to enter into reimbursement agreements "sunset" on December 31, 2003. The bill contains a retroactive provision to ensure there is no "window" period when reimbursement agreements could not be entered into by DNR.

AS 38.35 requires pipeline right-of-way lease applicants to submit detailed applications that include significant engineering and design work. Substantial investments of time and money are needed even before an application is officially submitted to DNR. Costs of pre-application work by state agencies like DNR can range from about \$40,000 for a simple pipeline to several millions of dollars for a project like the proposed Alaska natural gas pipeline. Incomplete applications or applications that must be revised later are costly, create delays that could cost a producer the construction season, and may directly impact a decision on the feasibility of a project.

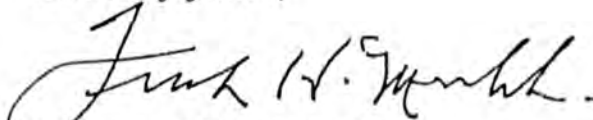
DNR's assistance and guidance results in a good working relationship with the applicant. It also results in early communication and explanation of state law requirements to applicants, complete initial applications, quicker

The Honorable Gene Therriault
January 12, 2004
Page 2

processing by DNR, fewer revisions, and a greater chance of approval of the project by DNR.

I urge your prompt and favorable action on this matter.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Frank H. Murkowski". The signature is fluid and cursive, with a long horizontal stroke at the end.

Frank H. Murkowski
Governor

Enclosure

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 264
(S) Publish Date: 1/14/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title: Repeal Sunset: Pipeline RDU: Resource Development
Rights-of-Way Component: Pipeline Coordinator
Sponsor: Rules
Requester: Governor Component No. 1191

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 ()						
-------------------------------	--	--	--	--	--	--

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
Check 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)

This bill repeals the sunset provision in AS 38.05.145(c). Repealing the sunset provision allows DNR to continue to enter into reimbursable agreements with pipeline right-of-way lease applicants for costs incurred by DNR when assisting them in the preparation of their lease applications. The fiscal impact of passing this legislation is \$0.0. The impact of not passing the legislation is significant. For FY 04 DNR budgeted about \$336.0 for these services. If we are no longer able to enter into reimbursable services agreements with these prospective clients we will not be able to participate in the pre-application review. Applicants are required to submit detailed applications that include significant engineering and design work. It is critical that DNR participate at the pre-application phase before applicants have invested substantial time and money in a project that may not be feasible.

Prepared by: Janet Burleson Baxter Phone 465-4730
Division: Commissioner's Office Date/Time 12/31/03
Approved by: Thomas Irwin, Commissioner Date 12/31/03
Agency: Natural Resources

SB 264, REPEAL PIPELINE PREAPPLICATION DEADLINE

Department of Natural Resources

February 26, 2004

SUMMARY OF INTENT:

- The purpose of the Department of Natural Resources (DNR) proposed bill is to repeal the sunset date in AS 38.35.145(c). This statute allows DNR to enter into agreements with prospective lessees to recover the costs for preliminary work (preapplication work) on a pipeline right-of-way (R/W) lease application. This provision ended on December 31, 2003.
- This provision has been used most recently for pre-application work on the Pt. Thompson project, before that project was delayed; and the Kenai-Kachemak extension.
- Applicants initiate the request for the services and are under no obligation to do so. However, without this legislation DNR is not able to work with applicants until we receive an application.

BACKGROUND:

Pipeline R/W lease applicants must submit detailed applications that require significant engineering and design work. (AS 38.35.050 and .100) Applicants invest significant financial resources to a project just to complete the application. Revisions to the application are costly and may be the pivotal point for an applicant's decision on the feasibility of a project. Applicants have found that it is critical that agencies be involved in the preapplication phase so that industry is aware of permitting issues at an early stage and they can build the issues into their application. Agency participation during the pre-application phase expedites the review and approval of the project.

DNR NEEDS THIS BILL IN ORDER TO ENTER INTO REIMBURSEMENT AGREEMENTS.

