

SCOMM

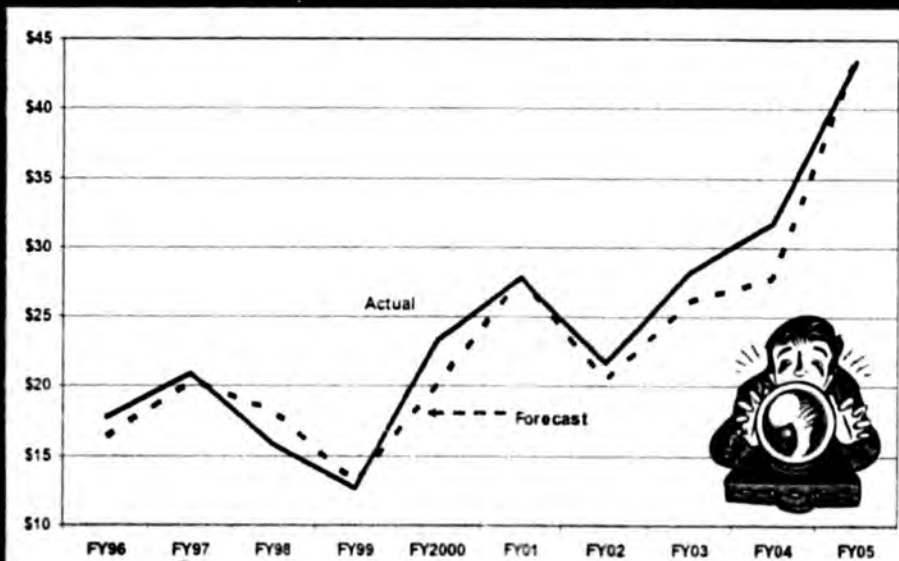
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Forecast Accuracy

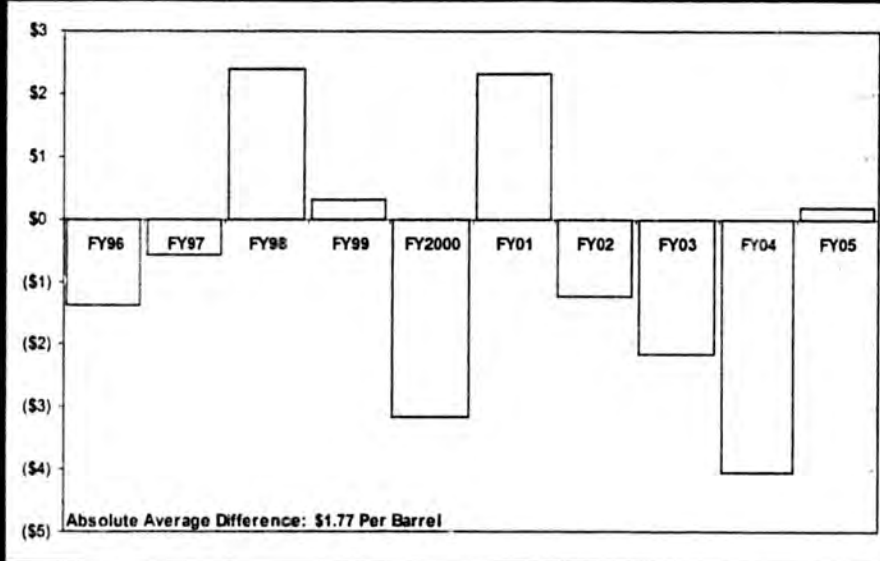
Fall Price Forecast

Current Year, ANS WC, Dollars per Barrel



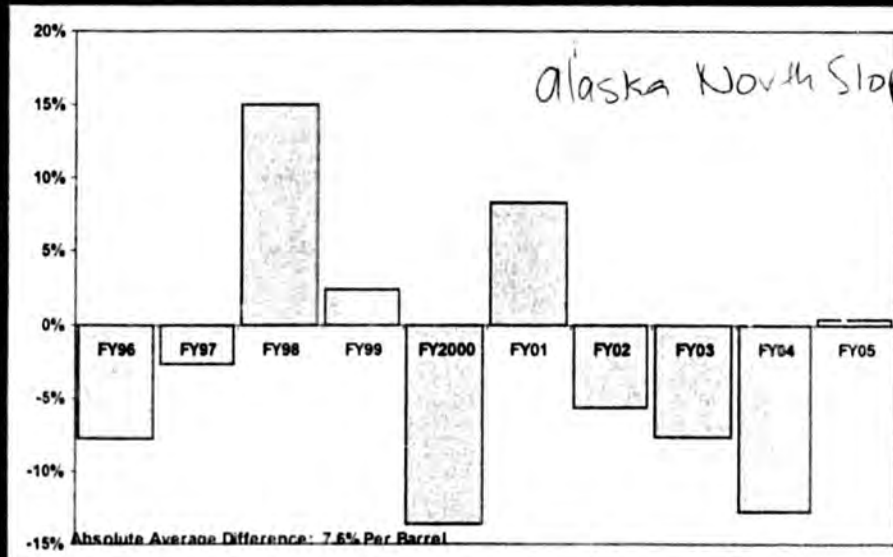
Fall Forecast Accuracy

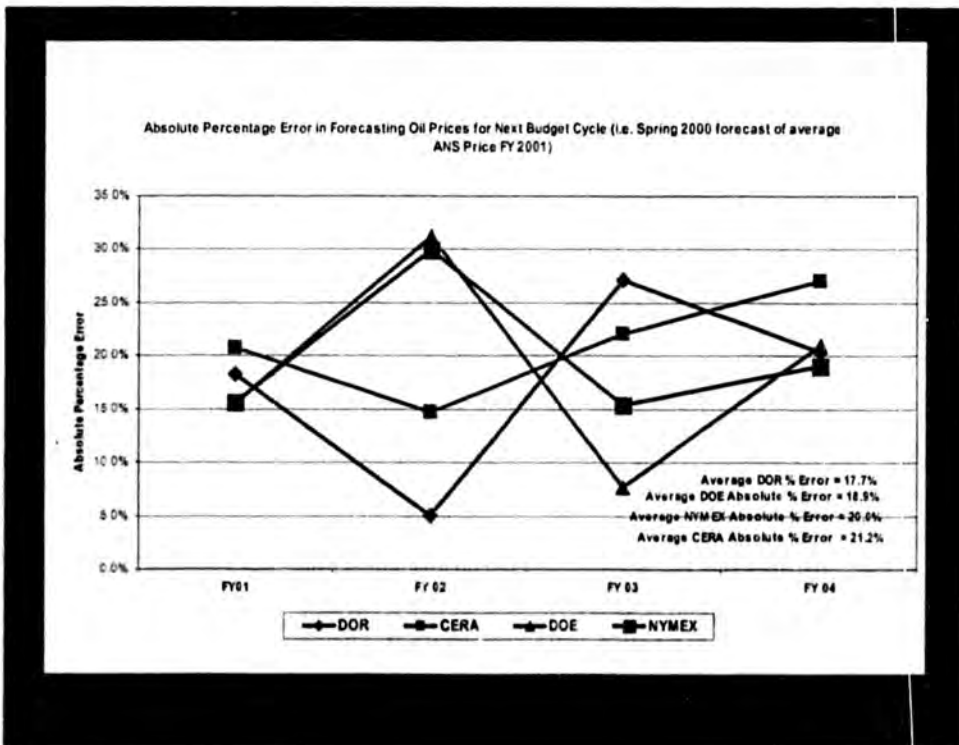
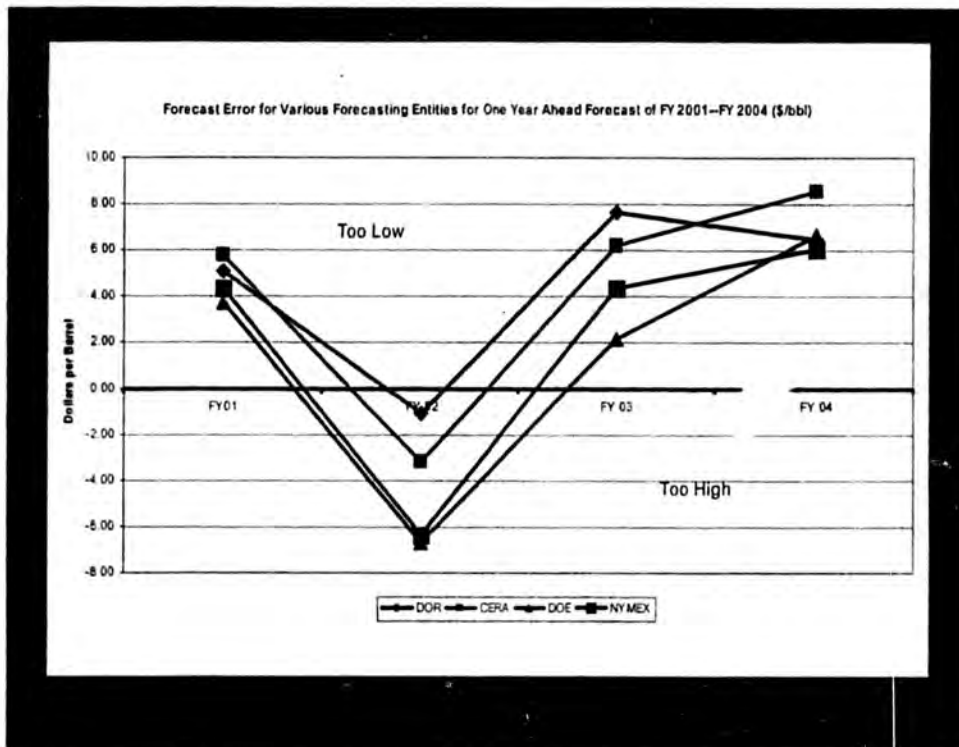
Dollar per Barrel Over/Under Actual ANS WC Price



Fall Forecast Accuracy

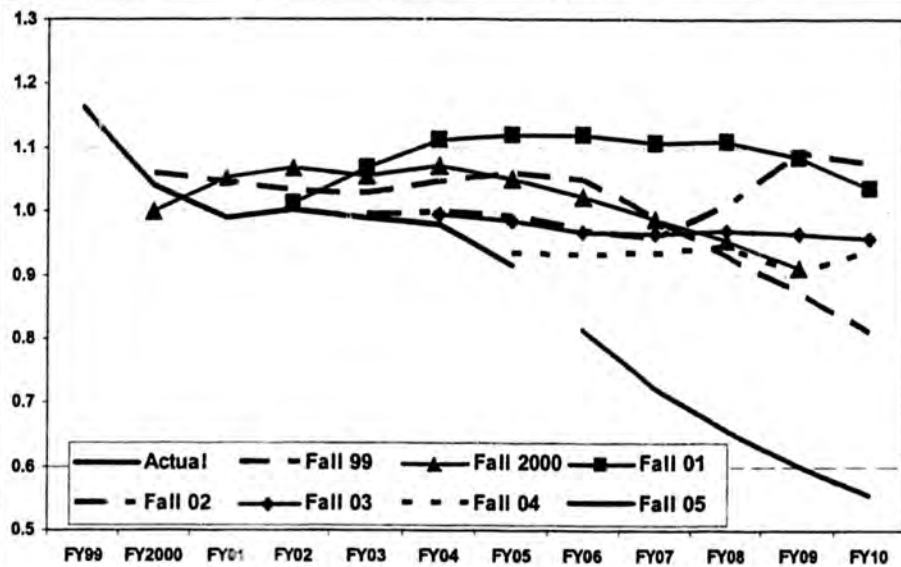
Per Cent Over/Under Actual ANS WC Price





Fall Oil Production Forecasts

ANS, Millions of Barrels per Day



Conclusions

- Prices
 - Possibly Unbiased
 - Average Differences 7.6%
 - Better than Others
- Volumes
 - Biased - High

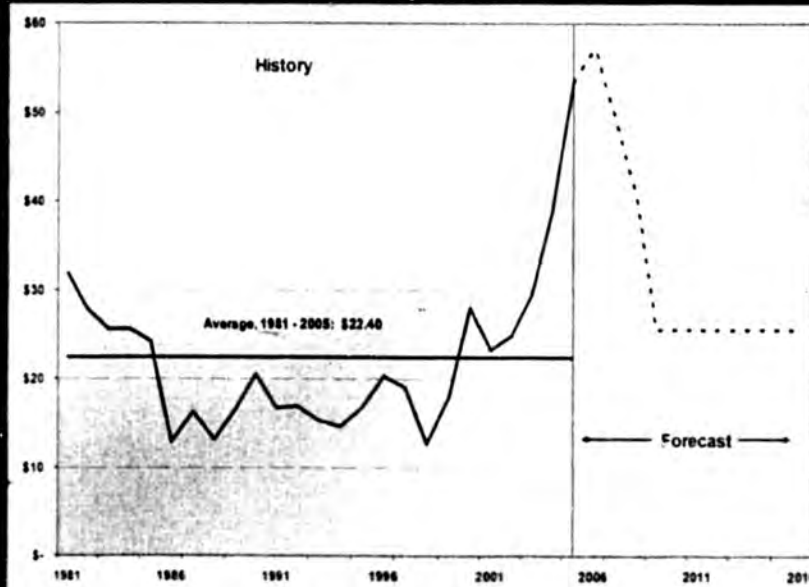




Fall 2005 Forecast Rationale For Prices

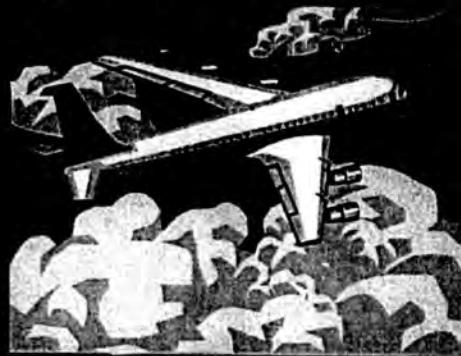
ANS WC Crude Prices

Dollars per Barrel



Key Points

- Prices Matter
- Current Perception
- Economy
- Demand
- Supply
- Prices



Prices Matter

- Retard Demand
- Stimulate Additional Supplies
- Cyclical

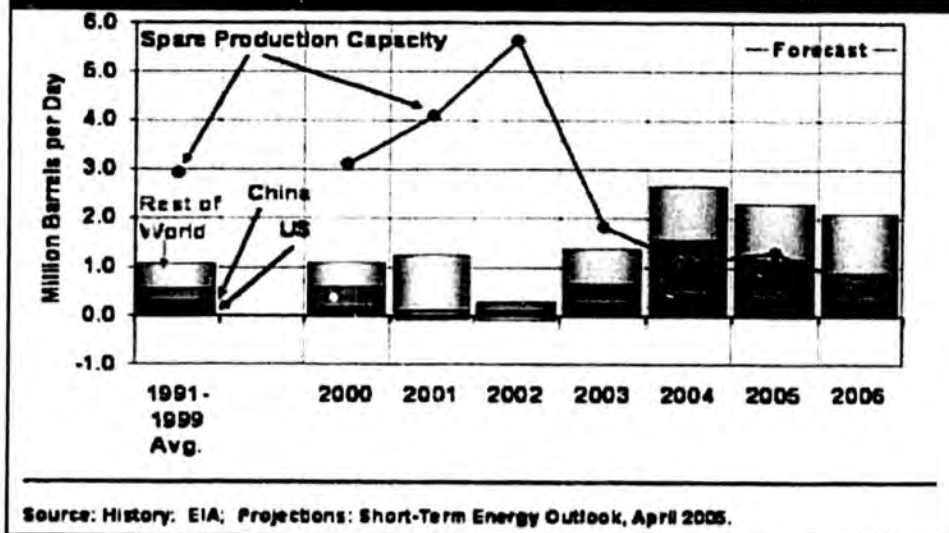


Perception

- Limited Spare Capacity & Expansions
- Production Peaking
- Demand Growth Accelerating



Accelerating Demand, Declining Spare Capacity



Economic Outlook

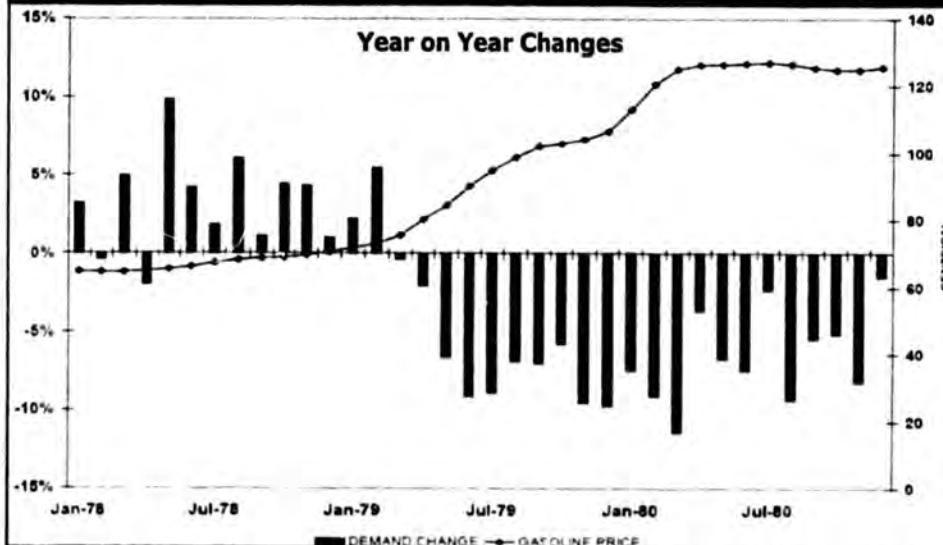
International Monetary Fund

"Higher oil prices are a clear and present danger," ... and "Growth in 2005 will be about 0.1% points lower as a result of Katrina," said the IMF's chief economist, Raghuram Rajan.

As reported by MSNBC
in Washington, DC on
September 21, 2005.

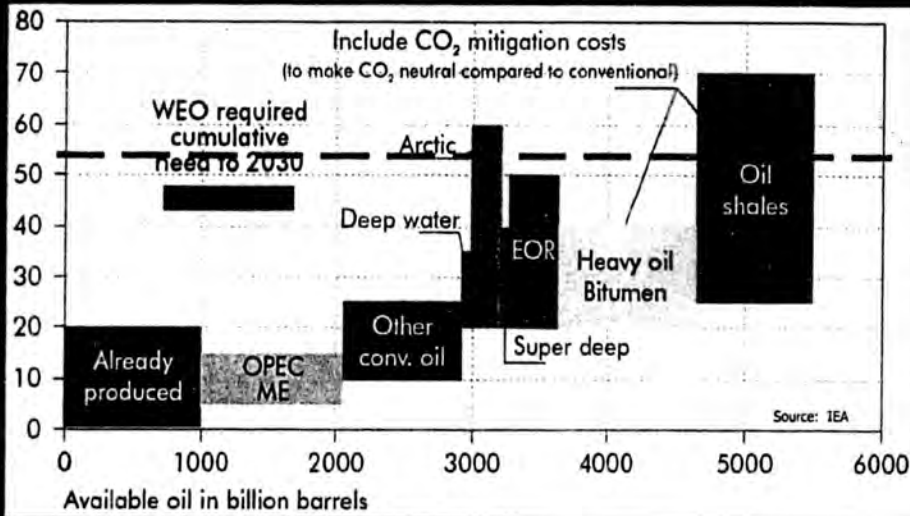


US Gasoline Demand after the Iranian Crisis



Supply: Oil Cost Curve

Availability of Oil as a Function of Crude Oil Price [2004 US\$] per Barrel



Saudi Plans

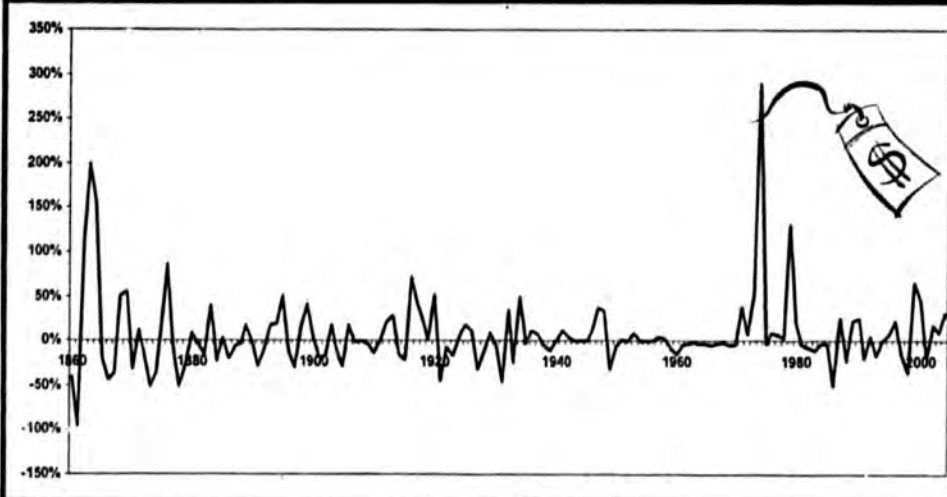
"These efforts include expanding our production capacity from the current 11 million barrels per day [mmb/d] to 12.5 mmb/d by 2009 to meet future demand and maintain spare capacity of at least 1.5 to 2 mmb/d," he told delegates.



Speaking at the World Petroleum Congress, September 27, 2005, Saudi Oil Minister Ali al-Naomi.

Cyclical Crude Oil Prices

Annual Per cent Change in Nominal US Dollars per Barrel



Perceptions Change



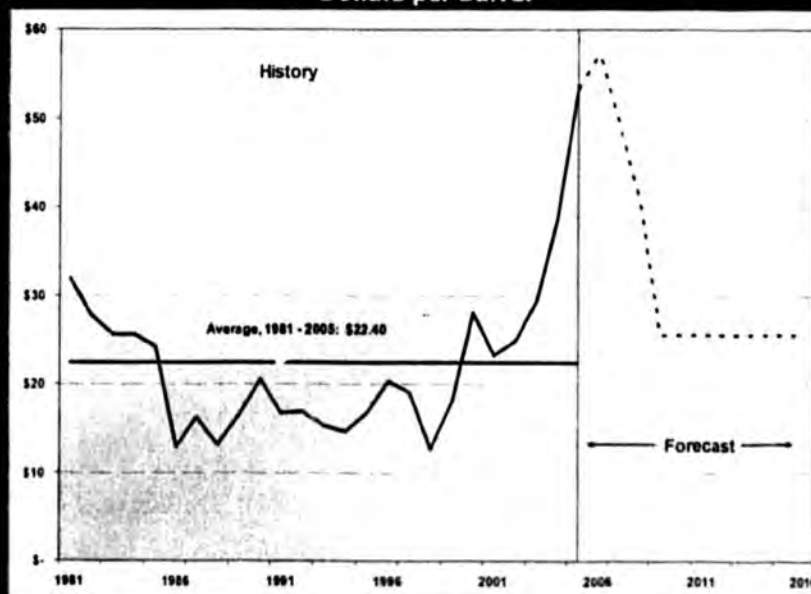
Conclusions

- High Prices Matter
- Reduced Demand Growth
- Increased Supplies
- Time Lags
- Continued Volatility
-



ANS-WC Crude Prices

Dollars per Barrel





Untapped Potential

Offshore Oil and Gas Resources Inaccessible to Leasing

A Report by the Interstate Oil and Gas Compact Commission's North American Coastal Alliance

Contents



North America

About NACA	5
Executive Summary	6
At A Glance	7
Characteristics of Estimates	7
Introduction	8

United States

Overview of Potential	13
Alaska	14
Atlantic Coast	16
Gulf of Mexico	18
Pacific Coast	20
Great Lakes	22

Canada

Overview of Potential	23
Northern Canada	24
Nova Scotia	25
British Columbia	26

Appendices

A: Survey Table	28
B: Contributors	30
About the Commission	31



About the North American Coastal Alliance

The North American Coastal Alliance (NACA) is a workgroup comprised of Interstate Oil and Gas Compact Commission (IOGCC) members whose states or provinces are located along coastlines.

The NACA focuses on areas of concern to coastal states and provinces through a forum of open dialogue and sharing of compliance information and environmental research results. In many areas, oil, gas and marine ecosystems represent a continuum between state/provincial and federal waters.

The IOGCC is a multi-state government agency that champions conservation and efficient recovery of the nation's oil and natural gas resources while protecting health, safety and the environment. Chartered by Congress in 1935, the organization consists of the governors of 37 states (30 members and seven associate states) that produce most of the oil and natural gas in the United States, as well as seven international affiliates.

IOGCC member states participating in the NACA include Alabama, Alaska, California, Florida, Louisiana, Mississippi, Texas, Virginia and Canadian provinces British Columbia, Newfoundland and Labrador, and Nova Scotia. The U.S. Department of Energy provides a significant amount of funding for NACA activities.

Executive Summary

This report presents the results of a collaborative effort of member states and provinces making up the North American Coastal Alliance (NACA), a workgroup of the Interstate Oil and Gas Compact Commission (IOGCC).

The report is intended to provide a complete characterization of potential offshore oil and natural gas resources in North America that are currently unavailable for leasing and development.

The intent of the NACA in this report is to compile information to facilitate informed decision-making regarding future opportunities associated with potential oil and gas resources in these areas currently unavailable for leasing and development, not to recommend policy.

North American offshore moratorium areas are estimated to contain nearly 135 trillion cubic feet (Tcf) of natural gas and more than 30 billion barrels of crude oil (estimates are mean values). To provide some context, estimated technically recoverable oil and natural gas resources in these areas represent an amount comparable to current proved reserves in the United States. As of December 31, 2004, proved U.S. crude oil reserves amounted to 21.4 billion barrels and proved natural gas reserves (dry) were estimated to be 192.5 Tcf.¹

Regardless of the existence of areas subject to moratoria and/or executive withdrawals, offshore oil and natural gas production in North America currently plays, and will continue to play, an important role in the energy picture of the United States and Canada. In fact, offshore production from the Outer Continental Shelf (OCS) of the Gulf of Mexico and California accounts for 29 percent of U.S. oil production (double the contribution of offshore production only 12 years ago) and 21 percent of U.S. natural gas production. This is a result of both an increase in production from the federal OCS and a decrease in onshore production.

In Canada, oil production from the offshore areas of Eastern Canada accounts for roughly 10 percent of total Canadian oil production, including bitumen. Offshore natural gas production in Eastern Canada accounts for approximately 2 percent of total Canadian natural gas production.

If the potential resources in areas that have been withdrawn from leasing or are under moratoria could be developed, they would play an important role in meeting future North American energy requirements from hydrocarbon resources on the continent. Therefore, it is important for citizens and policy makers to understand the significance of these potential North American oil and gas resources when making energy development decisions.

¹ U.S. Energy Information Administration, *U.S. Crude Oil, Natural Gas and Natural Gas Liquids Reserves: 2004 Annual Report (Advanced Summary)*, DOE/EIA-0216(2004), September 2005.

At a Glance

Estimate of Undiscovered Technically Recoverable Resources in Moratorium Areas

	Gas (Tcf)	Oil (Bbbls)
United States - Federal OCS	77.95	18.07
United States - Nonfederal	5.55	1.22
Total United States	83.50	19.29
Total Canada**	51.10	10.96
TOTAL U.S. and Canada	134.60	30.25

Natural Gas (Tcf)



Crude Oil (Bbbls)

U.S.
Canada**

Characteristics of Resource Estimates

Resource estimates described in this report are undiscovered technically recoverable resources,** or the portion of the hydrocarbon estimated on the basis of geologic knowledge and theory to exist outside known accumulations, that are recoverable with current technology. The economic feasibility of recovering these resources is not considered. This is in contrast to the resource in-place, which represents the total hydrocarbon volume present without regard to recoverability. This value can be considered fixed and is determined only by the local geologic conditions. In contrast, the technically-recoverable portion of the resource is not fixed, but tends to grow with time as a result of experience and technology improvements.

There is much uncertainty associated with estimating undiscovered resources. Estimates are generally presented in terms of: 1) a high or optimistic estimate, 2) a low or conservative estimate, and 3) a mean value, which is the arithmetic average of all values in the distribution.

In this report, only mean values are reported.

Estimates in this report are based on existing knowledge of oil and gas resources in North American offshore waters and may change after additional exploration.

* No areas in offshore Mexico were considered in this analysis.

** Estimates for British Columbia are median in-place resources.

Introduction

SUPPLY AND DEMAND PROJECTIONS

A general tightening of world hydrocarbon supply and growing demand is causing hydrocarbon prices to increase, putting growing financial burdens on North American consumers.

The United States consumes more petroleum than it currently produces, and is the world's largest importer of crude oil and petroleum products. In 2004, nearly 5.7 billion barrels of crude oil were supplied to U.S. refineries. Of this, nearly 2 billion barrels came from U.S. production, including about 564 million barrels of oil (31 percent) from U.S. offshore production.² To satisfy its supply requirements, the United States imported 3.7 billion barrels of crude oil, representing nearly two-thirds of U.S. oil supplies.³ More importantly, the Energy Information Administration (EIA) currently forecasts that the United States will require 7.6 billion barrels of crude oil annually by 2025, an increase of 33 percent.⁴

In addition, the United States consumed almost 22.4 Tcf of natural gas in 2003. In 2004, the United States produced more than 20 Tcf (wet) of natural gas, in-

cluding about 4.0 Tcf (20 percent) from U.S. offshore production. Most of the remaining demand was met by natural gas imports from Canada, with a relatively small portion met by imports of liquefied natural gas (LNG).⁵ As with the oil forecast, U.S. natural gas consumption is predicted to grow to 30.6 Tcf annually by 2025, an increase of nearly 37 percent.⁶

Today, approximately 8 percent of U.S. oil supply and 14 percent of U.S. natural gas supply comes from Canada. Canada's future capability to deliver oil and natural gas resources to the United States depends on many factors, including Canada's own energy needs. Canada consumes more than 784 million barrels of oil and 3.1 Tcf of gas annually, while producing 876 million barrels of oil and 7.8 Tcf of gas annually, making Canada a net exporter of oil and gas. Similar to the United States, Canada's oil consumption is forecast to grow 29 percent by 2025. While conventional oil production is forecast to decline by 30 percent, Canadian production of unconventional oil is massive, and recovery from oil sands deposits is forecast to increase nearly four-fold over this same time period.⁷ Canada will remain a net exporter of oil for the foreseeable future.

On the other hand, growth in Canadian natural gas production is not expected to keep pace with demand, so the amount of U.S. natural gas imports coming from Canada is forecast to decline.

Combined, the United States and Canada are net importers of crude oil, and are essentially self-sufficient in natural gas. However, as oil and gas demand continues to increase, it is estimated that the portion of U.S. and Canadian combined petroleum needs that will be met by imports will continue to grow. Moreover, as gas demand continues to grow, these two countries also could become a net importer of natural gas in the future.

The offshore areas of the United States and Canada provide some of the last frontiers on the continent for new potential conventional hydrocarbon supply sources. However, it is important to acknowledge that new offshore discoveries, depending on whether or not they are in developed or undeveloped basins, can typically take up to 15 years to reach the market. Therefore, plans made today to develop new offshore oil and gas resources may not result in corresponding production until between 2015 and 2020.

² Minerals Management Service, MMS/MRN, May 2005 (<http://www.mms.gov/stats/OC%20Production.htm>)

³ Energy Information Administration, *Petroleum Supply Annual 2004*, Volume 1, Table 1.

⁴ Energy Information Administration, *Annual Energy Outlook 2005*, Table A11.

⁵ Energy Information Administration, *Natural Gas Annual 2003*, Table 1.

⁶ Energy Information Administration, *Annual Energy Outlook 2005*, Table A13.

⁷ Energy Information Administration, *Annual Energy Outlook 2005*, Table A20.

PURPOSE OF THIS REPORT

The purpose of this study is to report on the hydrocarbon resource potential in offshore areas of the United States and Canada that currently are under leasing moratoria or are otherwise withdrawn or excluded from exploration, drilling and production by legislation or policy.

This report is unique in that it is the first complete compilation of data on resources that are not available for leasing and development in the offshore waters of the United States and Canada, including those in state and federal waters of the United States, and those in federal and provincial waters of Canada.

The report outlines the areas under moratoria or otherwise inaccessible, and presents current estimates of oil and gas resources in those areas.⁸ The report can be used as a quick reference document that summarizes the supply potential currently inaccessible to leasing and development.

DEFINITION OF MORATORIUM AREAS

NACA defines "moratorium areas" as those offshore that effectively have restrictions, whether through leg-

islation or policy, which preclude exploration and development activity. In the United States, these include areas that have been subject to congressional moratoria or presidential withdrawal from leasing, and include: (1) presidential withdrawal of additional leasing under Section 12 of the Outer Continental Shelf Lands Act until after June 30, 2012, applying to all of California, Oregon, and Washington, and specific areas on the East Coast; and (2) long-running congressional leasing moratoria enacted annually as part of the Department of Interior's appropriations which, in addition to the aforementioned areas, apply to the U.S. Atlantic Coast, the eastern Gulf of Mexico (except for areas proposed, but not offered, as part of Lease Sale 181 in 2001) and, until 2004, the North Aleutian Basin in Alaska.

For Canada off the West Coast, in 1972, the federal government placed a policy moratorium on tanker traffic in the Inside Passage coming from Alaska and on offshore exploration activity. In 1989, in response to the Exxon Valdez oil spill and the Nestucca barge oil spill, the Province of British Columbia placed a policy moratorium on offshore oil and gas exploration

and development. In 2003, the provincial government asked the federal government to consider lifting the moratorium. The federal government undertook a scientific review, a public review, and a First Nations Engagement Process; and is considering its position as of the date of this report. The moratorium on Georges Bank off Nova Scotia was extended to 2012 and corresponds with the presidential moratorium on the U.S. side of Georges Bank.

Throughout the remainder of this report, use of the term "moratorium areas" refers to those in the United States subject to congressional moratorium and/or presidential withdrawals, and those areas in Canada also subject to moratoria.

MORATORIUM AREAS CONSIDERED

In this report, the areas currently impacted by a ban on leasing and/or exploration and development in the United States include: (1) Offshore Alaska, which includes the North Aleutian Basin planning area and the Alaska-owned waters of Katchemak Bay; (2) the Offshore Atlantic planning areas of North Atlantic, Mid-Atlantic, South Atlantic, and the Straits of Florida; (3)

⁸ For purposes of this study, estimates of resource potential for moratoria/withdrawal areas in the U.S. federal OCS were provided by the U.S. Minerals Management Service based on the 2003 National Assessment. For state and provincial waters, estimates generally are based on information provided by the state and provincial governments.

Offshore Eastern Gulf of Mexico (except for the areas proposed, but not offered, as part of Lease Sale 181); (4) the unleased areas of the Offshore Pacific, which includes the states of California, Oregon and Washington; and (5) the Great Lakes Region.

In Canada, the areas currently under moratoria that are believed to have hydrocarbon resource potential include: (1) the West Coast of British Columbia and (2) Georges Bank off Nova Scotia. Lancaster Basin in Northern Canada had exploration activity suspended from 1976 to 1997 for environmental assessment purposes and remains a very environmentally sensitive area.

INTEGRATED MANAGEMENT OF COASTAL AND OFFSHORE INTERESTS

The environmental concerns associated with exploration and development of oil and natural gas must be weighed against the benefits that these energy resources could potentially provide. This is particularly true in coastal and offshore areas.

The governments of the United States and Canada are striving to develop management plans that balance all competing uses and promote national economic opportunities without compromising the coastal and offshore environments. These management plans necessarily must include varying, site-specific accommodations and requirements, as well as appropri-

ate mitigation measures. For example, in 1972, U.S. Congress enacted the Coastal Zone Management Act (CZMA), which established a program to encourage voluntary partnerships between the federal government and coastal states dedicated to comprehensive management of the nation's coastal resources to preserve, protect, develop, restore and enhance coastal zone resources while balancing competing national economic, cultural and environmental interests. The CZMA requires that each federal activity within or outside the coastal zone that affects areas and natural resources in the zone be consistent with the goals and policies of the appropriate state coastal management program. State coastal management programs must anticipate and plan for effects of energy facilities. In practice, CZMA affords the states broad discretion in the extent of energy activities, including offshore oil and gas development, to be allowed.

In many areas, the nations have not imposed wholesale moratoria on large blocks of the offshore, but have determined that some areas are so unique and sensitive as to preclude any activity. For example, the U.S. National Marine Sanctuary Program, administered by the National Oceanic and Atmospheric Administration, manages and protects specially designated areas of the nation's oceans and Great Lakes for their habitat, ecological value, threatened and endangered species, and historic, archeological, recreational, and aesthetic re-

sources. Thirteen national marine sanctuaries are part of this program, with steps currently underway to designate one additional coral reef ecosystem as the 14th national marine sanctuary.

In Canada, there also are a variety of federal and provincial legislative designations to protect the marine environment, including marine protected areas, national marine conservation areas, national parks with marine components, marine wildlife areas, migratory bird sanctuaries as well as those provincial parks or recreation areas, ecological reserves, protected areas and wildlife management areas, established in a marine environment.

Both the United States and Canada require environmental assessments of areas proposed for development. In the United States, under the National Environmental Policy Act (NEPA) of 1969, federal agencies must include an environmental review process early in the planning for proposed actions to help public officials make decisions based on an understanding of environmental consequences and take actions that protect, restore, and enhance the environment. In Canada, virtually all phases of offshore oil and gas activity are subject to some form of environmental assessment or review. In areas of federal jurisdiction, the Canadian Environmental Assessment Act (CEAA) applies. The primary purpose of CEAA is to ensure that environ-

mental assessment is undertaken as early as possible in the project planning and approval process before irrevocable decisions are made.

In both Canada and the United States, federal and state/provincial governments require mitigation of adverse impacts.

Outside of the current moratorium areas, responsible exploration and development in sensitive and/or unique environments can, and does, occur. Appropriate and reasonable restrictions and/or stipulations can be imposed on exploration and development activities that would ensure protection of these environments. In both the United States and Canada, an oil and gas operator must take steps, regardless of jurisdiction, to ensure that the environment is appropriately protected. Offshore oil and gas exploration and production activities are subject to environmental restrictions and mitigation requirements imposed by both federal and state/provincial government, from the initial leasing of areas for exploration to the ultimate decommissioning of offshore platforms.

For example, in the Alaska offshore, specific areas within the Beaufort Sea lease areas are deferred or withdrawn from the lease offerings, especially areas related to protecting habitat, cultural resources and subsistence fishing. For those areas that are available for lease, stipulations on exploration and development are imposed to ensure protection of sensitive biological populations and habitat. In addition, lessees must develop oil spill response plans, which must include identification and appropriate measures to ensure protection of areas of special biological and cultural sensitivity.

RECENT POLICY INITIATIVES - UNITED STATES

Concerns over energy supply in the United States have many looking for innovative ideas to gain access to restricted areas with petroleum potential. At the federal level, several legislative initiatives have been proposed to modify state offshore boundaries, enhance revenue/impact sharing with the states, and give states greater control over leasing in federal waters off their shores that have previously been under moratoria for leasing and development. Some states are also taking major

steps to encourage additional oil and gas development off their coasts.⁹

Arguably the most important legislative actions affecting offshore oil and gas development activities are represented in provisions in the Energy Policy Act of 2005 that:

- Authorize the Department of Interior (DOI) to develop an inventory of oil and gas resources on the OCS, including those areas under moratoria.
- Prohibit the issuance of any new federal or state lease in the Great Lakes for oil and gas drilling, whether from offshore or onshore directional wells.
- Amend the Coastal Zone Management Act to establish a 160-day deadline for closure of the CZMA administrative record, unless the Secretary of Interior stays this deadline to receive supplemental/clarifying information.

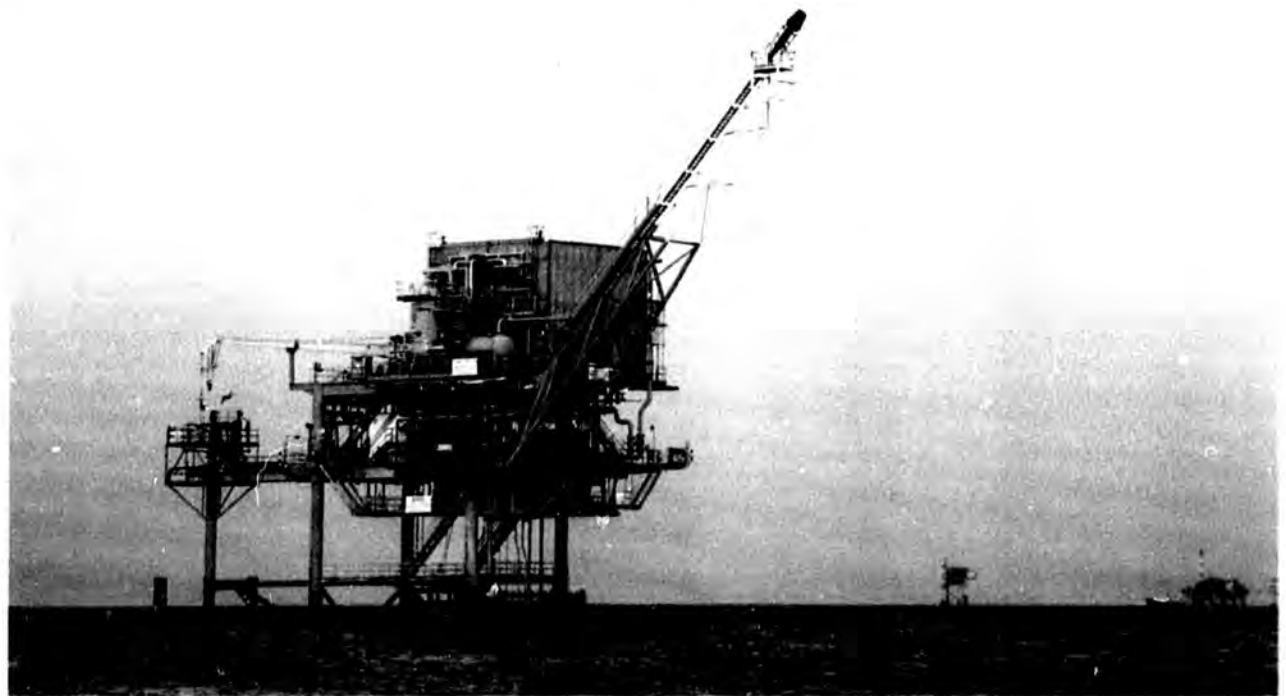
⁹ South Carolina General Assembly, 116th Session, 2005-2006, H. 4128 (http://www.sstatehouse.net/sess116_2005-2006/bills/4128.html). Virginia General Assembly, 2005-2006 HB1132 (<http://leg1.state.va.us/cgi-bin/legp504.exe?061+sum+HB1132>).

- Provide a variety of incentives to avoid the premature abandonment of marginal oil and gas production and stimulate new development of resources underlying federal lands.
- Establish a financial assistance program for coastal states with offshore oil and gas production, to assist in coastal enhancement, restoration and conservation programs.
- Direct DOE to establish a research and development program for ultra-deep and unconventional natural gas and other petroleum resources.

RECENT POLICY INITIATIVES - CANADA

In 1997, Canada's Oceans Act, comprehensive oceans management legislation, came into force. This was followed by Canada's Oceans Strategy in 2002, the federal government's policy for the "management of estuarine coastal and marine environments." In 2005, the federal government published its Oceans Action Plan. "The plan serves as the overarching umbrella for coordinating and implementing oceans activities, and as the framework to sustainably develop and manage our oceans."

The Oceans Action Plan is based on four pillars: (1) International Leadership, Sovereignty and Security (2) Integrated Oceans Management for Sustainable De-



velopment (3) Health of the Oceans; and (4) Oceans Science and Technology.

In 2004, Canada and British Columbia entered into a Memorandum of Understanding respecting the imple-

mentation of Canada's Ocean Strategy off the Pacific Coast of Canada. The purpose of the MOU is to advance collaboration between the parties to implement specific activities and objectives identified in Canada's Oceans Strategy.

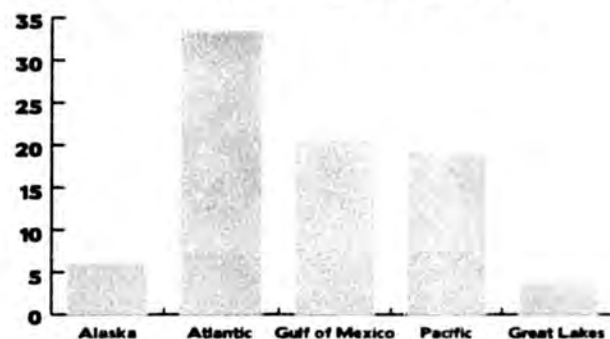
United States Overview

A mean estimate of the undiscovered natural gas underlying U.S. moratorium areas is approximately 83.5 Tcf, and mean undiscovered crude oil is estimated to be 19.3 billion barrels.

The National Petroleum Council in 2003 estimated mean undiscovered natural gas resources in moratorium areas to be 79 Tcf,¹⁰ but excluded the Alaska OCS, the Great Lakes, and state waters from this estimate.

The updated review by the Minerals Management Service (MMS) in 2003 showed that the estimates of resource potential in most regions remain close to the 2000 numbers. The most dramatic increase is in the Eastern Gulf of Mexico area, in which the estimates increased from 8.5 to more than 20 Tcf of gas and from 2.7 to 3.65 billion barrels of oil. These increases are primarily the result of new field discoveries resulting from the recent leasing of tracts in the Eastern Gulf.

Potential Natural Gas



Potential Crude Oil



Offshore U.S.

Estimate of Undiscovered Technically Recoverable Crude Oil and Natural Gas Resources in Moratorium Areas

	Gas (Tcf)	Oil (Bbbls)
Alaska	6.23	0.48
Atlantic	33.34	3.45
Gulf of Mexico	20.72	3.65
Pacific	19.21	11.44
Great Lakes	4.00	0.27
TOTAL	83.50	19.29

¹⁰ National Petroleum Council, *Natural Gas - Meeting the Challenges of the Nation's Growing Natural Gas Demand*, Volume 1, Summary Report, 2003.

Alaska

There are two moratorium areas associated with the state of Alaska. The first affects waters in the North Aleutian Basin OCS planning area (formerly the Bristol Bay Basin planning area). The second affects state waters in Katchemak Bay, which is located in the southern portion of the Cook Inlet Basin between Point Pogibshi and Anchor Point on the Kenai Peninsula.

FEDERAL - NORTH ALEUTIAN BASIN

Congress established a moratorium on leasing and drilling for the North Aleutian Basin OCS in October 1989. The moratorium was extended several times during the 1990s by federal legislation but was eventually discontinued by Congress. However, on June 12, 1998, the basin was withdrawn from leasing by presidential order until June 30, 2012.

Oil companies that had acquired leases in the planning area prior to the imposition of the moratorium brought suit against the federal government. In 1995, in a settlement with Chevron Oil Company, the federal government bought back the North Aleutian OCS leases for a reported 10 percent of the original lease acquisition costs.

The leasing moratorium originally had wide support of the commercial fishing industry, as well as native and environmental groups. However, the fishing industry subsequently has crashed economically, and many of the local residents, including fishermen, have reconsidered, and now support leasing and developing the hydrocarbon resources on native, private, state and federal leases.

STATE - NORTH ALEUTIAN BASIN

The state of Alaska, one of the original proponents of the federal OCS moratorium, had maintained an ad hoc moratorium in the North Aleutian Basin state waters from the late 1980s through 2004. In response to the change in attitude toward possible oil and gas development by the local Bristol Bay population, the state has initiated a program of oil and gas exploration incentives in the North Aleutian Basin. On December 16, 2004, an exploration license in the general vicinity of Dillingham, Alaska was awarded on 329,000 acres of primarily onshore lands.

The state of Alaska also has completed a best interest finding for a North Aleutian Basin lease offering in-

volving approximately 4.5 million gross onshore and offshore acres. On October 26, 2005, the state of Alaska conducted its first lease sale in offshore state waters in the Bristol Bay area.¹¹ This Alaska Peninsula area-wide sale encompassed 1,047 tracts ranging in size from 1,280 to 5,760 acres in an area that stretches from the Nushagak Peninsula in the north, down the north side of the Alaska Peninsula to just north of Cold Bay.

STATE - KATCHEMAK BAY

Katchemak Bay in the southern portion of the Kenai Peninsula in state waters is the location of several important fishing ports and a number of aquaculture projects. In 1976, a state law was passed prohibiting oil and gas activities in the area. The prohibition followed an oil and gas lease sale in the area, and was then followed by a lease buy back by the state government, in a series of events that are similar to those described for the North Aleutian Basin federal OCS. The area of the prohibition was modified in 1986, and now comprises approximately 150 square miles. Several oil and gas wells have been drilled either adjacent to or within Katchemak Bay. These wells have encountered porous sandstones with significant gas shows, though

¹¹ Alaska Department of Natural Resources, Division of Oil and Gas, *Notice of Competitive Oil and Gas Lease Sale and Issuance of Final Best Interest Finding and Alaska Coastal Management Program Determination for Alaska Peninsula Area Wide 2005*, July 25, 2005 (http://www.doc.state.ak.us/oil_products/publications/akpeninsula_2005/sale_notice.pdf).

no strong evidence of hydrocarbon liquids has yet been encountered in the immediate area.

RESOURCES UNDER MORATORIA

Outcropping portions of the North Aleutian Basin Tertiary fill and the underlying Mesozoic sequence on the Alaska Peninsula are associated with common oil seeps and oil staining.¹² The evidence of oil in these rocks is so strong that the Alaska Peninsula was one of the first areas drilled in the early 20th Century.

The sparsely drilled North Aleutian Basin contains a primarily non-marine Tertiary basin fill overlying a complex series of Mesozoic predominantly marine sediments. The MMS estimates indicating a gas prone hydrocarbon charge are influenced strongly by geochemical analysis from wells that have not penetrated mature oil-prone source rocks.

The MMS has performed independent assessments of the economically recoverable undiscovered oil and gas resource in the North Aleutian Basin three times in recent years (1995, 2000, and 2005 [in press]). The most recent MMS estimate is based on a substantially differ-

ent set of assumptions and methodologies compared to early MMS assessments. The most recent mean undiscovered resource estimates are 480 million barrels of oil and 6.18 Tcf of natural gas.

The North Aleutian Basin is highly analogous to the Cook Inlet Basin, a prolific oil and gas-producing basin in south-central Alaska. The similarities in these basins are especially relevant in the distribution of hydrocarbon source and reservoir rocks. Because of the significant hydrocarbon resource potential discovered in the Cook Inlet Basin (greater than 1.4 billion barrels of oil and 8.4 Tcf of natural gas), some geologists believe that the hydrocarbon resource potential in the North Aleutian Basin should be similar, and the MMS estimates of undiscovered resource potential in the basin may be too low.

For the purposes of this report, an undiscovered economically recoverable gas resource estimate for Katchemak Bay of 50 billion cubic feet (Bcf) was determined to be appropriate.¹³

¹² Alaska Department of Natural Resources, Division of Oil and Gas, *Alaska Peninsula Lease Sale: New DNR Geologic Report*, Media Release October 28, 2005 (http://www.dnr.state.ak.us/standard/dsp_media_release.cfm?id=543&title=Alaska%20Peninsula%20Lease%20Sale%203A)

¹³ This estimate is based on an Alaska Oil and Gas Conservation Commission preliminary assessment that is based on onshore reserves covering a similar area just to the north, as analog to the Katchemak Bay. Although the section is thinner, there is at least one potential structure that could hold 50 Bcf of natural gas.

Offshore Alaska

Estimate of Undiscovered Technically Recoverable Crude Oil and Natural Gas Resources in Moratorium Areas

	Gas (Tcf)	Oil (Bbbls)
North Aleutian Basin*	6.18	0.48
Katchemak Bay**	0.05	-
TOTAL	6.23	0.48

* Estimates provided by the U.S. Mineral Management Service based on the 2003 National Assessment.

** Estimates provided by the Alaska Oil and Gas Conservation Commission for the purposes of this report.

Alaska Coast



Atlantic Coast

FEDERAL - OFFSHORE ATLANTIC

Ten oil and gas lease sales were held in the Atlantic OCS between 1976 and 1983, where 9,240 blocks were offered and 433 leased.

A total of 49 exploratory wells and five Continental Offshore Stratigraphic Test (COST) wells were drilled.¹⁴ Five wells discovered hydrocarbons, but were abandoned as non-commercial.

The Atlantic OCS, as defined by MMS, is divided into four planning areas along the Atlantic Seaboard: the North Atlantic, Mid-Atlantic, South Atlantic and the Straits of Florida:

- North Atlantic - The North Atlantic planning area lies offshore of the northeast portion of the United States extending from Maine to New Jersey. The area encompasses approximately 48.8 million acres (8,840 blocks). The main prospective areas are the Georges Bank area off Cape Cod, and the Baltimore Canyon Basin off Atlantic City. There was one lease sale in the late 1970s, with eight exploratory wells and two COST wells drilled. Between

1983 and 1990, most of the North Atlantic was withdrawn from leasing. The most recent scheduled lease sale in the North Atlantic was canceled.

- Mid-Atlantic - The Mid-Atlantic planning area lies offshore the Middle Atlantic states and extends from Rhode Island to North Carolina. The main prospective area is the Carolina Basin. The area encompasses approximately 82.2 million acres, and has had the most lease sales (five) in the Atlantic region (between 1976 and 1983), the majority of leases awarded, and the most wells drilled (32 exploratory, two COST). Most of the Mid-Atlantic was withdrawn from leasing in 1983. Eight leases remained active until November 17, 2000, when the interests in these leases in the federal waters offshore North Carolina were relinquished by Conoco, Shell Offshore and OYX USA.
- South Atlantic - The South Atlantic planning area lies offshore of the southern Atlantic states and extends from North Carolina to Florida. The main prospective area is the Southeast Georgia Embayment. The area encompasses approximately 114.2

million acres. No leases currently remain active. Several lease sales were held between 1978 and 1983, and six exploratory wells and one COST well were drilled in this area. Since 1983, all scheduled lease sales were either canceled or deferred, until the entire area was placed under moratorium in 1998.

- Straits of Florida - The Straits of Florida planning area in the Atlantic region lies offshore Florida, with the only lease sale in this area held in 1959. The Straits of Florida is not under moratorium since MMS canceled the last proposed sale in this area (Sale 140) in early 1998, as part of a litigation settlement on its five-year Program. There are no active leases in this area.

Regardless of the divisions in the MMS Atlantic OCS area, the geological setting ties all of these areas together and connects Nova Scotia to the Atlantic Mesozoic environment (see discussion on the Nova Scotia region of Canada for details).

¹⁴ The Continental Offshore Stratigraphic Test (COST) well program was a federal government drilling program in the 1970s where energy company consortiums were allowed to drill a limited number of test wells to gain geologic information prior to anticipated federal leasing.

STATE - OFFSHORE ATLANTIC

No information is available from Maine to Florida on potential resource estimates in state waters off states adjacent to the Atlantic moratorium areas.

RESOURCES UNDER MORATORIA

The most recent MMS estimates for mean undiscovered resources in the moratorium areas of the Atlantic OCS are 3.45 billion barrels of oil and 33.34 Tcf of natural gas.

Offshore Atlantic*

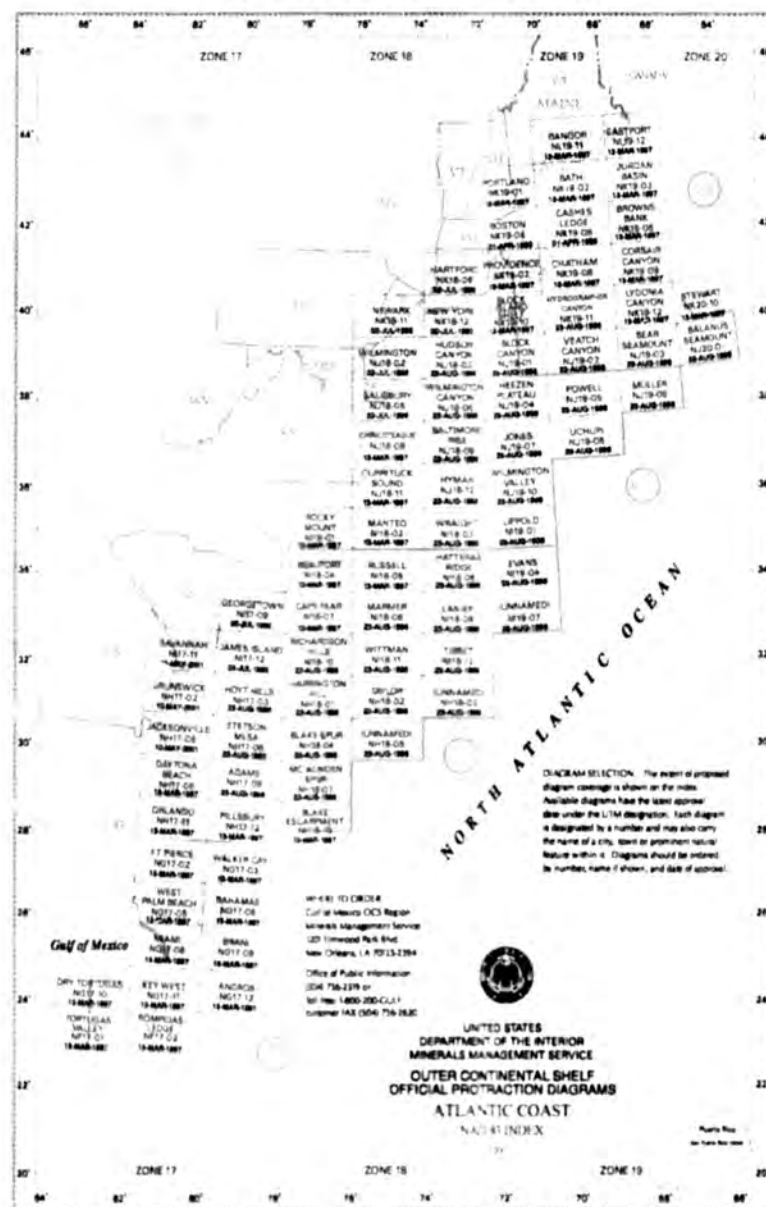
Estimate of Undiscovered Technically Recoverable Crude Oil and Natural Gas Resources in Moratorium Areas

	Gas (Tcf)	Oil (Bbbls)
North Atlantic	n/a	n/a
Mid Atlantic	n/a	n/a
South Atlantic	n/a	n/a
Straits of Florida	n/a	n/a
Atlantic State Waters**	n/a	n/a
TOTAL	33.34	3.45

* Estimates provided by the U.S. Mineral Management Service based on the 2003 National Assessment. No breakdown by Planning Area was provided.

** For the purposes of this report, no estimates were provided for state waters off the Atlantic coast.

Atlantic Coast



Gulf of Mexico

On August 20, 2003, the U.S. Department of Interior celebrated the 50th anniversary of the Outer Continental Shelf Lands Act, as it reviewed bids for the Western Gulf of Mexico Lease Sale 187. This lease sale was the 100th offshore oil and gas lease sale conducted in the Gulf of Mexico. According to Secretary of Interior Gale Norton, "Over the past 50 years, lease sales ... have produced about 14 billion barrels of oil and about 150 trillion cubic feet of natural gas. They have also provided oil-in-kind to help fill the Strategic Petroleum Reserve, created thousands of jobs, and generated \$145 billion in revenue from federal offshore collections."

FEDERAL - EASTERN GULF OF MEXICO OCS

However, not all of the Gulf of Mexico federal OCS is currently accessible for leasing and development. Leasing in the Eastern Gulf of Mexico has been limited over the last several decades. The Eastern Gulf planning area extends along the Gulf's northeastern coast for some 1,120 kilometers (700 miles) from Baldwin County, Alabama, southward to the Florida Keys. The area encompasses approximately 76 million acres, with water depths ranging from tens of meters to more than 3,000 meters (9,900 feet). Seaward of the state/federal boundary (three leagues or roughly nine miles off the Florida coast), the area extends southward for more than 480 kilometers (300 miles).

Drilling for natural gas and oil first took place in the Eastern Gulf of Mexico offshore Alabama and Florida more than three decades ago. The first sales held offshore Florida occurred in 1959 and resulted in 23 leases being issued. Exploratory drilling started in the Eastern Gulf of Mexico in the mid-1970s with the drilling of Destin Dome Block 162, located 64 kilometers (40 miles) south of Panama City, Florida. After two years of drilling and 15 dry holes, exploration ground to a halt. The 1980s ushered in three Eastern Gulf lease sales and renewed industry interest in this area. Finally, in the late 1980s, Chevron and Gulfstar made natural gas discoveries in the area. In October 1995, 73 oil and gas leases located south of 26 degrees north latitude were returned to the federal government as part of a litigation settlement.

Additional lease sales were held in the Eastern Gulf between 1973 and 2001. Lease Sale 181 in the Eastern Gulf of Mexico in 2001 initially offered a 6 million-acre expanse about 15 miles off the coast of Florida - a tract excluded from federal moratoria on new offshore oil leases that applies elsewhere. In July 2001, prior to the scheduled sale, the area offered was reduced to 1.5 million acres, and the sale's boundaries were adjusted. In the revised sale area, drilling can occur no closer than 100 miles offshore from Pensacola and 285 miles from Tampa. Subsequent leases in this reduced area have been offered.

Currently, there are 241 active leases in the Eastern Gulf of Mexico planning area. To date, more than 60 exploratory wells have been drilled in the Eastern Gulf and 20 wells have discovered natural gas, condensate, and/or crude oil.