- AS 37.10.050 prohibits a State agency from charging a fee unless the fee is set or otherwise authorized by statute. Generally DNR is authorized to charge fees and enter into agreements under AS 37.10.050-.058.
- AS 37.10.058(5) specifically excludes pipeline R/W leases under AS 38.35.
- Fees and charges for pipeline R/W authorizations issued under AS 38.35 are addressed in AS 38.35.140 and .145.
- AS 38.35.140 specifically addresses fees for processing a pipeline R/W application filed under AS 38.35.050, including reasonable costs associated with the monitoring, construction, operation, maintenance and termination of the R/W.
- AS 38.35.145 specifically addresses preapplication costs. AS 38.35.145(c) includes a sunset date of 12/31/03. Absent this bill, DNR is prohibited from entering into agreements for reimbursement for preapplication costs associated with pipeline R/W applications under AS 38.35 after December 31, 2003.

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 ()						
-------------------------------	--	--	--	--	--	--

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
907-465-3500
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

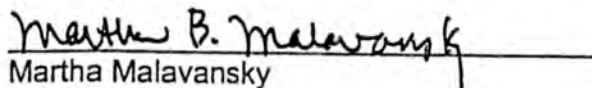
- This MOU may be terminated within thirty(30) days written notice by either Party.
- This MOU can be modified upon written consent of the Parties.
- Others may become party to this MOU upon written consent of the Parties.