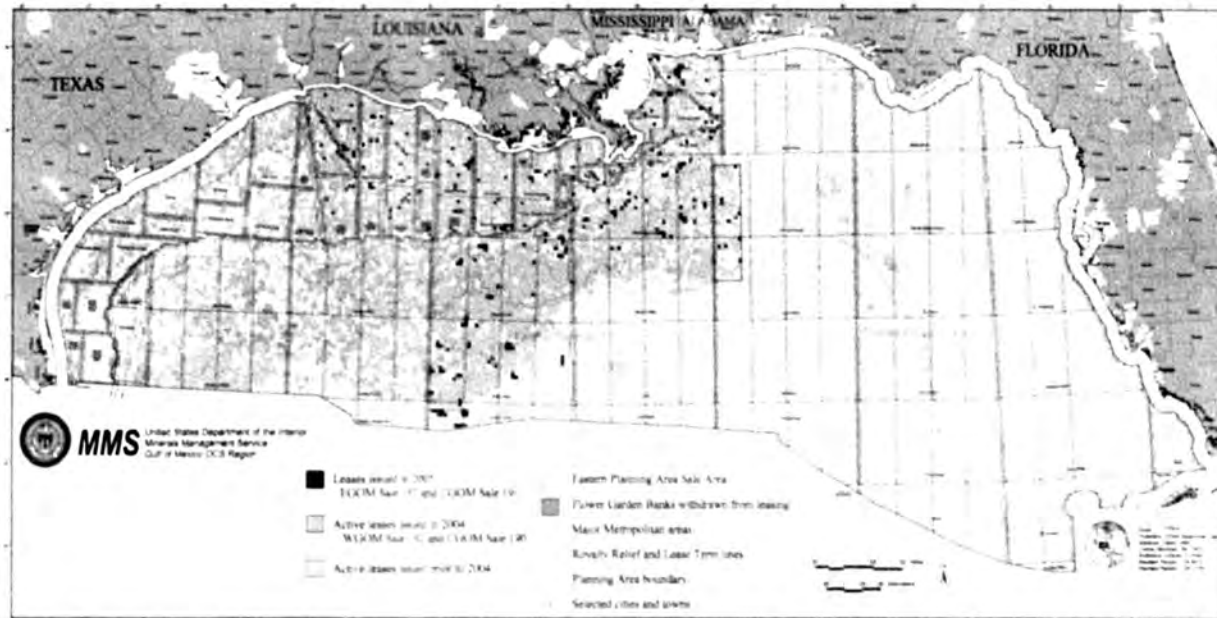
STATE WATERS IN THE GULF OF MEXICO

There are no moratoria in Texas, Alabama and Louisiana state waters. Essentially 75 percent of the 500,000 offshore acres off the coast of Mississippi are restricted from being leased for oil and gas. Moreover, in Mississippi, a bill was enacted in 2004 (Senate Bill 2853) that, among other things, prohibits mineral leasing of offshore lands except for certain blocks south of the state's barrier islands.

RESOURCES UNDER MORATORIA

In 2000, MMS estimated that between 10 and 18.9 Tcf of natural gas, and between 2.35 and 6.61 billion barrels of oil and condensate, were contained in the Eastern Gulf of Mexico federal OCS planning area. However, based on recent drilling successes, since Sale 181, these estimates have been increased substantially. The most recent MMS assessment of mean technically recoverable undiscovered oil and gas resources in the Eastern Gulf of Mexico is 3.65 billion barrels of oil and 20.22 Tcf of natural gas.

Gulf of Mexico



In Mississippi state waters, an estimated 250 to 750 Bcf of technically recoverable resources correspond to the areas currently under moratoria.¹⁵ For purposes of this report, 500 Bcf was assumed for this area. Therefore,

this amounts to total estimated resources under moratoria in the Gulf of Mexico (federal and state waters) of 3.65 billion barrels of oil and 20.7 Tcf of natural gas.

¹⁵ Mississippi Mineral Resources Institute, *Assessment of Miocene Hydrocarbon Potential of Mississippi Sound and the Adjacent Onshore Areas*, Open File Report 04-2, February 5, 2004.

Gulf of Mexico

Estimate of Undiscovered Technically Recoverable Crude Oil and Natural Gas Resources in Moratorium Areas

	Gas (Tcf)	Oil (Bbbls)
Eastern Gulf	20.22	3.65
Gulf Coast State Waters**	0.50	-
TOTAL	20.72	3.65

- * Estimates provided by the U.S. Mineral Management Service based on the 2003 National Assessment. No breakdown by planning area provided.
- ** For the purposes of this report, no moratorium areas existed in Alabama, Louisiana and Texas. Mississippi state waters currently under moratorium are estimated to contain 500 Bcf of natural gas.



Pacific Coast

FEDERAL - PACIFIC OCS

All of California, Oregon and Washington have been subject to long-running leasing moratoria enacted annually as part of the U.S. Department of Interior's appropriations legislation. These states are split into four OCS planning areas: Washington-Oregon, Northern California, Central California and Southern California. Under authority of Section 12 of the OCS Lands Act, all of these areas were withdrawn from leasing until after June 30, 2012, and all National Marine Sanctuaries were indefinitely withdrawn from leasing. The congressional moratoria and Section 12 withdrawal do not apply to existing leases. There are 79 active OCS leases in Central and Southern California, of which 43 are developed and 36 undeveloped.

California is currently a substantial offshore producer. In 2004, the Pacific OCS produced, on average, more than 75,000 barrels of oil per day and nearly 150,000 Mcf of gas per day from 14 fields.¹⁶

In the Washington-Oregon planning area, a total of 12 exploratory wells were drilled, and 101 leases were issued, all of which have expired or were relinquished. In

the Northern and Central California planning areas, there were 20 exploratory wells drilled on 57 leases, all of which have been relinquished.

The Southern California planning area has seen 977 development wells (not under moratoria), 297 exploratory wells (several in moratorium areas) and a total of 312 leases. Of those, 79 leases are active and 43 are producing. Those remaining have expired, have been relinquished, or have been terminated. Remaining proved and unproved reserves not under federal OCS moratoria (from the active leases) are estimated to be 1.47 billion barrels of oil and 1.48 Tcf of natural gas.

STATE - OFFSHORE PACIFIC

In June 2005, California state offshore production was 41,500 barrels of oil per day and 18,400 Mcf of natural gas per day, according to the California Department of Conservation. The majority of this production is from the offshore production islands in Wilmington oil field in the Los Angeles Basin. Both Washington and Oregon currently have moratoria in place:

- Washington Statute Section RCW 43.143.010

prohibits leasing in tidal waters and submerged lands out to 3 miles along the entire coast, and parts of the Columbia River.

- Oregon Statute Section ORS 196.410 is a legislative finding for offshore oil and gas leasing and states that Oregon is unwilling to risk damaging sensitive marine environments or to sacrifice environmental quality to develop offshore oil and gas resources.

In addition, California Statute Section PRC 6242 defines all state waters (three-mile limit) not subject to a lease effective January 1, 1995, as a California Coastal Sanctuary and prohibits future leasing. Furthermore, the California Coastal Commission presented a resolution on April 5, 2004, asking the federal government to prevent development of the 36 undeveloped federal leases. The Coastal Commission also referenced recent court decisions under the Coastal Zone Management Act (CZMA) that affirm California's right to review and approve these lease developments.

RESOURCES UNDER MORATORIA

Undiscovered technically recoverable resources in fed-

¹⁶ Source: U.S. Minerals Management Service (2005) (<http://www.mms.gov/stats/OCSproduction.htm>).

eral OCS moratorium areas for the Pacific OCS are estimated to be 10.5 billion barrels of oil and 18.2 Tcf of natural gas. In addition, the California Coastal Lands Commission estimates that 950 million barrels of crude oil and 1 Tcf of natural gas exist in state waters currently under a state leasing moratorium. Therefore, total estimated hydrocarbon resources in areas under moratoria in the West Coast (state and federal waters) amount to 11.4 billion barrels of oil and 19.2 Tcf of natural gas.

Offshore Pacific

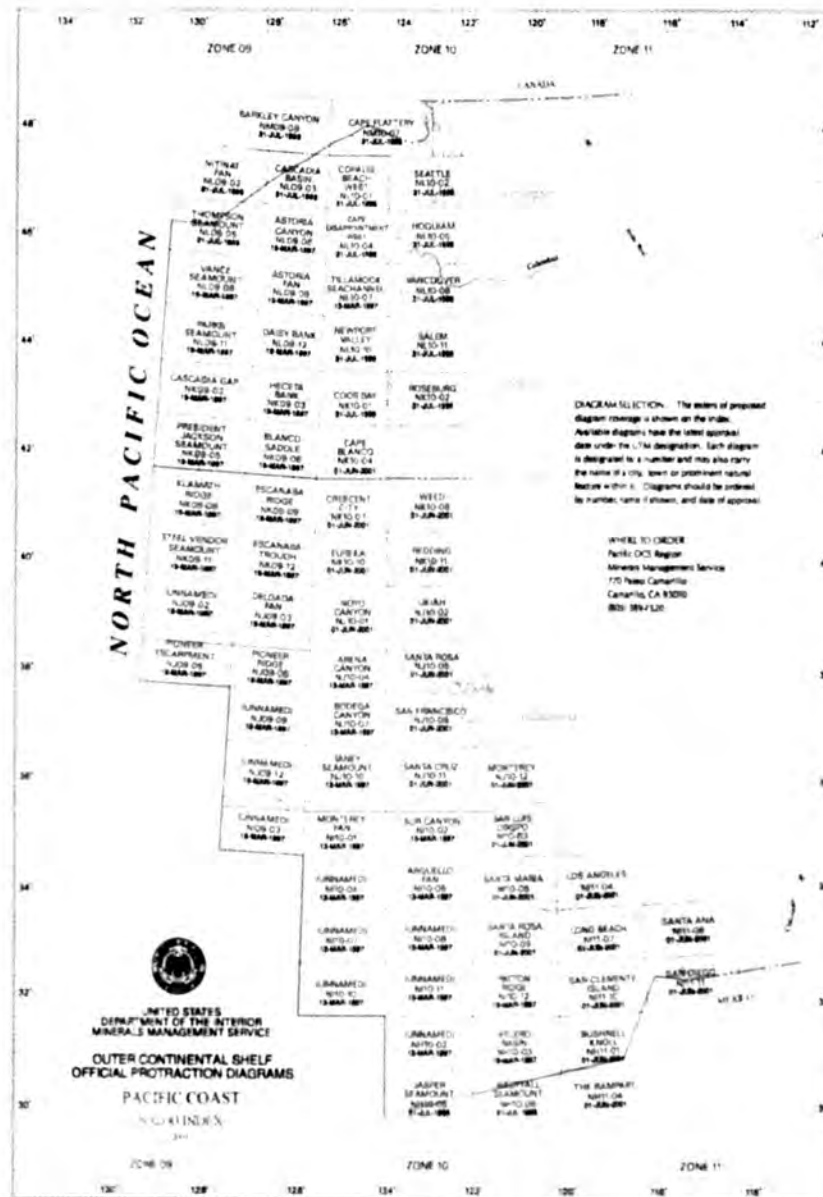
Estimate of Undiscovered Technically Recoverable Crude Oil and Natural Gas Resources in Moratorium Areas

	Gas (Tcf)	Oil (Bbbls)
Washington/Oregon	2.26	0.35
Northern California	3.56	2.04
Central California	2.45	2.30
Southern California	9.94	5.80
Total Federal OCS	18.21	10.49
Pacific State Waters**	1.00	0.95
TOTAL	19.21	11.44

* Estimates provided by the U.S. Mineral Management Service based on the 2003 National Assessment. No breakdown by Planning Area was provided.

** Based on estimates provided by the California State Lands Commission.

Pacific Coast



Great Lakes

At present, Michigan is the only state in the United States that has leased oil and gas rights under the Great Lakes. None of the states bordering the Great Lakes allow offshore rigs in the water, but 13 wells have been drilled directionally from the Michigan coastline of Lake Erie. In April 2002 the Michigan Legislature passed a statute that permanently bans directional drilling beneath the Great Lakes and prohibits the state from issuing any lease that would allow such drilling. More than 2,000 wells have been drilled under Lake Erie from Canada.

FEDERAL - GREAT LAKES REGION

In 2001, Congress issued a two-year moratorium on Great Lakes drilling, citing environmental concerns. This ban prevented state and federal agencies from issuing leases or permits for new drilling, either directional or offshore, in or under the Great Lakes through September 30, 2003. The ban was subsequently extended through 2007.

Section 503 of the Energy and Water Appropriations Act of 2002 directed the U.S. Army Corps of Engineers (the Corps) to conduct a study of the known and potential environmental effects of oil and gas drilling activity in the Great Lakes. In June 2004, the House Energy and Water Appropriations Subcommittee requested that the Corps initiate this study, which Congress intended to use to help inform its decision regarding whether to further extend the moratorium.

STATE - GREAT LAKES REGION

In 1987, the Michigan Environmental Science Board (MESB) issued a report on the subject of directional oil drilling under the Great Lakes. The MESB reported that directionally drilling a well under the lake poses very little risk of leaking pollution into the water, but rather the risk of potential environmental impact exists on land at the location of the well-head and associated pipelines. The state of Michigan suspended all new lease sales until the state could implement the MESB recommendations. Some controversy has been associated with the interpretation and implementation of the MESB recommendations.

In 1985, the eight governors of Great Lakes states signed a non-binding compact agreeing to ban oil drilling in the waters of the Great Lakes, but this statement did not specifically address directional drilling. States having reconsidered the issue have taken the position that the governors' compact applies only to offshore drilling and not directional drilling from land.

Section 386 of the Energy Policy Act enacted in August 2005 now prohibits the issuance of any new state or federal lease in the Great Lakes for oil and gas drilling, whether from offshore or from onshore directional wells.

RESOURCES UNDER MORATORIA

For purposes of this study, potential resource estimates underlying the Great Lakes were determined to range from 30 million to 500 million barrels of oil (a mid-range estimate of 270 million barrels was assumed) and about 4 Tcf of natural gas.

Great Lakes

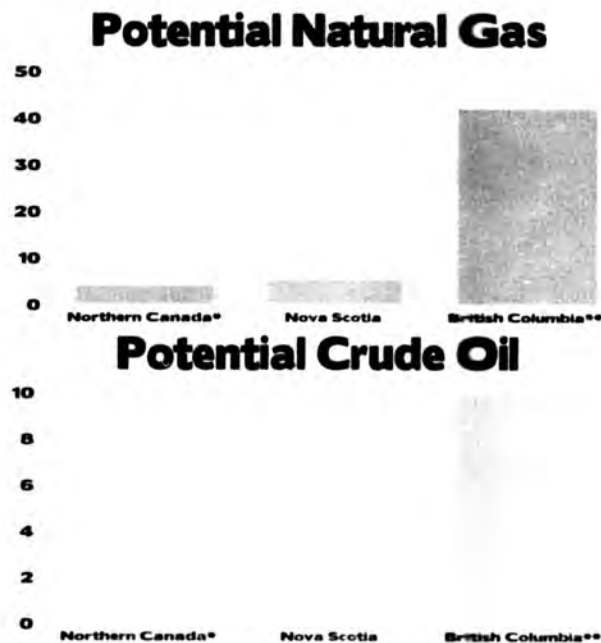


Canada Overview

The mean estimate of the undiscovered natural gas underlying Canadian moratorium areas is 51 Tcf, and mean undiscovered crude oil is estimated to be 11 billion barrels.** However, the size of Canada's offshore natural gas resource base is a major uncertainty, particularly for those frontier areas under moratoria, since they are based on a limited amount of geological data.

Moreover, some of the moratorium areas within Canada exist within various parts of larger assessment areas; and the potential resources under these areas have not been separately assessed.

Finally, the estimates reflect information taken from existing publications that date back several years.



Offshore Canada

Estimate of Undiscovered Crude Oil and Natural Gas Resources in Moratorium Areas

	Gas (Tcf)	Oil (Bbbls)
Northern Canada*	4.00	0.10
Nova Scotia	5.30	1.06
British Columbia**	41.80	9.80
TOTAL	51.10	10.96

* Estimates are based on internal studies performed in 2004-2005 by the Northern Oil and Gas Directorate, Canadian Federal Department of Indian Affairs and Northern Development. Lancaster Basin was formally under moratorium, but it remains a very environmentally sensitive area.

** Estimates for British Columbia are total median in-place resources.

Northern Canada

The management of oil and gas resources north of 60 degrees latitude in the Northwest Territories, Nunavut, and northern offshore is a federal responsibility, carried out by the Northern Oil and Gas Directorate of the Department of Indian Affairs and Northern Development. Prior to devolution in 1998, management of Yukon oil and gas was also a federal responsibility.

Petroleum resource management on Crown lands north of 60 degrees latitude is exercised under two federal statutes: the Canada Petroleum Resources Act (CPRA) and the Canada Oil and Gas Operations Act (COGOA). The CPRA governs the allocation of Crown lands to the private sector, tenure to the allocated rights and the setting and collection of royalties. The Minister of Indian Affairs and Northern Development administers the act. The COGOA regulates the industrial activities with respect to resource conservation, environmental protection and safety of workers. The National Energy Board administers the act.

Oil and gas activity in the north has a long history extending back to the discovery of the Norman Wells Oil Field in 1919. Exploration rights issued throughout the

1960s and 1970s covered almost all of the prospective sedimentary basins in the north. In the 1970s, the government instituted a freeze on the issuance of new exploration rights in order to facilitate the aboriginal land claims process in general, and the accompanying land selection process in particular.

At the time, it was not anticipated that the lands claim process would take so long to conclude. Two decades passed before the signing of many land claims settlements. In the intervening years, almost all historical exploration licenses had lapsed. The rights issuance process was re-introduced after the settlement of land claims in the Beaufort-Mackenzie Basin in 1989, in the High Arctic in 1991 and in the mainland Northwest Territories in 1994.

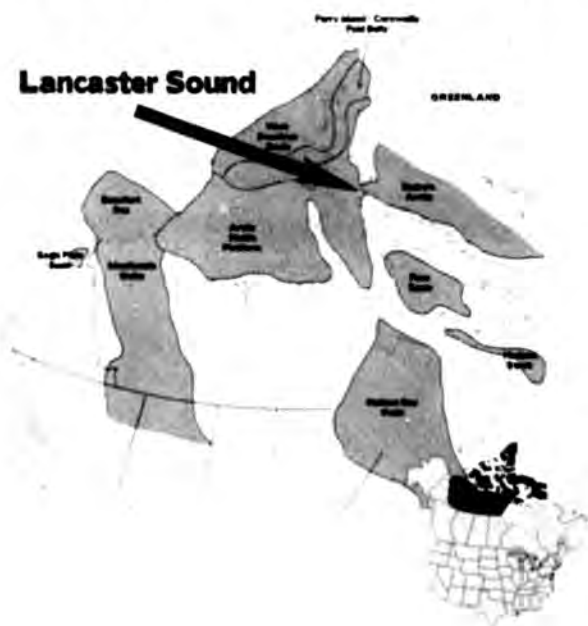
In 1976 exploration activity in the Lancaster Basin area of the Eastern Arctic was suspended so that comprehensive environmental assessment work could be performed. In 1998, pre-1976 exploration permits were converted to exploration licenses, which are scheduled to expire in 2007. To date there has been no oil and gas activity in the licensed areas, despite significant poten-

tial. The Lancaster Basin remains a very environmentally sensitive area.

RESOURCES FORMERLY UNDER MORATORIA

The ultimate hydrocarbon resources (discovered and undiscovered) of Northern Canada's offshore areas are estimated to be approximately 10 billion barrels of oil and 190 Tcf of gas. The reported resources do not break out that portion of the ultimate resources that may be found in onshore portions of these predominantly offshore basins. The ultimate potential of the Lancaster Basin is believed to be approximately 100 million barrels of oil and 4 Tcf of natural gas.

Northern Canada



¹⁷ The source of the estimates found in this section is from internal studies performed in 2004/05 by the Northern Oil and Gas Directorate, Canadian Federal Department of Indian Affairs and Northern Development.

Nova Scotia

Georges Bank is a shallow, submarine bank located on the OCS about 150 kilometers southwest of Cape Sable, Nova Scotia. It is bound on the north by the Gulf of Maine, on the northeast by the Northeast Channel which separates it from Brown's Bank, and on the southwest by the Great South Channel, which lies between the bank and Nantucket Shoals.

In 1964, the Canadian government issued the first petroleum exploration permit in the Georges Bank area. In 1969, the United States informed Canada that it too was claiming territorial rights on Georges Bank. The Canada-U.S. boundary was eventually submitted to the international court at The Hague, and was settled in 1984. The decision gave Canada jurisdiction over the northeast portion of the bank.

In 1986, local fishing interests and residents opposed any petroleum exploration activity in the bank area. In response to their concerns, the governments put a moratorium in effect.

Both the federal and provincial levels of government enacted the Canada-Nova Scotia Accord Acts in 1988. This legislation placed a moratorium on petroleum activities on Georges Bank until January 2000. The legislation also required a public review be conducted and the ministers were required to make a decision on the future of the moratorium by January 2000.

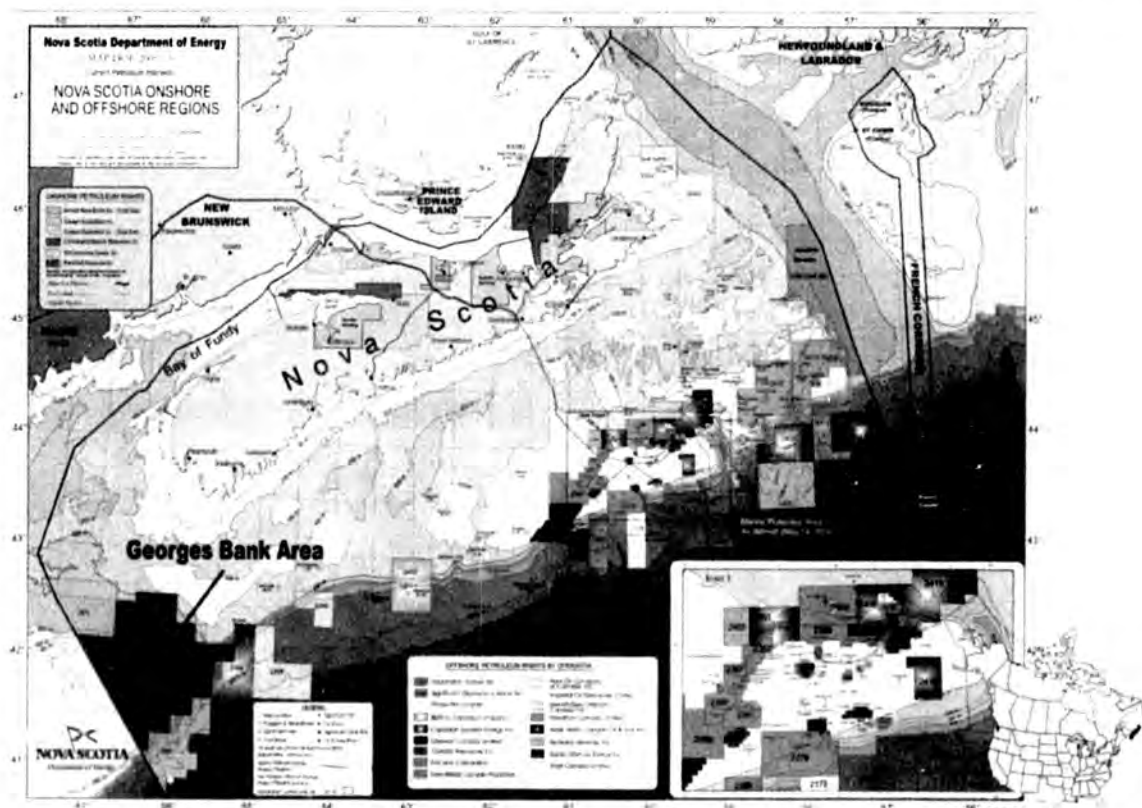
A Canadian public review of activity on Georges Bank conducted in 1999 ended in a decision to extend the moratorium until 2012, which corresponds to the expiry on the U.S. side.

RESOURCES UNDER MORATORIUM

Based on seismic surveys, the Geological Survey of

Canada estimates there is potential for 1.06 billion barrels of oil and 5.3 Tcf of natural gas in the Georges Bank area.

Nova Scotia Onshore and Offshore Regions



British Columbia

Offshore British Columbia contains four basins: Queen Charlotte Basin, Winona Basin, Tofino Basin and the Georgia Basin. The seabed of the Georgia Basin is owned by British Columbia, while the seabed of the Winona and Tofino Basins is owned by Canada. The ownership of the Queen Charlotte Basin is disputed by British Columbia and Canada. Several aboriginal groups have made claims of aboriginal rights and title to various parts of these basins.

There was extensive permitting and seismic activity off the West Coast of British Columbia in the 1950s and 1960s. The major phase of offshore exploration in the Queen Charlotte and Tofino Basins was carried out by Shell Canada Resources from 1963 to 1969. Over 32,000 kilometers of seismic were shot, and 14 wells were drilled. None of the wells indicated the presence of commercial quantities of oil or natural gas. The Geological Survey of Canada also conducted a major geological study of the Queen Charlotte Basin in the 1980s that included over 1,000 kilometers of additional seismic.

Offshore activity was halted in 1972 as part of a federal moratorium to restrict Alaskan oil tanker traffic from the inside passage off the coast of British Columbia. In the 1980s, Canada and British Columbia conducted a joint environmental assessment (EA) on a proposed exploration program. In 1986, the EA panel recom-

mended approval of the exploration program, subject to a significant number of recommendations. At the same time, Canada and British Columbia started negotiations on a "Pacific Accord" (similar to those in Atlantic Canada) to establish an offshore regulatory system for the West Coast. The negotiations ended in 1989 without agreement. Following the Exxon Valdez and Nestucca oil spills in late 1988 and early 1989, British Columbia implemented a moratorium on offshore drilling activity. The federal government then announced that it would not consider any offshore development until so requested by British Columbia.

In 2001, British Columbia appointed an independent scientific panel to review and make recommendations with respect to the moratorium on offshore activity. The panel reported that, among other things, "there is no inherent or fundamental inadequacy of the science or technology, properly applied in an appropriate regulatory framework, to justify a blanket moratorium" on offshore activities. The science panel also identified a number of science gaps that needed to be addressed. The review of offshore development technologies found that "the evidence from a relatively extensive review of conditions off British Columbia in comparison to other oil and gas areas worldwide and the latest engineering technology that applies to development indicates that there are no unique fatal flaw issues that would rule out exploration and development activities." In 2001, Brit-

ish Columbia also appointed an Offshore Oil and Gas Task Force composed of elected members of the Government of British Columbia to visit northern coastal communities and report on the views of communities, local residents and First Nations. The task force concluded that Northern communities, including First Nations, want to have a strong voice in the contemplation of offshore oil and gas and made a number of recommendations for further work that needs to be done before any activity begins. Subsequently, British Columbia asked Canada to review its position on its moratorium on offshore activity.

In 2003, Canada announced that it would take a three-pronged approach to its review of the moratorium, namely a scientific review, a public review process, and a First Nations engagement process.

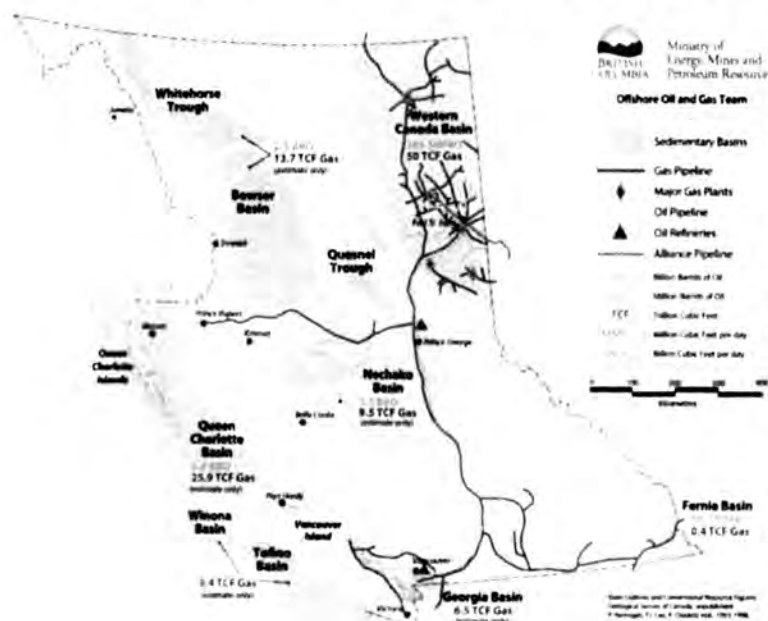
The Royal Society of Canada appointed an expert panel to carry out the science review. The panel identified a number of science gaps and made various recommendations. The panel concluded that "provided an adequate regulatory regime is in place, there are no science gaps that need to be filled before lifting the moratoria on oil and gas development." The public review panel held public hearings in a number of communities/cities on the West Coast of British Columbia. The public review reported on what it had heard; there was no analysis of the views put before the panel. A significant

majority of those who participated in the process were opposed to lifting the moratorium, but the panel gave equal weight to an oral submission from government or a business or environmental group as to a person who signed a sheet supporting or opposing the lifting of the moratorium. The panel concluded that "the strongly held and vigorously polarized views it received do not provide a ready basis for any kind of public policy compromise at this time in regard to keeping or lifting the moratorium." The panel set out four options for the government of Canada (from keeping the moratorium to lifting it), but made no specific recommendations on those options.

The First Nations Engagement Process involved numerous First Nations of the Northwest Coast, other coastal communities and inland communities. The process found that all participating First Nations indicated that it was not in the best interests of their people to lift the moratorium on oil and gas exploration in the Queen Charlotte Basin. A small number also added the qualifier, "it should not be lifted at this time." However, some First Nations did indicate that they were prepared to "more fully explore the issue of offshore oil and gas exploration, provided that they were adequately resourced and given enough time to do so."

As of the date of this report, the federal government is still reviewing its position on the moratorium.

British Columbia Onshore and Offshore Basins



British Columbia

Estimate of Undiscovered Total Median In-Place Crude Oil and Natural Gas Resources in Moratorium Areas

	Gas (Tcf)	Oil (Bbbls)
Queen Charlotte	25.90	9.80
Georgia Basin	9.40	-
Tofino/Winona Basin	6.50	-
TOTAL	41.80	9.80

* Source: Geological Survey of Canada, Bulletin 569, 2001

RESOURCES UNDER MORATORIA

The Geological Survey of Canada published a quantitative assessment of the hydrocarbon potential of the basins off the British Columbia coast in 2001. Total median estimates of resources in place of 41.8 Tcf of natural gas and 9.8 billion barrels of oil were reported.

Appendix A: Survey Table

North American Moratoria Survey					
	Moratorium Established	Current Expiry Date	Description of Area	Extent of Area	Technically Recoverable Resources
United States					
Alaska	1989; extended in 1998	2012	North Aleutian Basin Katchemak Bay	52,234 sq. miles 150 sq. miles	6.2 Tcf (gas) 0.5 million bbls (oil)
Pacific Coast	1998	2012	Washington-Oregon Northern California Central California Southern California	NI*	19.2 Tcf (gas) 11.4 billion bbls (oil)
Gulf of Mexico	1998	2012	Alabama Florida	76 million acres	20.7 Tcf (gas) 3.6 billions bbls (oil)
Atlantic Coast	1998	2012	North Atlantic Mid Atlantic South Atlantic Strait of Florida	245.2 million acres	33.3 Tcf (gas) 3.5 billion bbls (oil)
Great Lakes	2001	Extended indefinitely by the Energy Policy Act of 2005	Lake Erie Lake Huron Lake Michigan Lake Ontario Lake Superior	38,500 sq. miles	4.0 Tcf (gas) 30-500 million bbls (oil)

North American Moratoria Survey

	Moratorium Established	Current Expiry Date	Description of Area	Extent of Area	Technically Recoverable Resources
Canada					
Northern Canada	1978	1998 (considered to be a very environmentally sensitive area)	Lancaster Sound Basin	3.3 million acres	4.0 Tcf (gas) 100 million bbls (oil)
Nova Scotia	1999	2012	Georges Bank	7,000 sq. km	5.3 Tcf (gas) 1.06 billion bbls (oil)
British Columbia**	1972/1989	no expiry date identified	Queen Charlotte Basin Tofino Basin Georgia Basin Winona Basin	90,000 sq. km	41.8 Tcf (gas) 9.8 million bbls (oil)

NOTES:

- No Information available
- ** Estimates for British Columbia are median in-place resources

Appendix B: Contributors

Information and data contained in this report is derived solely through research of documentation of potential resources from a variety of publicly available reports and documents. The North American Coastal Alliance consolidated and summarized this information and data into a single document to facilitate review by other interested parties.

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U.S. Department of Interior

About the Commission

The Interstate Oil and Gas Compact Commission is a multi-state government agency that champions conservation and efficient recovery of our nation's oil and natural gas resources while protecting health, safety and the environment.

The IOGCC consists of the governors of 37 states (30 members and seven associate states) that produce most of the oil and natural gas in the United States, as well as seven international affiliates. Chartered by Congress in 1935, the organization is the oldest and largest interstate compact in the nation.

The IOGCC assists states in balancing interests through sound regulatory practices. These interests include: maximizing domestic oil and natural gas production, minimizing the waste of irreplaceable natural resources, and protecting human and environmental health.

The IOGCC also provides an effective forum for government, industry, environmentalists and others to share information and viewpoints, allowing members to take a proactive approach to emerging technologies and environmental issues. For more information visit www.iogcc.state.ok.us or call 405.525.3556.



Interstate Oil and Gas Compact Commission
January 2006



Interstate Oil and Gas Compact Commission

P.O. Box 53127 • Oklahoma City, OK • 73152

405.525.3556 phone • 405.525.3592 fax

www.ioGCC.state.ok.us

OPINION

WEDNESDAY, FEBRUARY 15, 2006

THE OKLAHOMAN

Continental shelf

Study quantifies untapped reserves

IF ALL the "untapped potential" of North America's off-limits petroleum reserves were opened to exploration, about 135 trillion cubic feet of natural gas would be added to the reserves that are available for exploration. This figure is contained in a new Interstate Oil and Gas Compact Commission report, said to be the first complete summary of data on energy resources the government has effectively placed on a shelf too high to reach.

In 2004, the U.S. produced about 24 trillion cubic feet of natural gas, so the "untapped potential" represents nearly six years of production at current levels. In addition, some 30 billion barrels of crude oil have been placed in the off-limits category.

Policy decisions and public opinion keep these resources from being tapped. The result is spot shortages, higher prices and dependence on petroleum resources from the most volatile regions of the world.

Drilling moratoriums are in effect in parts of Alaska, the Great Lakes and off the Atlantic, Pacific and Gulf of Mexico coastlines. Even if policy-makers and the people had a change of heart overnight, some of these areas would never be developed. Others, such as a small portion of the Arctic National Wildlife Refuge in Alaska, could be developed without harm.

The Interstate Oil and Gas Compact Commission is based in Oklahoma City. The commission's North American Coastal Alliance prepared the report. Its chairman, Alaska Oil and Gas Conservation Commission member Dan Seamount, said the report was not intended to influence policy but to help citizens and policy-makers "understand the significance of these potential resources when making energy development decisions."

The political will to tap the "untapped potential" is lacking, so ever higher prices for energy, shortages and ever greater dependence on foreign sources are what we'll be tapping for the foreseeable future.

Subject: FW: NEWS RELEASE: Report Sheds Light on North America's Untapped Resources

From: Amy Wright <Amy.Wright@iogcc.state.ok.us>

Date: Tue, 14 Feb 2006 14:07:38 -0600

To: Dan Seamount <dan_seamount@admin.state.ak.us>

Amy Wright

Federal Projects Manager

Interstate Oil and Gas Compact Commission

405-525-3556 X 117

amy.wright@iogcc.state.ok.us

www.iogcc.state.ok.us

From: IOGCC News

Sent: Friday, February 10, 2006 12:04 PM

Subject: NEWS RELEASE: Report Sheds Light on North America's Untapped Resources

NEWS RELEASE

Interstate Oil and Gas Compact Commission

P.O. Box 53127, Oklahoma City, OK 73152-3127

Contact: Erica Smith 405/525-3556, ext. 106, Erica.smith@iogcc.state.ok.us

FOR IMMEDIATE RELEASE

February 10, 2006

REPORT SHEDS LIGHT ON NORTH AMERICA'S UNTAPPED RESOURCES

OKLAHOMA CITY – A recent report from the Interstate Oil and Gas Compact Commission's North American Coastal Alliance (NACA) highlights the significant "untapped potential" of areas in North America currently off-limits to oil and gas production.

North American offshore moratorium areas are estimated to contain nearly 135 trillion cubic feet (Tcf) of natural gas and 30 billion barrels of crude oil, according to the report. As of 2004, the U.S. produced about 24 Tcf of natural gas annually and used nearly 22.5 Tcf, primarily for home heating, electric generation and manufacturing.

The NACA report, "Untapped Potential: Offshore Oil and Gas Resources Inaccessible to Leasing," is the first complete compilation of data on resources not available for development in the offshore waters of the United States and Canada. Its goal is to facilitate informed decision-making regarding future opportunities associated with these resources.

"This report is not intended to influence policy; however, it is important that citizens and policy makers understand the significance of these potential resources when making energy development decisions," said NACA Co-Chairman Dan Seamount, Alaska Oil and Gas Conservation commissioner.

Areas in the United States under moratorium – including areas in Alaska and the Great Lakes, and off the Atlantic and Pacific coasts and the Gulf of Mexico – are estimated to contain more than 19 billion barrels of crude oil and 83.5 trillion cubic feet of gas. Canada's areas off-limits to production are estimated to contain 11 billion barrels of crude oil and 51 Tcf of gas.

The report outlines the facts about legislation and policy that prevent exploration and development in offshore areas of the United States and Canada.

To obtain a copy of "Untapped Potential: Offshore Oil and Gas Resources Inaccessible to Leasing," contact the IOGCC at 1-800-822-4015, or download the report at www.iogcc.state.ok.us

The North American Coastal Alliance is a workgroup comprised of Interstate Oil and Gas Compact Commission (IOGCC) members whose states or provinces are located along coastlines. NACA focuses on areas of concern to coastal states and provinces through a forum of open dialogue and sharing of compliance information and environmental results. In many areas, oil, gas, and marine ecosystems represent a continuum between state/provincial and federal waters.

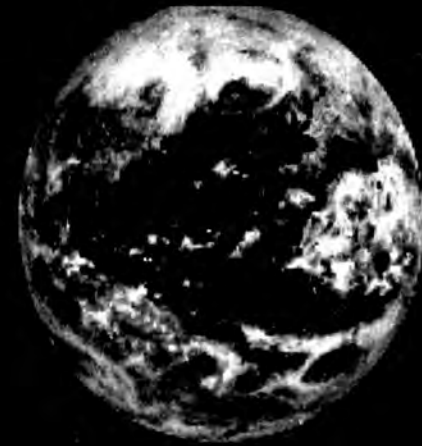
The IOGCC, representing the governors of 30 member and seven associate states, promotes the conservation and efficient recovery of the nation's oil and natural gas resources while protecting health, safety and the environment. Established by the charter member states' governors in 1935, it is the oldest, largest and most effective interstate compact in the nation.

###

FACT SHEET

Offshore Oil and Natural Gas Resources Currently Off-limits to Leasing

- **What are Moratorium areas?**
Those offshore areas that effectively have restrictions, whether through legislation or policy, which preclude exploration and development activity.
- **The Potential**
North American offshore moratorium areas are estimated to contain nearly 135 trillion cubic feet of natural gas and more than 30 billion barrels of crude oil. This is comparable to the United States current proved reserves.
- **The Importance**
It is important that the public and policy makers understand the significance of the potential North American oil and gas resources when making energy development decisions.
- **United States Overview**
A mean estimate of undiscovered natural gas underlying U.S. moratorium areas is approximately 83.5 trillion cubic feet, and mean undiscovered crude oil is estimated to be 19.3 billion barrels.
- **Canadian Overview**
The mean estimate of the undiscovered natural gas underlying Canadian moratorium areas is 51 trillion cubic feet, and mean undiscovered crude oil is estimated to be 11 billion barrels.



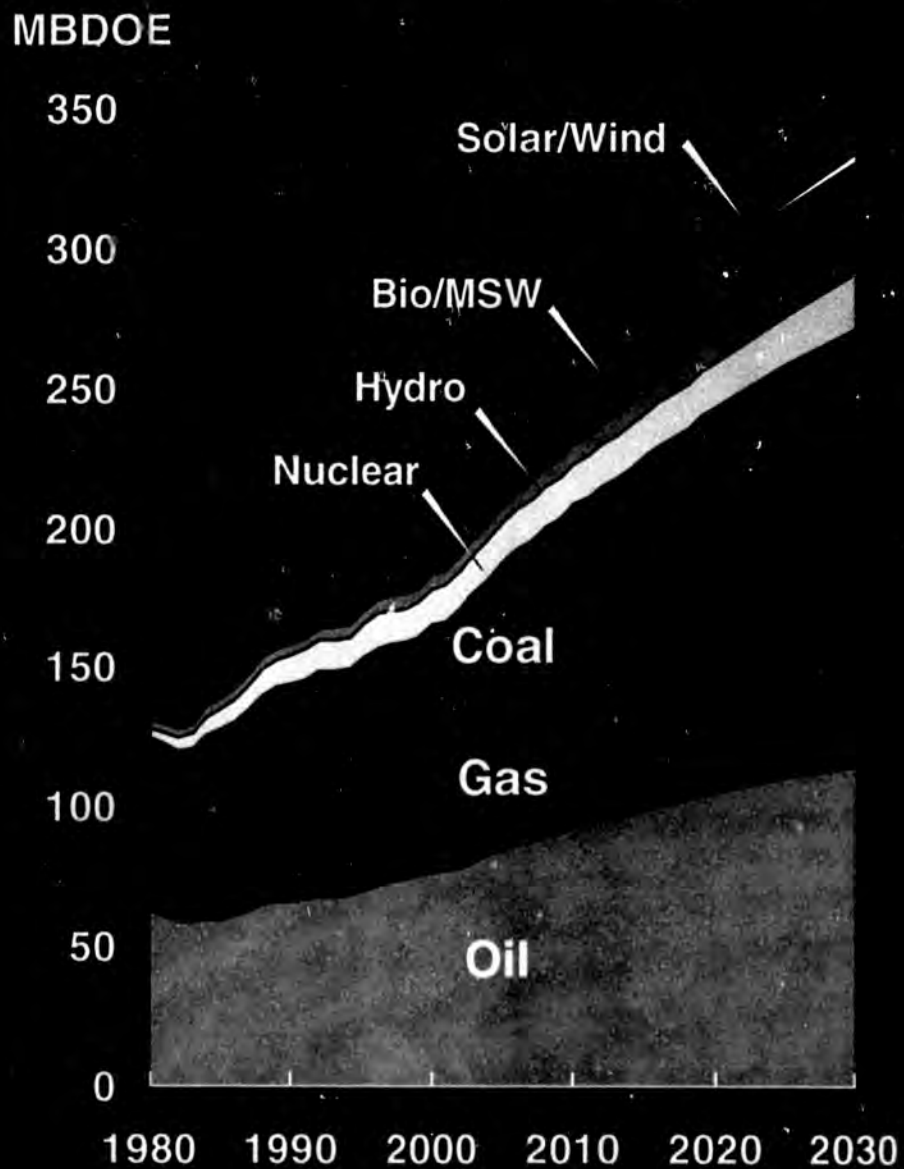
The Outlook for Energy

A View to 2030

Kenneth P. Cohen

This presentation includes forward looking statements. Actual future conditions (including economic conditions, energy demand, and energy supply) could differ materially due to changes in technology, the development of new supply sources, political events, demographic changes, and other factors discussed herein (and in Item 1 of ExxonMobil's latest report on Form 10-K). This material is not to be reproduced without the permission of Exxon Mobil Corporation.

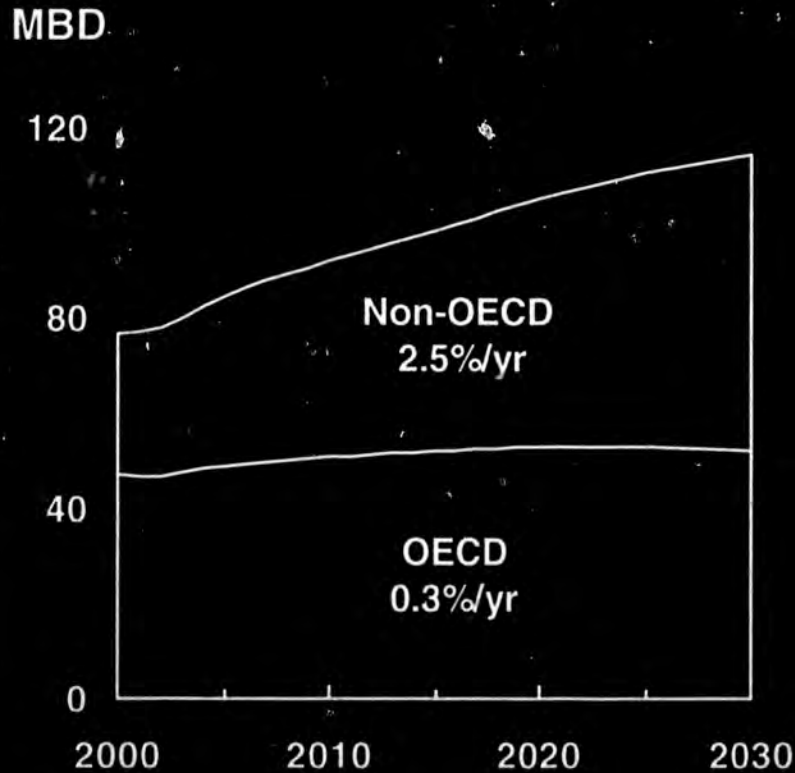
World Energy Demand Continues to Grow



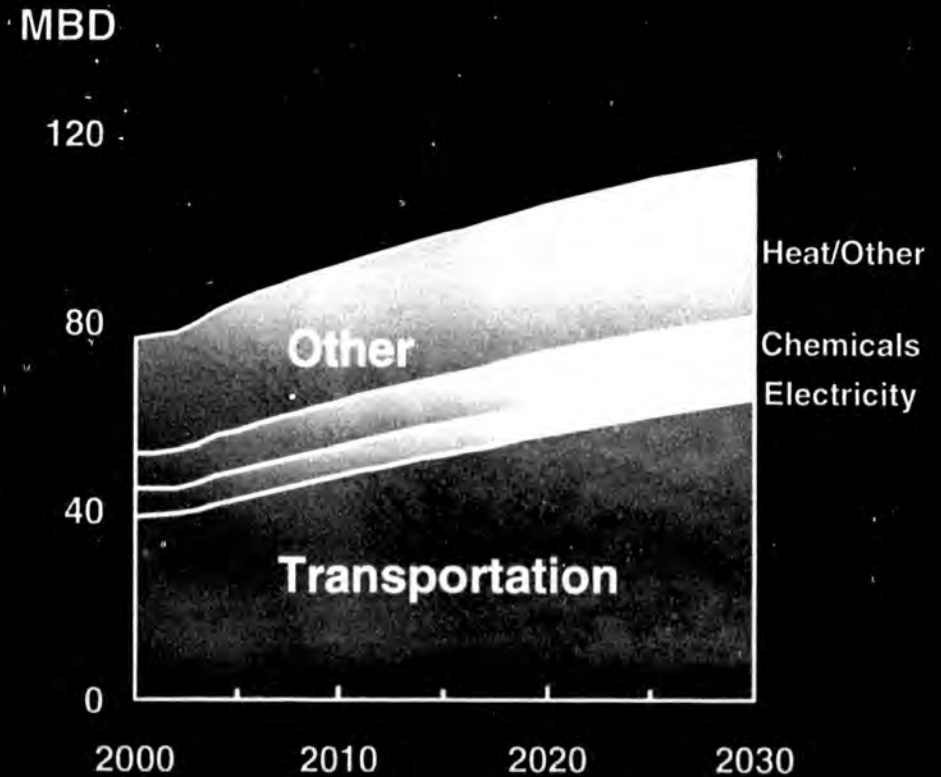
- Energy demand up 50%
- Fossil fuels remain predominant
- Oil demand grows @ 1.4%/yr

Oil Demand Continues to Grow

Oil Demand By Market



Oil Demand By Sector



- Driven by emerging markets
- Led by transportation sector

Vehicle Fleet Changing

Light Duty Fleet

North America

Million

500

400

300

200

100

0

2000

2010

2020

2030

Europe

Million

500

400

300

200

100

0

2000

2010

2020

2030

Asia Pacific

Million

500

400

300

200

100

0

2000

2010

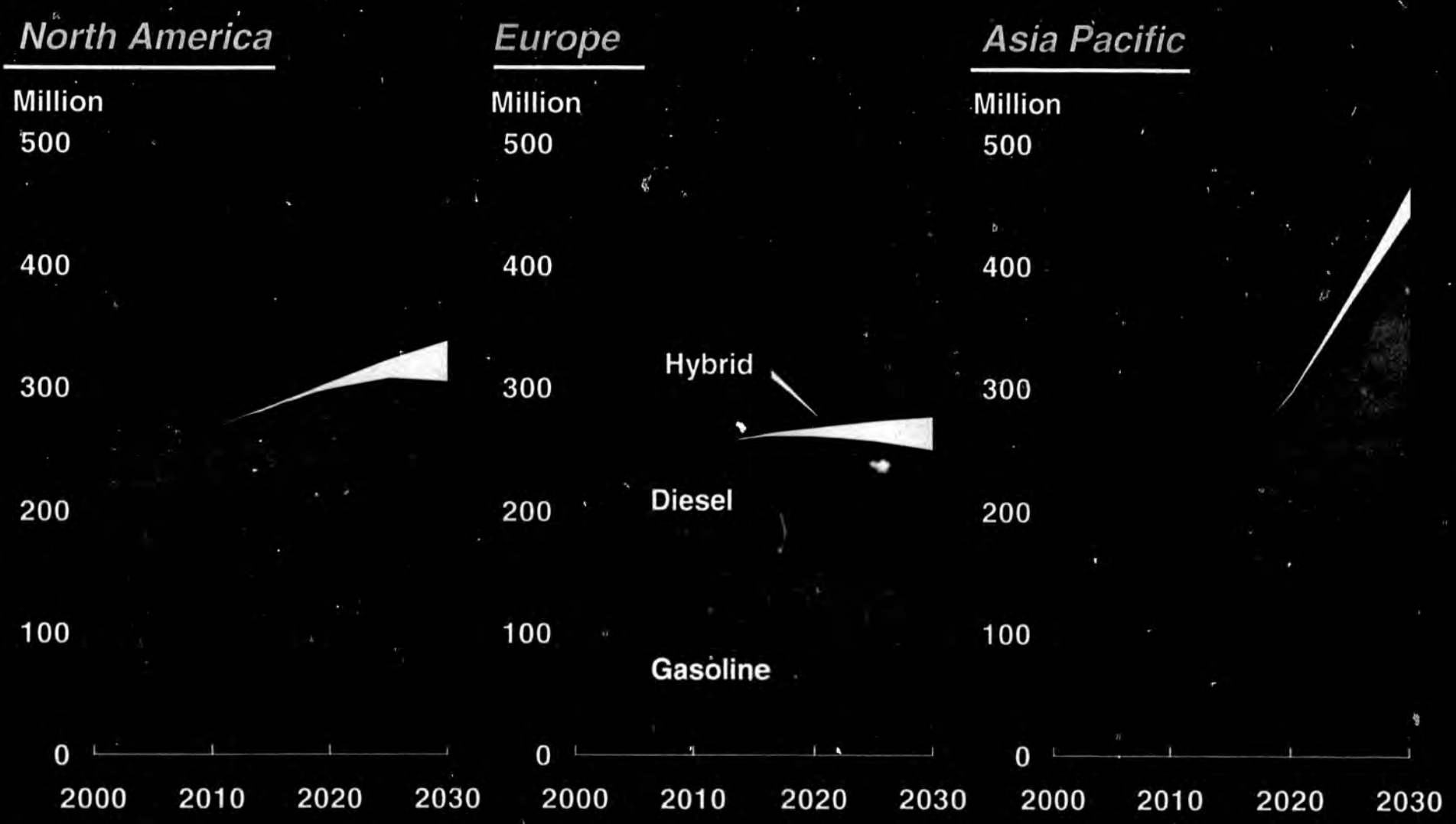
2020

2030

Hybrid

Diesel

Gasoline



Fuel Efficiency Dampens Demand

Light Duty Fuels Demand

North America

Europe

Asia Pacific

MBDOE

MBDOE

MBDOE

12

12

12

10

10

10

8

8

8

6

6

6

4

4

4

2

2

2

0

0

0

2000

2010

2020

2030

2000

2010

2020

2030

2000

2010

2020

2030

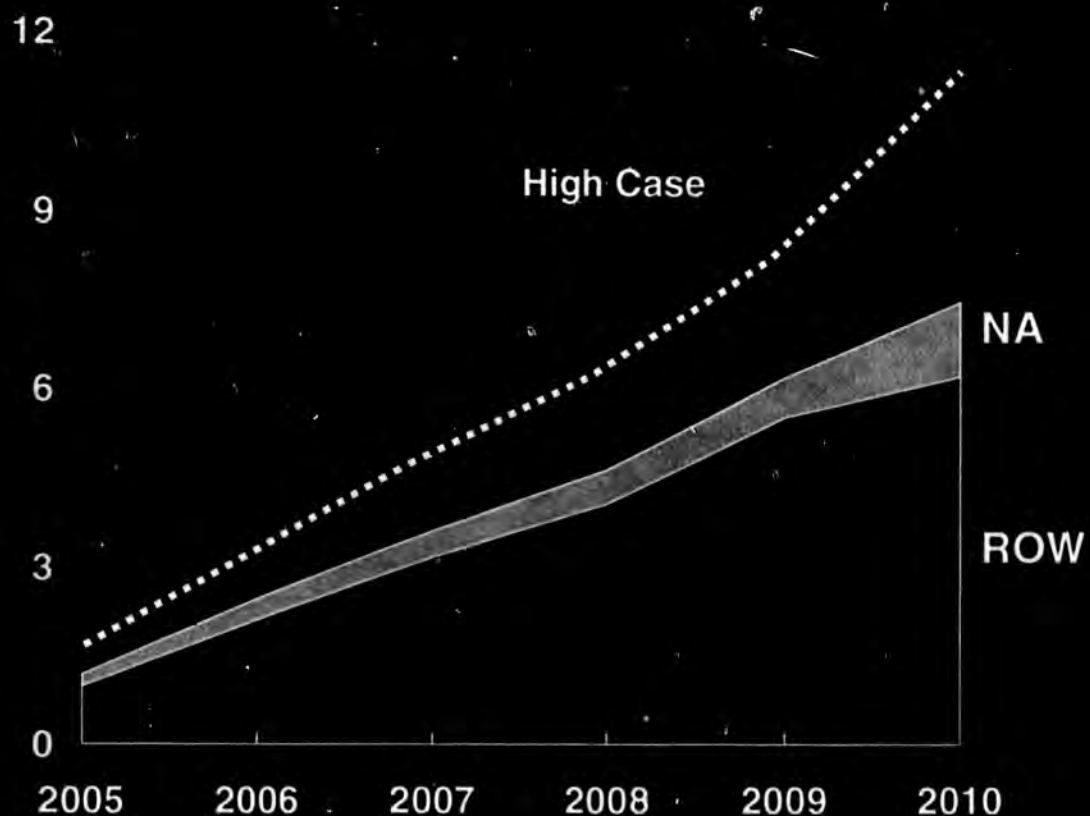
Diesel

Gasoline

Refining Capacity Growing

Global Distillation

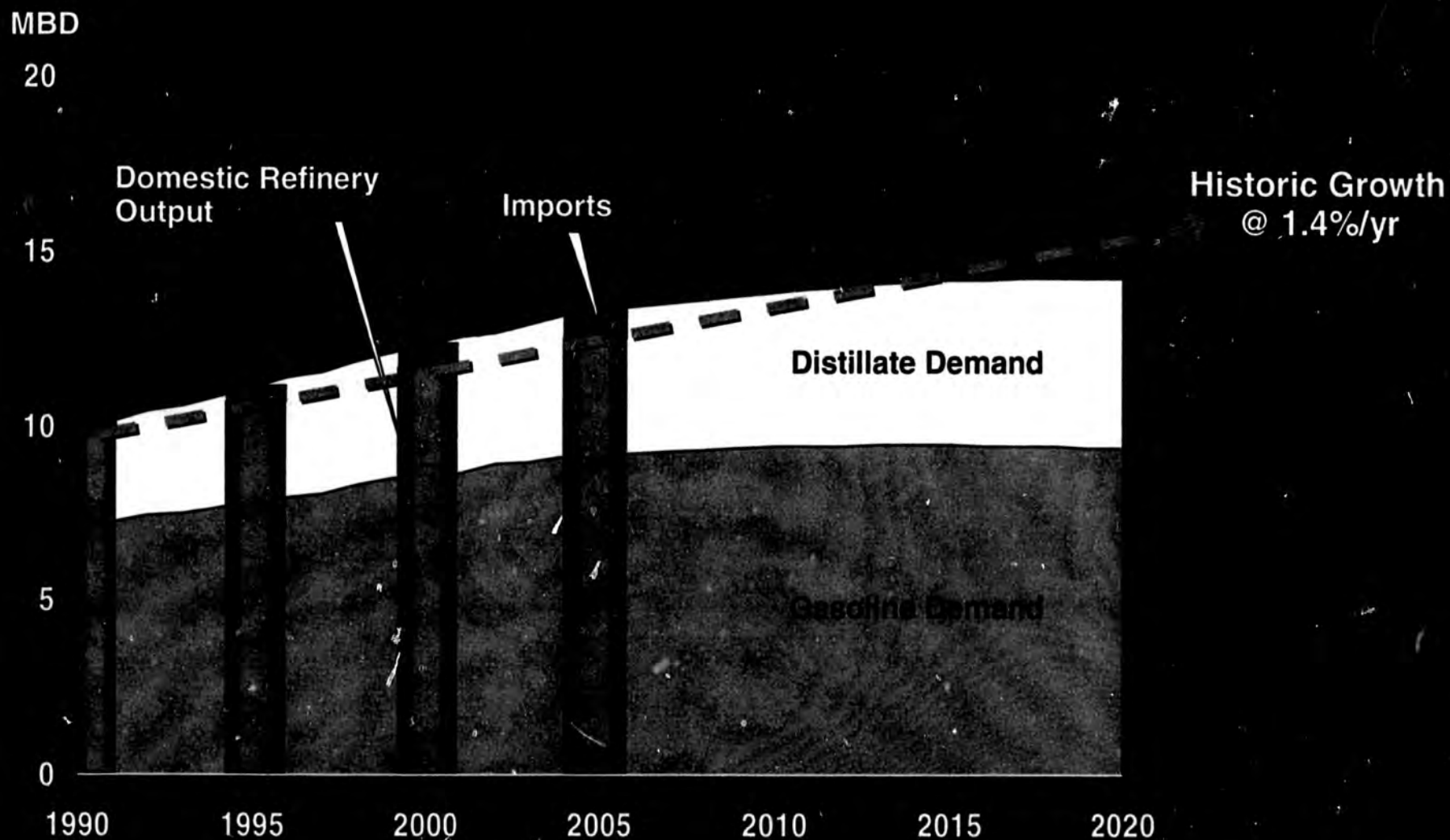
Δ MBD
(cumulative)



- Refining capacity up 1.5% – 2.3% per year
- Growth via new builds and debottlenecks

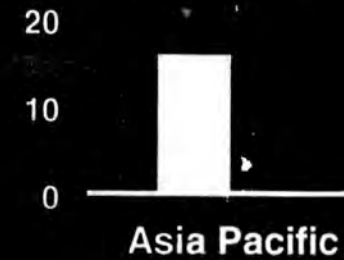
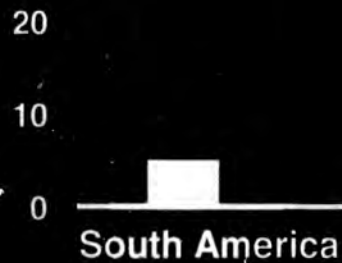
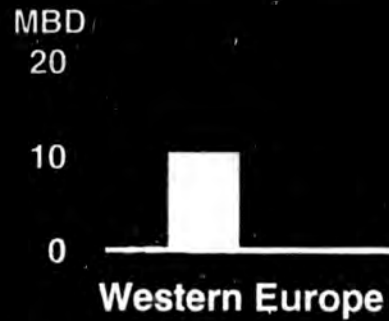
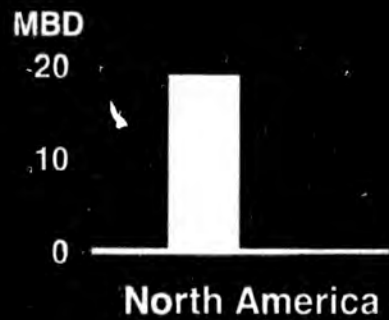
Refining Balances – U.S. Perspective