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

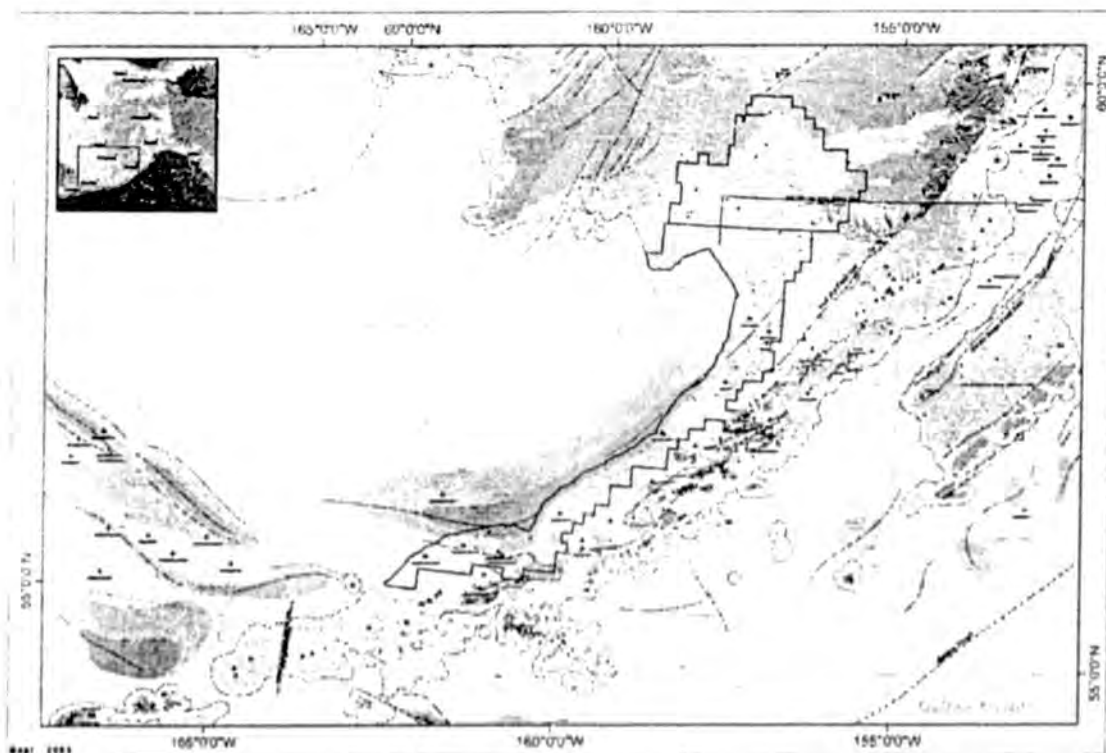

Tom Hawkins
SRVP & COO, BBNC

7.10.03
Date

Alaska Peninsula and Bristol Bay Region

Oil and Gas Programs

Exploration Licensing



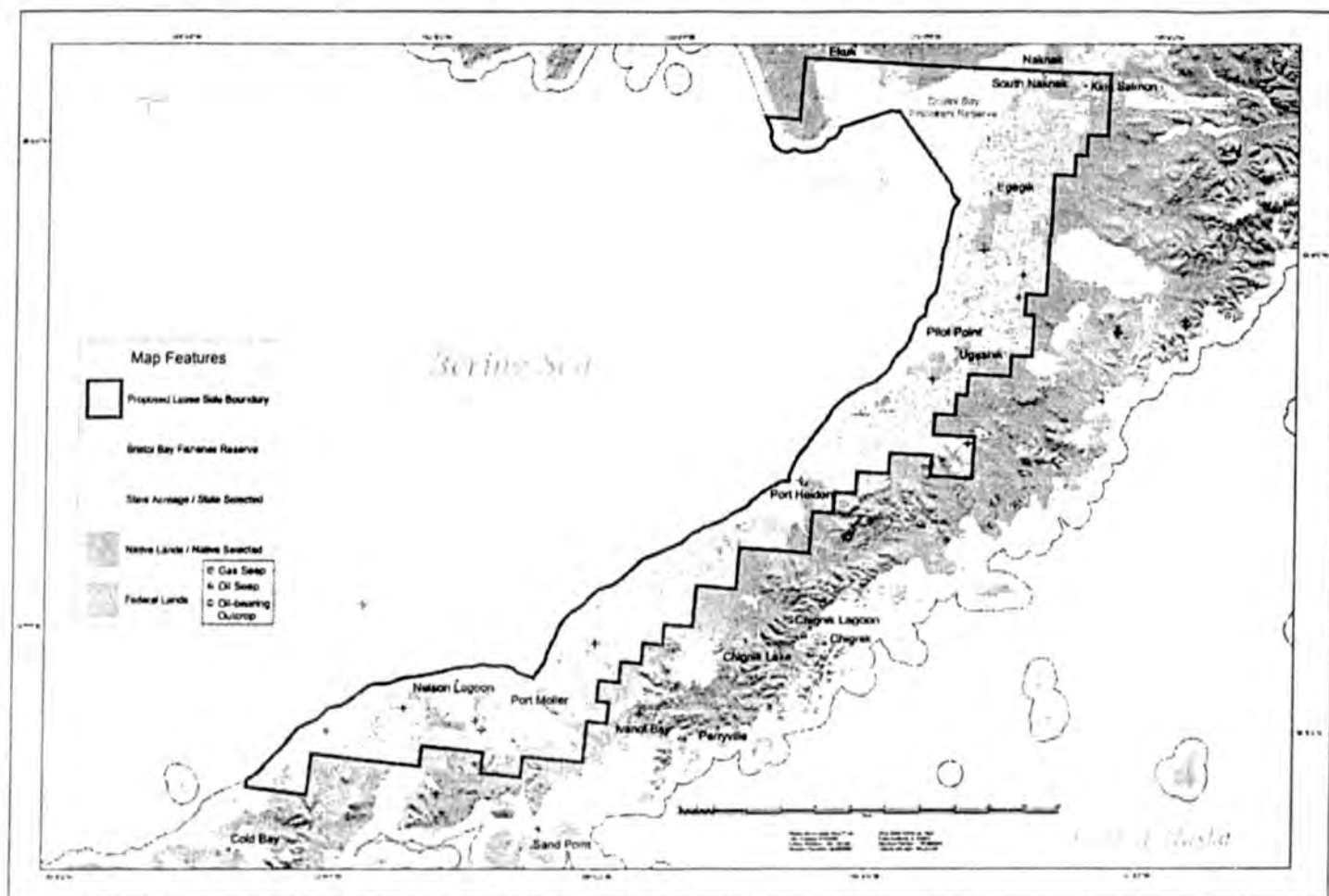
Areawide Lease Sales



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

OCTOBER 2003

Areawide Lease Sales