U.S. Gasoline and Distillate Balances



Source: EIA, EM Estimates

Refining Balances – Global Perspective



■ Light Products Capacity
□ Light Products Demand

Source: IEA / EM Estimates

Industry Margins – Long-term Perspective

Refining Gross Margins

2005 \$/bbl

10

3

Net Margin

Global Composite

Operating Costs

12

8

85

6

Current

Raw Materials Costs

4

2

0

1985

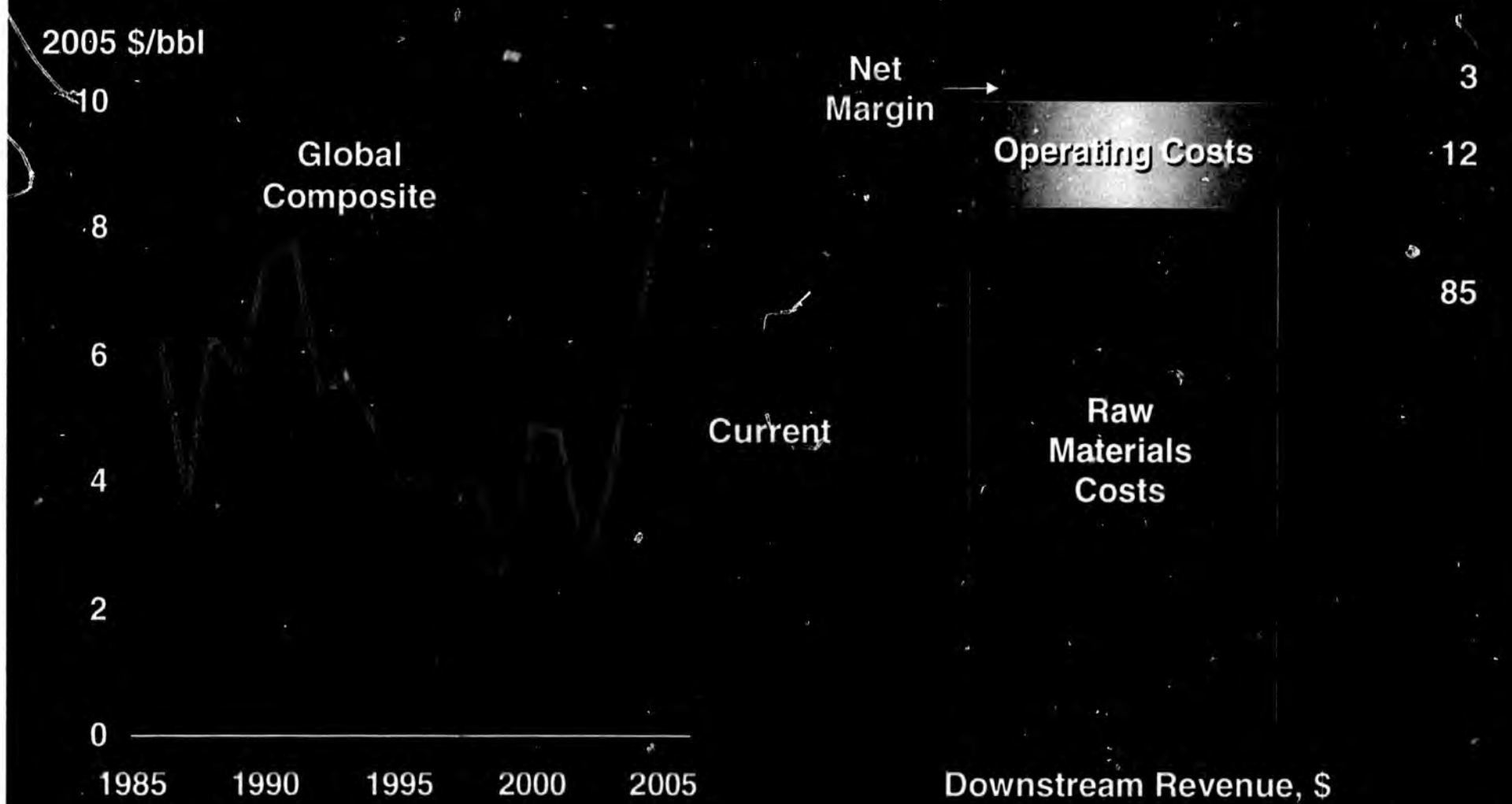
1990

1995

2000

2005

Downstream Revenue, \$

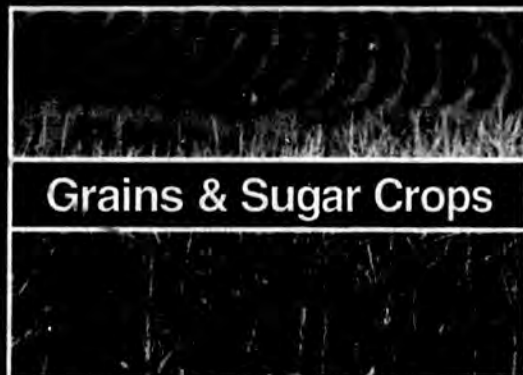


Biofuels Pathways from Multiple Feedstocks

Raw Material

Processes

Fuel Product



Fermentation

Ethanol



Esterification

Bio-diesel



Cost of Production for Biofuels Options

\$2004 per gallon
Gasoline Equivalent

4

3

2

1

0

Sugar Cane Corn Cellulose Gasification

Ethanol Options

2002

Post - 2010

Waste Grease Rapeseed Soybean HTU Gasification

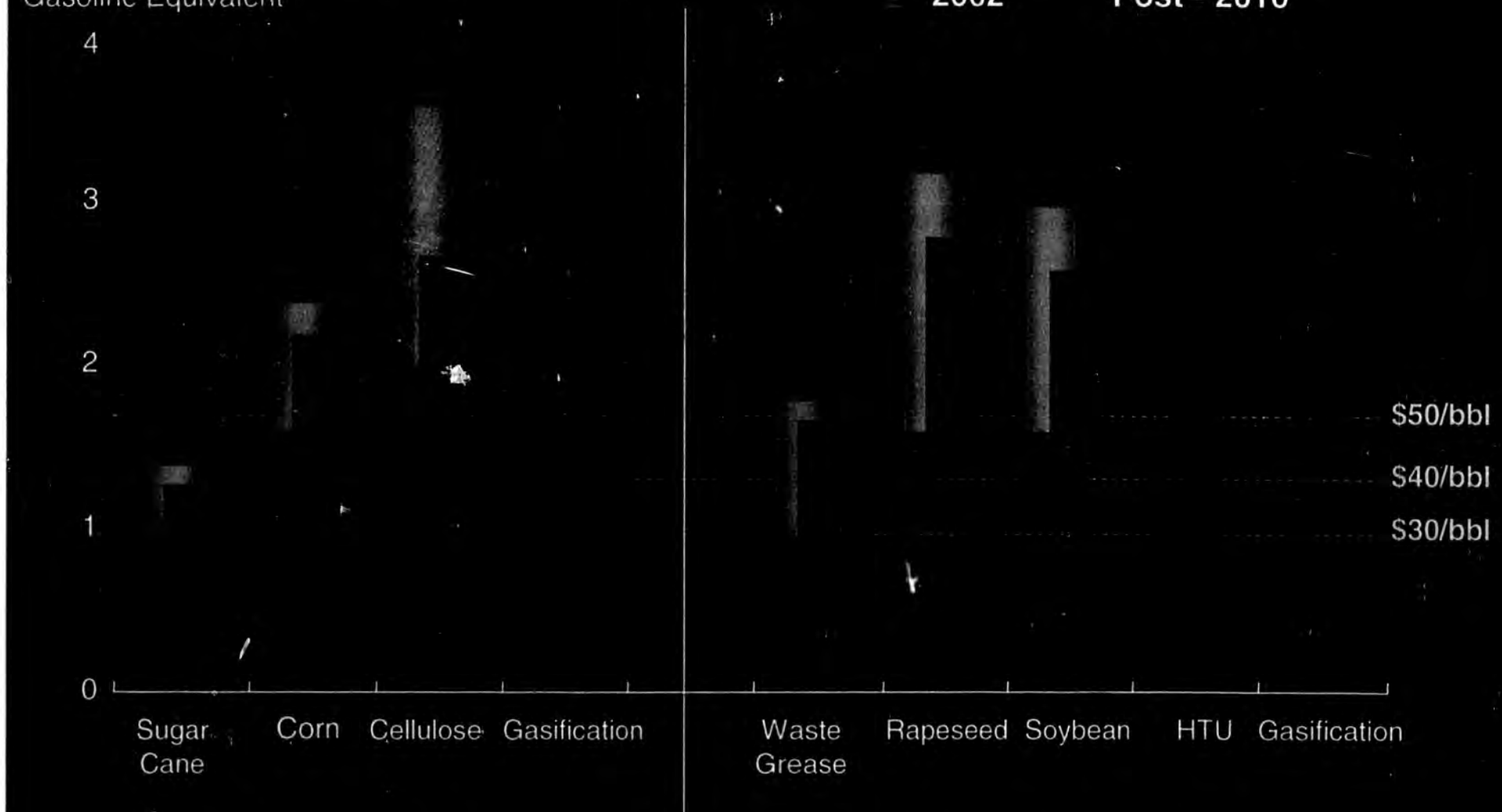
Biodiesel Options

\$50/bbl

\$40/bbl

\$30/bbl

Source: IEA, EIA



Ethanol in Brazil

Fuel Demand (MBD)

10

7.5

5

2.5

0

Brazil

US

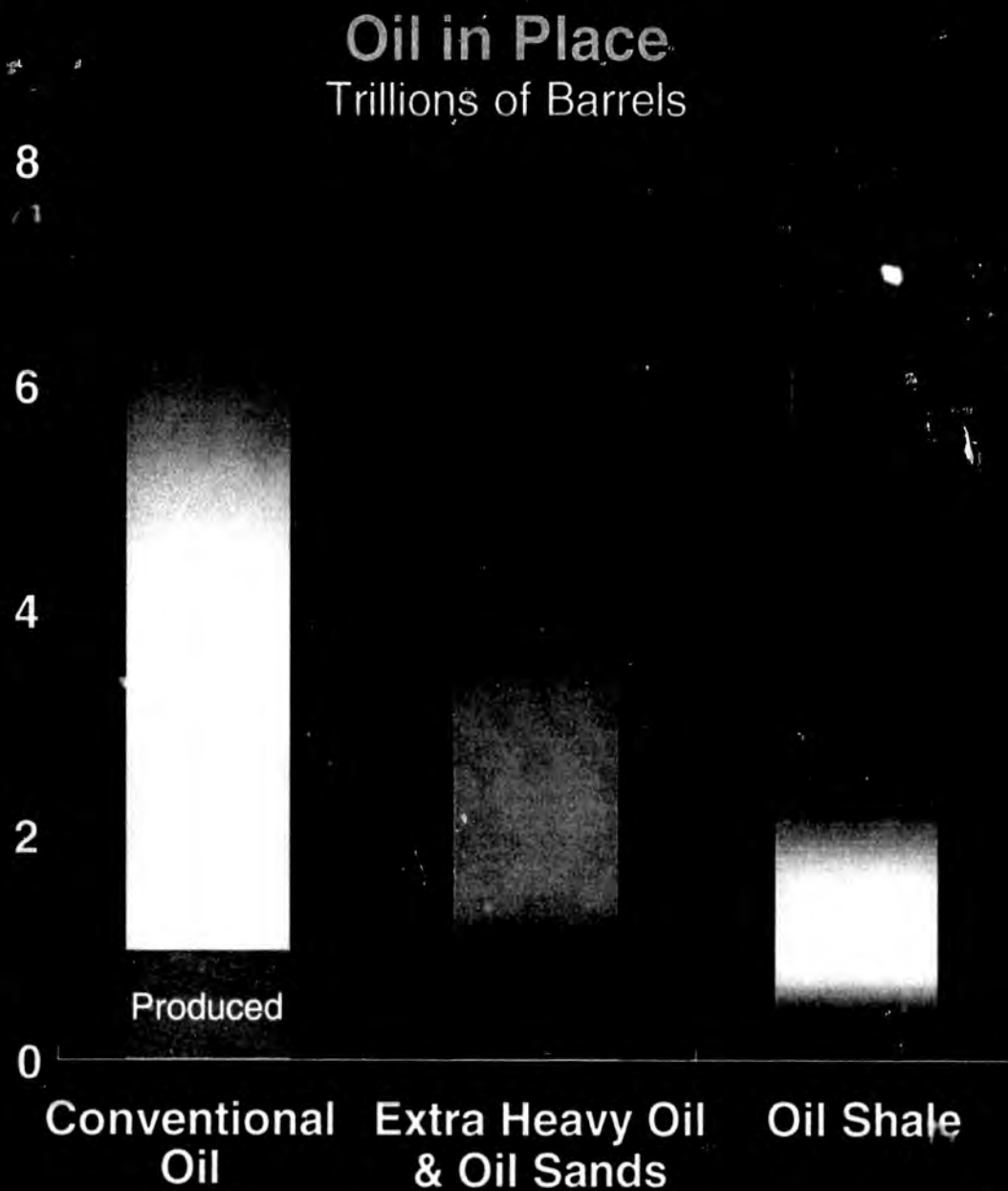
Ethanol



Brazilian Ethanol (Sugar Cane Derived)

- Ethanol meets 45% of Brazil's Gasoline Demand
- Lowest ethanol production costs in the world
- Climate, Geography, Labor costs conducive to sugar production
- Brazilian model not applicable to US in terms of scale/cost
- U.S. Tariff to imported ethanol is \$0.54/gallon

Technology Turns Unconventional into Conventional

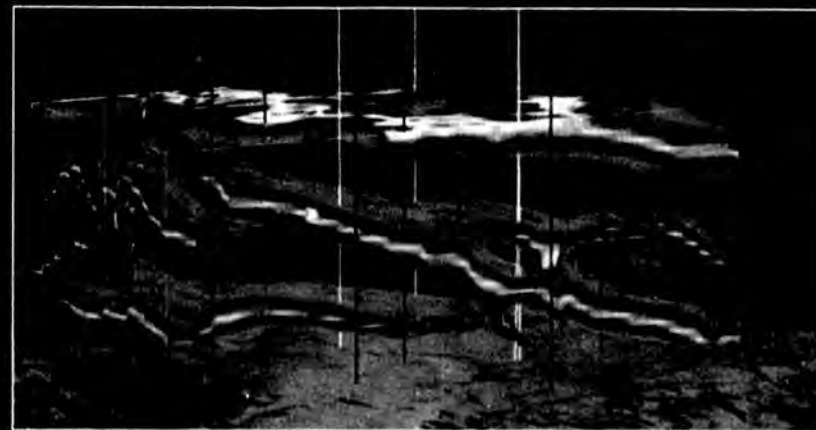


Technology Essential to Meet Supply Challenges

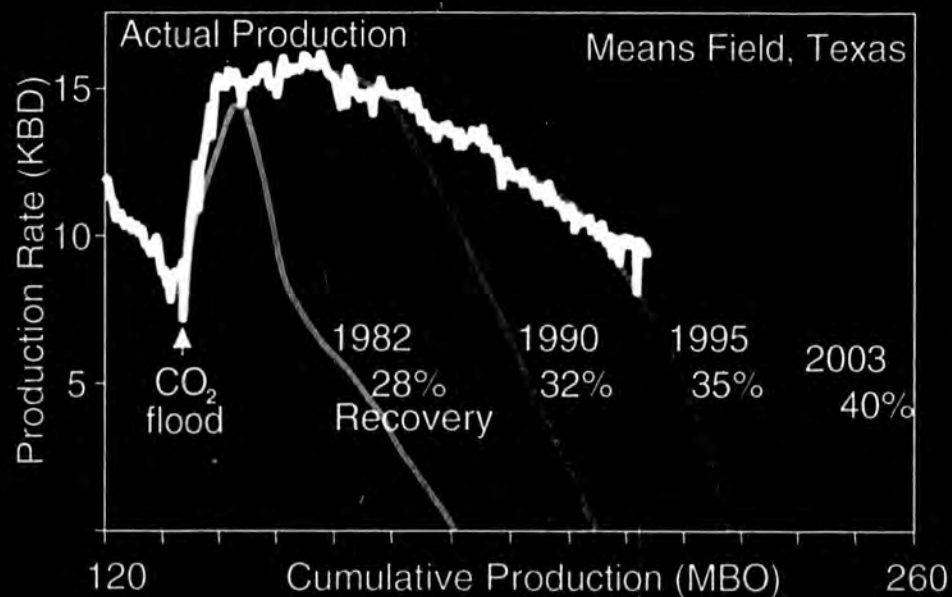
Extended Reach Drilling



Reservoir Imaging



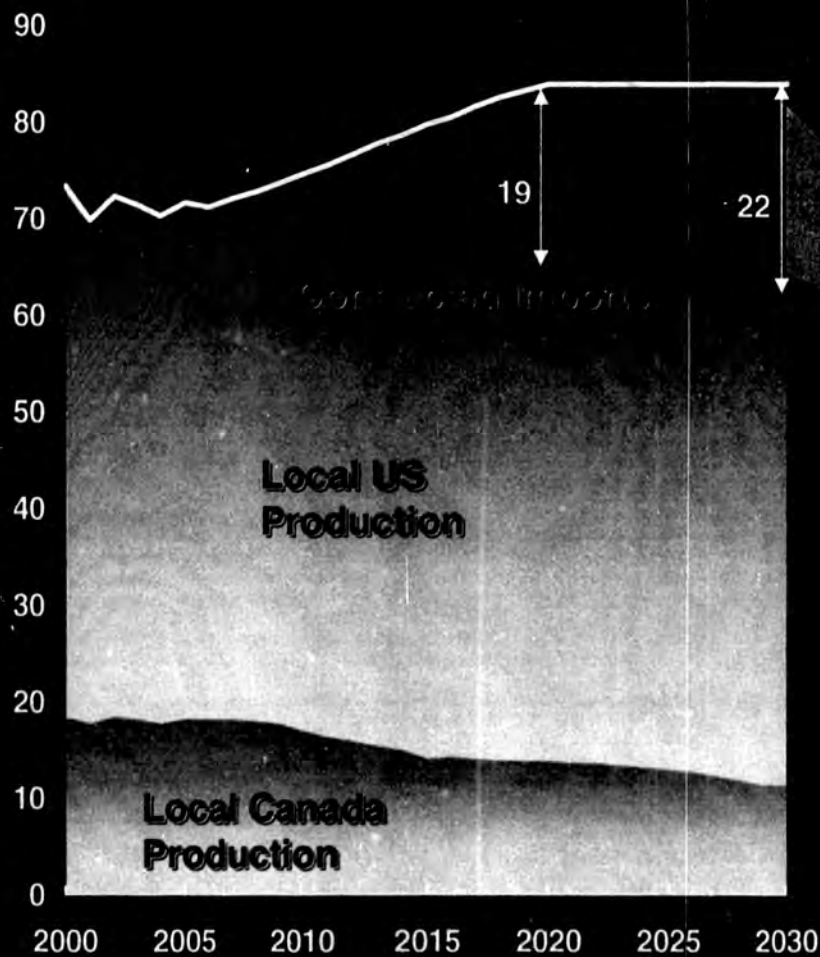
Enhanced Oil Recovery



US & Canada Supply/Demand

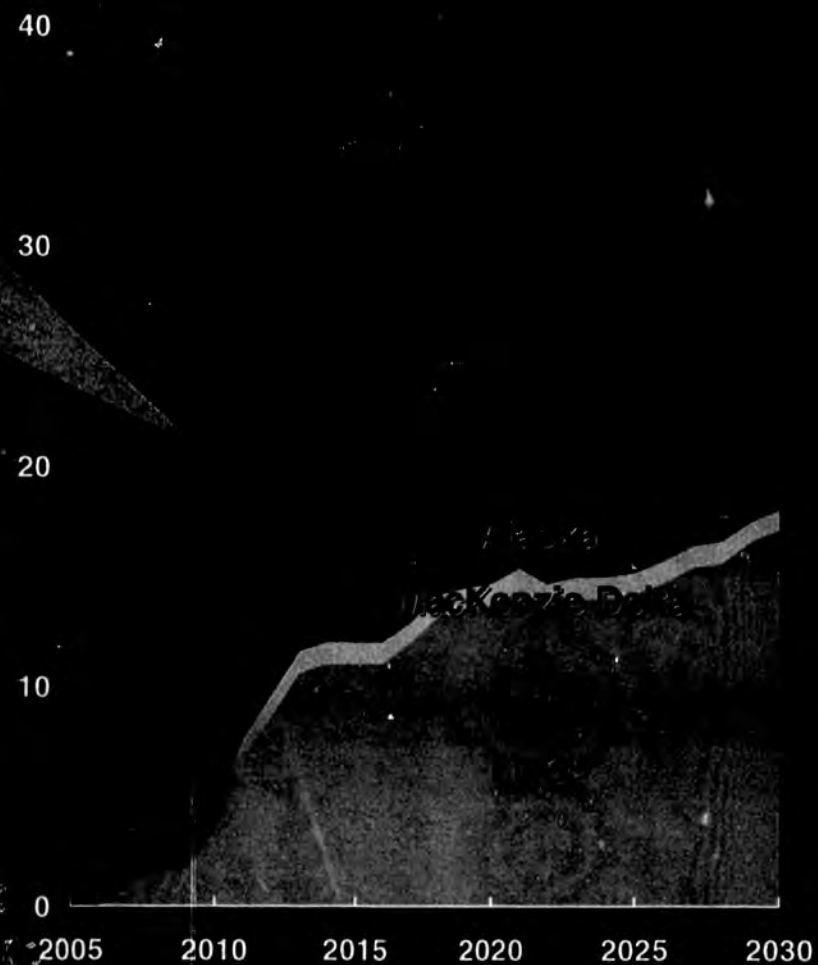
Local & Existing Supply / Demand

BCFD

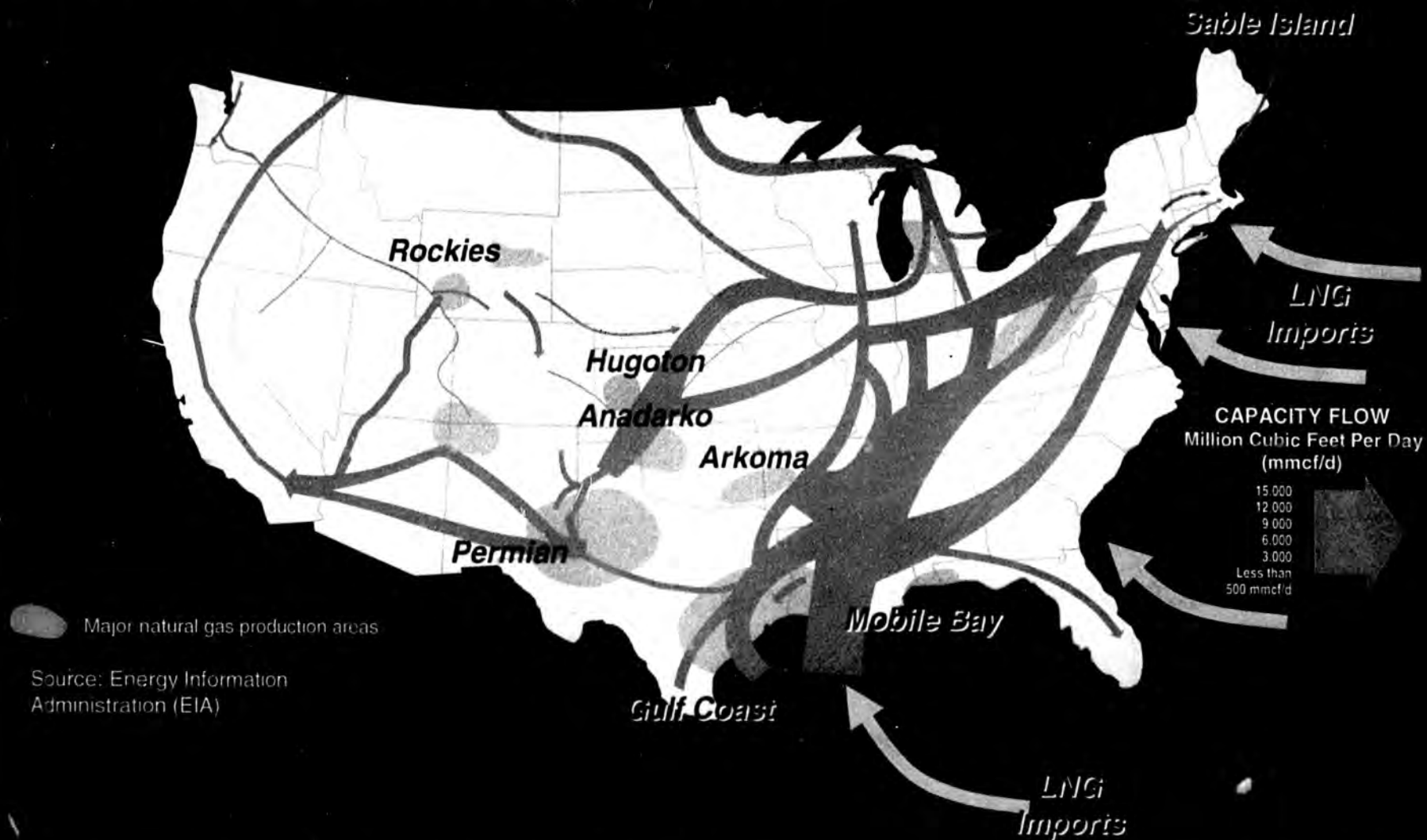


Major New Projects

BCFD



Today's Natural Gas Flows



- Regional supply excess in Gulf Coast, Mid-Continent and Western Canada move to East and West Coast demand regions
- Imports from Canada and LNG imports to the Gulf and East Coasts supplement local supply

Alaska Natural Gas Pipeline Project

The Resource

- ExxonMobil is largest holder of ANS discovered gas resource
- Prudhoe Bay, Point Thomson and other known fields
- Exploration potential

Gas Treatment Plant

- ~4.5 billion cubic feet per day
- Remove CO₂, other impurities
- Initial compression
- Chilling for permafrost

Gas Pipeline

- Design rate: ~4.5 bcfd
- Expansion potential
- Pipeline size: 52 inch
- Tons of steel: 5-6 million
- Compressor stations: 24-28
- Installed horsepower: 1.3 million

Total Project Costs ~ \$20* billion +

State Ownership Investment ~ \$4* billion

Options Out of Alberta

- Existing capacity to West Coast, Midwest and East Coast markets
- Expansion of existing systems
- New-build pipeline to Chicago

Gas Pipeline Construction

- Largest private construction project in history of North America
- 54 million man hours of construction
- Over 6500 jobs in Alaska and Canada (welders, equipment operators, laborers, inspectors, etc.)
- Quantity and size of construction equipment will stretch industry capacity (trenchers, bulldozers, sidebooms, etc.)



* In 2015

Taking on the world's toughest energy challenges

Unlocking Tight Gas

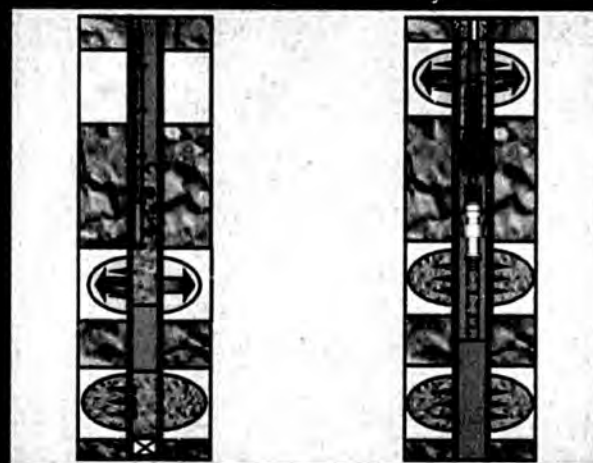
Piceance Basin



Enabling Technology

Just-in-Time
Perforating

Annular Coiled
Tubing Fracturing

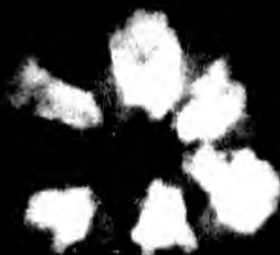


Technology Critical to Efficiency Improvements

Vehicle Advancements



Combustion



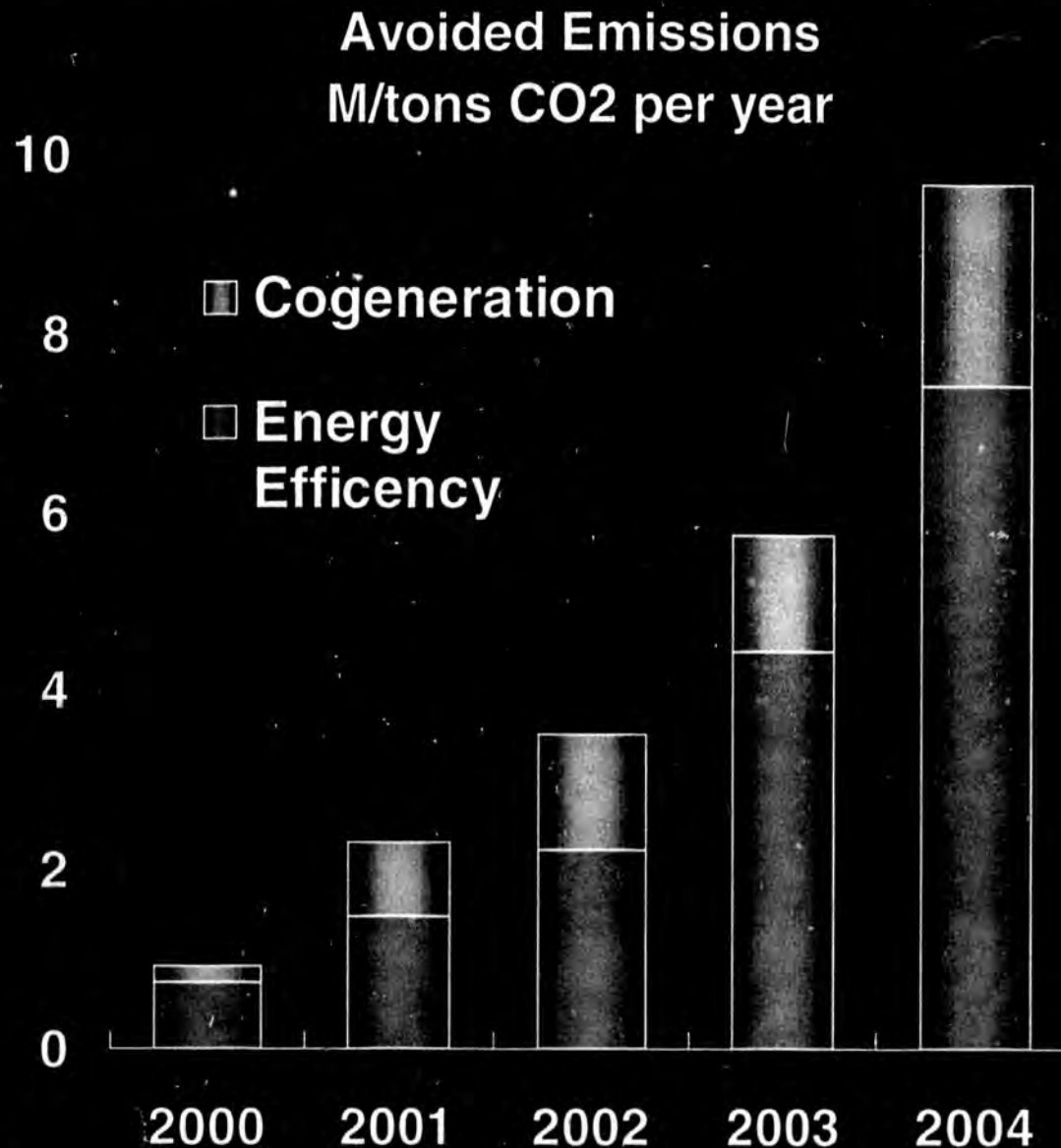
Fuels



GCEP

Global Climate & Energy Project
STANFORD UNIVERSITY

ExxonMobil Actions - Energy Efficiency Improvements



Relative to 1999, our energy-saving initiatives have had a GHG effect equivalent to taking over 1 million US cars off the road in 2004.