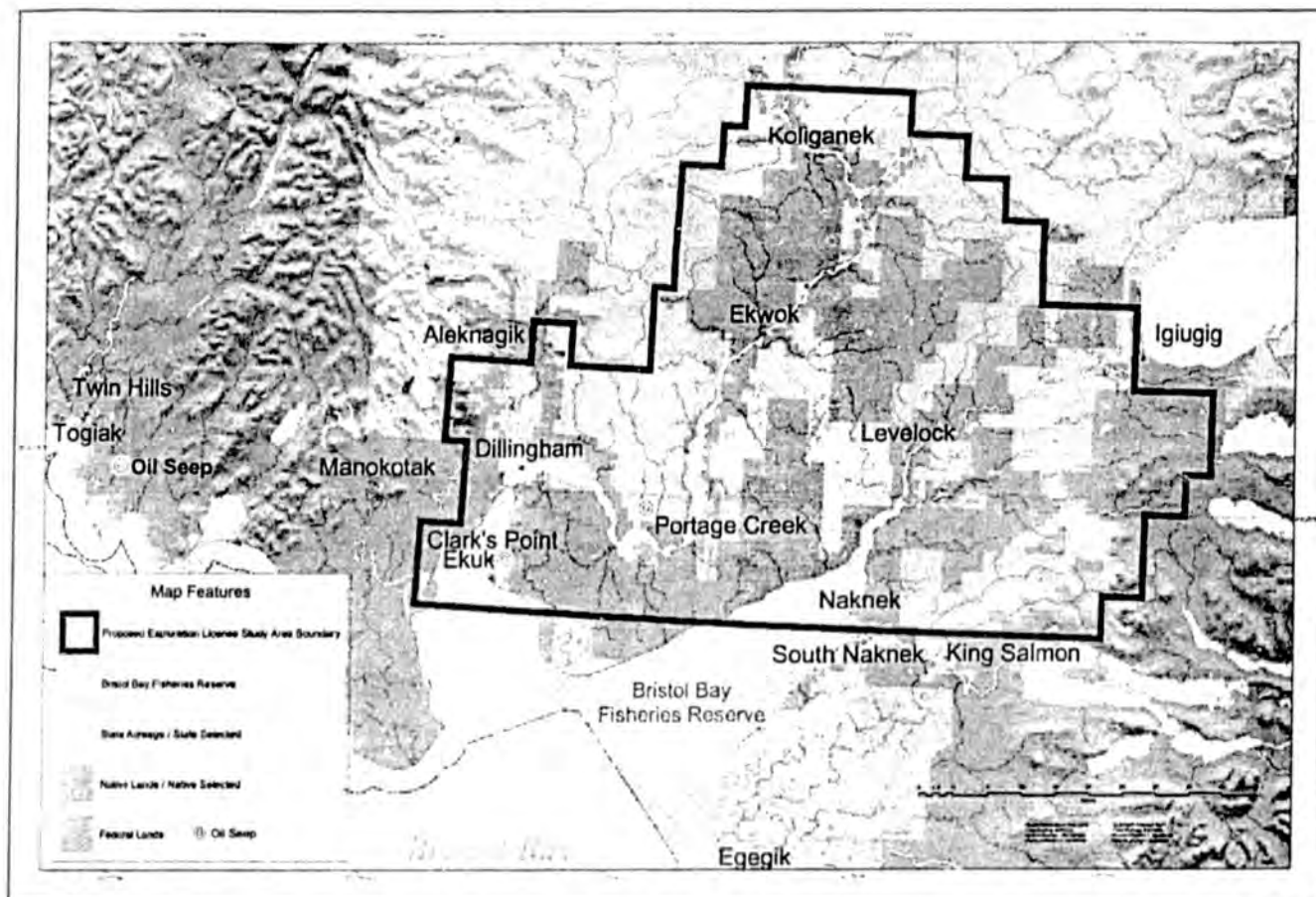
AK Peninsula Areawide Leasing	2003					2004					2005					2006						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Request for agency information																						
Public Comment Period																						
DO&G conducts public informational meetings																						
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