ExxonMobil Actions - Global Climate & Energy Project



ExxonMobil

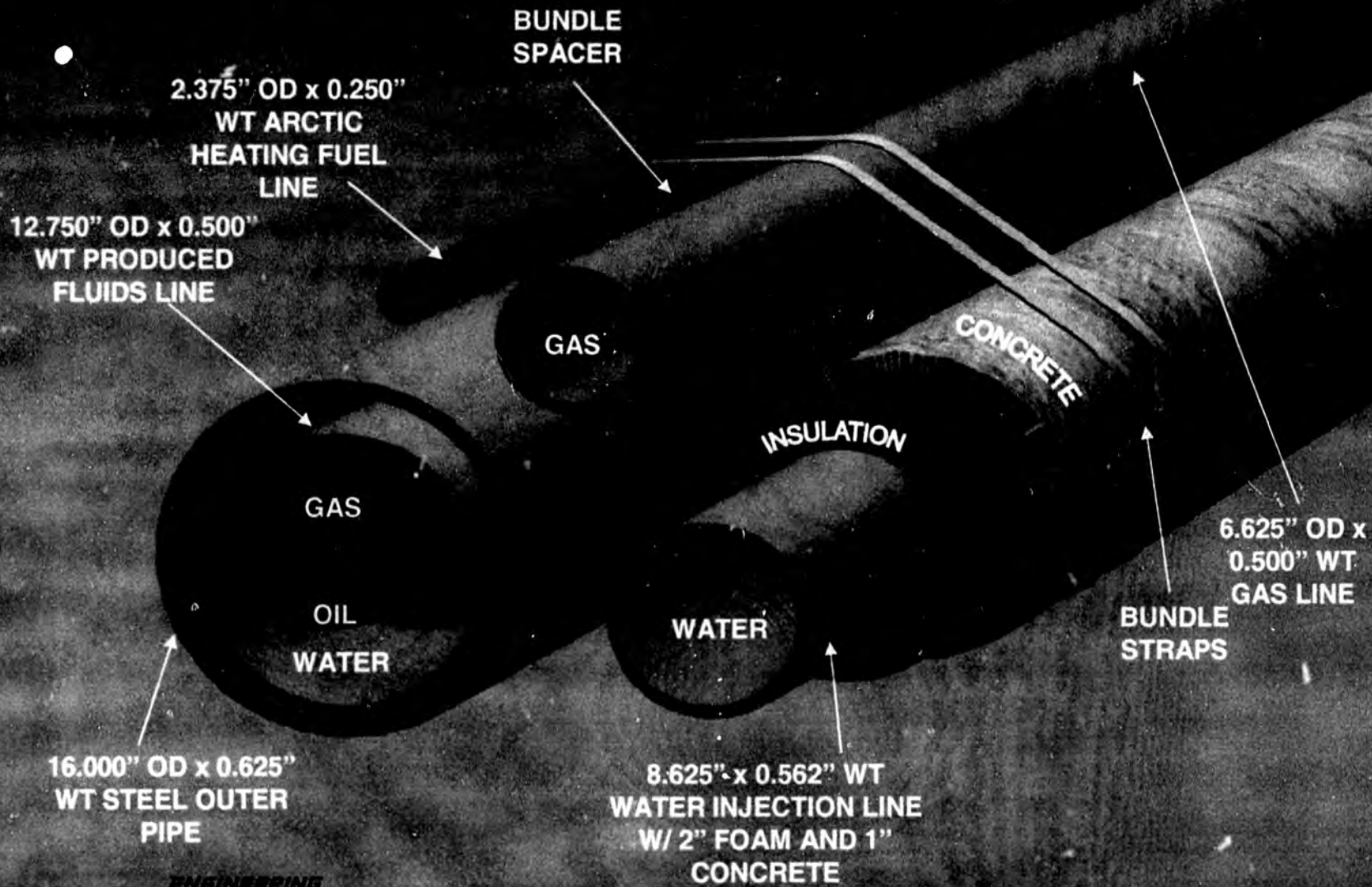


Schlumberger

gcep.stanford.edu

- Long-term commitment – 10 years
- Focused on creating innovative, commercially-viable energy technologies with low GHG emissions
- Unprecedented alliance of scientific researchers and leading companies
- Currently ~30 projects at Stanford and in Europe, USA, Japan, Australia
- Programs in renewables, carbon capture and storage, advanced combustion, hydrogen

FLOWLINE BUNDLE CONFIGURATION



ENGINEERING
11187902-02 November 18, 2005

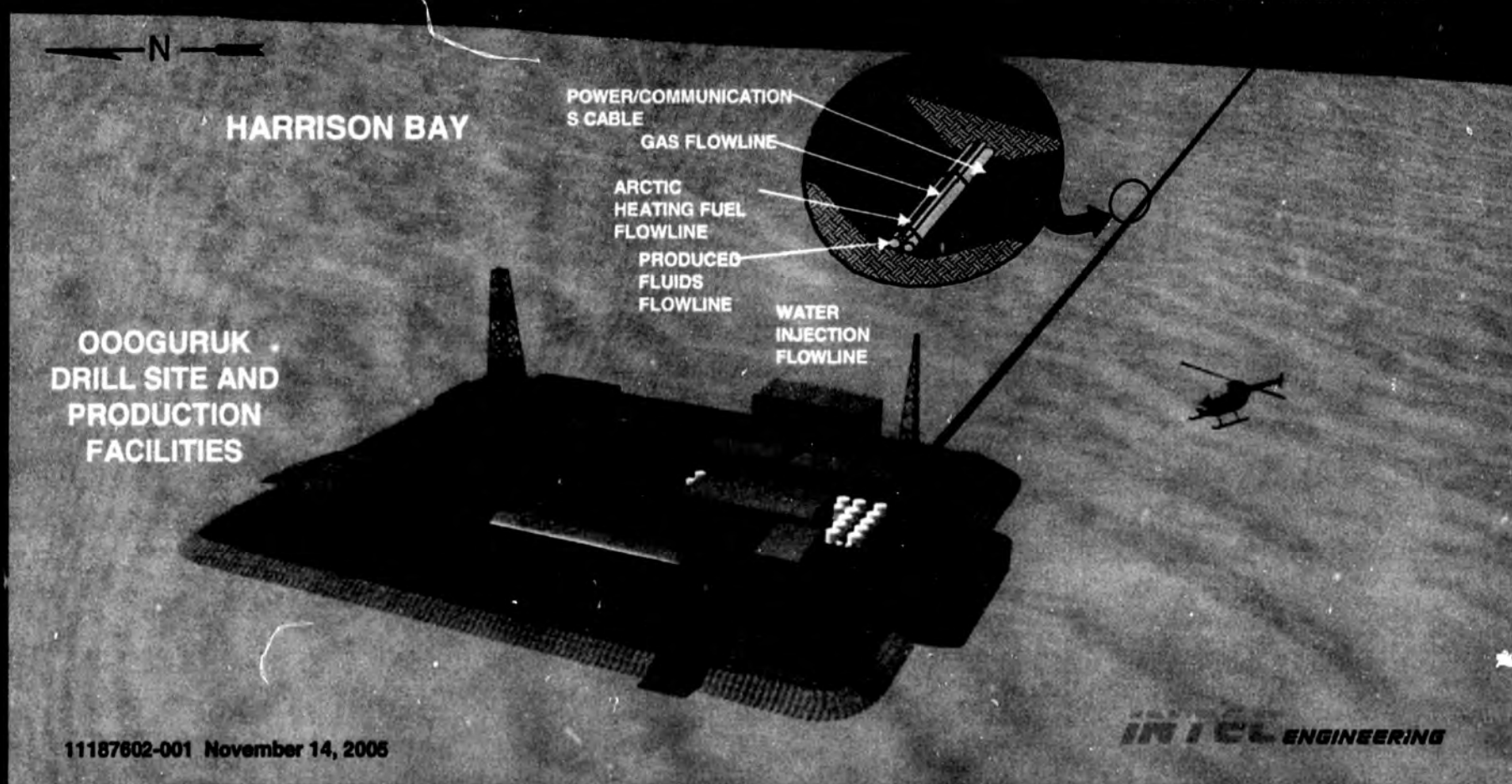
PIONEER NATURAL RESOURCES

Facility Artist Rendition



OOOGURUK FIELD DEVELOPMENT

PIONEER
PRODUCTION
FACILITIES AND TIE-IN
TO CONOCOPHILLIPS
DS-3H FLOWLINE



11187602-001 November 14, 2005

PIONEER NATURAL RESOURCES

**National Petroleum Reserve-
Alaska (NPRA) Impact
Mitigation Grant Program
Report to the Second Session
of the Twenty Fourth Alaska
Legislature**

State of Alaska

Frank Murkowski, Governor

Department of Commerce, Community &
Economic Development

William Noll, Commissioner



DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Community Advocacy

Frank H. Murkowski, Governor
William C. Noll, Commissioner
Michael Black, Director

January 16, 2006

The Honorable Ben Stevens
Senate President
Twenty-Fourth Alaska State Legislature
Second Session
State Capitol, Room 111
Juneau, Alaska 99801-1182

The Honorable John Harris
Speaker of the House
Twenty-Fourth Alaska State Legislature
Second Session
State Capitol, Room 208
Juneau, Alaska 99801-1182

Dear President Stevens and Speaker Harris:

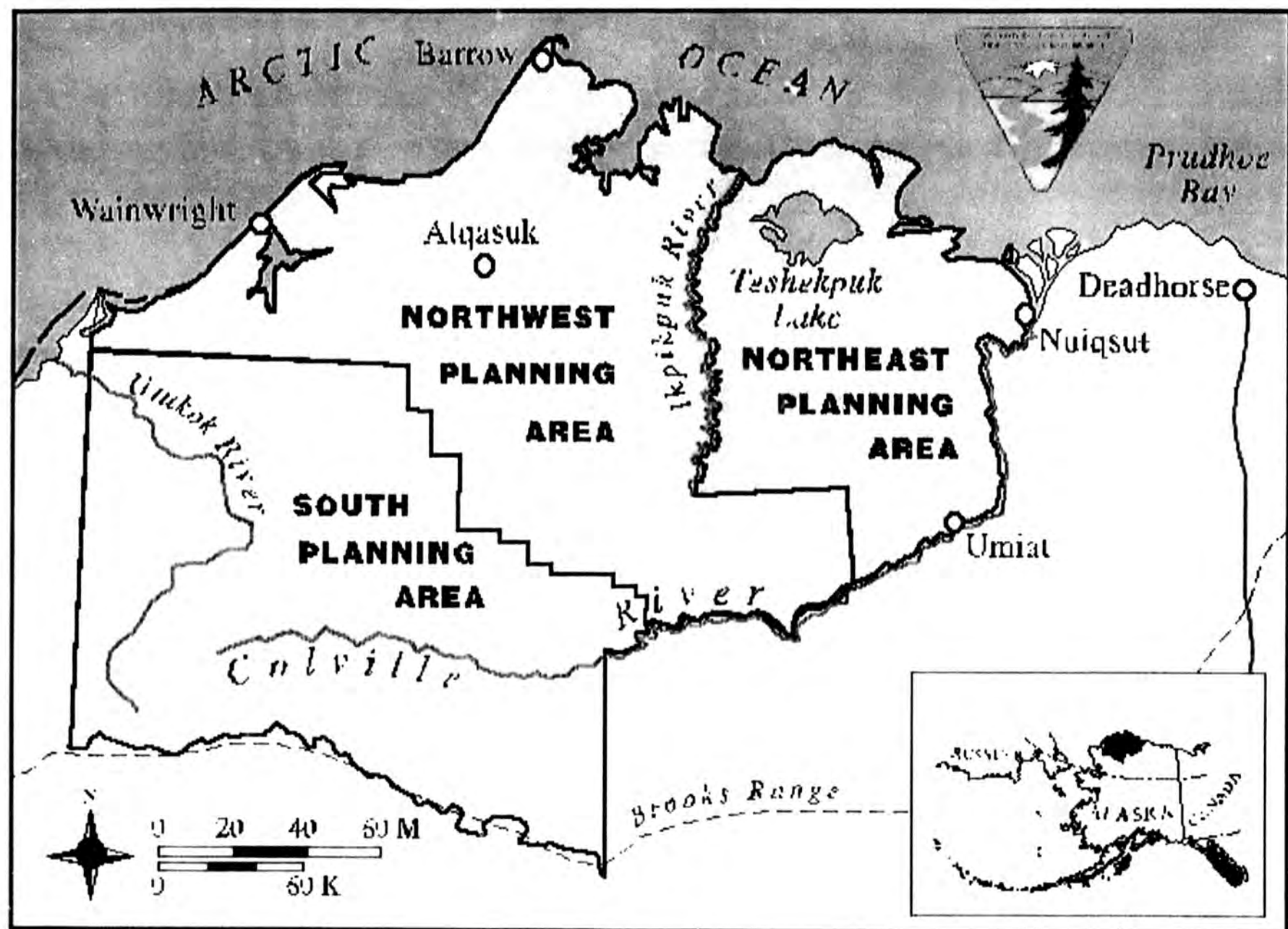
This document is the Division of Community Advocacy's report on the status of the National Petroleum Reserve-Alaska (NPR-A) Impact Mitigation Grant Program.

The State of Alaska receives 50% of the federal revenues from oil and gas lease sales located in the NPR-A. Those revenues are deposited into the NPR-A Special Revenue Fund to provide grants to communities impacted by oil and gas development. This report provides information on the program and the status of the grants previously approved.

Please contact me if you have any questions about the NPR-A Program or this report.

Cordially,

Michael Black, Director
Division of Community Advocacy



NPR-A Impact Mitigation Program History and Overview

As authorized December 12, 1980 by 42 U.S.C. Chapter 78, Sections 6501-6508, the Federal Government, through the Department of Interior, Bureau of Land Management, allows for the exploration and development of oil and gas within the National Petroleum Reserve-Alaska (NPR-A).

Although the federal government manages the NPR-A, Section 6508 of the federal statute requires that fifty-percent of the money received by the federal government from the "sales, rentals, bonuses, and royalties on leases issued..." be paid to the State of Alaska. Leases awarded by the federal government are usually for ten years and require that each company holding a lease pay a decreasing annual amount.

In accordance with Section 6508, the monies are to be used by "the State of Alaska for (a) planning, (b) construction, maintenance, and operation of essential public facilities, and (c) other necessary provisions of public service: *Provided further*, That in the allocation of such funds, the State shall give priority to use by subdivisions of the State most directly or severely impacted by development of oil and gas leased under this section."

The State of Alaska began receiving payments in State fiscal year (FY) 1983. To segregate these monies, in SLA 1984, Chapter 94 the Alaska Legislature enacted AS 37.05.530 (a) and (b). This statute established the National Petroleum Reserve Alaska Special Revenue Fund. Henceforth, NPR-A payments were to be deposited within the NPR-A Fund and used to support:

1. NPR-A Impact Mitigation grants to communities in accordance with AS 37.05.530 (c) through (e) which established the NPR-A Impact Mitigation Program. Under this program, communities may apply for assistance, i.e. grants, to fund projects that fall within federal and state guidelines. As required, priority is given to those communities most directly or severely impacted by oil and gas development.
2. Of the remaining lease payments, not needed to fund NPR-A Impact Mitigation grants, twenty-five percent is transferred to the Alaska Permanent Fund per AS 37.05.530(g).
3. Of the remaining payments, not needed to fund NPR-A Impact Mitigation grants, one-half percent is transferred to the Public School Trust Fund per AS 37.05.530(g).
4. Up to the entire amount of the remaining payments may be appropriated by the Legislature to the Power Cost Equalization and Rural Electric Capitalization Fund per AS 37.05.530(g).
5. Any remaining payments are then transferred to the State's General Fund per AS 37.05.530(g).

Prior to 1984, half of the total NPR-A funds received by the State were deposited in the Alaska Permanent Fund, one-half percent in the Public School Trust Fund and the remainder was deposited in the General Fund and used to fund various Legislative appropriations. In 1985 the North Slope Borough, Wainwright and Barrow filed suit alleging that the State's method of allocating the NPR-A payments was in conflict with federal law. The decision in *Barrow v. State*, No. 1JU-85-2634, established that: (1) the State's distribution of NPR-A revenue had been incorrect and it did conflict with federal requirements; (2) the State needed to "reconstitute" the NPR-A Fund in part; and (3) henceforth, the State would allow first priority to the municipalities and/or communities most directly impacted by the NPR-A development.

As a result of the litigation, the NPR-A Fund was reconciled and reconstituted as of October 1987. It was also reconciled and reconstituted again as of September 1990 and again as of June 1992. Multiple reconciliations between actual NPR-A payments received and cash available in the NPR-A Fund were necessary because:

- (1) The NPR-A payments (deposited in the NPR-A Fund) were being used to fund *two* programs. In addition to funding the NPR-A Impact Mitigation Program the payments were also funding grants awarded by the Department of Administration under the Municipal Grants Program; and
- (2) In FY 92 AS 37.05.530 was amended and required a recalculation of available cash in the NPR-A Fund annually back to FY 87.

SLA 1985, Chapter 96; SLA 1986, Chapter 128; SLA 1988, Chapter 173; and SLA 1990, Chapter 208 appropriated, repealed, and reappropriated the grants funded from NPR-A payments but administered under the Municipal Grants Program by the Department of Administration. These projects and their grants are not reflected in this report. This report addresses only the grants that were/are funded from NPR-A payments *and* awarded under the NPR-A Impact Mitigation Program.

FY 87 was the first year of the actual NPR-A Impact Mitigation Program. The general procedure remains the same today as in 1987. Periodically, the Department is notified by the U.S. Department of Interior, Bureau of Land Management (BLM) that the federal government will be offering tracts of land for lease in the National Petroleum Reserve-Alaska. The Department then provides public notice that funding may become available for NPR-A Impact Mitigation grants and requests that communities submit project proposals (grant applications). The Department establishes a review committee, makes award recommendations, and if both NPR-A lease revenue and a Legislative appropriation is received, the Department awards NPR-A Impact Mitigation grants to specific communities for specific projects.

The Bureau of Land Management (BLM) receives payments from the NPR-A leases in two installments each year. The first installment includes payments received between April 1 and September 30; the second installment includes payments received between October 1 and March 31. BLM forwards fifty-percent of the amount received to the State of Alaska in two installments, usually received by December 31st and May 31st.

Each year, the Department requests a Legislative capital appropriation for that year's anticipated fifty-percent. The appropriation and subsequent revenue are then used to fund NPR-A grants according to AS 37.05.530.

Aggregate information for the initial years of the NPR-A Impact Mitigation Program is reflected below. Project specific information is provided beginning on page 7 of this report.

<u>State Fiscal Year</u>	<u># of Projects and Communities</u>	<u>\$ Awarded</u>
FY 87	12 Projects 5 Communities	7,240,237
FY 88	0	0
FY 89	1Project 1 Community	937,000
FY 90	8 Projects 4 Communities	836,745
FY 91	7 Projects 5 Communities	590,000
FY 92	7 Projects 4 Communities	367,378
FY 93	4 Projects 4 Communities	447,126
FY 94	4 Projects 4 Communities	18,941
FY 95	4 Projects 4 Communities	25,538
FY 96 through FY 99	0	0
Total		\$10,462,965

By FY 96 all existing NPR-A leases had been terminated, relinquished, or had expired. The Bureau of Land Management (BLM) notified the Department that additional NPR-A payments would not be forthcoming. Therefore, the NPR-A Impact Mitigation Program was inactive from FY 96 through FY 99.

The NPR-A Impact Mitigation Program remained inactive until the early part of calendar year 1999. At that time the Department was notified that BLM would be entering into new ten-year (approximate) leases in May 1999 on tracts of land in the NE planning area of the National Petroleum Reserve-Alaska.

BLM estimated that upon issuance of the leases, the federal government would receive approximately \$80,000,000 in fees. Alaska would receive fifty-percent, approximately \$40,000,000, about six months after the leases were awarded.

In anticipation of the forthcoming \$40,000,000 in payments, the Alaska State Legislature appropriated funding for NPR-A Impact Mitigation grants in FSSLA99 Chapter 2, Section 63. Additionally, the Department provided public notice and requested impacted communities to submit grant applications for potential projects. The Department established a review committee, evaluated the grant applications and in April 2000 recommended award of 24 grants totaling \$28,000,000 to four communities.

In January 2000 the State received \$40,298,622 in payments. The State retained \$28,000,000 of the cash within the NPR-A Fund for the NPR-A Impact Mitigation grants. As required by AS 37.05.530(g) the remaining cash was distributed to the Alaska Permanent Fund, Public School Trust Fund, and the Power Cost Equalization and Rural Electric Capitalization Fund.

In the two years following the May 1999 leases, BLM received slightly over \$3.3 Million annually. Alaska continued to receive fifty-percent, or approximately \$1,683,850 in FY 02 and \$1,686,105 in FY 03. Companies will continue to pay a declining annual lease amount to the federal government through 2009 or 2010. The State will continue to receive fifty-percent of the fees (approximately \$1,700,000).

In May 2002 the State was notified by BLM that new ten-year leases would be awarded June 3, 2002. BLM awarded leases on 60 tracts in the NPR-A NE planning area, totaling approximately 579,269 acres. BLM estimated the initial lease fees at \$63,811,496. The State's fifty-percent was estimated at approximately \$31,905,748. The total received in April 2003 was actually \$34,556,469.

In anticipation of the continuing payments from the May 1999 leases and the initial payments from the June 2002 leases, the Department requested a \$35,300,000 capital appropriation for FY 04, to be funded with the NPR-A payments. The Department requested and received grant applications from impacted communities and awarded 30 projects totaling \$25,011,457 to three communities in March 2003. The actual amount received in April 2003 was \$34,556,469. As required by AS 37.05.530(g) the remaining cash was distributed to the Alaska Permanent Fund, Public School Trust Fund, and the Power Cost Equalization and Rural Electric Capitalization Fund.

The State will continue to receive fifty-percent of the fees (approximately \$830,000) on the 2002 leases through 2012 or 2013.

Effective October 16, 2003 the NPR-A program regulations were amended to change the date by which grant applications must be postmarked (for receipt by the Department) from September 15th annually to November 15th annually. This was the only change made to the regulations.

For FY 05, the State originally anticipated receiving approximately \$3,190,170 for the NPR-A Impact Mitigation Grants. Applications were received in November 2003. The Department established a review committee, evaluated the grant applications and in December 2003 recommended award of 10 grants totaling \$3,030,000 to three communities. However, in May 2004 when it became apparent that the funds available had been reduced from initial estimates, the tentative awards were reduced to the actual amount received (\$2,530,586). Nine grants were awarded to three communities.

In June 2004, BLM awarded new leases on approximately 165 tracts of land in the NPR-A NW planning area. BLM estimated the initial lease fees at \$53,904,491. On 11/15/04 the State received \$1,738,829.50 as the first installment from BLM for rent and bonuses received between 4/1/04 and 9/30/04 on the leases awarded in May 1999 and June 2002. The second installment received by the State in May 2005 was \$29,855,765 for bonus bids received between 10/1/04 and 3/31/05, bringing the total receipts to \$31,594,594.50.

The Department provided public notice and requested impacted communities to submit FY06 grant applications for potential projects in September 2004. Department staff also traveled to Barrow in September 2004 to provide NPR-A assistance and grant training to eligible communities. A total of 53 applications requesting approximately \$52,000,000 in grant funding were received by the deadline. In January 2005, 30 grants totaling \$24,706,539 were recommended for award leaving \$6,888,055.50 for distribution according to AS 37.05.530 (g).

The Department provided public notice and requested impacted communities to submit FY07 grant applications for potential projects in September 2005. Department staff also traveled to Barrow in September 2005 to provide NPR-A assistance and grant training to eligible communities. A total of 18 applications requesting approximately \$5,281,209 in grant funding were received by the deadline. As of January 2006, no awards have been made. Attached is a list of the 18 applications received by the November 15, 2005 deadline.

Aggregate information is reflected beginning on page 6 of this report. Project specific information is provided immediately thereafter.

<u>SLA and State Fiscal Year (FY)</u>	<u># of Projects and Communities</u>	<u>\$ Awarded</u>
FSSLA 1999 Chapter 2 Section 63 - FY 00	24 Projects 4 Communities	28,000,000
SLA 2000 - FY 01	0	0
SLA 2001 Chapter 61 Section 85 - FY 02	10 Projects 3 Communities	1,683,849.50
SSSLA 2002 Chapter 1 Section 29 - FY 03	8 Projects 3 Communities	1,686,104.50
SLA 2003, Chapter 82 Section 11 - FY 04	30 Projects 3 Communities	25,011,457
SLA 2004, Chapter 159 Section 6 - FY 05	9 Projects 3 Communities	2,530,586
FSSLA 2005, Chapter 3 Section 10 - FY 06	30 Projects 4 Communities	24,706,539
TOTAL		\$83,618,536

FY 87 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atqasuk	Community Center Operations & Maintenance	99,000	Fund 50% of operating costs; only partly related to NPR-A development.	Closed 3/90
Atqasuk	Community Center Expansion	500,000	Project provides space for additional cultural programs; related to mitigation of cultural impacts.	Closed 1/88
Atqasuk	Basic Local Government Operations	90,000	Fund administrator position and miscellaneous office equipment/supplies. Administrator to develop strategies and plan for dealing with future NPR-A impacts and other grants.	Closed 9/90
Barrow	Boat Ramps	825,000	Related to subsistence impacts.	Closed 9/92
North Slope Borough	Barrow - Residential Care	539,637	Partly related to NPR-A impacts; fund a portion of operating costs. Serves regional needs.	Closed 9/90
North Slope Borough	Barrow - Juvenile Detention	3,000,000	Related to incremental impacts of NPR-A development. Serves regional needs.	Closed 6/93
North Slope Borough	Comprehensive Subsistence Management Plan	232,500	Related to overall subsistence impacts of NPR-A development.	Closed 9/91
Nuiqsut	Dry Boat Storage	551,395	Related to subsistence impacts. Fund construction of storage facility but not entrepreneurial activity unrelated to NPR-A impacts. Maintenance and operation costs partly related; funded at 50%.	Closed 9/90
Nuiqsut	Basic Local Government Operations	109,250	Large expansion of municipal government. Fund full-time administrator 1-1/2 years and miscellaneous office equipment/supplies. Administrator to develop strategies and plan for future impacts and administer other grants. Fund 50% (\$19,250) of request for computer/recreation equipment, only partly related to impacts.	Closed 10/89
Nuiqsut	Expansion of Community Center	682,075	Related to cultural impacts; fund construction (\$625,000). Maintenance and operation costs partly related; fund at 50%.	Closed 10/89
Wainwright	Boat Ramp Construction	550,000	Related to mitigation of subsistence impacts. One boat ramp on sea and one on river.	Closed 11/88
Wainwright	Boat Ramp Planning	61,380	Planning Boat Ramp project (see above).	Closed 5/88
Total		\$7,240,237		

FY 89 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
North Slope Borough	Alcohol and Drug Abuse Facility	937,000	Residential and emergency respite care, alcohol and drug abuse treatment center located in Barrow. Serves regional needs.	Closed 10/91
Total		\$937,000		

FY 90 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Basic Local Government Operations	79,130	Continuation funding of FY 87 award. Related to mitigation of NPR-A impacts.	Closed 7/91
Atkasuk	Community Center Planning and Operations	96,982	Maintenance of facility related to expected long-term impacts of NPR-A exploration and development.	
Barrow	Cultural Center Planning	48,250	Related to mitigation of cultural impacts of NPR-A exploration and development. Fund planning/design of facility.	Closed 8/91
Barrow	Basic Local Government Assistance	74,788	Fund each position by half; City to make up difference.	Closed 10/90
Barrow	City's Public Facilities Operations & Maintenance	238,843	Maintenance of public facilities related to expected long-term impacts of NPR-A exploration and development.	Closed 11/90
Nuqsut	Community Center/City Hall Operations & Maintenance	57,900	Previous NPR-A grant funded expansion of center. Operations & Maintenance of facilities related to counteracting long-term cultural impacts from NPR-A exploration and development.	Closed 1/91
Wainwright	Basic Local Government Operations	82,961	Goal: properly process and disseminate information and have adequate management in order for City to properly function. Related to mitigation of NPR-A impacts.	Closed 5/91
Wainwright	Community Center Operations & Maintenance	157,891	Maintenance and operation of center related to expected long-term impacts of NPR-A activities.	Closed 7/91
Total		\$836,745		

FY 91 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Community Center Operations & Maintenance	21,181	On-going maintenance and operation of facility related to impacts of NPR-A activities.	Closed 7/91
Barrow	Volunteer Fire Department Operations	133,980	Project pertains to life/health/safety.	Closed 11/91
Barrow	Search and Rescue Operations	104,000	Project pertains to life/health/safety.	Closed 11/91
Barrow	City Facilities Operations & Maintenance	49,319	On-going maintenance and operation of facility related to impacts of NPR-A activities.	Closed 4/91
North Slope Borough	Arctic Women in Crisis	200,000	Facility and program serves regional needs; pertains to life/health/safety.	Closed 9/91
Nuiqsut	Boat Storage Operations & Maintenance	30,500	On-going maintenance related to NPR-A impacts.	Closed 8/91
Wainwright	Community Center Operations & Maintenance	51,020	On-going maintenance and operation of facility related to impacts of NPR-A activities.	Closed 7/91
Total		\$590,000		

FY 92 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Basic Local Government Assistance	69,802	Equipment/Office Supplies; Freight; Salaries/Benefits; Administrative/Audit Costs; Phone; Office Utilities.	Closed 8/92
Atkasuk	Community Center Operations & Maintenance	14,328	Maintenance and operation of center related to expected long term impacts of NPR-A activities.	Closed 1/92
Barrow	Public Facilities Operations & Maintenance	146,951	Operation of public facilities related to long-term impacts of NPR-A activities.	Closed 10/92
Nuiqsut	Basic Local Government Assistance	49,963	Salary/Benefits; Equipment/Office Supplies.	Closed 4/92
Nuiqsut	Utilities Operations & Maintenance	5,878	City facility utility costs.	Closed 4/92
Wainwright	Basic Local Government Assistance	66,128	Equipment/Freight; Administrative Costs; Office Utilities; Salaries/Benefits; Maintenance of city vehicle.	Closed 9/92
Wainwright	Community Center Operations & Maintenance	14,328	On-going maintenance and operation of facility related to long-term impacts of NPR-A activities.	Closed 9/92
Total		\$367,378		

FY 93 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Initial</u>	<u>Increase</u>	<u>Total</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk	Basic Local Government Assistance	21,280	28,720	50,000	Equipment/Office Supplies; Freight; Salaries/Benefits; Administrative/Audit Costs; Phone; Office Utilities.	Closed 4/93
Barrow	Public Facilities Maintenance and Operations	61,236	138,714	200,000	Operation of public facilities related to long-term impacts of NPR-A activity.	Closed 6/93
Nuiqsut	Basic Local Government Assistance	21,280	68,720	90,000	Office Benefits; Equipment/ Office Supplies.	Closed 6/93
Wainwright	Basic Local Government Assistance	21,280	85,846	107,126	Equipment/Freight; Administrative Costs; Office Utilities; Salaries/Benefits; Maintenance of city vehicle.	Closed 6/93
Total		\$125,126	\$322,000	\$447,126		

FY 94 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atqasuk	Basic Local Government Assistance	4,167.02	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 3/94
Barrow	Public Facilities Operations & Maintenance	6,439.94	Funds for utilities in association with public facilities.	Closed 3/94
Nuiqsut	Basic Local Government Assistance	4,167.02	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 12/93
Wainwright	Basic Local Government Assistance	4,167.02	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 4/94
Total		\$18,941		

FY 95 NPR-A Impact Mitigation Grants Awarded

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atqasuk	Basic Local Government Assistance	8,172.27	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 7/95
Barrow	Public Facilities Operations & Maintenance	7,661.50	Funds for utilities in association with public facilities.	Closed 6/95
Nuiqsut	Basic Local Government Assistance	3,319.98	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 6/95
Wainwright	Basic Local Government Assistance	6,384.58	Funds for existing city employees' salary and fringe benefits and for NPR-A fund audit related costs.	Closed 7/95
Total		\$25,538		

NPR-A Impact Mitigation Grants Awarded - Based on April 2000 Recommendations

FY 00 Appropriation (page 1 of 2)