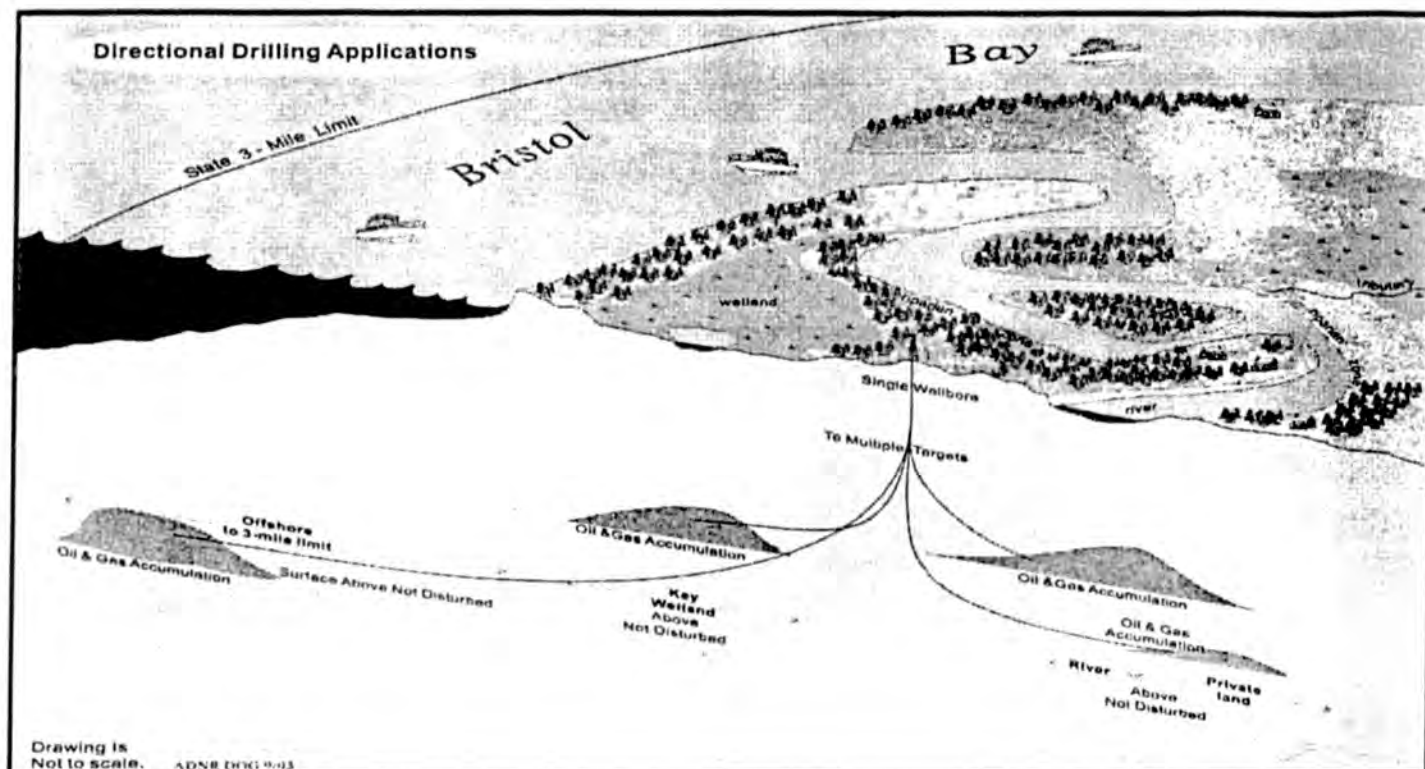
Exploration Licensing	2003						2004											
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
DO&G issues solicitation for license proposals																		
Request for agency information																		
Prospective licensee informs of intent to submit																		
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 evaluation 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
(907) 269-8800
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
(907) 269-8768
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".

P.O. Box 189
NAKNEK, ALASKA 99633

www.theborough.com



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

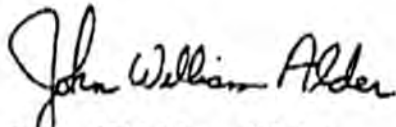
OCT 24 2003

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,

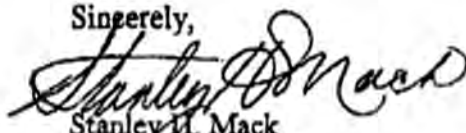
The Assembly of the Aleutians East Borough wants to thank you and your team for the presentation on October 7, 2003. Even though the weather did not allow everyone to get to Cold Bay, the Assembly's comments after the meeting included their appreciation of your efforts to brief the Assembly and the residents 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
3380 C STREET, SUITE 205
ANCHORAGE, AK 99503-3962
(907) 274-7555
(907) 276-7569 FAX
e-mail: aebanc@gcl.net

☐ FINANCE DIRECTOR
P.O. BOX 49
KING COVE, AK 99612
(907) 497-2588
(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.