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk 00- NPRA-4-16	Community Center Maintenance & Operations	90,000	Maintenance and operation of center related to expected long-term impacts of NPR-A.	Closed 10/01
Atkasuk 00- NPRA-4-15	Basic Local Government Operations	109,000	Fund salaries for new positions and increase of hours on current positions from part-time to full-time.	Closed 4/02
Barrow 00- NPRA-4-11	Public Facilities - Maintenance & Operations	650,000	Fund staff and other expenses to operate city recreation facilities.	Closed 8/02
Barrow 00- NPRA-4-12	Renovation/Upgrade of Barrow Teen Center and Community Center	1,000,000	The facilities are needed due to increase in NPR-A activities. The City's ability to absorb this impact through existing facilities and services is limited.	Active
Barrow 00- NPRA-4-13	Design, Construct & Purchase Retractable Boat Ramp	1,000,000	NPR-A uplands development will displace subsistence users from some areas. A boat ramp will provide subsistence hunters better access to the ocean.	Active
Barrow 00- NPRA-4-14	Maintenance Building Construction	630,000	Need for warm storage can be linked to mitigation of foreseeable NPR-A impacts.	Active
North Slope Borough 00- NPRA-4-01	Village Power Plant/ Electrical Distribution & Waste Heat Conversion	10,069,367	NPR-A development will impact power generation & distribution. Upgraded power production and distribution mitigates population growth impacts and increasing 'westernization' of local lifestyles.	Active
North Slope Borough 00- NPRA-4-02	All Infrastructures Services Study	1,500,000	Studies will identify additional and continuing effects of NPR-A development on public facilities and the provision of public services. Impacts known or anticipated can be supplemented with new data and forecasts.	Active
North Slope Borough 00- NPRA-4-03	Nuiqsut Above Ground Service Connections	2,100,000	A total of 124 residential, commercial, and public facilities were connected to water and sewer service.	Closed 3/03
North Slope Borough 00- NPRA-4-04	Nuiqsut Police Officer for 3 years	100,000	The community is presently impacted by NPR-A development. An additional officer will help the city address NPR-A related impacts.	Closed 9/01
North Slope Borough 00- NPRA-4-05	Wainwright Community Center Renovations	191,283	Provides improved facilities for locals who have family members working away from home in NPR-A related employment. Improved opportunity for social and community support.	Closed 6/03
North Slope Borough 00- NPRA-4-06	Fire Department Equipment & Training	1,114,150	Provides an essential public service. Current firefighting equipment is old and outdated; existing fire trucks are not equipped to handle the new city water system. Need is linked to anticipated growth in service demand caused by NPR-A development.	Closed 6/03
North Slope Borough 00- NPRA-4-07	Harvest Monitoring: Subsistence Documentation	100,000	Subsistence hunting is a culturally important activity. The need for harvest monitoring is clearly related to the foreseeable impacts of oil/gas development. Establishment of baseline data will permit more accurate monitoring of oil/gas impacts on wildlife.	Closed 4/02
North Slope Borough 00- NPRA-4-08	Survey & Inventory Fish Resources in Lakes & Streams of Eastern NPR-A	150,000	The need for the inventory is clearly related to the foreseeable impacts of oil/gas development. Establishment of baseline data will permit more accurate monitoring of oil/gas impacts on wildlife.	Closed 1/04

Sub-Total (page 1) \$18,803,800

NPR-A Impact Mitigation Grants Awarded - Based on April 2000 Recommendations
FY 00 Appropriation (page 2 of 2)

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
North Slope Borough 00-NPRA-4-09	Tracking & Analysis of Teshekpuk Lake Caribou Herd Movement and Distribution	150,000	The need for the analysis is clearly related to the foreseeable impacts of oil/gas development. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife.	Closed 12/02
North Slope Borough 00-NPRA-4-10	Waterfowl Surveys	150,000	The need for the survey is clearly related to the foreseeable impacts of oil/gas development. Establishment of baseline data will permit more accurate monitoring of impact on wildlife.	Closed 11/01
North Slope Borough 00-NPRA-4-25	Nuiqsut Natural Gas Piping Distribution	3,800,000	This grant and 00-NPRA-4-26 were originally awarded to Nuiqsut who chose in 10/01 to have the NSB administer both projects on their behalf. NPRA development will create a higher demand for fuel use. Impacts include larger volumes and more frequent shipping, handling, air pollution, fuel spills and leaks, and expanded fuel storage needs.	Active
North Slope Borough 00-NPRA-4-26	Nuiqsut Natural Gas Home/Building Conversion	2,200,000	Same as above.	Active
North Slope Borough 00-NPRA-27	Nuiqsut Natural Gas Pipeline	1,580,000	Provides funds for the final installation and start up of the natural gas system from the processing module at the Alpine oil facility pad to the in-village gas distribution system in Nuiqsut.	Active
North Slope Borough 00-NPRA-28	Nuiqsut City Hall/Kisik Center Renovation	1,280,548	Project originally awarded to City of Nuiqsut but was re-negotiated with the NSB. Renovations include mechanical and electrical upgrades to correct code deficiencies and construction of an addition. The addition is planned to include a multi-purpose room of approximately 1,500 SF, restrooms, mechanical room and a combined custodial closet and storage area. In 12/05 grant increased by \$336,795 with funds from two pending grants appropriated in FY 02. \$288,000 from 01-NPRA-07 (Nuiqsut Cultural Center O & M); and \$48,795 from 01-NPRA-10 (Nuiqsut Emergency Hunting Shelters). These two grants, previously identified in the FY 02 list as pending, are now closed with no expenditures and the funds added to the FY 00 grant.	Active
Nuiqsut 00-NPRA-4-17	Basic Government Operation/Maintenance	200,000	Funds used to supplement staff salaries for a full-time mayor/administrator, grants administrator, clerk & bookkeeper.	Closed 8/01
Nuiqsut 00-NPRA-4-18, 19, 20, 23*	See * Below	61,078	In 10/03, the City passed a resolution to transfer the unexpended funds from four grants (\$2,479,121.42) to the NSB to administer two priority projects on their behalf (see * below). Project expenditures on the four grants prior to closure totaled \$61,078.	Closed *
Nuiqsut 00-NPRA-4-24	Install Graveyard Fencing	111,369	Provides mitigation for foreseeable NPR-A impacts through the protection of cultural resources.	Closed 3/04
Sub-Total (page 1)		\$ 18,803,800		
Sub-Total (page 2)		\$ 9,196,200	This subtotal does not include the \$336,795 moved from FY 02.	
Total		\$ 28,000,000	This total does not include the \$336,795 moved from FY 02.	

*Grants previously awarded to the City of Nuiqsut for City Hall/Kisik Center Renovation (00-NPRA-4-18 @ \$340,000); Construct Cultural Center (00-NPRA-4-19 @ \$939,800); Day Care Construct/O&M (00-NPRA-4-20 @ \$495,400); and Design/Construct Retractable Boat Ramp (00-NPRA-4-23 @ \$765,000) were closed effective Oct/Nov 2001. Unexpended funds from these grants were transferred to the NSB to administer two priority projects in Nuiqsut: 00-NPRA-27 and 00-NPRA-28. The total FY00 funding for these two grants (\$2,523,752.62) also includes the unexpended balance (\$44,631.20) remaining on 00-NPRA-4-24 (original award \$156,000).

**NPR-A Impact Mitigation Grants Awarded - Based on January 2001 Recommendations
FY 02 Appropriation**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Barrow 01- NPRA-05	Public Facilities - Maintenance and Operation	334,540	Project will maintain safe and improved recreational facilities. This alleviates adverse social and cultural impacts from oil and gas development.	Closed 2/04
North Slope Borough 01- NPRA 01	Harvest Monitoring, Subsistence Documentation	100,000	This is Phase II of the FY00 study.	Closed 3/04
North Slope Borough 01- NPRA-02	Waterfowl Surveys	150,000	This is Phase II of the FY00 surveys.	Closed 3/04
North Slope Borough 01- NPRA-03	Tracking & Analysis of the Teshekpuk Lake Caribou Herd	150,000	This is Phase II of the FY00 study.	Closed 6/04
North Slope Borough 01- NPRA-04	Wainwright Basic Operations	250,000	Project provides operations assistance including partial salary costs, expenses and staff training necessary to successfully operate the local government.	Closed 5/03
North Slope Borough 01- NPRA-07	Nuiqsut Cultural Center Operations	-288,000	Project originally awarded to City of Nuiqsut but was pending re-negotiation with the Borough. In December 2005 the City of Nuiqsut and the NSB agreed to move the funding to 00-NPRA-28 (Kisik Center Renovation) in part due to need for additional funds to complete that project. Cultural Center is within Kisik Center facility.	Closed 12/05; \$288,000 in funds moved to 00- NPRA-28 in the FY 00 list
North Slope Borough 01- NPRA-08	Nuiqsut Teen Center Operation & Maintenance	121,310	Project originally awarded to City of Nuiqsut but was re-negotiated with the Borough. Funds staff salaries including adult supervisors and recreation aides, training, travel, utilities and supplies.	Active
North Slope Borough 01- NPRA-09	Nuiqsut Wooden Deck Ball Court Construction	-30,000	Project originally awarded to City of Nuiqsut but was pending re-negotiation with the Borough. In December 2005 the City of Nuiqsut and NSB agreed to put funds into 06-NPRA-13 (Nuiqsut Teen Center Operations and Maintenance in part due to not having enough money to properly construct the ball courts and need for funds to maintain and operate teen	Closed 12/05; \$30,000 in funds moved to 06- NPRA-13 in the FY 06 list
North Slope Borough 01- NPRA-10	Nuiqsut Emergency Hunting Shelters Construction	-60,000	Project originally awarded to City of Nuiqsut but was pending re-negotiation with the Borough. In December 2005 City of Nuiqsut and NSB agreed to put funds into 00-NPRA-28 (Kisik Center Renovations) and 06-NPRA-13 (Nuiqsut Teen Center Operations and Maintenance) and abandon Emergency Hunting Shelter project due in part to issues obtaining site control.	Closed 12/05; \$48,795 moved to 00-NPRA-28 and \$11,205 moved to 06-NPRA-13 in the FY 00 and FY 06 lists
Nuiqsut 01- NPRA-06	Basic Government Operations and Maintenance	200,000	Grant funds used for staff salaries and expenses.	Closed 8/04
Total		\$1,683,850	Note: This total does include the \$336,795 moved to the FY 00 grants and \$41,205 moved to FY 06 grants.	

**NPR-A Impact Mitigation Grants Awarded - Based on December 2001 Recommendations
FY 03 Appropriation**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk 02- NPR-A-01	City Operations	249,057	Project supplements operations with partial salaries for the mayor, janitor, recreational aides and city clerk.	Closed 6/04
Atkasuk 02- NPR-A-02	Renovate Recreation Center	49,000	This phase includes installation of an efficient waste heating system.	Closed 9/04
Barrow 02- NPR-A-03	Public Facilities Operations	350,000	Project will maintain safe and improved recreational facilities and supplement funding for the Summer Youth Program.	Closed 11/04
Barrow 02- NPR-A-04	Summer Youth Program	50,000	Project includes the annual Summer Clean-up Program which employs up to 60 youth as a service to the community.	Closed 6/04
North Slope Borough 02- NPR-A-05	Capacity Building	100,000	This involves each community within the Borough, encouraging consolidation of resources between city & tribal governments to result in the formation of partnerships to generate revenue necessary for a common goal: economic viability of the NPR-A communities. As of 9/30/05 less than \$25,000 remains in grant. Expect it to be closed by 6/30/06.	Active
North Slope Borough 02- NPR-A-06	Mayor's Workforce Job Training Program	188,048	Project mitigates impacts by supplying entry-level employment in village positions that have been vacated due to oil and gas development.	Closed 11/03
North Slope Borough 02- NPR-A-07	Nuiqsut Natural Gas Project	450,000	Project provides an alternative to high energy costs and increased demand created by the oil and gas activity. As of 9/30/05 approximately \$53,000 remains in grant. Expect it to be closed by 6/30/06.	Active
North Slope Borough 02- NPR-A-08	Wainwright Basic Operations	250,000	Project provides operational assistance such as salaries, equipment and training to city staff with the goal of increased efficiency and an improved level of service to residents. As of 11/05 \$119 remains in grant. Will be closed by 6/30/06.	Active
Total		\$1,681,105		

NPR-A Impact Mitigation Grants Awarded - Based on March 2003 Recommendations
FY 04 Appropriation (page 1 of 3)

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Atkasuk 04- NPRA-21	Local Government & Community Center Operations & Maintenance	368,621	Project supplements operations with partial salaries for the mayor, janitor, recreational aides and city clerk as well as costs to operate and maintain community center.	Closed 10/05
Barrow 04- NPRA-01	Recreation Building Addition Feasibility	40,000	Project will complete a feasibility study for the renovation and construction of the recreation building.	Active
Barrow 04- NPRA-02	Renovate Multi-Purpose Facility	53,719	Project will upgrade and expand existing public services currently provided at the Roller Rink and purchase necessary equipment and supplies.	Active
Barrow 04- NPRA-22	Basic Local Government Operations and Maintenance	1,309,806	Project will fund in part the operation and maintenance of the city council, administration and recreation departments.	Closed 12/04
Barrow 04 NPRA-23	Public Facilities Operations and Maintenance	420,705	Project will maintain safe and improved recreational facilities and supplement funding for the Summer Youth Program.	Closed 9/05
Barrow 04- NPRA-24	Quest Mentorship Program with KBRW	265,000	Project will fund the Quest Mentorship Program through KBRW AM/FM radio station. Grant funds will be used to purchase necessary equipment for training interns and contractual services for implementation of the program. As of 12/05 balance remaining is less than \$23,000. Expect project to be closed 06/30/06.	Active
Barrow 04- NPRA-25	Addition to Cemetery Road	44,230	Project will construct a one-quarter mile road, drainage culverts, and shoulder work to gain access to cemetery. Funds for design, purchase of road materials, freight, supplies, labor. As of 12/05 approximately \$11,000 remains in grant.	Active
North Slope Borough 04- NPRA-03	Nuiqsut Natural Gas Upstream Conditioner	2,000,000	Project provides an alternative to high energy costs and increased demand created by the oil and gas activity.	Active
North Slope Borough 04- NPRA-04	Waterfowl in NPRA Continuation	443,619	This is Phase III of the FY00 surveys. The need for tracking and analysis is clearly related to the foreseeable impacts of oil and gas development.	Active
North Slope Borough 04- NPRA-05	Arctic Fox Satellite Project	316,582	Project will outfit 20 arctic fox with radio transmitters and collection and analysis of data gathered. Establishment of baseline data will permit more accurate monitoring of impact on wildlife.	Active
North Slope Borough 04- NPRA-06	Caribou Movements & Distribution	359,245	This is Phase III of the FY00 surveys. The need for tracking and analysis is clearly related to the foreseeable impacts of oil and gas development.	Active
Sub-Total (page 1)		\$5,621,527		

**NPR-A Impact Mitigation Grants Awarded - Based on March 2003 Recommendations
FY 04 Appropriation (page 2 of 3)**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
North Slope Borough 04- NPR-07	Survey and Inventory of Fish Resources	362,931	Project will include tagging and radio tracking of subsistence fish. The need for the inventory is clearly related to the foreseeable impacts of oil and gas development. Establishment of baseline data will permit more accurate monitoring of oil and gas impacts on wildlife.	Active
North Slope Borough 04- NPR-08	Fish Petroleum Hydrocarbon Study	405,659	Project will establish baseline data on the current status of petroleum hydrocarbons in four species of subsistence fish in the NPR-A.	Active
North Slope Borough 04- NPR-09	Subsistence Harvest Monitoring	188,030	This is Phase III of the FY00 survey. Project will continue documentation of yearly wildlife harvest; identify specific areas important to subsistence hunting and any adverse impacts caused by oil/gas development.	Active
North Slope Borough 04- NPR-10	Electric Thermal Oxidation/Waste Heat	1,500,000	Project will remodel the thermal oxidation system, expand the thermal oxidation system facility, and prepare a feasibility study on development of an electrical co-generation system at the facility.	Active
North Slope Borough 04 NPR-11	Grant Oversight and Supervision	213,418	Project will allow NSB staff to work with borough communities to provide capacity building as well as send staff to professional development training.	Active
North Slope Borough 04- NPR-12	Volunteer Search and Rescue Equipment	565,425	Project will provide search and rescue equipment, parts and supplies, and training for borough communities.	Active
North Slope Borough 04- NPR-13	Fire Department Equipment Upgrades	250,276	Project will provide emergency medical equipment for five borough communities.	Closed 12/04
North Slope Borough 04- NPR-14	Barrow Sewage Treatment Facility	10,000,000	Project will provide funds for construction of a new sewage treatment facility which will safely store and treat raw sewage and runoff for the next 20 years.	Active
North Slope Borough 04- NPR-15	Emergency Radio Communications	1,550,570	Project will provide funds for purchase and maintenance of equipment/materials/supplies needed for the 800 MHz radio system for NSB emergency response teams.	Active
North Slope Borough 04- NPR-16	Police Department Facilities and Training	728,999	Project will upgrade police department facilities in NSB communities including purchase of updated equipment and vehicles and professional development training.	Active
North Slope Borough 04- NPR-17	Telecommunications System Update	156,145	Project will purchase equipment necessary for upgrading the current information technology system and to provide training for NSB staff in installation, operation and maintenance. As of 9/30/05 \$7500 remains in grant. Expect to close by 6/30/06.	Active
Sub-Total (page 2)		\$15,921,453		

**NPR-A Impact Mitigation Grants Awarded - Based on March 2003 Recommendations
FY 04 Appropriation (page 3 of 3)**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
North Slope Borough 04- NPRA-18	Research Equipment for NPR-A Activities	250,000	Project will purchase equipment for collecting and analyzing data on subsistence activities and fish and wildlife resources.	Active
North Slope Borough 04- NPRA-19	Barrow School Resource Officers	237,240	Project will fund School Resource Officers in three Barrow schools, provide training and purchase educational materials and supplies.	Active
North Slope Borough 04- NPRA-20	NPR-A Village School Counselors	435,736	Project will fund salary/benefits for a School Counselor in four NPR-A communities and provide training for each position.	Active
North Slope Borough 04- NPRA-26	Project Compliance and Fiscal Coordinator	198,250	Project will fund salary/benefits for a new Project Compliance and Fiscal Coordinator for all research related projects within the NSB's Dept of Wildlife Management for two years.	Active
North Slope Borough 04- NPRA-27	Childcare/Learning Center/Training	56,123	Funds will be used to purchase surveillance equipment and for purchase and installation of fencing around the Barrow Child Care Learning Center playground. Two Center employees will attend professional development training.	Active
North Slope Borough 04- NPRA-28	Village Summer Recreation Program	121,374	Project will fund salary/benefits for a Recreation Coordinator and a Recreation Aide for a summer recreation program in the five NPR-A communities. Professional development training also to be provided.	Active
North Slope Borough 04- NPRA-29	Mayor's Job Program	653,929	This is a continuation of the FY03 NPR-A grant project, which mitigates impacts by supplying entry-level employment in village positions that have been vacated due to oil and gas development.	Closed 9/05
North Slope Borough 04- NPRA-30	Workforce Development Program	1,515,825	Project will develop a One-Stop Job Center where NPR-A village members can obtain skills, certifications, and the expertise necessary to become employed by the infrastructure created by NPR-A development.	Active
Sub-Total (page 1)		\$5,621,527		
Sub-Total (page 2)		\$15,921,453		
Sub-Total (page 3)		\$3,468,477		
Total		\$25,011,457		

**NPR-A Impact Mitigation Grants Awarded - Based on December 2003 Recommendations
FY 05 Appropriation**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Grant Status</u>
Barrow 05- NPRA-01	Tuzzy Library	180,000	Project will fund salary/benefits for a full-time Library Technician to provide general library services with a focus on children.	Active
North Slope Borough 05- NPRA-02	Wainwright Local Government Operations	250,000	Project will fund salary/benefits for City positions and increase of hours on some current positions.	Active
North Slope Borough 05- NPRA-03	Barrow Allied Health Care Training Program	320,000	The need for the survey is clearly related to the foreseeable impacts of oil and gas development. The North Slope Allied Health Training Program will provide a continuum of training and education in paraprofessional fields essential to developing local health care providers on the North Slope.	Active
North Slope Borough 05- NPRA-04	Social and Cultural Impacts Study	300,586	Purpose of project is to document observations and perceptions of North Slope residents regarding historical, current and potential effects of oil industry activities on hunting and to determine how oil/gas development has affected hunters.	Active
North Slope Borough 05- NPRA-05	Oil/Gas Development Comprehensive Plan	400,000	This project will develop a comprehensive borough-wide oil and gas land-use plan to guide industrial development	Active
North Slope Borough 05- NPRA-06	School Counselors Extended Program	205,000	This is a continuation of the program initially funded in FY 04 and will hire two additional school counselors in Barrow. As of 9/30/05 balance in grant is \$61. Expect it to close effective 12/05.	Active
North Slope Borough 05- NPRA-07	School Resource Officers	125,000	This is a continuation of the program initially funded in FY 04 and will be used to retain and train a School Resource Officer in Barrow.	Active
North Slope Borough 05- NPRA-08	School Based Programs	500,000	The NSB will partner with the NSB School District to provide open gyms and structured activities in Atqasak, Anaktuvuk Pass, Barrow, Nuiqsut and Wainwright.	Active
Nuiqsut 05- NPRA-10	Local Government Operations	250,000	Project will fund salary/benefits for City positions and increase of hours on some current positions.	Closed 7/05
Total		\$2,530,586		

NPR-A Impact Mitigation Grants Awarded - Based on January 2005 Recommendations
FY 06 Appropriation (page 1 of 6)

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Status</u>
Atqasuk 06- NPRA-01	Local Government Operations	336,468	The purpose of this project is to supplement the maintenance and operations costs necessary to successfully operate the local government of Atqasuk and provide continued services to residents including an expanded youth program. The project will provide funding for one year for the following city staff: mayor, city clerk, assistant clerk, janitor, two recreation aides. Grant funds are also requested for insurance, audit/accountant, utilities, equipment, communications, materials/supplies, freight and travel.	Active
Atqasuk 06- NPRA-02	Youth Center Addition to Community Center	680,000	The purpose of this project is to construct a 1600 square foot (SF) one-story addition to the Community Center to create a Youth Center. This will provide Atqasuk youth (ages 10-18) with a safe, drug-free, warm, supervised environment to socialize, play games, study and take part in other youth activities. There are currently 43 children in Atqasuk who are between the ages of 10 and 18. Grant funds are requested for the design and construction contract.	Active
Barrow 06- NPRA-03	Basic Local Government Operations	1,385,843	The purpose of this project is to provide operations for the City of Barrow for a one-year period. Grant funds are requested for labor/benefits for the following full-time positions (37.5 hr/wk): mayor, city clerk, assistant clerk, property manager, finance director, bookkeeper, permitting clerk, special projects/polar bear watchman, administrative assistant, webmaster, recreation director, recreation supervisor and two recreation aides. Grant funds are requested for labor/benefits for the following part-time positions: grants administrator (30 hr/wk), DMV representative (19 hr/wk), and 13 recreation aides (15-24 hr/wk). Grant funds are also requested for contractual (legal, audit, computer support), equipment, materials, freight and training. Administration will be provided as an in-kind contribution (2 hr/wk for the Grant Administrator).	Active
Barrow 06- NPRA-04	City Hall Building Addition Feasibility Study	69,413	The purpose of this project is to complete a feasibility study to identify the costs and materials needed to construct an addition for City Hall so it will continue to function efficiently and adequately. Grant funds are requested for contractual consultant costs.	Active
Barrow 06- NPRA-05	City Impound and Disposal Site	174,389	The purpose of this project is to construct a 120' x 200' gravel pad to provide a safe area for junk vehicles. The pad will be lined to keep vehicle fluids from seeping into the earth. Grant funds are requested for labor/benefits (four laborers), contractual (tractor operator/ rental costs), materials and freight.	Active
Barrow 06- NPRA-06	Roller Rink Renovation Feasibility Study	63,556	The purpose of this project is to complete a feasibility study to identify the costs and materials needed to renovate the Barrow Roller Rink, which is utilized as a multi-purpose facility. Grant funds are requested for contractual consultant costs.	Active
Sub-Total (page 1)		\$2,709,669		

**NPR-A Impact Mitigation Grants Awarded - Based on January 2005 Recommendations
FY 06 Appropriation (page 2 of 6)**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Status</u>
Nuiqsut 06- NPR-A-07	Local Government Operations	468,000	The purpose of this project is to provide continued funding for local government operations for one year. Grant funds are requested for labor/benefits (full-time city clerk, maintenance, cultural coordinator, and bookkeeper; full-time night watch during summer months), contractual (City Administrator labor/benefits), equipment purchase (copier, fax/printer, computer), office supplies, freight (for equipment/supplies), travel (City Council/staff training), other (CPA professional services) and administration (utilities, insurance, council honorarium, vehicle maintenance and repairs). Also includes some equipment purchases for cultural coordinator.	Active
North Slope Borough 06- NPR-A-08	Barrow Allied Health Care Training Program	3,400,000	The North Slope Allied Health Training Program (NSAHTP) was established to provide a continuum of training and education in paraprofessional fields essential to developing local health care providers on the North Slope. Providers and participants include the Borough, NSB Health Department, Arctic Slope Native Association, Samuel Simmonds Memorial Hospital, and Ilisagvik College. The purpose of this project is to provide funding for the North Slope Allied Health Training Center which will coordinate training that has been identified to address and assuage the impacts of NPR-A oil and gas development. Grant funds are requested for labor/benefits, contractual, equipment, supplies, travel, other and administration.	Active
North Slope Borough 06- NPR-A-09	Continue Studies to Investigate Wildlife	2,461,368	The purpose of this project is to supplement existing research within the NSB Department of Wildlife Management, which is critical to responding to Inupiat hunter's concerns about oil and gas exploration and development. This project would cover a three-year period to continue the following research: (1) Subsistence Harvest Documentation; (2) Waterfowl Surveys; (3) Key Subsistence Fish Species; (4) Hydrocarbons in Fish; and (5) Satellite Tracking of the Teshekpuk Caribou Herd. Grant funds are requested for labor/benefits, contractual, equipment, materials/supplies, travel and administration.	Active
North Slope Borough 06- NPR-A-10	Health, Survival & Sustainability of Key Subsistence Resources	654,426	The purpose of this project is to conduct new studies over a 3-year period that address and document independent aspects of wildlife population biology. Each study has been designed to complement each other so the NSB Department of Wildlife Management may better understand the influences of weather and habitat on natural winter survival of caribou; project future population estimates of TCH caribou under different conditions; and assess and document the health of subsistence animal and fish populations. Grant funds are requested for labor/benefits, contractual, equipment, supplies, travel and indirect.	Active
Sub-Total (page 2)		\$6,983,794		

NPR-A Impact Mitigation Grants Awarded - Based on January 2005 Recommendations
FY 06 Appropriation (page 3 of 6)

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Status</u>
North Slope Borough 06- NPRA-11	Mayor's Job Program	2,527,961	The purpose of this project is to continue the existing Mayor's Job Program, which provides short-term employment for NSB residents at the Borough offices and other employers such as the Arctic Slope Native Association, Native Village of Barrow and the City of Barrow. The program provides training for individuals to assist them with acquiring necessary job skills to advance to full-time employment. Grant funds are requested to fund these positions, as well as a part-time coordinator to oversee the participants throughout the affected areas. Funding is also requested for supplies and administration.	Active
North Slope Borough 06- NPRA-12	Nuiqsut Design Retractable Boat Ramp	200,000	The purpose of this project is to design and install a retractable boat ramp. Grant funds are requested for contractual and administration.	Active
North Slope Borough 06- NPRA-13	Nuiqsut Youth Center Operation and Maintenance	191,205	The purpose of this project is to provide funding for the operation and maintenance of the Nuiqsut Youth Center. Grant funds are requested for labor/benefits (three full-time Coordinator positions), equipment purchase (TV & DVD), material/supplies (cleaning/janitorial, computer software, games, craft supplies), freight, training (academic/computer), utilities (fuel, electricity, water/sewer, phone/internet) and administration. In December 2005 the City of Nuiqsut and NSB agreed to move funds (total \$41,205) to this grant from two grants appropriated in FY02: 01-NPRA-09 (Nuiqsut Wooden Deck Ball Court @ \$11,205) and 01-NPRA-10 (Nuiqsut Emergency Hunting Shelters @ \$30,000).	Active
North Slope Borough 06- NPRA-14	Village Capacity Building	968,182	The purpose of this project is to provide capacity-building assistance over a 3-year period to NSB villages so they may effectively serve the needs of their communities as they deal with the effects of oil and gas development. This project is planned for three years in order to assist those communities that are affected today by NPRA oil and gas activity as well as to prepare those communities that will be impacted as NPRA activity expands. Grant funds are requested for labor/benefits, contractual, travel, materials/supplies and administration.	Active
North Slope Borough 06- NPRA-15	Wainwright City Office Revoncations	38,114	The purpose of this project is to repair the City Office building to provide a safe, warm environment for city business. This includes replacement of damaged floor substrate, floor tiles, ceiling lighting, furnace, hot water heater, fire door and addition of o/s air intake. Grant funds are requested for contractual services and administration.	Active
Sub-Total (page 3)		\$3,884,257		

**NPR-A Impact Mitigation Grants Awarded - Based on January 2005 Recommendations
FY 06 Appropriation (page 4 of 6)**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Status</u>
North Slope Borough 06- NPR-A-16	Wainwright Lagoon Boat Launch	525,000	The purpose of this project is to replace or renovate the Wainwright Lagoon Boat Ramp to provide a safe launch site for subsistence and rescue activities. Grant funds are requested for contractual services and administration.	Active
North Slope Borough 06- NPR-A-17	Wainwright Local Government Operations	311,500	The purpose of this project is to provide continued funding for a City Administrator, Program Assistant and City Clerk to build the capacity of the City of Wainwright to successfully manage its financial affairs and grant programs, to implement new sources of revenue, and to continue staff training. Grant funds are requested for labor/benefits, contractual services, maintenance/repairs, insurance, utilities, materials/supplies, training/travel, audit/ accountant fees and administration.	Active
North Slope Borough 06- NPR-A-18	Wainwright Softball Field	35,000	The purpose of this project is to purchase and install a backstop, bleachers and other equipment required to provide a summer softball program for Wainwright youth which will be conducted on the Municipal Reserve recreational area owned by the city. Grant funds are requested for contractual services, materials/supplies and administration.	Active
North Slope Borough 06- NPR-A-19	Wainwright Youth Program	229,500	The purpose of this project is to provide funding for the Wainwright Youth Program at the Robert James Community Center which offers an adult-supervised, safe, drug-free environment for Wainwright youth ages 10-18. Grant funds are requested for labor/benefits, contractual, utilities, maintenance/ repairs, materials/ supplies and administration.	Active
North Slope Borough 06- NPR-A-20	Workforce Development Program	3,729,451	The purpose of this project is to continue the existing Workforce Development Program, which is designed to provide entry-level training for unemployed residents, apprenticeship training for residents with more advanced job skills and training to enhance the job skills of current NSB employees. Grant funds are requested for labor/benefits for four full time positions at the Savaat Center: Workforce Development Coordinator; NSB Employer Liaison; NSB Training Facilitator; Savaat Center Program Assistant. Grant funds are also requested for equipment, training, travel and administration.	Active
North Slope Borough 06- NPR-A-21	Atqasuk Energy Assessment	100,042	The purpose of this project is to identify the most cost-effective, cleanest and safest alternative to energy (power, light and heat) in the community of Atqasuk. Fuel costs in Atqasuk are currently the highest on the Slope and they have need to purchased 500,000 gallons for FY05. Grant funds are requested for contractual engineering/cost analysis and administration.	Active
Sub-Total (page 4)		5,490,493		

NPR-A Impact Mitigation Grants Awarded - Based on January 2005 Recommendations
FY 06 Appropriation (page 5 of 6)

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Status</u>
North Slope Borough 06- NPR-A-22	Fire Equipment and Training	250,000	The purpose of this project is to allow the NSB Fire Department to acquire a quint fire fighting apparatus in Barrow, acquire other training and operational equipment, and provide fire and emergency medical training to fire department employees and volunteer fire fighters in Atkasuk, Anaktuvuk Pass, Barrow, Nuiqsut and Wainwright. Grant funds are requested for equipment, supplies, freight, training, travel and administration.	Active
North Slope Borough 06- NPR-A-23	Misdemeanor Probation Officer	346,071	The purpose of this project is to create one full-time Misdemeanor Probation Officer position for three years, which will be tasked with collecting information on misdemeanor offenders and their compliance with court-ordered conditions of probation/release. Grant funds are requested for labor/benefits, contractual, travel, materials/supplies and administration.	Active
North Slope Borough 06- NPR-A 24	North Slope Borough Science Initiatives	425,578	The purpose of this project is to support the Borough's involvement in the North Slope Science Initiative (NSSI). The NSSI was established to develop a science-based program that integrates inventory, monitoring and research activities to support resource management decisions on the North Slope of Alaska. Its mission is to enhance the quality and quantity of the scientific information available for aquatic, terrestrial and marine environments on the North Slope and to make this information available to decision-makers, governmental agencies, industry and the public. Grant funds are requested for labor/benefits, contractual, supplies, travel and administration.	Active
North Slope Borough 06- NPR-A-25	NPR-A Technical Review Team	1,468,508	The purpose of this project is to provide additional staff to assist the NSB departments responsible for reviewing and commenting on resource development issues, including environmental analyses and permit applications. Grant funds are requested for services from a biologist, permit specialist and an attorney, including travel and support costs related to attending and holding public hearings and other meetings. Funds are also requested for contractual services, materials and administration.	Active
North Slope Borough 06- NPR-A-26	Oil Response Team	737,867	The purpose of this project is to develop a dedicated spill response team with squads located in Atkasuk, Barrow, Nuiqsut and Wainwright. Each team would have primary responsibility for handling spills in and near their respective communities, but would also be able to rapidly respond to neighboring communities to assist in large-scale spills. Grant funds are requested for labor/benefits (Fuel Spill Response Team Coordinator – full-time in Year One; part-time in Year Two), materials/supplies, protective equipment/response gear, travel/training and administration.	Active
Sub-Total (page 5)		\$3,228,024		

**NPR-A Impact Mitigation Grants Awarded - Based on January 2005 Recommendations
 FY 06 Appropriation (page 6 of 6)**

<u>Grantee</u>	<u>Project</u>	<u>Amount</u>	<u>Comments</u>	<u>Status</u>
North Slope Borough 06- NPRA-27	Police Importation Combat Program	1,101,512	The purpose of this project is to implement an investigative unit comprised of three new full-time Police Officer positions for a 3-year period, dedicated to combating the illegal importation, manufacture and distribution of drugs and alcohol occurring in each of the NPRA impacted communities. Grant funds are requested for labor/benefits and administration.	Active
North Slope Borough 06- NPRA-28	Police Officers for NPRA Villages	1,486,689	The purpose of this project is to employ a full-time Police Officer for a three-year period in Atkasuk, Barrow, Nuiqsut and Wainwright. Grant funds are requested for labor/benefits and administration.	Active
North Slope Borough 06- NPRA-29	Social and Culutral Impact Study Phase 2	275,880	The purpose of this project is to prepare a comprehensive scientific study to identify the key socio-economic impacts of oil and gas development in Atkasuk, Barrow, Nuiqsut and Wainwright. Phase I of the study started in July 2004 and consists of designing the survey instrument and data collection. Phase 2 will analyze data collected in phase 1, focusing on the observations and perceptions of NSB residents regarding historical, current and potential effects of oil industry activities on onshore and offshore hunting. Grant funds are requested for contractual and administration.	Active
North Slope Borough 06- NPRA-30	Utility Master Plan/Emergency Plan	106,221	The purpose of this project is to prepare a Borough-wide Utility Master Plan and Emergency Utility Plan to assess the future requirements of power, water, sewer, waste collection and landfill functions across the North Slope and develop a tool for the Borough to use to prepare communities for the changes ahead. Grant funds are requested for contractual engineering and administration.	Active
Sub-Total (page 1)		\$2,709,669		
Sub-Total (page 2)		\$6,983,794		
Sub-Total (page 3)		\$3,884,257		
Sub-Total (page 4)		\$4,930,493		
Sub-Total (page 5)		\$3,228,024		
Sub-Total (page 6)		\$2,970,302		
Total		\$24,706,539	Note: This subtotal does not include the \$41,205 moved from FY 02 grants.	
			Note: This total does not include the \$41,205 moved from FY 02 grants.	