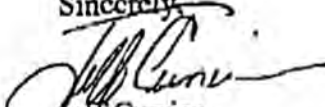
Finally, the Lake and Peninsula Borough supports onshore exploration and development but are concerned that the Best Interest Findings developed from this "call for comment period" also apparently apply to the 1.5 million acres of offshore acreage included in the lease sale, and further, that those findings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

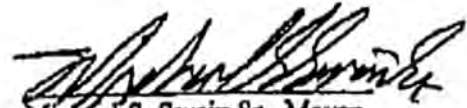
WHEREAS, Senator Stevens in recent conversations with Bristol Bay Borough officials and before the Alaska State Legislature indicated a willingness to petition Congress to add funding to the United State Geologic Survey in order to enable regional oil & gas assessments throughout rural Alaska and;

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,

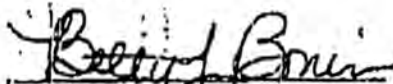
FEB 07 2002 5:40PM RE: LENSEN, J. SWAIN

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 Village

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

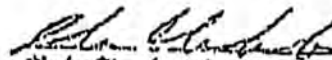
FAX NO. 907 2698904

P. 06

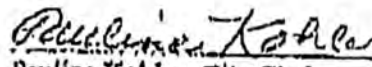
Alaska State Legislature to assist in moving the OCS sales schedule up from 2011 to 2004 or as earliest as possible.

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

SIGNED:


Chris Chuckwuk, Mayor

ATTEST:


Pauline Kohler, City Clerk

SCOMM

133:22

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

☐ 400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400
FAX: (907) 465-3886

☐ 550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

March 4, 2004

The Honorable Beth Kerttula
Alaska State Legislature
State Capital, Room 430
Juneau, Alaska 99801-1182

Dear Representative Kerttula:

You asked for clarification regarding the administration's intent relative to onshore or offshore drilling in Bristol Bay on state lands. If the State deems that an Alaska Peninsula Oil and Gas Lease Sale is in the State's best interest and a sale occurs, it is this Administration's intent that companies only be allowed to access offshore prospects from onshore drill sites, utilizing directional drilling technology.

The Department of Natural Resources (DNR) has expressed the Administration's intent related to onshore drilling to each of the three boroughs (Bristol Bay, Lake and Peninsula, and Aleutians East), the Bristol Bay Native Association, and local residents.

I have signed memorandums of understanding with the Bristol Bay Native Corporation and the Aleut Corporation, in which we pledged to work cooperatively to ensure all development projects are pursued in an environmentally responsible manner to minimize impacts to fishery resources. Additionally, the northern portion of the sale area lies within the Bristol Bay Fisheries Reserve. In accordance with AS 38.05.140(f), the State cannot permit any offshore facilities within the Reserve until the Legislature specifically finds that the entry will not constitute a danger to the fishery. Please feel free to call me with any questions.

Sincerely,



Thomas L. Irwin
Commissioner

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 266
 (S) Publish Date: 1/14/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title Mineral Closing Order for Bristol Bay RDU Resource Development
Oil and Gas Competitive Sale Area Component Oil and Gas Development
 Sponsor Rules
 Requester Governor 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 ()						
-------------------------------	--	--	--	--	--	--

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)

This legislation ensures that land remains available for the competitive sale program under AS 38.05.180. The bill approves an interim classification by the commissioner of natural resources closing land in the proposed Bristol Bay (Alaska Peninsula) competitive oil and gas areawide lease sale to oil and gas exploration licensing under AS 38.05.131-38.05.134 and shallow natural gas leasing under AS 38.05.177.

No fiscal impact.

Prepared by: Mark D. Myers Phone 269-8800
 Division Oil and Gas Date/Time 12/2/03
 Approved by: Thomas Irwin, Commissioner Date 12/2/03
 Agency Natural Resources

HB 383/SB 266
Limited Mineral Order for Bristol Bay Area
February 19, 2004

Summary:

- HB 383/SB 266 ensure that land remains available for a proposed competitive oil and gas sale in the Bristol Bay area by precluding oil and gas exploration licensing and shallow natural gas leasing in the competitive lease sale area.
- HB 383/SB 266 will:
 - Avoid potential conflicts in land use for these areas later, if the proposed competitive oil and gas lease sale occurs.
 - Ensure that the state receives the maximum economic benefit from its higher potential oil and gas areas through bonus bids, royalties, and lease terms.
 - Help facilitate needed economic development and job creation in Alaska's Bristol Bay region as well as produce property tax revenue for municipalities.

Background:

- Upon the request of local governments and Native organizations, the Governor has requested that the Department of Natural Resources consider a competitive areawide oil and gas lease sale in the Bristol Bay (Alaska Peninsula) region. Geologists believe that outside of the North Slope and Cook Inlet, the Alaska Peninsula offers the greatest potential in the state for commercial oil and gas development.
- In order to avoid conflicts between the proposed competitive sale and either exploration licensing under AS 38.05.131-AS 38.05.134 or shallow natural gas leasing under AS 38.05.177, the Commissioner of Natural Resources signed a mineral closing order on July 11, 2003. The mineral order only precludes exploration licensing and shallow natural gas leasing in the competitive lease sale area. This order does not affect locatable minerals or leaseable minerals other than shallow natural gas leasing or oil and gas exploration licensing.
- Under AS 38.05.300(c), a mineral closing order is an interim classification which does not become permanent unless approved by the legislature by the 90th day of the next regular session, or adjournment.
- HB 383/SB 266 would:
 - Prevent speculators from top filing shallow natural gas applications (\$5,000 application fee) in an area of richer oil and gas potential which should be competitively leased.
 - Avoid potential land use and program conflicts if an oil and gas exploration license or shallow natural gas lease is top filed in the proposed competitive sale area.
 - Help maximize economic benefit from the State's higher potential oil and gas areas through royalties, lease terms, and competitive bonus bids.

State of Alaska
Department of Natural Resources
Division of Oil and Gas

Mineral Order No. 791

Closing land to oil and gas licensing and leasing under AS 38.05.131-134 and AS 38.05.177

I. **Name:** Proposed Bristol Bay Competitive Oil and Gas Areawide Lease Sale Area

II. **Finding:** I consider it necessary and proper to issue an interim classification order to preclude shallow natural gas leasing and oil and gas exploration licensing due to the State of Alaska's announced intent to plan, schedule and hold a competitive oil and gas areawide lease sale in the area described in Section III. This order has no effect on locatable minerals or leaseable minerals other than shallow natural gas leasing or oil and gas exploration licensing. I will transmit this interim classification order to the legislature for their consideration within 10 days of the convening of the next regular legislative session.

III. **Legal Description:**

Seward Meridian, Alaska

<u>Township</u>	<u>Range(s)</u>	<u>Township</u>	<u>Range(s)</u>
17 S	44 - 58 W	36 S	51 - 52 & 55 - 60 W
18 S	44 - 58 W	37 S	57 - 62 W
19 S	44 - 58 W	38 S	58 - 63 W
20 S	45 - 61 W	39 S	59 - 64 W
21 S	46 - 54 & 57 - 61 W	40 S	59 - 65 W
22 S	47 - 53 & 58 - 61 W	41 S	63 - 68 W
23 S	47 - 52 W	42 S	63 - 69 W
24 S	47 - 52 W	43 S	65 - 70 W
25 S	47 - 52 W	44 S	65 - 71 W
26 S	47 - 53 W	45 S	67 - 72 W
27 S	47 - 53 W	46 S	68 - 73 W
28 S	48 - 53 W	47 S	69 - 78 W
29 S	48 - 54 W	48 S	70 - 81 W
30 S	48 - 55 W	49 S	70 - 83 W
31 S	49 - 56 W	50 S	71 - 84 W
32 S	51 - 57 W	51 S	71 - 85 W
33 S	52 - 58 W	52 S	74 - 75 & 79 - 86 W
34 S	53 - 59 W	53 S	85 - 87 W
35 S	51 - 59 W	54 S	85 - 87 W

IV. **Decision:** This order, issued pursuant to AS 38.05.300(c), is subject to valid existing rights. The above-described lands are hereby closed to Oil and Gas Exploration Licensing under AS 38.05.131-134 and Shallow Natural Gas Leasing under AS 38.05.177.

Ordered and Effective this 11 day of July, 2003.

Original signed by Thomas E. Irwin
Thomas E. Irwin, Commissioner
Department of Natural Resources