FY 07 NPR-A Applications Received by 11/15/05 Deadline

APPLICANT	PROJECT TITLE	COMMUNITY(IES) TO BENEFIT	AMOUNT REQUESTED
City of Atkasuk	Local Government Operations & Youth Program	Atkasuk	345,867.00
	Total Requested (1)		\$345,867.00
City of Barrow	Public Facilities Operations & Maintenance	Barrow	744,073.05
	Total Requested (1)		\$744,073.05
North Slope Borough	Wainwright Local Government Operations	Wainwright	325,000.00
	Wainwright Youth Center Program	Wainwright	243,000.00
	Training & Mentoring Program for NPRA Residents Entering Oil Industry	All NPRA	315,707.00
	Nuiqsut & Hopson Middle School Counselors	Nuiqsut & Barrow	253,115.00
	Bowhead Workshop	Barrow, Nuiqsut & Wainwright	60,095.00
	Vegetation Monitoring in NPRA	All NPRA	147,688.00
	Understanding Predators (Gulls)	All NPRA	341,812.00
	Health Assesment/Contaminants	All NPRA	24,200.00
	Cabin & Campsite Locations Mapping	All NPRA	61,710.00
	NSB Assembly Chambers Expansion/Renovation	Borough-wide	525,000.00
	Barrow E911 System	Borough-wide	511,878.00
	Barrow Digital Repeater Upgrades	Borough-wide	507,064.00
	School Resource Officer	Barrow	125,000.00
	Total Requested (13)		\$3,441,269.00
City of Nuiqsut	Local Government Operations & Maintenance	Nuiqsut	500,000.00
	Paisangich Cultural Plan	Nuiqsut	100,000.00
	Youth Center Operations & Maintenance	Nuiqsut	150,000.00
	Total Requested (3)		\$750,000.00
	GRAND TOTAL - 18 Applications		\$5,281,209.05

ATTACHMENTS

Federal Statutes (42 USC Chapter 78)

Alaska Statutes (AS 37.05.530)

Alaska Regulations (03 AAC 150)

UNITED STATES CODE
Title 42 - The Public Health And Welfare
Chapter 78 - National Petroleum Reserve In Alaska

Sec. 6501. - "Petroleum" defined

As used in this chapter, the term "petroleum" includes crude oil, gases (including natural gas), natural gasoline, and other related hydrocarbons, oil shale, and the products of any of such resources

Sec. 6502. - Designation of National Petroleum Reserve in Alaska; reservation of lands; disposition and conveyance of mineral materials, lands, etc., preexisting property rights

The area known as Naval Petroleum Reserve Numbered 4, Alaska, established by Executive order of the President, dated February 27, 1923, except for tract Numbered 1 as described in Public Land Order 2344, dated April 24, 1961, shall be transferred to and administered by the Secretary of the Interior in accordance with the provisions of this Act. Effective on the date of transfer all lands within such area shall be redesignated as the "National Petroleum Reserve in Alaska" (hereinafter in this chapter referred to as the "reserve"). Subject to valid existing rights, all lands within the exterior boundaries of such reserve are hereby reserved and withdrawn from all forms of entry and disposition under the public land laws, including the mining and mineral leasing laws, and all other Acts; but the Secretary is authorized to

(1) make dispositions of mineral materials pursuant to the Act of July 31, 1947 (61 Stat. 681), as amended (30 U.S.C. 601 et seq.), for appropriate use by Alaska Natives and the North Slope Borough,

(2) make such dispositions of mineral materials and grant such rights-of-way, licenses, and permits as may be necessary to carry out his responsibilities under this Act,

(3) convey the surface of lands properly selected on or before December 18, 1975, by Native village corporations pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), and

(4) grant such rights-of-way to the North Slope Borough, under the provisions of title V of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1761 et seq.) or section 28 of the Mineral Leasing Act, as amended (30 U.S.C. 185), as may be necessary to permit the North Slope Borough to provide energy supplies to villages on the North Slope. All other provisions of law heretofore enacted and actions heretofore taken reserving such lands as a Naval Petroleum Reserve shall remain in full force and effect to the extent not inconsistent with this Act

Sec. 6503. - Transfer of jurisdiction, duties, property, etc., to Secretary of the Interior from Secretary of Navy

(a) Transfer of jurisdiction over reserve; date of transfer

Jurisdiction over the reserve shall be transferred by the Secretary of the Navy to the Secretary of the Interior on June 1, 1977.

(b) Protection of environmental, fish and wildlife, and historical or scenic values; promulgation of rules and regulations

With respect to any activities related to the protection of environmental, fish and wildlife, and historical or scenic values, the Secretary of the Interior shall assume all responsibilities as of April 5, 1976. As soon as possible, but not later than the effective date of transfer, the Secretary of the Interior may promulgate such rules and regulations as he deems necessary and appropriate for the protection of such values within the reserve.

(c) Contract responsibilities and functions

The Secretary of the Interior shall, upon the effective date of the transfer of the reserve, assume the responsibilities and functions of the Secretary of the Navy under any contracts which may be in effect with respect to activities within the reserve.

(d) Equipment, facilities, and other properties used in connection with operation of reserve; transfer without reimbursement

On the date of transfer of jurisdiction of the reserve, all equipment, facilities, and other property of the Department of the Navy used in connection with the operation of the reserve, including all records, maps, exhibits, and other informational data held by the Secretary of the Navy in connection with the reserve, shall be transferred without reimbursement from the Secretary of the Navy to the Secretary of the Interior who shall thereafter be authorized to use them to carry out the provisions of this chapter.

(e) Unexpended funds previously appropriated for use in connection with reserve and civilian personnel ceilings assigned to management and operation of reserve

On the date of transfer of jurisdiction of the reserve, the Secretary of the Navy shall transfer to the Secretary of the Interior all unexpended funds previously appropriated for use in connection with the reserve and all civilian personnel ceilings assigned by the Secretary of the Navy to the management and operation of the reserve as of January 1, 1976

Sec. 6504. - Administration of reserve

(a) Congressional authorization as precondition for production and development of petroleum

Except as provided in subsection (e) of this section, production of petroleum from the reserve is prohibited and no development leading to production of petroleum from the reserve shall be undertaken until authorized by an Act of Congress.

(b) Conduct of exploration within designated areas to protect surface values

Any exploration within the Utukok River, the Teshekpuk Lake areas, and other areas designated by the Secretary of the Interior containing any significant subsistence, recreational, fish and wildlife, or historical or scenic value, shall be conducted in a manner which will assure the maximum protection of such surface values to the extent consistent with the requirements of this Act for the exploration of the reserve.

(c) Continuation of ongoing petroleum exploration program by Secretary of Navy prior to date of transfer of jurisdiction; duties of Secretary of Navy prior to transfer date

The Secretary of the Navy shall continue the ongoing petroleum exploration program within the reserve until the date of the transfer of jurisdiction specified in section 6503(a) of this title. Prior to the date of such transfer of jurisdiction the Secretary of the Navy shall -

(1) cooperate fully with the Secretary of the Interior providing him access to such facilities and such information as he may request to facilitate the transfer of jurisdiction;

(2) provide to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives copies of any reports, plans, or contracts pertaining to the reserve that are required to be submitted to the Committees on Armed Services of the Senate and the House of Representatives; and

(3) cooperate and consult with the Secretary of the Interior before executing any new contract or amendment to any existing contract pertaining to the reserve and allow him a reasonable opportunity to comment on such contract or amendment, as the case may be.

(d) Commencement of petroleum exploration by Secretary of the Interior as of date of transfer of jurisdiction; powers and duties of Secretary of the Interior in conduct of exploration

The Secretary of the Interior shall commence further petroleum exploration of the reserve as of the date of transfer of jurisdiction specified in section 6503(a) of this title. In conducting this exploration effort, the Secretary of the Interior -

(1) is authorized to enter into contracts for the exploration of the reserve, except that no such contract may be entered into until at least thirty days after the Secretary of the Interior has provided the Attorney General with a copy of the proposed contract and such other information as may be appropriate to determine legal sufficiency and possible violations under, or inconsistencies with, the antitrust laws. If, within such thirty day period, the Attorney General advises the Secretary of the Interior that any such contract would unduly restrict competition or be inconsistent with the antitrust laws, then the Secretary of the Interior may not execute that contract;

(2) shall submit to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives any new plans or substantial amendments to ongoing plans for the exploration of the reserve. All such plans or amendments submitted to such committees pursuant to this section shall contain a report by the Attorney General of the United States with respect to the anticipated effects of such plans or amendments on competition. Such plans or amendments shall not be implemented until sixty days after they have been submitted to such committees; and

(3) shall report annually to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives on the progress of, and future plans for, exploration of the reserve

Sec. 6505. - Executive department responsibility for studies to determine procedures used in development, production, transportation, and distribution of petroleum resources in reserve; reports to Congress by President; establishment of task force by Secretary of the Interior; purposes; membership; report and recommendations to Congress by Secretary; contents

(a) Omitted

(b)

(1) The President shall direct such Executive departments and/or agencies as he may deem appropriate to conduct a study, in consultation with representatives of the State of Alaska, to determine the best overall procedures to be used in the development, production, transportation, and distribution of petroleum resources in the reserve. Such study shall include, but shall not be limited to, a consideration of -

(A) the alternative procedures for accomplishing the development, production, transportation, and distribution of the petroleum resources from the reserve, and

(B) the economic and environmental consequences of such alternative procedures.

(2) The President shall make semiannual progress reports on the implementation of this subsection to the Committees on Interior and Insular Affairs of the Senate and the House of Representatives beginning not later than six months after April 5, 1976, and shall, not later than one year after the transfer of jurisdiction of the reserve, and annually thereafter, report any findings or conclusions developed as a result of such study together with appropriate supporting data and such recommendations as he deems desirable. The study shall be completed and submitted to such committees, together with recommended procedures and any proposed legislation necessary to implement such procedures not later than January 1, 1980.

(c)

(1) The Secretary of the Interior shall establish a task force to conduct a study to determine the values of, and best uses for, the lands contained in the reserve, taking into consideration

- (A) the natives who live or depend upon such lands,
- (B) the scenic, historical, recreational, fish and wildlife, and wilderness values,
- (C) mineral potential, and
- (D) other values of such lands.

(2) Such task force shall be composed of representatives from the government of Alaska, the Arctic slope native community, and such offices and bureaus of the Department of the Interior as the Secretary of the Interior deems appropriate, including, but not limited to, the Bureau of Land Management, the United States Fish and Wildlife Service, the United States Geological Survey, and the United States Bureau of Mines.

(3) The Secretary of the Interior shall submit a report, together with the concurring or dissenting views, if any, of any non-Federal representatives of the task force, of the results of such study to the Committees on Interior and Insular Affairs of the Senate and the House of Representatives within three years after April 5, 1976, and shall include in such report his recommendations with respect to the value, best use, and appropriate designation of the lands referred to in paragraph (1)

Sec. 6506. - Applicability of antitrust provisions; plans and proposals submitted to Congress to contain report by Attorney General on impact of plans and proposals on competition

Unless otherwise provided by Act of Congress, whenever development leading to production of petroleum is authorized, the provisions of subsections (g), (h), and (i) of section 7430 of title 10 shall be deemed applicable to the Secretary of the

Interior with respect to rules and regulations, plans of development and amendments thereto, and contracts and operating agreements. All plans and proposals submitted to the Congress under this chapter or pursuant to legislation authorizing development leading to production shall contain a report by the Attorney General of the United States on the anticipated effects upon competition of such plans and proposals

Sec. 6507. - Authorization of appropriations; Federal financial assistance for increased municipal services and facilities in communities located on or near reserve resulting from authorized exploration and study activities

(a) There are authorized to be appropriated to the Department of the Interior such sums as may be necessary to carry out the provisions of this chapter.

(b) If the Secretary of the Interior determines that there is an immediate and substantial increase in the need for municipal services and facilities in communities located on or near the reserve as a direct result of the exploration and study activities authorized by this chapter and that an unfair and excessive financial burden will be incurred by such communities as a result of the increased need for such services and facilities, then he is authorized to assist such communities in meeting the costs of providing increased municipal services and facilities. The Secretary of the Interior shall carry out the provisions of this section through existing Federal programs and he shall consult with the heads of the departments or agencies of the Federal Government concerned with the type of services and facilities for which financial assistance is being made available

Sec. 6508. - Competitive leasing of oil and gas

There shall be conducted, notwithstanding any other provision of law and pursuant to such rules and regulations as the Secretary may prescribe, an expeditious program of competitive leasing of oil and gas in the National Petroleum Reserve in Alaska: Provided, That

(1) activities undertaken pursuant to this section shall include or provide for such 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 National Petroleum Reserve in Alaska (the Reserve);

(2) the provisions of section 202 and section 603 of the Federal Lands Policy and Management Act of 1976 (90 Stat. 2743) (43 U.S.C. 1712, 1782) shall not be applicable to the Reserve;

(3) the first lease sale shall be conducted within twenty months of December 12, 1980: Provided, That the first lease sale shall be conducted only after publication of a final environmental impact statement if such is deemed necessary under the provisions of the National Environmental Policy Act of 1969 (42 U.S.C. 4332);

(4) the withdrawals established by section 102 of Public Law 94-258 (42 U.S.C. 6502) are rescinded for the purposes of the oil and gas leasing program authorized herein;

(5) bidding systems used in lease sales shall be based on bidding systems included in section 205(a)(1)(A) through (H) [1] of the Outer Continental Shelf Lands Act Amendments of 1978 (92 Stat. 629) (43 U.S.C. 1337(a)(1)(A)-(H));

(6) lease tracts may encompass identified geological structures;

(7) the size of lease tracts may be up to sixty thousand acres, as determined by the Secretary;

(8) each lease shall be issued for an initial period of ten years, and shall be extended for so long thereafter as oil or gas is produced from the lease in paying quantities, or as drilling or reworking operations, as approved by the Secretary, are conducted thereon;

(9) for purposes of conservation of the natural resources of any oil or gas pool, field, or like area, or any part thereof, lessees thereof and their representatives are authorized to unite with each other, or jointly or separately with others, in collectively adopting and operating under a unit agreement for such pool, field, or like area, or any part thereof (whether or not any other part of said oil or gas pool, field, or like area is already subject to any cooperative or unit plan of development or operation), whenever determined by the Secretary to be necessary or advisable in the public interest. Drilling, production, and well reworking operations performed in accordance with a unit agreement shall be deemed to be performed for the benefit of all leases that are subject in whole or in part to such unit agreement. When separate tracts cannot be independently developed and operated in conformity with an established well spacing or development program, any lease, or a portion thereof, may be pooled with other lands, whether or not owned by the United States, under a communitization or drilling agreement providing for an apportionment of production or royalties among the separate tracts of land comprising the drilling or spacing unit when determined by the Secretary of the Interior to be in the public interest, and operations or production pursuant to such an agreement shall be deemed to be operations or production as to each such lease committed thereto;

(10) to encourage the greatest ultimate recovery of oil or gas or in the interest of conservation the Secretary is authorized to waive, suspend, or reduce the rental, or minimum royalty, or reduce the royalty on an entire leasehold, including on any lease operated pursuant to a unit agreement, whenever in his judgment the leases cannot be successfully operated under the terms provided therein. The Secretary is authorized to direct or assent to the suspension of operations and production on any lease or unit. In the event the Secretary, in the interest of conservation, shall direct or assent to the suspension of operations and production on any lease or unit, any payment of acreage rental or minimum royalty

prescribed by such lease or unit likewise shall be suspended during the period of suspension of operations and production, and the term of such lease shall be extended by adding any such suspension period thereto; and

(11) all receipts from sales, rentals, bonuses, and royalties on leases issued pursuant to this section shall be paid into the Treasury of the United States: Provided, That 50 percent thereof shall be paid by the Secretary of the Treasury semiannually, as soon thereafter as practicable after March 30 and September 30 each year, to the State of Alaska for:

(A) planning;

(B) construction, maintenance, and operation of essential public facilities; and

(C) other necessary provisions of public service: Provided further, That in the allocation of such funds, the State shall give priority to use by subdivisions of the State most directly or severely impacted by development of oil and gas leased under this section.

Any agency of the United States and any person authorized by the Secretary may conduct geological and geophysical explorations in the National Petroleum Reserve in Alaska which do not interfere with operations under any contract maintained or granted previously. Any information acquired in such explorations shall be subject to the conditions of 43 U.S.C. 1352(a)(1)(A).

Any action seeking judicial review of the adequacy of any program or site-specific environmental impact statement under section 102 of the National Environmental Policy Act of 1969 (42 U.S.C. 4332) concerning oil and gas leasing in the National Petroleum Reserve-Alaska shall be barred unless brought in the appropriate District Court within 60 days after notice of the availability of such statement is published in the Federal Register.

The detailed environmental studies and assessments that have been conducted on the exploration program and the comprehensive land-use studies carried out in response to sections 105(b) and (c) of Public Law 94-258 (42 U.S.C. 6505(b), (c)) shall be deemed to have fulfilled the requirements of section 102(2)(c) of the National Environmental Policy Act (Public Law 91-190) (42 U.S.C. 4332(2)(C)), with regard to the first two oil and gas lease sales in the National Petroleum Reserve-Alaska: Provided, That not more than a total of 2,000,000 acres may be leased in these two sales: Provided further, That any exploration or production undertaken pursuant to this section shall be in accordance with section 104(b) of the Naval Petroleum Reserves Production Act of 1976 (90 Stat. 304; 42 U.S.C. 6504)

ALASKA STATUTES

Title 37. Public Finance

Chapter 5. Fiscal Procedures Act

Section 530. National Petroleum Reserve - Alaska Special Revenue Fund

(a) The National Petroleum Reserve - Alaska special revenue fund is established. The fund consists of all money disbursed to the state by the federal government under 42 U.S.C. 6508 (P.L. 96-514) since December 12, 1980, less the amount deposited in the general fund and expended by the state by general fund appropriations before June 9, 1984.

(b) The commissioner of revenue shall manage the National Petroleum Reserve - Alaska special revenue fund.

(c) The Department of Community and Economic Development shall adopt regulations under which municipalities impacted by National Petroleum Reserve - Alaska oil and gas development under 42 U.S.C. 6508 may apply for and be eligible to receive grants to alleviate the impact. The department shall give priority in the allocation of grants to municipalities that are experiencing or will experience the most direct or severe impact from oil and gas development under 42 U.S.C. 6508 within the National Petroleum Reserve - Alaska. The department shall fund all meritorious grant applications out of the money appropriated to it each year. Within 10 days after the convening of each regular session of the legislature, the department shall submit to the legislature a list of all municipalities that have received grants, a list of all municipalities determined by the department to be eligible for further grants, a recommendation of the amount of money to be granted for those additional applications, and written justification of each past and potential grant.

(d) It is the intent of the legislature that each year all of the money in the National Petroleum Reserve - Alaska special revenue fund be made available for appropriation by the legislature to municipalities that demonstrate under (c) of this section present impact, or the need to determine or plan for future impact, from oil and gas development under 42 U.S.C. 6508. It is the intent of the legislature that an initial appropriation be made to the Department of Community and Economic Development to cover anticipated impact grants, and that additional funds be made available through supplemental appropriations if the impact is greater than anticipated and the legislature considers the additional grants proposed by the department to be meritorious.

(e) A municipality may use the funds received under (d) of this section only for the following activities and services to alleviate the impact of the oil and gas development under 42 U.S.C. 6508 within the National Petroleum Reserve - Alaska:

- (1) planning;

(2) construction, maintenance, and operation of essential public facilities by the municipality, and

(3) other necessary public services provided by the municipality.

(f) Funds appropriated under (d) of this section may not be used for the retirement of municipal debt.

(g) Amounts received by the state under 42 U.S.C. 6508 and not appropriated for grants to municipalities under (d) of this section shall be deposited at the end of each fiscal year as follows: (1) 25 percent to the principal of the Alaska permanent fund; and (2) .5 percent to the public school trust fund (AS 37.14.110). The amounts remaining after the deposits to the Alaska permanent fund and the public school trust fund may be appropriated to the power cost equalization and rural electric capitalization fund (AS 42.45.100). The amounts remaining after any appropriation to the power cost equalization and rural electric capitalization fund shall lapse into the general fund for use by the state for the following facilities and services: planning; construction, maintenance, and operation of essential public facilities; and other necessary public services.

(h) Notwithstanding other provisions of law and unless expressly provided by the legislature in the appropriation item making the appropriation, an appropriation from the National Petroleum Reserve - Alaska special revenue fund shall, for the purposes of determining the funding sources for the appropriation be treated as though the appropriation takes effect in the fiscal year in which the appropriation passes the legislature. The authorization to expend funds appropriated from the fund shall take effect as otherwise provided by law.

ALASKA ADMINISTRATIVE CODE
Title 3. Community and Economic Development
Chapter 150. National Petroleum Reserve - Alaska Impact Program

3 AAC 150.010. General Objectives

The primary objective of the National Petroleum Reserve-Alaska (NPR-A) Impact Program is to provide municipalities with financial assistance to help mitigate significantly adverse impacts related to oil or gas leasing within the NPR-A, including exploration, production, and oil or gas transportation activities, conducted under the authority of 42 U.S.C. 6508. Financial assistance may be available for

- (1) planning;
- (2) construction, maintenance, and operation of essential public facilities; and
- (3) other necessary public services.

3 AAC 150.020. Administration of NPR-A Impact Program

Under sec. 2, ch. 53, SLA 1986, the legislature will appropriate each year the balance remaining in the National Petroleum Reserve-Alaska special revenue fund to the Department of Community and Economic Development. The department will, in accordance with this chapter, receive, review, and evaluate applications from eligible municipalities each year, and will fund qualified grant requests up to the amount of the appropriation. Money not allocated to eligible municipalities each year lapses in accordance with sec. 3, ch. 53, SLA 1986. If the total amount of money requested by eligible municipalities in a year exceeds the appropriation for that year, the department will allocate the available grant money in accordance with the criteria for priority set out in 3 AAC 150.060 - 3 AAC 150.080. Additional money might be made available through supplemental appropriations if the impact is greater than anticipated and the legislature considers the additional grants proposed by the department to be meritorious.

3 AAC 150.030. Eligibility in General

Eligibility for NPR-A impact assistance has two main components: applicant eligibility and project eligibility.

3 AAC 150.040. Applicant Eligibility

To be eligible to receive assistance under the NPR-A Impact program, the applicant

- (1) must be a municipality under state law; and
- (2) must demonstrate present impact, regardless of date of initial occurrence, or foreseeable future impact, on the applicant or the applicant's residents from oil or gas exploration, production, or transportation activities in the NPR-A under 42 U.S.C. 6508.

3 AAC 150.050. Project Eligibility

(a) To be eligible for funding under the NPR-A impact program, a project must be related to present, continuing, or reasonably foreseeable impact on the applicant or the applicant's residents from oil or gas exploration, production, or transportation activities in the NPR-A under 42 U.S.C. 6508.

(b) To be eligible for funding, a project also must be for the purpose of

- (1) planning;
- (2) construction, maintenance, and operation of essential public facilities; or
- (3) other necessary public services.

(c) In this section, "impact" means an effect reasonably attributable to NPR-A oil and gas activities under 42 U.S.C. 6508 on

- (1) population;
- (2) employment;
- (3) finances;
- (4) social and cultural values;
- (5) air and water quality;
- (6) fish and wildlife habitats;
- (7) the ability to provide essential public services, including health care, public safety, education, transportation, utilities, and government administration; and
- (8) other things of demonstrable importance to the applicant or the applicant's residents.

(d) Examples of needs that eligible projects may address include the following:

- (1) resource protection to ensure the continued viability of fish, wildlife, and other natural resources on which the applicant's residents rely for subsistence needs;
- (2) alleviation or mitigation of adverse social or cultural impacts;
- (3) health needs, including hospitals, clinics, emergency medical facilities, alcohol and drug abuse facilities, mental health facilities, waste disposal systems, and water quality improvement systems;
- (4) public safety needs, including police protection, search and rescue, and fire protection;
- (5) utility needs, including electric generating plants and distribution systems, water supply systems, telephone systems, and other fuel distribution systems;
- (6) housing needs;
- (7) recreational needs.

3 AAC 150.060. Project Criteria

(a) If the total amount of money requested by eligible applicants for eligible projects in meritorious applications exceeds the amount appropriated for grants that year, the department will rank applications for the purpose of establishing priority for funding.

(b) In determining the merit of an application, the department will consider

- (1) the degree to which the project proposed in the grant application alleviates the impact caused by development in the NPR-A under 42 U.S.C. 6508;
- (2) the ability of the applicant to accommodate or absorb the impacts through existing facilities or programs; and
- (3) other criteria the department identifies as critical to determination of the merit of the application.

(c) In ranking the applications, the department will consider

- (1) the severity of the impact caused by the development in the NPR-A under 42 U.S.C. 6508 on the municipality; and
- (2) the degree to which the impact on the municipality is directly caused by development in the NPR-A under 42 U.S.C. 6508.

3 AAC 150.070. Submission of Applications

(a) Application must be made on forms provided by the department. The forms will be such that they may be easily filled out by small communities without technical staff. The department will, upon request, provide assistance to applicants to the extent possible based upon the availability of financial and human resources.

(b) A municipality that believes it is eligible to receive NPR-A impact assistance under 3 AAC 150.010 - 3 AAC 150.060 may file an application with the department as provided for in (a) of this section. An application must be postmarked no later than November 15 of each year in which NPR-A assistance money is available for appropriation by the legislature under AS 37.05.530. If November 15 is a Saturday, Sunday, or legal holiday, the deadline for postmark is the department's next regular business day.

3 AAC 150.080. Review of Applications and Award of Grants

(a) The department will review applications for eligibility for NPR-A impact assistance and place applications in order of priority in accordance with 3 AAC 150.060.

(b) The department will review each application determined to be eligible for NPR-A impact assistance to determine whether the amount requested for a project is reasonably necessary for the project to alleviate impacts from oil and gas development in the NPR-A under 42 U.S.C. 6508, the department will deduct from the amount requested any amounts that are not reasonably necessary for that purpose.

(c) If, after making necessary adjustments to grant requests under (b) of this section, the department determines that the total amount for eligible projects requested by all eligible applicants that year is equal to or less than the amount appropriated for that year, the department will fund all meritorious requests. If the total amounts requested are greater than the amount appropriated, the department will fund requests in accordance with the priorities established in 3 AAC 150.060 until the appropriation is spent. The department will, in its discretion, recommend to the legislature that additional money be made available through supplemental appropriations.

3 AAC 150.090. Reconsideration and Judicial Review

A municipality aggrieved by a decision made under this chapter may request reconsideration by the commissioner of community and regional affairs, and must seek such reconsideration before seeking judicial review. A final decision of the department is subject to judicial review in accordance with Rule 602 of the Alaska Rules of Appellate Procedure.